

Approved \_\_\_\_\_ Date 2/12/87

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by REPRESENTATIVE PHIL KLINE at \_\_\_\_\_  
Chairperson

3:30 a.m./p.m. on Thursday, January 15th, 1987 in room 423-S of the Capitol.

All members were present except:

Representatives Barkis, Dyck, Boster, Goossen, Hoy, Leach, Love, Mainey and Moomaw  
(all excused)

Committee staff present:

Jim Wilson  
Lynn Holt  
Molly Mulloy

Conferees appearing before the committee:

none

Chairman Kline called the meeting to order and introduced committee staff members Wilson, Holt and Mulloy.

Ms. Holt passed out six handouts (See Attachments #1 through #6) relating to the Kansas Economic Development Commission. Attachment #1 is a summary of Task Force recommendations approved by the Commission on 1/14/87. Ms. Holt noted that the final Commission report will be available early next week. Attachment #2 is a Status Report on Economic Development Recommendations prepared by Anthony Redwood and Charles Krider. Ms. Holt advised that the numbers referred to in this attachment refer to the Economic Development Report. Attachment #3 lists twenty items of proposed legislation from the Legislative Commission on Kansas Economic Development. Attachment #4 lists the Commission's fiscal notes on recommendations. According to Ms. Holt, there are recommendations for which the fiscal impact is not yet known. Attachment #5 lists recommendations which involve coordination with other legislative committees. Attachment #6 includes issues for future legislative consideration in which a committee is not identified. The page numbers in Attachment #6 refer to the Final Commission Report.

After Committee members introduced themselves, Chairman Kline adjourned the meeting at 3:55pm.

The next meeting of the Committee is to be a joint meeting of the Senate and House Economic Development Committees for briefing by staff on consensus estimates and economic projections to be held in Room 313, January 21, 1987, 12:30pm.

Date: 1/15/87

GUEST REGISTER

H O U S E

Committee on Economic Development

NAME

ORGANIZATION

ADDRESS

NO VISITORS OR GUESTS

Three of the four Task Forces recommended that various economic development programs be funded through the Kansas Technology Enterprise Corporation (KTEC). Since a number of these recommendations overlapped, the Commission's final decisions on KTEC funding recommendations are presented in Table 1.

TABLE 1

KTEC Funding

(Dollar Amounts in Thousands)

Item	FY 1988 Comm. Rec.	FY 1987 Funding	Net Fiscal Note
Centers of Excellence	\$ 4,000	\$ 517	\$ 3,483
Research Matching Grants	1,000	610	390
Seed Capital	1,000	0	1,000
Washington Office	200	0	200
Liaison/Extension	800	0	800
KTEC Operations	300	210	90
Databases	175	0	175
Research Equipment	3,000	0	3,000
Vocational Equipment	2,000	0	2,000
Small Business Innovation			
Research Matching Grants	300	150	150
Incubators	300	0	300
Business Development	700	0	700
Research Professorships	500	0	500
TOTAL	\$ 14,275	\$ 1,487	\$ 12,788

The Commission recommendations for which there are fiscal notes for FY 1988 for new expenditures total \$15.60 million. Of this amount, \$12.79 million would be for KTEC funding increases over FY 1987. The Commission tax recommendations would decrease FY 1988 SGF receipts by an additional \$4.0 million. The net fiscal note for FY 1988 is therefore \$19.60 million. However, the Commission also made a number of recommendations for which no specific fiscal notes now exist.

