

Approved 2-4-87
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Wint Winter, Jr at
Chairperson

12:35 ~~a.m.~~/p.m. on January 29, 1987 in room 123-S of the Capitol.

All members were present except: Senator David Kerr - Excused

Committee staff present:

Arden Ensley, Revisor of Statutes
Lynne Holt, Legislative Research Department
Mary Allen, Secretary to the Committee

Conferees appearing before the committee:

Harland Priddle, Secretary of Commerce

The meeting was called to order at 12:35 p.m. by the Chairman, Senator Wint Winter, Jr..

Senator Ben Vidricksen discussed the draft of a proposed bill which, if enacted, would establish a Commission on Travel and Tourism in Kansas. (Attachment I) He stated that the purpose of the proposed bill is to coordinate the tourism and travel business in the private and governmental sectors.

Senator Feleciano moved that bill draft 7 RS 0181 be introduced with a change in Section 2 to provide that two members of the Senate of different political parties be appointed by the President of the Senate and the Minority Leader of the Senate and two members of the House of Representatives of different political parties be appointed by the Speaker of the House and the Minority Leader of the House. Senator Burke seconded the motion. The motion carried.

Senator Vidricksen discussed the provisions of a bill which he proposed be drafted and introduced by the Committee concerning the sale of property by Boards of County Commissioners. (Attachment II) He noted that the purpose of the proposed bill, which would amend K.S.A. 1986 Supp. 19-211, is to allow Boards of County Commissioners to convey title of real property to non profit corporations organized under the laws of Kansas if the property is acquired and conveyed by the county for the purpose of development of an industrial or business park on the property which will be used for "primary" business purposes rather than retail. Senator Winter said that this proposed bill was requested by the Board of County Commissioners of Douglas County. He stated that present statutes require a public vote before a county can sell real estate if the value of that real estate exceeds \$100,000.00.

Senator Burke moved that this proposed bill amending K.S.A. 1986 Supp. 19-211 be drafted and introduced. Senator Vidricksen seconded the motion. The motion carried.

Chairman Winter called on Harland Priddle, Secretary of Commerce, to speak to the Committee on the progress of the reorganization of the old Department of Economic Development into the Department of Commerce and the progress of other initiatives which the Department is charged with implementing.

Secretary Priddle said that the initiatives set forth by the Legislature in 1986, have been tremendously well received and that the time has come to implement those initiatives. He noted that people over the state perceive the Department of Commerce as a totally new agency.

He said that the Department of Commerce is KDED renamed in three divisions with no change, those divisions being Travel and Tourism, Industrial Development and Community Development. Two divisions which are new as far as structure and capability are concerned are: (1) Trade Development Division and (2) Regional Office Capability in the existing

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 123-S, Statehouse, at 12:35 ~~a.m.~~/p.m. on January 29, 1987

Industry and Small Business Division. He said that there will be six regional offices in Kansas.

Secretary Priddle discussed Kansas, Inc. and noted that its fifteen members have been appointed and are meeting. He observed that Kansas, Inc. is a planning, policy, strategy kind of group and will be an advisory body to the Department of Commerce. The position of President of Kansas, Inc. has not been filled but it should be shortly.

The Secretary spoke of the Kansas Technology Enterprise Corporation (KTEC) and said that it replaces the previous Advanced Technology Commission which was within KDED. The fifteen member board of KTEC is now being appointed. He said that KTEC will be the entity which will look at research, science and technology and will be responsible for transferring "academia" into "practical application". The Secretary listed KTEC's four responsibilities as follows: (1) Centers of Excellence; (2) Seed capital funds; (3) Research matching grants; and (4) Applied basic research.

Secretary Priddle discussed Kansas Venture Capital, Inc.. He stated that the Kansas Bankers' Association is attempting to raise ten million dollars in private funds to be matched, as they reach ten million dollars, with ten million dollars from the state. The purpose of this program is availability of venture capital. He observed that the first company has been certified by the Department of Commerce under this program. The Secretary said that the board members of Kansas Venture Capital, Inc. will be selected by the stockholders. These stockholders, in turn, will select their own President.

A member of the Committee stated that he has heard concern expressed that the President of Venture Capital, Inc. will be a banker, not a Venture Capitalist. He expressed concern that Kansas Venture Capital, Inc. should not be like another bank but that it must be another kind of financing group. Another member questioned the lack of participation by savings and loans in Kansas Venture Capital, Inc.. It was pointed out that the savings and loans are chartered to invest principally in home mortgages, not high risk ventures.

Secretary Priddle discussed the future of the Department of Commerce and told the Committee of some of the plans which he has to represent the plans of the Legislature for the Department in the State of Kansas. He provided the Committee with a booklet which contains a review of the 1986 Development Initiative and the Department's Strategy Plan. (Attachment III)

Staff passed out copies of Redwood's and Krider's Status Report on Economic Development Recommendations (Attachment IV), Research Department's Coordination with and Reports to Economic Development Committees (Attachment V), and an article from the Kansas City Business Journal concerning Kansas Venture Capital, Inc.. (Attachment VI)

Secretary Priddle discussed some concepts which he has for the Department of Commerce. He said that the Department must not only continue its efforts in industrial development to attract businesses to Kansas but should also look at home to existing industries in Kansas. He said that the Department wants to develop a coordinated effort overseas to attract investment in Kansas. He noted that it already has an office in Japan and would like one in Europe probably in Stuttgart, Germany.

