

Approved \_\_\_\_\_

Date

5-1-86

MINUTES OF THE Legislative COMMITTEE ON Economic Development

The meeting was called to order by Representative Jim Braden at  
Chairperson

7:00 a.m./p.m. on March 19, 1986, 19   in room 527-S of the Capitol.

All members were present except:

Committee staff present:

Belden Daniels  
Paul West

Visitor's Register - (Attachment "A")  
Conferees appearing before the committee:

The Chairman called the meeting to order. Belden Daniels reported six of the nine initiatives are in good draft form. Three are still being worked on and will not be available until Thursday or Friday. It was his suggestion the entire noon meeting be devoted to the completed draft on the report of the Legislative Economic Development Commission to the Legislature. The Chairman agreed to this and reminded the Commission that the report was due today, March 19th.

Daniels suggested this meeting center around the costs of the six initiatives. He then gave a summary of these and the cost estimates of same. He stated that the small communities are the ones to receive the most impact of the radical structural changes in two of the three basic industries in the state. He wants the Commission to understand what the limits of state action are, the limits of the marketplace, and also the fact that as a nation we are resource short in manpower, and energy and natural resources. State action cannot defy that market as the federal government cannot. The key is a very rigorous analysis of the relative comparative advantages which the state has. Daniels feels confident this will work in Kansas with the private sector, the legislature and the joint commission working together with the resources of the universities.

The second limitation is that federal policies all have a profound impact on the competitive advantages of this state and often are beyond the reach of the state.

The third limitation is important and that is the limitation of money. He cited incidences where the absence of the right money at the right time and the right place prevent an otherwise sound undertaking from taking place.

Daniels presented background on the first initiative (to create a statewide risk capital system) and said they were drafting a very important provision to use all mechanism necessary to bring this about, and which would require business planning and annual reporting that would target the scarce resources of these institutions by size, by sector and by location so that there would be a requirement that these resources go where the needs and opportunities are. Daniels went on to explain the terms of financing this structure, and felt there would be an impact in the state within 90 days after the session.

CONTINUATION SHEET

MINUTES OF THE Legislative COMMITTEE ON Economic Development,  
room 527-S, Statehouse, at 7:00 a.m./p.m. on March 19, 1986, 19    .

He explained what used to be the Kansas Development Corporation and a small affiliate called the Kansas Venture Capital Corporation would be merged into a single, powerful institution. Bankers have independently had a task force for a year now and are prepared to convert their lines of credit to this institution into equity investments and to seek an additional \$7 million of new capital in order to create a \$10 million pool of private equity if the state would match this \$10 million and provide the incentive of a tax credit. The \$10 million is not a grant of general appropriations. Instead, it is going to be a \$10 million investment from the pool of idle funds managed by the State Treasurer. It is necessary to authorize a new category of investment from those funds. This cannot be done without a change in the internal improvements prohibition in the constitution.

Senator Salisbury questioned the possibility of alternatives if the constituency would not go along with a change in the constitution. Daniels suggested preparing a one-page summary that points out how internal improvements cripples these initiatives.

Meeting adjourned 9:00 A.M.

Approved by Commission

5-1-86  
(date)

March 19, 1986  
Economic Dev. Comm.

7:00 A.M.  
"X"

Name

Representing

Ramona Jones

Wichita Eagle-Bacon

Phillips V. Bradford

KATC

Jim Ploger

Gov's Office

CHARLES BELT

WICH. CHAMBER OF COMMERCE

Ron Gaches

BMAC

Mary Ellen Culee

Kansas Assoc of Sm. Business

Judy Krueger

IL/DOT

Cathy Stridler

Sen. Johnston

Attachment A