House Economic Development  
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ATTACHMENT 1

## SUMMARY OF RECOMMENDATIONS

### AGRICULTURE

- That a study be conducted to gather information regarding the current status of the food-processing industry in Kansas. (Fiscal note: \$22,000.)
- That a study be conducted to determine whether Kansas should establish a food-processing center. (Fiscal note: \$22,000.)
- That the Marketing Division of the State Board of Agriculture communicate with industries likely to have a competitive advantage in Kansas, including the cookie and cracker industries.
- That research be undertaken in the areas of diversification of agriculture, value-added production, and technical assistance and market development in extension. (Fiscal note: \$1.0 million.)
- That Kansas closely monitor consumer trends in health foods, convenience foods, precooked foods, and microwaveable foods.
- That state universities provide better market analysis research to Kansas businesses and individuals. (Fiscal note indeterminate.)
- That market development programs be modified and targeted more closely to changing conditions and individual market opportunities. (Fiscal note: \$80,000.)
- That a Rural Initiatives Program be established within the Department of Commerce to provide services, assistance, and information directly to rural communities, similar to the type of support provided to farmers by the FACTS program. (Fiscal note: \$430,000.)
- That the resources and talents of public agencies and institutions be merged to promote successful rural economic development and a closer working relationship with local governments and the private sector.
- That the Kansas Board of Regents establish an interdisciplinary team from Regents' institutions and use the state's financial resources to encourage cooperation among higher educational institutions with respect to agricultural research. (Fiscal note indeterminate.)
- That the corporate farming law be amended to allow confined swine and poultry facilities to purchase agricultural land.

## BUSINESS TRAINING

- That customized training programs be established to meet the needs of new and expanding Kansas employers who are increasing their work force in Kansas, and for retraining present employees for new technology applications or to otherwise prevent displacement of such employees. These programs should be available at no cost or on a shared-cost basis to employers expanding the work force in Kansas, and on a shared-cost basis to employers engaged in retraining. (Fiscal note indeterminate.)
- That a program be created to provide financial awards to public educational institutions that provide vocational and technical training for exemplary performance in training and placing handicapped or disadvantaged persons in employment. (Fiscal note: \$150,000.)
- That a program be created to provide financial awards to public educational institutions that provide vocational and technical training for exemplary performance in job creation, entrepreneurship, and job upgrading in rural areas of Kansas. (Fiscal note: \$150,000.)
- That the multiple for funding community college vocational programs be increased from 1.5 to 2.0 in equal increments over the next five fiscal years. (Final fiscal note: \$3.1 million; FY 1988 fiscal note: \$620,000.)
- That the area vocational school capital outlay program be expanded to include community colleges. This program should be administered through KTEC. (Fiscal note: \$2.0 million.) Also, that the state pool of instructional equipment program be funded for FY 1988. (Fiscal note: \$250,000.)
- That a Kansas Training Information Program (K-TIP) be implemented to provide placement and earning rates for job training programs of community colleges and other postsecondary vocational training programs. (Fiscal note: \$14,500.)
- That the state policymaking board for community colleges and vocational schools increase the accountability for job training programs under its jurisdiction.
- That the House and Senate Education and Economic Development Committees and the Legislative Educational Planning Committee engage in regular review of the operation and performance of the major job training programs.
- That community college and vocational school representatives review approval procedures and standards for training programs to identify any barriers to rapid and effective responses in meeting the training needs of business and industry. This review, conducted under the auspices of the State Board of Education, should conclude with a report to the House and Senate Education and Economic Development Committees on or before January 15, 1987.

- That the Department of Commerce, through its five regional offices, should act as a source of information for business and industry on available training programs.

## CAPITAL MARKETS AND TAXATION

### Capital Markets

- That 100 percent of Kansas Venture Capital, Inc.'s (KVC) investments be restricted to Kansas, but that the 60-40 provision for private Kansas venture capital companies be retained.
- That the venture capital tax credit be truly universal, available to every for-profit, nonprofit, public, private, in-state, out-of-state, incorporated or unincorporated entity investing in Kansas venture capital company stock.
- That private investments in local seed capital pools be eligible for a 25 percent tax credit if the local pools meet certain criteria.
- That KVC be complemented with an in-house venture capital network, initially funded through the Department of Commerce. (Fiscal note: \$20,000.)

