

Approved February 12, 1986  
Date

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY

The meeting was called to order by Representative Jayne Aylward at  
Chairperson

3:30 ~~a.m.~~ p.m. on February 5, 1986 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Lynne Holt, Legislative Research Department  
Jean Mellinger, Secretary to the Committee

Conferees appearing before the committee:

Dr. Anthony Redwood, Professor of Business and Executive Director, Institute for Public Policy and Business Research, University of Kansas

Chairman Jayne Aylward opened the meeting and introduced Dr. Anthony Redwood.

Dr. Anthony Redwood focused on the main elements of the strategy that they think the state should follow and touched on the recommendations that are relevant to the CCT Committee. The study had five parts: first, analyzing and looking at the economy; second, talking to lots of Kansans; third, studying the factors that influence businesses when they are making decisions to locate or not to locate in a state; fourth, looking at what other states are doing; and fifth, trying to identify the type of industries that might be suitable for Kansas. He stated that in their view the current weakness in the state economy is not a temporary phenomenon. Aircraft, oil and gas, and agriculture are the foundations of the economy in Kansas and internationalization of all economies has generated forces that are unfavorable to these. The trends that have occurred need not necessarily continue unabated. The state can influence the situation and should try to facilitate the transition from where we are into something better. The state has a number of important strengths, a high quality educational level from top to bottom, a productive work force, state fiscal stability, a transportation infrastructure, and a central location. The basis for development in Kansas is from within. The economic fundamentals are basically sound--wage levels, energy costs, and tax level are not "out of line." There are some barriers and gaps--inadequate investment in research and development, some problems in the tax structure, seed capital, sufficient linkage between business and universities, and inadequate funding and imbalance emphasis on the KDED. A balanced approach would be to do what we can to maintain the strengths to the traditional sectors, to work with existing industry, to develop new industries, and to develop the local community basis for development. It would be a serious mistake for the state to adopt a strategy based on tax incentives, but they should try to be the same as other states. There must be a long consistent effort by the state in support of a well-defined strategy. He mentioned several recommendations including expanding the level of funding for the centers of excellence programs. He stressed the necessity of having a focal point of contact between business and the university. There needs to be some organizational device that cultivates the ability to create the linkage and is dedicated to looking for potential commercial, practical applications for the research going on at the universities.

Representative Green said he had a hangup where we educate foreign students in our colleges and they return and buy into existing corporation without creating any new jobs like some of the farms and asked if we are implementing this type of activity. Dr. Redwood said there wasn't anything in their report dealing with that aspect. Representative Green asked how many new industries have come in from foreign investments rather than just some capital coming in and picking up what we already have. Dr. Redwood said they had not differentiated this but there has not been much foreign capital into Kansas for new industry development.

Representative Chronister asked if they had thought anything about the port in Tulsa and the advantage that barge traffic up the Mississippi brings to the southern part of Kansas as far as the development of shipping for heavy industry in their study. Dr. Redwood said they have not; they have not dealt with the whole transportation area. Representative Chronister said it was a resource that hasn't been developed by Oklahoma or Kansas.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY,  
room 522-S, Statehouse, at 3:30 ~~xxx~~/p.m. on February 5, 1986

Representative Dean asked how they see a center of excellence, if they see a tangible item such as the building that NASA built on West Campus; do they see a separate entity from the normal School of Physics and the normal School of Engineering. Dr. Redwood answered that probably they did. He sees more an organizational type basis that is multi-disciplinary in nature like the Space Technology Center. Their concept of the centers of excellence is to look at what type of research is cutting edge research and split this into two groups. That type of research that is unlikely to have much practical application for relevance to Kansas should be financed by the normal university funding. A center of excellence should focus on the other group of research that has some potential commercialization aspects out of it. Representative Dean asked if he was speaking of applied research or pure research. Dr. Redwood said that applied research could essentially be dealing with, for instance, Physics Professors or Chemistry Professors at KSU where they do not have particular national strengths so they would not be likely to get national recognition from businesses or from the academic world but what they are doing has potential application to business within the State of Kansas. Representative Dean asked regarding the remark about developing existing industry in the state and, leaving out the three major areas Kansas has now, what existing industries was he speaking of. Dr. Redwood said there are 140,000 to 150,000 jobs in manufacturing not counting the aircraft industry. Representative Dean asked if he sees Kansas City, Missouri, as being more service organizational oriented. Dr. Redwood said that they have traditionally been more goods producing oriented than the Kansas side of the Kansas City area. Representative Dean asked if that trend wasn't changing. Dr. Redwood said much of the development in Johnson County has been more in service and distribution and in Missouri it has been more general manufacturing. Representative Dean asked if Kansas couldn't orient toward more capital intensity work in the state as opposed to labor intensity. Dr. Redwood said our system does not encourage capital intensity industry at the present time because of the tax structure.

Representative Friedeman said that in a series of forecasts made in 1955 which he read recently, it was stated that the biggest source of capital is going to be pension funds and the biggest pension fund he knows about in the state is KPERs and asked about taking some percent of that and making it available for risk capital. Dr. Redwood said he thought that was an excellent idea but the use of part of the pension funds has to be constrained by the ongoing viability of the funds and the performance of those funds in fairness to the people for whom they have a responsibility. Representative Friedeman said he appreciated the remarks on the taxation and he felt it was very important and asked if Dr. Redwood was reducing his comments about taxation to make the members feel good or if it was something else. Dr. Redwood said that one recommendation that is not in his report which will be in the final report is that a lot of decisions have been made in the State of Kansas without any regard to the economic development impact of the decisions. The tax recommendations that they have are very specific to economic development. He said that at the moment the tax barriers are significantly affecting economic development of the state.

Representative Chronister said that this committee was responsible for creating both the centers of excellence and the research grants program and asked Dr. Redwood to comment on whether or not the targeting they have suggested was more appropriate than what has taken place. Dr. Redwood said he doesn't know enough about the centers of excellence at other institutions besides KU to comment on that. He would say that the one at KU seems to be achieving the objective that the legislators intended for it.

Representative Helgerson asked if they should start with more emphasis on educational programs with the matching programs tied in with the universities or if they should deal with the businesses without research. Dr. Redwood said the important thrust of what they are saying here is the linkage. It is not so much the one or the other but it is getting the linkage between them and the habit formed for these linkages. Representative Helgerson said that it would seem from what has been said that there is a need to develop a process and provide limited seed money for that. Dr. Redwood said he thought all state money should be seen as seed money as much as possible.

Representative Sifers said that the Burlington Northern Railroad, while looking for a spot, did not come to Johnson County with 700 employees because of the booster tax. They went to Texas instead. He wanted Dr. Redwood to know this.

Representative Dean asked, in speaking of the centers of excellence and their direction, who should decide, the committee or the universities, what direction the centers should

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY,  
room 522-S, Statehouse, at 3:30 ~~xxx~~/p.m. on February 5, 1986.

really go. He said he thought that K-State should be doing fantastic research in agriculture but they are going with the engineering department. Dr. Redwood said that that is difficult but probably at this early stage there is no way to go but with the universities and have them put forward their best proposal on the basis of the criteria for the centers of excellence. Later when the state sorts out where they should be pressing, they can say to the universities that the state will countenance only proposals with a particular focus. Representative Dean said that the committee has set five years to watch this and asked, after a couple more years, who sits in judgment and does the analysis of the market of the whole United States on the centers of excellence. Dr. Redwood suggested they bring in an outside consultant from another state.

The meeting adjourned at 4:52 p.m.

The next meeting of the Committee will be held at 3:30 p.m. on Thursday, February 6, 1986.