

M I N U T E S

SPECIAL COMMITTEE ON SELECTED STUDIES -- HOUSE

June 24 and 25, 1976

Room 510 - State House

Members Present

Representative Lynn Whiteside, Chairman
Representative Pascal Roniger, Vice-Chairman
Representative Mike Glover
Representative Rex Hoy
Representative Jim Lowther
Representative Donald Mainey
Representative William Reardon
Representative Frank Smith
Representative Robert Whittaker

Staff Present

Myrta Anderson, Legislative Research Department
Ramon Powers, Legislative Research Department
Mike Heim, Legislative Research Department
Donald L. Jacka, Jr., Legislative Research Department
Mary Ann Torrence, Revisor of Statute's Office

Conferees and Others Present

T. Neyman, United Telephone Company, Junction City, Kansas
Ross Martin, Kansas Society of Architects, Topeka
George Barbee, Kansas Consulting Engineers, Topeka
Paul E. Nixon, Value Engineering Society, Wichita
Bill Abbott, The Boeing Company, Wichita
Holton M. Kennedy, State Purchasing Division, Topeka
Henry Knouft, State Purchasing Division, Topeka
Tom Pitner, Department of Administration, Topeka
Bernard Wanner, Architectural Services, Department of Administration, Topeka
R.R. Biege, Jr., Kansas Department of Transportation, State Office Building
A.R. Landis, Employment Security Division, Topeka
Lyle Phillips, Employment Security Division, Topeka
William Layes, Employment Security Division, Topeka
Karl L. Losey, Employment Security Division, Topeka
E. Maxwell, Employment Security Division
Dennis Williams, Division of Budget, Topeka
Carl Nordstrom, Kansas Association of Commerce and Industry, Topeka
Jack A. Pearson, Kansas Association of Commerce and Industry, Topeka
Roger Myers, Capitol Journal, Topeka
Jim Yount, Kansas AFL-CIO, Topeka
Kirk Baker, Kansas State University, Manhattan
Marvin E. Chilcott, Farmers Home Administration, Topeka
Chris McKenzie, Planning and Research, Topeka
Byron Wood, Kansas Department of Economic Development, Topeka
Richard Dykes, Kansas Department of Economic Development, Topeka
Cornelia Flora, Kansas State University, Population Research Laboratory, Manhattan
Ed Flentje, Planning and Research Department, Topeka

June 24, 1976.

Representative Whiteside called the meeting to order at 10:00 a.m. and explained that the Special House Committee on Selected Studies -- House, had been assigned three proposals for the 1976 interim: Proposal No. 57 - Value Engineering; Proposal No. 58 - Unemployment Compensation; and Proposal No. 59 - Rural Revitalization. Representative Whiteside then called on Mr. Ramon Powers, Legislative Research Department, who presented a few introductory comments on Proposal No. 57 - Value Engineering.

Mr. Powers stated that prior to the 1976 Session, Representative Robert Whittaker organized a meeting of individuals (state officials including agency personnel, representatives of the Research Department and the Revisors' Office, and the Governor's Office with legislators and representatives of S.A.V.E. (Society of American Value Engineers) and the U.S. General Services Administration). The meeting was intended as a value engineering feasibility study for Kansas.

One consequence of that meeting was the drafting of a bill that would apply value engineering to the State of Kansas. Eventually, H.B. 2979 was introduced by Representative Whittaker. That bill proposed that all contracts for building construction projects contain the following provisions:

1. Authorize the contractor and subcontractor (with regard to all matters governed by contracts) to submit value engineering change proposals.
2. Specification of procedural and substantive requirements for the preparation, development and documentation for value engineering change proposals as required for the particular building construction project.
3. Require copies of all value engineering change proposals and all supporting documents be submitted to the Director of Architectural Services and the Director of Purchases of the Department of Administration.
4. Provide that if a change order resulting from a value engineering change proposal is adopted for a building construction project, the change order will reduce the payments to the contractor or subcontractor by an amount equal to no more than one-half of the amount of the direct and immediate net savings resulting from the value engineering proposal.