And also that: (1) an investor borrowing funds to purchase Kansas venture company stock be eligible for a tax credit on the full investment amount; (2) absent decertification, a taxpayer disposing of a portion of his investment would not lose a portion of the credit through recapture; (3) KVC investments be structured as equity or unsecured subordinated debt with warrants convertible to equity; (4) the \$1.5 million already invested in KVC be reinvested, classified as new investment, and be credited toward the \$10 million requirement; (5) the state invest in KVC preferred stock after the full \$10 million has been raised; (6) the ceiling of \$10 million investment eligible for the tax credit remain unchanged for FY 1987; (7) the Secretary of Commerce be allowed to interpret KVC's statute in ways which would not jeopardize the SBIC license, while still preserving the legislative intent; (8) any firm located within Kansas should qualify as a Kansas business for purposes of the tax credit; (9) local pools play a certain role within the statewide risk capital system and be accountable to the state for the use of the tax credit; (10) a taxpayer investing in a research-and-development partnership that does not expend all funds in the year of investment be eligible for a prorated tax credit; and, (11) a taxpayer disposing of an interest in a research-and-development partnership prior to expenditure of funds by the partnership effectively transfers the tax credit to the partner holding the interest at the time funds are expended.

- That a multipurpose statewide bond issuing authority be established to meet long-term debt needs in the state. The authority should be established as an instrumentality of the state, but separate from the Department of Commerce and other state agencies, subject to clearly established accountability and cost and benefit measures of performance. Although empowered to issue bonds for state purposes, the agency would not be empowered to package local, municipal general-obligation bonds unless

statutory language could be arrived at which would be acceptable to local municipalities and their Kansas investment bankers and bond counsel. (Fiscal note indeterminate.)

- That intrastate branch banking by acquisition be allowed.
- That a Task Force on Interstate Banking be formed to study the effect of interstate banking in other states and make recommendations which are in the best interests of the state's users of capital. (Fiscal note indeterminate.)
- That the Legislature enact the Industry Advisory Committee's recommendations that require legislative action. The first recommendation calls for the repeal of the statute requiring shares be held in escrow until the potential exists to pay 6 percent dividends. The escrow requirement would then be established by regulation, allowing escrow to be released after certain criteria are met. The second recommendation calls for replacing the statute placing a 15 percent commissions-and-expense ceiling on all issues with a statute allowing the Securities Commissioner discretion to waive the ceiling for small issues.
- That the Industry Advisory Committee continue to study proposals to liberalize securities regulation within the existing merit review system.
- That the 1987 Legislature consider a forthcoming study of the impact of securities regulation on the flow of capital in Kansas.
- That the International Trade Institute draft guidelines for a program wherein the state might guarantee portions of bid bonds posted by Kansas exporters, and that the Department of Commerce, using the guidelines drafted by the International Trade Institute, draw up implementation plans for the bid-bond guarantee program. Also that the Department of Commerce use the Trade Division to manage other cost-effective loan-guarantee programs to enhance export finance. (Fiscal note indeterminate.)

#### Taxation

- That the sales and use tax exemption for manufacturing machinery and equipment be expanded beyond enterprise zones to the entire state over the next four fiscal years, and that the enterprise zones' enhancement of job expansion and investment credits, determined to be not cost-effective, be repealed. (Final fiscal note: \$14.5 million; FY 1988 fiscal note: \$4.0 million.)
- That the Department of Revenue study how Missouri's use of a single-factor apportionment formula affects the business location decisions along the Kansas-Missouri border and make recommendations to the Legislature about how Kansas can encourage more corporations to locate here. (Fiscal note indeterminate.)



- That the Legislature consider reductions in corporation income tax rates that would make Kansas more competitive with other states. (Fiscal note indeterminate.)
- That a special task force be established to study all aspects of the Workers' Compensation system and its administration in Kansas. Because of the growing pressures on the system, recommendations would be made to the standing Committees on Economic Development during the 1987 Session. (Fiscal note indeterminate.)

