

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 1:30 p.m. on February 25, 2009, in Room 143-N of the Capitol.

All members were present except:

Representative Mike Peterson- excused

Committee staff present:

Jason Long, Office of the Revisor of Statutes

Conferees appearing before the committee:

Steve Weatherford, President , Kansas Development Finance Authority

Gary Allsup, Kansas Housing Resources Corporation

Others attending:

See attached list.

Attachments:

Steve Weatherford, President , Kansas Development Finance Authority ([Attachment 1](#))

Gary Allsup, Executive Director, Kansas Housing Resources Corporation ([Attachment 2](#))

Representative Olson moved for the approval of the minutes of February 16 and 17, 2009. Motion was seconded by Representative Loganbill. Motion carried.

Steve Weatherford, President of Kansas Development Finance Authority, explained the history, purpose, and responsibilities of the K DFA ([Attachment 1](#)). He described it as being a separate entity for purposes of debt issuance in order that the debt may clearly be characterized as debt of the Authority, and not direct debt of the State of Kansas.

K DFA is the State's only multi-purpose, State-level finance authority, created for the primary purposes of providing the State and other public and private entities, access to the capital markets to finance capital projects and public programs. K DFA receives no State appropriation for operations and is entirely fee funded. K DFA's Issuer Fee is a declining percentage of the ultimate transaction size. Also included in his testimony were financial statements for years ended June 30, 2008 and 2007 and an independent auditor's report.

Gary Allsup, Executive Director of Kansas Housing Resources Corporation, gave the history, a review of the fiscal operations, their existing programs ([Attachment 2](#)), He also explained the positive impact of Federal stimulus dollars on the home weatherization, rental housing development gap financing, and emergency shelter programs. Also included in the testimony were financial statements for the years ended June 30, 2007 and 2008, and an independent auditor's report.

The Committee questioned K DFA's authority and reasoning for refinancing part of the \$500 million K PERS bond. Mr. Weatherford stated that during the budgetary process the Budget Director had requested cash relief in FY 2009 due to the shortfall in the State General Fund. They were asked to list all the bonds which were being debt serviced by SGF in 2009 and 2010. The K PERS bonds are a large part of this debt service. K DFA was informed by Legislative Research that prior to issuance or refunding of bonds, the State Finance Council must give prior approval for either transaction. This was an oversight due to miscommunication between K DFA and the bond counsel. After the State finance council approved a reduction which would only be a budgetary relief of \$4 million for SGF rather than the \$14M requested. No fees will be charged by K DFA nor will there be refunding fees when the bonds were pulled and changed from short-term to long-term. There will be extra interest costs due to this major change. There would have been a budgetary relief of \$53M for FY 2009 and 2010 for the State General Fund by issuing the bonds. However, this would have ended up costing the state approximately \$65M of additional interest due to the extension of the bonds by at least ten years.

The Governor does not sweep excess funds from K DFA due to legal ramifications as it is considered a separate entity. By doing so, the State's liability would be increased and the bonds that are outstanding could be declared taxable. There are currently 11 employees with K DFA and 46 with K HRC with an expected

CONTINUATION SHEET

Minutes of the House Federal And State Affairs Committee at 1:30 p.m. on February 26, 2009, in Room 143-N of the Capitol.

increase due to the stimulus package.

Mr. Allsup reported that their biggest problem in housing shortages was for workforce type housing. The federal programs focus on elderly and low-income housing. The \$11.5M available in the trust fund and other funds allows the corporation to donate any excess to programs not covered by federal monies.

The next meeting is scheduled for February 26, 2009.

The meeting was adjourned at 2:50 p.m.