The Director of Architectural Services and the Director of Purchases are authorized to investigate the value engineering change proposals and report to the Secretary of Administration. If the secretary determines that a savings of \$25,000 or more would result, the change order shall be adopted. H.B. 2979 defines value engineering:

"(b) 'Value engineering' means the systematic and creative functional analysis of building construction project systems, specifications, standards, practices and procedures for the purposes of identifying and eliminating unnecessary costs by developing value engineering change proposals which satisfy required functions of such projects for the lowest cost in a manner consistent with requirements for performance, reliability, quality and maintainability."

Staff reviewed the literature on the subject and discussed the issues with the Director of Architectural Services. Mr. Louis Kreuger and his assistant, Mr. Bernie Wanner were invited to attend the meeting, along with Mr. Knouft, Director of the Purchases Division. Mr. Paul Nixon, Value Engineer, Wichita was also invited to appear as a conferee.

Mr. Powers then summarized the material included in the notebooks which included two items on value engineering: one by Geoffrey Churchill which appeared in the Kansas Business Review in 1966 and the other, a paper by C.P. Smith on "Value Engineering Today," presented in November, 1975 in Texas.

Churchill, in his article, stated that "Value analysis (or value engineering) is a process of design review which should assure a manufacturer that each part of his product is made as inexpensively as possible given fixed product performance specifications,

often by use of recently developed materials and processes." The author discusses the options developed in value analysis, and suggests that it usually involves a team process.

C.P. Smith argues that value engineering is "perhaps one of the most effective tools available to management today for attaching a cost or value problem." Instead of being merely another cost reduction approach to product/system design and procurement, value engineering according to Smith is a technique (or philosophy) that is built around team effort. Smith then describes applications of value engineering (page 5) in California, the Bureau of Reclamation, and other governmental units or agencies.

He concluded that "the organized functional approach of value engineering, following the steps of the job plan-information, speculation, analysis, evaluation, and implementation -- shows us the way to success when properly applied. True success in value analysis can be achieved through the proper mix of management involvement, competent value practitioners, and use of the proven value techniques."

Staff raised the following questions about the application of value engineering to the State of Kansas:

1. (Would a law like H.B. 2979 force the state to accept a change order even if the state architect or director of purchases judged that such a change would be bad for the state?)
2. Should value engineering be applied at the design stage rather than after contracts are approved? (And if it is to be applied at the design stage, how different would that be from present practice?)
3. Exactly how would cost savings be calculated by the contractors? (Would the percent calculated for profit and overhead be included in such a determination?)
4. Would such a law allowing value engineering greatly increase change order requests? (Would the state architect and director of purchases need to increase their staff?)
5. Does the structure of government (particularly state government) lend itself to the application of value engineering? (Can total planning of value engineering be applied where there is competitive bidding?).

Mr. Paul Nixon, Value Engineer, Wichita, then gave a few brief comments on value engineering. He stated that value engineering could occur in two stages -- during the design or conceptual phase or after the drawings or specifications had been released. Value engineering is concerned with the elimination or modification of anything that contributes to the cost of a contract item or task but is not necessary for needed performance, quality, maintainability, reliability or interchangeability. Value engineering is meant to provide contractors with a financial incentive to undertake value engineering changes on the premise that if they spend time and money to reduce costs that they will share in the savings. It is based on the idea of providing motivation for change and that a good idea will be rewarded. The federal government has initiated value engineering in various departments such as the General Services Administration, Bureau of Reclamation, Department of Defense, etc. In the case of the Department of Defense, value engineering is provided for in the Armed Forces Procurement Regulations. Sometimes savings as a result of value engineering cannot be determined immediately and in this case, life cycle costs are calculated for long range planning.

During the discussion which followed, Representative Whittaker stated that H.B. 2979 was introduced as a vehicle for discussion of the concept of value engineering at the recommendation of the Governor's staff. He suggested that the Committee should not be limited in its consideration of the topic of this specific legislation but should consider alternative proposals.