## HIGHER EDUCATION

- That the statutory mission of the Kansas Board of Regents be redefined to include coordination of all postsecondary education, in addition to the performance of its constitutional powers and duties.
- That a Board of Community Colleges and Vocational Educational be created within the coordinating jurisdiction of the Regents. The new board's powers would parallel, but be subject to, those of the Kansas Board of Regents.
- That the Kansas Board of Regents also be assigned authority for coordination of Washburn University within postsecondary education, while leaving the Washburn Board of Regents intact.
- That an institutional governing board be provided for the state universities, Kansas Technical Institute, and Washburn University.
- That the Kansas Board of Regents be authorized by statute to create a position of chief executive officer, in the form of a Commissioner of Higher Education, and be granted powers of appointment and removal over this officer.
- That 1986 S.B. 755 be amended to recognize that Centers of Excellence activities in basic research, applied research, and technology transfer may overlap.
- That Small Business Development Centers be funded through the Department of Commerce at \$350,000 for FY 1988.
- That a program of initiatives designed to enhance closer linkages and interaction between Kansas industry and higher education be implemented, comprising the following elements. Funding would be through KTEC, at the levels indicated in Table I.
  - (1) Centers of Excellence
  - (2) Research Matching Grant Program
  - (3) Equipment Grant Program
  - (4) Technology Transfer/Industrial Liason
  - (5) State Data Basis
  - (6) Research Professorship Program
  - (7) Incubator Development for Small Businesses
  - (8) Management and Entrepreneurship Development
- That KTEC, entities and activities funded by KTEC, and sponsored research funding from any source, shall not be subject to state purchasing laws or state laws and regulations pertaining to travel.

January 9, 1987

TO: Economic Development Commission

FROM: Anthony Redwood  
Charles Krider

RE: Status Report on Economic Development Recommendations

The following recommendations are not being considered by any task force or the legislature:

- 2. Expand TORP.
- 14. Commitment to public education in general and higher education in particular.
- 34. Loans to incubators.
- 35. Loan pool for infrastructure development.
- 39. State community development block grant program.
- 42. Encourage the arts. Funding increased to mean per capita level of the fifty states.
- 47. Review the state's capital budgeting.
- 50. Impact of regulations on economic development should be added to criteria that regulatory bodies must use.

The following recommendations are departmental actions in progress.

- 19. Financial symposia on capital formation. (Kansas Technology Enterprise Corporation)
- 29. Marketing program for targeted industries. (Department of Commerce)
- 30. National promotion campaign. (Department of Commerce)
- 32. Overall travel and tourism strategy. (Department of Commerce)
- 33. Upgrade KDED information systems. (Department of Commerce)
- 38. CDBG's for economic development. (Department of Commerce)
- 40. Expand "Certified Cities." (Department of Commerce)
- 44. Goal of JTPA should be to promote economic development. (Department of Human Resources)
- 48. Allocation of highway funds linked to economic development. (Department of Transportation)
- 49. Feasibility studies for highways in southeast and southwest Kansas. (Department of Transportation and Turnpike Authority)

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ATTACHMENT 2

Recommendations	Action Taken	Status
<b>Traditional Industries</b>		
1. Task Force on Agriculture	Task Force appointed	Report of Task Force Completed 12-2-86
2. Expand TORP		No action taken
<b>Taxation</b>		
3. Sales/use Tax exemption	House #3123-enterprise zones only; prop to task force to remove limitation	Recommended by Legislative Commission on Economic Development
4. Tax Credit-R & D	Subs. Senate #758	
5. Tax Credit-Venture Capital Funds	Subs. Senate #756 & 757	
6. Property Tax Abatements detached from IRB's	House CR #5047 Constitutional amendment	Passed August 1986
7. Constitutional Amendment-eliminate the property tax inventories.	Constitutional amendment	Passed November 1986
<b>Education, Research, and Technology Transfer</b>		
8. Expand funding for Centers of Excellence	Subs. Senate #755-established various research funds	Recommended by Legislative Commission on Economic Development
9. Expand funding for the Research Matching Grant	Subs. Senate #755	Recommended by Legislative Commission on Economic Development
10. Institutes for Applied Science and Technology at the major research universities and center for technology transfer at educational institutions	Subs. Senate #755-established K-TEC; no institutes identified	Recommended by Legislative Commission on Economic Development
11. Increase applied social and economic research	Subs. Senate #755-tech. info data bases; House #2960-econometric modeling	Recommended by Legislative Commission on Economic Development
12. Industry Liaison at Universities	Subs. Senate #755	Recommended by Legislative Commission on Economic Development