Chairman Whiteside then introduced Mr. Henry Knouft, Director of Purchasing, who presented the views of the Department of Purchasing with respect to value engineering. He stated that the use of value engineering as a concept should probably be

applied in the design stage by the state architect as opposed to an after-the-fact procedure to be used by construction contractors to identify and benefit from oversights and deficiencies in state projects. A review of value engineering proposals by the agencies with whom responsibility for adequacies of original design and specification rests, would probably result in either the reluctance to accept those value engineering proposals having merit because of ego involvement - or a too ready acceptance of them as a means of correcting deficiencies that should have been identified in the design stage.

Mr. Knouft further stated that in the instances of projects having been initially designed by a commercial architect firm, there is nothing in the proposed legislation to preclude the design firm from intentionally building deficiencies into the project with a value engineering proposal in mind to later join the prime contractor in submitting a value engineering proposal to correct those deficiencies and sharing in the 50% return on inuring savings to the project.

In addition, the proposed legislation does not consider the time frames involved in the review of value engineering proposals, nor does it recognize appeals from contractors who might feel that their proposal was unfairly treated by the reviewing authority. This situation could lead to costly project delays and possible litigation whose ultimate costs would outweigh any possible benefit inuring to the state through the adoption of other value engineering programs. The inclusion of a value engineering provision in invitations for bid for construction could well result in vendors reducing their bid in anticipation of subsequent approval of a value engineering proposal which might never materialize. This situation would result in compromise of the project before it is hardly begun. The need to re-advertise the project could only result in the state ultimately paying a higher price for the same service.

Mr. Kennedy, Specification and Standards Section, Purchasing Department, briefly discussed the way value engineering has been implemented in the Defense Department.

During the following Committee discussion, Mr. Tom Pitner, Administration Department, suggested that the Division of Architectural Services at the next Committee meeting give a detailed summary of the procedure followed by their office for the bid procedure. The Committee agreed this should be done.

Mr. Bernie Wanner, Division of Architectural Services, briefly reviewed the procedure for accepting drawings for public buildings, the review procedure for construction projects and the general relationship of the Architectural Services to the Purchasing Department. Material in the notebooks includes the "Status of Major Contracts under Construction as of June 10, 1976." The summary includes the construction cost of projects and the percent of construction completed.

In response to Committee discussion concerning the limits of value engineering as applied to state government, Representative Whittaker directed the Committee's attention to a publication entitled, Value Management, published by Public Technology, Inc., Washington, D.C. (publication included in notebooks).

"Success in Value Management studies in state and local government often has not been without difficulty. A prime concern voiced by several users involves the impact of VM recommendations on in-house staff. In particular, the individuals affected by a VM study should be made aware that the study seeks to provide assistance and suggestions and is not intended as criticism. Top management commitment of both time and budget is essential to overcome resistance to innovation and achieve implementation."

Chairman Whiteside then called on Mr. R.R. Biege, Department of Transportation, who presented his department's views on value engineering. Mr. Biege stated the department had become aware of the concept of value engineering through their relationship with the Naval Reserve program. He said the department had a film available which applied the concept of value engineering to the transportation field. The Committee requested that this film be viewed by the Committee at some future meeting. Mr. Biege stated that the department had already initiated an informal value engineering system. He described the satellite maintenance shop system which the department used and said they had reduced the number of shops to 20 two-man shops and have since phased them out. A copy of a report on the Maintenance Reorganization Plan, prepared by the

Department of Transportation, is on file in the Legislative Research Department (Attachment I). Mr. Biege stated that the maintenance shop example indicated a system of internal value engineering was better than external value engineering. In response to questioning, Mr. Biege stated that the department had not specifically documented the savings realized by value engineering but would be able to accumulate this data for some future meeting. After further Committee discussion, Chairman Whiteside adjourned the meeting for lunch.

Afternoon Session

Chairman Whiteside called the meeting to order at 1:30 p.m. After consultation with the Committee, he announced that the dates of future meetings will be July 27 and 28 (Value Engineering), August 19 and 20 (Unemployment Compensation) and September 23 and 24 (Rural Revitalization). Chairman Whiteside then briefly summarized Proposal No. 58, Unemployment Compensation. He stated that the subject of study included a review of the process used in handling unemployment compensation claims, the criteria for awarding unemployment benefits in Kansas, and also included monitoring changes in the national unemployment compensation system.