Recommendations	Action Taken	Status
13. University programs in management		Recommended by Legislative Commission on Economic Development
14. Commitment to public education in general and higher education in particular		
<b>Finance, Capital Formation and Innovation</b>		
15. Financing for Innovative Products	Subs. for Senate #756-KS Venture Capital, Inc.; SBIR \$ CDC \$; K-TEC seed capital	Banker's Venture Capital expected to be operational early 1987
16. Product Development Program	Subs. Senate #755-seed capital fund - K-TEC	Recommended by Legislative Commission on Economic Development
17. Match Small Business Innovation Research	Subs. Senate #755 - K-TEC directed to develop	
18. Kansas Science and Technology Authority	Subs. Senate #755-established K-TEC	
19. Financial Symposia on Capital Formation Grants		In K-TEC's normal budget
20. State Funding for CDC's	House #2951-performance grants; DoC, Exis Indus Dev	
21. Secondary market for the SBA guaranteed loans	none required	Private markets are fulfilling this need
22. Export Assistance Program	House #2951 - DoC, Div of Trade Development; consultant report by end of year hired by KDED for finance authority	Bid-bond guarantee program recommended by Legislative Commission on Economic Development
23. Loan Guarantee Program to facilitate financing	Paper prepared by KDED for Capital Markets Task Force	Recommended by Legislative Commission on Economic Development

Recommendations	Action Taken	Status
<b>State Organization for Economic Development</b>		
24. Permanent Joint House-Senate Commission on Economic Development	House #3122	
25. Expand the Small Business Division of KDED	House #2951-additional field offices; DoC, Exis Indus Dev	
26. Existing Industry Program at KDED	House #2951-DoC, Division of Existing Industry Dev	
27. International Trade Division at KDED	House #2951-DoC, Division of Trade Development	
28. Attract Foreign Firms	House #2951-DoC office in Europe & Japan	
29. Marketing Program for Targeted Industries	Subs. Senate #759	Being implemented by Department of Commerce
30. National Promotion Campaign		Being implemented by Department of Commerce
31. Internal Improvements	House CR #1635 consitutional amendment	Passed August 1986
32. Overall Travel and Tourism Strategy		General plan being developed by Department of Commerce
33. Upgrade KDED Information Systems	some improvement; has requested information about system at KU	
<b>Community Development and Small Business</b>		
34. Loans to Incubators		Need to modify statute-no funding
35. Loan Pool for Infrastructure Development		Need to modify statute-no funding
36. Technical Assistance to Local Communities	House #2951-DoC Division of Community Development, additional field offices	On-going
37. Incentives for Regional Coordination	none	

Recommendations	Action Taken	Status
38. CDBG's for Economic Development		Amount has not changed 30-40%
39. State Community Development Block Grant Program		Requires statute and funding
40. Expand "Certified Cities"		Implementation contingent on approval of additional administrative position in KDED
41. State Funding for SBDC	House #2951-DoC extends performance grants to SBDC's \$250,000	Funding increases recommended Legislative Commission on Economic Development
42. Encourage the Arts. Funding increased to mean per capita level of the fifty states.	none	
<b>Economic Development Strategy in State Policy Making: Human Resources, Infrastructure and Regulation</b>		
43. Coordinated Human Resources Strategy		Recommended by Legislative Commission on Economic Development
44. Goal of JTPA should be to Promote Economic Development		To be addressed by the Department of Human Human Resources
45. Task Force to Review the Vocational Education System		Recommended by Legislative Commission on Economic Development
46. Expand KIT and Improve Coordination		Recommended by Legislative Commission on Economic Development
47. Review the State's Capital Budgeting	none	
48. Allocation of Highway Funds Linked to Economic Development	DOT-classification plan in progress	Will present to legislature in January

Recommendations	Action Taken	Status
49. Feasibility Studies for Highways in Southeast & Southwest Kansas	funded and completed	Not yet resolved Turnpike Authority will finish report and present to legislature in January
50. Impact of Regulations on Economic Development Should be Added to Criteria that Regulatory Bodies must use		



PROPOSED LEGISLATION FROM THE  
LEGISLATIVE COMMISSION ON KANSAS ECONOMIC DEVELOPMENT

- \*1. (Agriculture Task Force). Legislation to exempt corporately-owned swine confinement and poultry facilities from the prohibition of owning or leasing agricultural land. (p. 21).
2. (Business Training). (a) Legislation to establish a customized training program; and (b) Legislation that could provide funding for a portion of that program. (p. 42).
3. (Business Training). Legislation to establish a program to provide financial awards to public educational institutions that offer vocational and technical training for exemplary performance in training and placing handicapped or disadvantaged persons in employment. (p. 43).
4. (Business Training). Legislation to establish a program to provide financial awards to public educational institutions that provide vocational and technical training for exemplary performance in job creation, entrepreneurship, and job upgrading in rural areas of Kansas. (p. 44).
- \*5. (Business Training). Legislation to specify a revised multiple for funding community college vocational programs. (p. 45).
- \*6. (Business Training). Legislation to expand the vocational school capital outlay aid program to include community colleges. This program would be administered by the Kansas Technology Enterprise Corporation (KTEC). (p. 46).
- \*7. (Business Training). Legislation to establish the Kansas Training Information Program which would provide to consumers information on the placement and earnings rates of each job training program. (pp. 46-47).
8. (Business Training). Recommendation for legislation to increase the accountability to the Legislature of the state policymaking board for community colleges and vocational schools for job training programs under its jurisdiction. (pp. 47-48).
9. (Business Training). Legislation to add to the responsibilities of the Department of Commerce the provision of information on job training programs. (p. 49).
- \*10. (Capital Markets). Legislation to enable a taxpayer who invests in a research and development partnership that does not expend all funds in the year of investment to be eligible for a prorated tax credit.

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\* Bills done for January 14, 1987 meeting.

- \*11. (Capital Markets). Legislation to address the following, related to venture capital: (a) that 100 percent of Kansas Venture Capital, Inc. (KVC) investments be restricted to Kansas, but that the 60-40 provision for private Kansas venture capital companies be retained; (b) that the venture capital tax credit be truly universal, available to every for-profit, nonprofit, public, private, in-state, out-of-state, incorporated, or unincorporated entity investing in KVC company stock; (c) that the \$1.5 million already invested in KVC be reinvested, and be credited toward the \$10 million requirement; and (d) that the Secretary of Commerce be allowed to interpret KVC's statute in ways which would not jeopardize the SBIC license, while still preserving the legislative intent. (pp. 54-56).
- \*12. (Capital Markets). Legislation to make private investments in local seed capital pools eligible for a 25 percent tax credit, if such pools meet certain criteria. (p. 57).
- \*13. (Capital Markets). Legislation to establish a multipurpose statewide bond issuing authority to meet long-term debt needs in the state. This authority would not issue General Obligation Bonds. (p. 60).
- \*14. (Capital Markets). Legislation to allow intrastate branch banking by acquisition only. (pp. 61-62).
- \*15. (Capital Markets). Legislation to: (a) amend the statute requiring shares to be held in escrow until the potential exists to pay a 6 percent dividend after one year or a 10 percent dividend after two; and (b) amend the statute placing a 15 percent commissions-and-expense ceiling on all issues with a statute allowing the Securities Commissioner discretion to waive the ceiling for small issues. (p. 63).
- \*16. (Taxation). Legislation to phase in over a four-year period the sales and use tax exemption for manufacturing machinery and equipment. (p. 68).
- \*17. (Taxation). Legislation to repeal statutory language concerning the enterprise zones' enhancement of job expansion and investment credits. (p. 68).
- \*18. (Higher Education). Legislation to redefine the statutory mission and tasks of the Kansas Board of Regents to include the coordination of postsecondary education and vocational education within the state; to create a State Board of Community Colleges and Vocational Education and a State Board of Governors of State Educational Institutions and Municipal Universities; and to create a Commissioner of Higher Education, to serve at the pleasure of the Board of Regents. (pp. 77-79).
- \*19. (Higher Education). Legislation (clean-up) to amend statutory language concerning the Centers of Excellence. Such legislation would recognize the overlap of basic research, applied research, and technology transfer. (p. 88).