Mike Heim of the Legislative Research Department then reviewed the current employment security statutes, K.S.A. 44-701 et seq., (Attachment No. II). Lyle Phillips, Employment Security Division, presented background information on "unemployment insurance in Kansas." Mr. Phillips stated that unemployment insurance was brought into existence with the passage of the Social Security Act of 1935. Payment of benefits began in most states in 1937-1938 on a modest scale. At the outset, maximum benefits were limited to \$15.00 per week in most states, and duration was limited to 16 weeks. A gradual liberalization of both weekly amount and duration started soon after the program was inaugurated and has continued slowly but steadily since. Most changes have come through state initiatives in changing state laws. Some liberalizations have come through federal legislation including most of the progress on extended benefits and important advances on coverage.

The program has been regarded generally as designed to meet problems of short-time unemployment. Until the recent recession, the assumption has been that the long time unemployed would be cared for by welfare when they exhaust their unemployment insurance. This concept has been weakened by the absence of an adequate welfare program in many states. Unemployment was widespread in late 1974, with the result that Congress enacted the SUA Program (Special Unemployment Assistance) to pay benefits to those not covered under other laws and the Federal Supplemental Benefits and the Extended Benefits Program that extended benefits for a total of 65 weeks.

A close look at the role unemployment insurance has played in the 40 years of its existence makes it clear that it has been the major program in relieving the problem of both structural and recession unemployment. Thousands of workers unemployed due to industrial peacetime and wartime shifts have been helped until they could locate new employment. Since World War II we have experienced five economic downturns, and unemployment insurance has been the major support to the unemployed and the economy through increased purchasing power. The 1974-75 recession gave unemployment insurance its greatest challenge. Most administrators of the program are proud of the role unemployment insurance has played in meeting the problems of unemployment. They also recognize that the system has some weaknesses, with the result that Congress and the Labor Department are trying to come up with changes in seeking improvements. Some of these are dealt with in H.B. 10210 which has been under consideration for the past year.

Mr. Phillips then reviewed the process for handling claims. There are six district offices where claims are handled in the field. In addition, itinerant service is conducted in some 35 Employment Service Offices and in about 22 other locations where no offices are located. Some of these are served on either a monthly or bi-weekly basis. The actual process of filing claims involves a person reporting to an office requesting to file a claim for unemployment benefits. A brief interview is conducted to determine if there was covered employment during the base period (during the first four of the last five completed quarters) they must list certain data and information such as last employer, dates of employment and reason for leaving the job. If separation was due to lay off, or a lack of work, the claimant is given what is called a benefit rights explanation. This is simply an explanation of his rights -- with respect to benefits or when he can expect payment, how to file for weeks that he's unemployed, what he must do to be eligible, and what his responsibilities are. If

separation from his last job was due to quitting or discharge, a statement is taken explaining in detail circumstances surrounding the separation. The employer is then contacted to obtain his explanation of the reasons for the separation or to verify the claimant's statement. Using this information, a determination of eligibility is made either denying benefits or clearing the claim for payment. When this is completed, the claimant is sent to the administrative office in Topeka, where a monetary determination is prepared and mailed to the claimant telling him how much he is entitled to. This also establishes a benefit year -- a one-year period beginning with the Sunday date prior to his filing, and ending one year later.

The law requires that the last employer be notified of the examiner's determination to either pay or deny benefits. This is accomplished by mailing. If he disagrees with the decision, he may file an appeal within 12 days.

The law also requires that any base period employer whose experience rating account will be charged for benefits paid must be notified. This is accomplished by mailing a base period employer notice. When a base period employer should not be charged, he is also notified of this, if he was the last employer.

The claimants are also notified in writing of any determinations denying or reducing benefits.

Appeal Process

Any claimant or employer who disagrees with a formal determination is allowed appeal rights. The law provides for an appeal to be filed within 12 days of mailing or delivery of the determination. Appeals are heard by a referee in an informal hearing. His decision is mailed to all interested parties by the Office of Appeals. If the claimant or employer disagrees with the referee's decision, they may appeal to the Board of Review who reviews the records including a transcript of the referee's hearing. The Board can affirm, reverse, or modify the decision. If they disagree with the Board's ruling, they may appeal to the District Court.