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\* Bills done for January 14, 1987 meeting.

\*20. (Higher Education). Legislation to exempt from state purchasing procedures or state laws and regulations pertaining to travel, KTEC, entities, and activities funded by KTEC, and sponsored research funding from any source. (pp. 88-89).

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\* Bills done for January 14, 1987 meeting.

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LEGISLATIVE ECONOMIC DEVELOPMENT COMMISSION  
FISCAL NOTES SPECIFIED FOR THE  
FOLLOWING RECOMMENDATIONS

A. Expenditure Increases (SGF and Others)

	<u>Project</u>	<u>FY 1988 Fiscal Impact Above FY 1987 Appropriations</u>	
	1. KTEC funding increase above FY 1987	\$ 12,788,000	(p.7)
Agriculture	2. Study to gather information on food processing	22,000	(p. 8)
Agriculture	3. Study to determine whether Kansas should establish a food processing center	22,000	(p. 8)
Agriculture	4. Research in the areas of diversification of agriculture, value-added production, and technical assistance and market development in extension	1,000,000	(p. 8)
Agriculture	5. Modification of market development programs to reflect a more targeted approach	80,000	(p. 8)
Agriculture	6. Establishment of the Rural Initiatives Program within the Department of Commerce	430,000	(p. 8)
Business Training	7. Creation of a program to provide financial awards to public educational institutions that provide vocational and technical training for exemplary performance in training and placing handicapped or disadvantaged persons in employment	150,000	(p. 9)
Business Training	8. Creation of a program to provide financial awards to public educational institutions that provide vocational and technical training for exemplary performance in job creation, entrepreneurship, and job upgrading in rural areas of Kansas	150,000	(p. 9)
Business Training	9. Increase in multiple for funding community college vocational programs	620,000	(p. 9)
Business Training	10. Funding of the state pool instructional equipment program	250,000	(p. 9)

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	<u>Project</u>	<u>FY 1988 Fiscal Impact Above FY 1987 Appropriations</u>
Business Training	11. Implementation of the Kansas Training Information Program	\$ 14,500 (p.9)
Capital Markets	12. Funding of an in-house venture capital network, to complement KVIC	20,000 (p. 11)
Higher Education	13. Funding of Small Business Development Centers	<u>100,000</u> (p. 14)
	TOTAL	\$ 15,646,500

**B. Revenue Reductions**

<u>Proposal</u>	<u>FY 1988 Fiscal Impact</u>
Sales and use tax exemption for manufacturing and equipment offset by repeal of the enhanced portion of enterprise zone income tax credit	\$ 4,000,000 (p. 12)
TOTAL FISCAL NOTE -- FY 88	\$ 19,646,500

January 14, 1987

A87-11/LH

COORDINATION WITH AND REPORTS TO ECONOMIC DEVELOPMENT COMMITTEES  
AS DIRECTED BY THE LEGISLATIVE COMMISSION ON  
KANSAS ECONOMIC DEVELOPMENT (1986 INTERIM)

1. (Business Training) The state policymaking board for community colleges and vocational schools should work closely with the standing Education and Economic Development Committees in addressing the development of performance criteria for the evaluation of job training programs (p. 47).
2. (Business Training) The House and Senate Education and Economic Development Committees and the Legislative Educational Planning Committee should review on a regular basis the operation and performance of the major job training programs. (p.48)
3. (Business Training) The State Board of Education should report to the standing Education and Economic Development Committees on the review of approval procedures and standards for training programs of community colleges and vocational schools, including recommendations for the elimination of barriers to responses in job training needs of business and industry. The report of the review, together with any recommendations requiring legislation, should be submitted to the standing committees on or before January 15, 1987 (p. 48).
4. (Banking) The Task Force on Interstate Banking should study the effect of interstate banking in other states and report its findings and recommendations to the standing and joint Economic Development Committees (P. 62).
5. (Export Financing) The Department of Commerce should develop plans to implement a state bid-bond guarantee program and report to the standing Economic Development Committees during the 1987 Legislative Session (P. 64).
6. (Workers' Compensation) The special Task Force on Workers' Compensation should study all aspects of the Workers' Compensation system and its administration in Kansas and make recommendations to the standing Economic Development Committees in early March of the 1987 Legislative Session (p. 70).