Benefits are paid on a calendar week basis, each week must be claimed separately, and eligibility is determined on a week-to-week basis. Claimants are interviewed periodically to determine continued eligibility, and should there be any reason to question their eligibility, a complete and intensive interview is held before further payments are made.

Federal Programs

In addition to regular state unemployment insurance, the Employment Security Division administers several federal programs. These are:

Unemployment Compensation for Federal Employees. Benefits are based on federal civilian employment.

Unemployment Compensation for Ex-Servicemen. Benefits are based on military service.

Extended Benefits. Up to 13 weeks in addition to regular 26 weeks entitlement.

Federal Supplemental Benefits. Up to 26 weeks paid after exhausting regular and extended benefits. (Triggered off 4-3-76 due to unemployed rate in Kansas.)

Special Unemployment Assistance. A temporary program (ends December 31, 1976) that provides benefits for persons who worked in employment not covered by regular unemployment insurance such as agricultural, domestic, and state or local government.

Trade Readjustment Act. Provides allowances to persons unemployed as a result of imports -- worked for employers adversely affected by imports.

Disaster Unemployment Assistance. Provides unemployment assistance to persons unemployed due to a disaster such as floods or tornadoes. Not covered by another UI program.

Mr. Ernie Maxwell, Chief, Research Department, Employment Security Division then discussed federal legislation being considered, H.B. 10210, the status of the Trust Fund, and statistical information to total and insured unemployment rates, 1971-1976, (Attachment No. III), and Kansas unemployment insurance financial plan, experience, calendar years 1973-1975 (Attachment No. IV). In addition he presented information on the Kansas statewide labor force (Attachment No. V). Mr. William Layes and Mr. Karl Losey presented further information on the unemployment compensation program. Committee discussion followed. Further consideration of the proposal is scheduled for the Committee meeting on August 19 and 20.

June 25, 1976

Chairman Whiteside called the meeting to order at 9:00 a.m. Don Jacka, Legislative Research Department, gave a brief background summary of Proposal No. 59 - Rural Revitalization. He stated the subject of the study included:

A study of plans, procedures and endeavors which might be followed in order to provide for the development of business, commerce and industry in rural areas of Kansas.

The study is partially a result of S.C.R. 1639. The resolution passed the Senate, but remained on the House Calendar when the Legislature adjourned. S.C.R. 1639 makes note of the shift of population from rural to urban areas in the state, and the fact that "at least 40% of the state's population resides in a four-county area. The resolution suggested that the resulting urban congestion is injurious to the environment and the health of the people, and as a consequence the state should encourage "the use and development of our less densely populated areas by commercial business and industrial development."

The substance of the resolution was a directive that a special committee be appointed or designated "to study all plans, procedures and endeavors that might be followed in order to promote the development of business, commerce and industry in the rural areas of our state." The resolution suggested investigating such plans for "rural revitalization" which are comparable to those used in implementation of urban renewal. The Committee was to seek advice and consultation from all state agencies concerned with economic development and private enterprise. A reporting date was also included.

Mr. Jacka also briefly summarized the material in the notebooks which included the following:

1. A copy of S.C.R. 1639.
2. A copy of a USDA publication entitled "The Revival of Population Growth in Nonmetropolitan America."
3. A paper by Dr. Eber Eldridge of Iowa State on "Policies for Rural-Urban Balance."
4. A recent article from Planning by Gene Summers entitled, "Small Towns Beware: Industry Can Be Costly." Summers has recently published a book on the subject.
5. Excerpts from the "1976 Revised Guide to the Rural Development Act of 1972."

The subject of rural revitalization is broad in scope and complex in its ramifications for society. Related to this topic are other interim studies, one which has been assigned to the Special Committee on Public Health and Welfare (Proposal No. 33 - Health

Care Services in Medically Underserved Areas), and others, such as: Local Government Revenue Sources and Needs, Rural Airport Development, The Water Appropriation Law, etc.

Dr. Cornelia Flora, Director, Population Research Laboratory, Kansas State University presented material on population estimates for the State of Kansas (Attachment No. VI). She stated that the data is being prepared under the auspices of the Federal-State Cooperative Program for Local Population Estimates. The purpose of the program is to develop and publish estimates of the population of counties using uniform procedures largely standardized for data input and methodology. The information was prepared jointly by the Bureau of the Census, the Kansas Department of Economic Development, Division of Planning and the Population Research Laboratory, Kansas State University.

The data estimates are based on an average of the following methods:

1. The Regression (ratio-correlation) Method. In the regression method a multiple regression equation is used to relate changes in a number of different data series to change in population distribution. Data used in the regression method for Kansas are: The annual Kansas agricultural census, and registered automobiles plus registered trucks.
2. Component Method II. This method employs vital statistics to measure natural increase and school enrollment to measure net migration.
3. The Administration Records Method. This method uses individual federal income tax returns to measure civilian intercounty migration and reported vital statistics to estimate natural increase.

In addition, Dr. Flora summarized some of the trends of population migration in Kansas.

Dr. Ed Flentje next discussed the role of the Division of State Planning and Research, Department of Administration, as it relates to the subject of study. He stated that the State Planning and Research Division had been in operation for approximately two years. He mentioned what he considered to be five basic functions of the department, which included:

1. Coordinate, review and assess plans in state government;
2. intergovernmental relations, including handling federal grant applications; etc.;
3. policy research role, since the abolishment of the Office of Economic Analysis the Planning and Research Division has responsibility for data analysis in this area;
4. develop information for other governmental agencies, i.e., Board of Regents, etc.;
5. prepare a comprehensive development plan (every four years).

An example of past research done in this area is Kansas 2,000, a report to the people of Kansas concerning resource trends to the year 2,000, addressing the state policy issues and decisions which will determine the future of Kansas, published in 1975. There are strengths and weaknesses in the planning system but basically the problem is to determine what will happen if current trends continue, i.e., population and demographic data, economic development, etc. As far as the current topic is concerned, Dr. Flentje said he thought it would be a mistake to polarize the state by discussing the subject in terms of urban vs. rural areas. The overall goal should be rather to increase the competitive position of Kansas with other states. One problem is that a better data base is needed to determine various factors, such as the mobility of population, etc. In addition, in Kansas where future population trends may place rural local government in jeopardy as population losses translate into tax deficiencies, state assistance and revenue sharing may become major issues.

Although the state as a whole is not standing still, there are several areas that need further research. These areas include:

1. Tax structure - In what way could the tax structure provide more incentive for economic development?
2. Job investment credit act; What are the programs available to help promote employment opportunities in the state?
3. Implement the tax increment financing legislation which passed in the 1976 Session of the Legislature.
4. Promotion of KDED - coordinate activities of regional planning groups and development commissions.

Factors to keep in mind in future planning for the state:

1. Kansas does not want to pursue economic development at all costs. Land, water, energy, etc., are also important and planning should not overlook these natural resource problems.
2. Human resources - one reason why the south has had an economic boom is that wage level have been such that it is easier to attract industry to pay lower wage costs.
3. Historically, Kansas culture has not been a "booster culture". This is related to the gap between the image of the state that is desired and the image of the state that exists.
4. There is need for a better data base on basic facts of Kansas, i.e., demographic data, economic data, natural resources, human resources, etc.
5. Remember that a healthy economy requires diversity - i.e., agricultural interests plus business and industrial interests. The Hesston Corporation is an example of economic development trends in Kansas.
6. Intergovernmental relations - try to influence federal programs so that they respond to state needs, i.e., unemployment compensation funds allocated on the basis of unemployment statistics. Be sure data base is accurate.

Committee discussion followed.

Mr. Marvin Chilcott, Farmers Home Administration was the next conferee. He presented material to the Committee describing the activities of his organization and gave specific examples of how the Farmers Home Administration provided services for the rural areas of Kansas. (Attachment No. VII).