LH/pk

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ATTACHMENT 5

ISSUES FOR FUTURE LEGISLATIVE CONSIDERATION  
(Not Specific to Committee)

1. (Higher Education) Resolution is needed for the following questions related to Commission recommendations:
  - a. What constitutes a "modest core budget" not subject to the matching provision for Centers of Excellence (p. 82)?
  - b. With respect to vocational equipment, should the Department of Education or the Kansas Technology Enterprise Corporation (KTEC) administer the grants (p. 46)? Should current guidelines used by the Department of Education to administer the vocational education equipment grant program be used for the recommended expanded program?
  - c. With respect to research equipment enhancements, should the Board of Regents or KTEC administer the grants and what guidelines should be used to make awards (p. 83)?
  - d. With respect to the Kansas Industrial Extension Service, does K.S.A. 74-8110 cover its existence or should it be mentioned in statute (p. 84)?
  
2. (Higher Education) Substantive legislation might be needed for the following:
  - a. establishment of the Small Business Development Centers program or authorization to the Department of Commerce to establish the program and fund the centers (p. 85);
  - b. authorization for KTEC to establish the Research Professorship program and to fund positions at colleges and universities (p. 86);
  - c. establishment of the Incubator program or authorization for KTEC to develop guidelines for funding incubators (p. 87); and
  - d. authorization for KTEC to fund program development initiatives in management and entrepreneurship development at colleges and universities (p. 87).
  
3. (Agriculture) The Legislature should examine the proposal by Kansas State University to develop satellite uplink capabilities; in particular, a determination should be made on cost savings, if any, to be realized from \$6 million of federal funds (p. 21).

4. (Agriculture) Secondary recommendations:
  - a. The Legislature should require the International Grains Program (IGP) to identify those countries with the most potential for future grain sales and offer students from those countries additional opportunities through IGP (p. 22).
  - b. The Legislature should examine the possibility of creating an "Applied Research Center" or "Biotechnology Center" which would provide for an interdisciplinary approach to various agricultural problems (pp. 22-23).
  - c. The Legislature should study the guidelines used by the Regents' institutions to conduct proprietary research for smaller businesses (p. 23).
  - d. The Legislature should determine how railroad rates have affected the economic advantage or disadvantage to milling wheat in Kansas (p. 23).
5. (Securities) The Industry Advisory Committee should continue to study proposals to liberalize securities regulation within the existing merit review system (p. 63).
6. (Securities) The 1987 Legislature should consider the forthcoming American Bar Association study, which will address the impact of securities regulation on the flow of capital in Kansas (p. 64).
7. (Taxation) The Department of Revenue should study how Missouri's use of a single-factor apportionment formula affects the business location decisions along the Kansas-Missouri border and recommend to the Legislature ways to encourage more corporations to locate in Kansas (p. 68).
8. (Taxation) The Legislature should consider reductions in corporation income tax rates that would make Kansas more competitive with neighboring states (p. 68).

#### Related Issues

9. (Highway) The Kansas Department of Transportation (KDOT) review of the formula used to set priorities for highway projects should give serious consideration to economic development factors. KDOT should report the results of that review to the Legislature (Interim Proposal No. 30).
10. (Higher Education) The Legislature should review the recommendations by the Board of Regents in its report on the appropriate role and mission of each university (Interim Proposal No. 28).



11. (Higher Education) The Legislature should review the disincentives of the faculty reward system at the Regents' institutions since the system tends to discourage faculty from becoming involved in economic development.  
(Higher Education Task Force)

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