Mr. Chilcott stated that the Farmers Home Administration is an action agency for rural development of the United States Department of Agriculture. The goal of the Farmers Home Administration is to provide financial assistance coupled with credit counseling and technical assistance to families and community groups who are unable to obtain assistance from commercial lending institutions. The agency provides credit to help people own a farm or ranch, rural home, a rural water district, a community facility, or a business or industry. Loan programs are designed to help those who are unable to help themselves because of a lack of resources required by other lenders. During the 1975 fiscal year, \$158 million was made available through all Farm Home Administration programs to help rural Kansans realize their goals and ambitions.

In Kansas there are a total of 175 employees working for the Farmers Home Administration. The State Director, Morgan Williams, and part of his staff are located in the state office at 536 Jefferson Street, Topeka. There are four loan chiefs in the state office who direct farmer programs, rural housing, community services and the business and industrial loan sections.

There are five district directors who are located at Dodge City, Manhattan, Iola, Hutchinson and Atchison. Thirty-eight county offices serve the 105 counties in Kansas. Each county office serves from one to five counties. Each county office unit has county committees or area committees to advise them on program operations; determine eligibility; advise and counsel on credit limits, and to help make known to the public, services that are available through the Farmers Home Administration. A major advantage to rural people in Kansas is the localized method of operation developed over the years by the Farmers Home Administration.

In addition, Mr. Chilcott described the various programs which are available through their agency: farm operating loans, rural rental housing, home ownership loans, farm ownership loans, rural housing repair loans, irrigation and drainage loans, watershed loans, soil and water conservation loans, recreation enterprise loans, youth loans, community facility loans, etc. Discussion period followed.

Mr. Byron Wood, Kansas Department of Economic Development gave a brief statement of the activities of their department and introduced Mr. Richard Dykes who presented information on the problems of rural revitalization. He stated that rural communities have a problem of declining population with the average age of rural community areas increasing. Retail business is usually declining in these areas and there is an increased demand for both quantity and quality of services. Costs and taxes are increasing in these areas. In the past the state's economy has been dependent on agriculture, rather than a highly diversified economy. With the tremendous improvements in technology, there have been fewer jobs in agriculture and a wide disparity in wages. He stated that the perspective of their agency was to create new jobs and new opportunities for jobs in the state. The department has attempted to encourage persons to move into small communities, stressing the advantages that exist in these areas.

The department has also attempted to generate more prospects in the field of economic development. The tourist industry has been utilized to a great extent and the department has spent approximately \$7,000 in advertising media. They have stepped up their direct mail procedure, expanded their mailing lists and have worked closely in the development of the Kansas Cavalry.

Mr. Dykes described the activities of the Cavalry and stated that they had been working on ways of identifying potential industrial prospects and had visited Los Angeles, Philadelphia, Baltimore, Detroit, Cleveland, Newark and northern New Jersey. For example, before a recent trip to Philadelphia, the KDED had done a survey of 700 firms and set up appointments with approximately 12 firms. Three of them indicated an interest in Kansas. One of the firms is a ball-bearing manufacturer that serves agricultural areas. The KDED is trying to interest them in the Wichita or Topeka area, in addition to some of the smaller communities.

In addition, the department is increasing its data processing unit with the hope that it will be easier to sell the state and its advantages if more specific information is available. Tours of southeast Kansas are being set up and in southwest Kansas, and, in addition, they are attempting to change the image of the state. The world trade function is also being investigated. They are also helping to create a better state of preparedness at the local level and are working closely with the KDED Commission to bring these changes about. Committee discussion followed.

Mr. Byron Wood then discussed the PRIDE program briefly and introduced Mr. Kirk Baker, Division of Extension, Kansas State University, Manhattan, who described the PRIDE program in more detail. Mr. Baker stated that his organization works with local government Chambers of Commerce, community planning groups, and other agencies or groups interested in community resource development. He described an example of their activity, the North Central Housing Conference held May 18 at Belleville. Committee discussion followed.

The Committee directed staff to draft a letter to the Legislative Coordinating Council requesting permission to expand the scope of Proposal No. 59 - Rural Revitalization, to include urban areas as they pertain to the original proposal.

The next meeting will be held July 27 and 28 on Proposal No. 57 - Value Engineering. Meeting adjourned.

Prepared by Myrta Anderson

Approved by Committee on:

July 27, 1976
Date