Chairman Winter asked Secretary Priddle to return to the Committee to review the Community Development Block Grant Program when that review is ready. He urged the Secretary to share his thoughts with the Committee concerning the Economic Development bills being considered by the Legislature which came out of the Commission.

The meeting was adjourned by the Chairman at 1:35 p.m..

GUEST LIST

NAME

REPRESENTING

Harold Puddle

Dept of Commerce

Jon Josseland

Wichita Chamber

Suzanne Koffy

Budget Revision

Ron Sachs

BMAC

M. Hoover

Cap-Journal

Lynn Van Halst

KCSI

Allen Swenson

Ks Board - Agric.

Roger Christensen

Dept. of Commerce

Barbara Reineck

KPOA

SENATE BILL NO. _____

By

AN ACT establishing the commission on travel and tourism; providing for the powers, duties and functions thereof.

Be it enacted by the Legislature of the State of Kansas:

Section 1. The legislature finds and declares that: (a) Tourism is a major source of jobs, income and tax revenues in Kansas, and the expansion of this industry is vital to the overall growth of the economy of Kansas; (b) the tourism, travel and recreational industries are important to the state, not only because of the numbers of people they serve but because of the benefits which tourism, recreation and related activities confer on individuals and on society as a whole; (c) there is a need to invest state resources to provide a more effective means of promoting and marketing to, and within, the state and to optimize the considerable investment of time, energy, capital and resources being made by the tourism industry; and (d) existing state government involvement in tourism and related activities needs to be better coordinated at the state level, as well as with local government and the private sector, if the economic and employment benefits of the industry are to be maximized.

Sec. 2. (a) There is hereby established the commission on travel and tourism. The commission shall consist of 13 voting members as follows: (1) Two members of the senate of different political parties appointed by the president of the senate; (2) two members of the house of representatives of different political parties appointed by the speaker of the house of representatives; and (3) nine members appointed by the governor. Of the nine members appointed by the governor, one shall be appointed from a list of three nominations made by the travel industry association of Kansas, one shall be appointed from a

Attachment F
Senate Executive Order
1-29-87

list of three nominations made by the Kansas lodging association, one shall be appointed from a list of three nominations made by the Kansas restaurant association, one shall be appointed from a list of three nominations made by the Kansas oil marketers and convenience store association and five shall be appointed to represent the general public. The governor shall appoint members to the commission so that each tourism region of the state, as designated by the department of commerce, shall be represented by at least one member of the commission who resides in such tourism region. Of the five members appointed to represent the general public, two shall be involved in travel-related business or industry. In addition to the voting members of the commission, three members of the commission shall serve ex officio: The secretary of commerce, the secretary of transportation and the director of the state park and resources authority. Each ex officio member of the commission may designate an officer or employee of the state agency of the ex officio member to serve on the commission in place of the ex officio member. The ex officio members of the commission, or their designees, shall be nonvoting members of the commission and shall provide information and advice to the commission.

(b) Voting members of the commission shall be appointed for three-year terms. Upon the vacancy of a position of a voting member on the commission, the vacancy shall be filled for the unexpired term by appointment in the same manner that the original appointment was made.

(c) The first voting member of the commission appointed by the governor shall call the first meeting of the commission and shall serve as temporary chairperson of the commission until a chairperson is elected under this subsection (c). The commission shall elect annually a chairperson and vice-chairperson from among its members. The commission shall meet at least four times each year at the call of the chairperson of the commission. Seven voting members of the commission shall constitute a quorum.

(d) Members of the commission attending meetings of such

commission, or attending a subcommittee meeting thereof authorized by such commission, shall be paid amounts provided in subsection (e) of K.S.A. 75-3223 and amendments thereto, or a lesser amount as determined by the secretary of commerce. Amounts paid under this subsection (d) to ex officio members of the commission, or their designees, shall be from appropriations to the state agencies of which such members are officers or employees upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chief administrative officers of such agencies. Amounts paid under this subsection (d) to voting members of the commission shall be from moneys available for the payment of such amounts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the commission.

Sec. 3. The commission on tourism shall: (a) Advise the department of commerce in the development and implementation of the state's tourism marketing and business development program including, but not limited to, long-range strategies for attracting visitors to the state; (b) report to the department of commerce information for preparation of the annual budget for the division of travel and tourism development; (c) identify and review tourism related issues and current state policies and programs which directly or indirectly affect travel and tourism in the state and, as appropriate, recommend the adoption of new, or the modification of existing, policies and programs; (d) prepare and submit to the governor and the legislature on or before December 31 each year a report of findings and recommendations of the commission concerning the promoting of travel and tourism in Kansas and such related matters as the commission deems appropriate; and (e) perform such other acts as may be necessary in carrying out the duties of the commission.

Sec. 4. This act shall take effect and be in force from and after its publication in the Kansas register.

_____ Bill No. _____

By _____

An ACT concerning counties; relating to the sale of property; amending K.S.A. 1986 Supp. 19-211 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1986 Supp. 19-211 is hereby amended to read as follows: 19-211. (a) In any county other than Shawnee, Sedgwick and Johnson counties, except for any property belonging to a county law enforcement department, no property belonging to such county the value of which is more than \$25,000 but is not more than \$100,000, shall be sold or disposed of by any board of county commissioners without a unanimous vote of such commissioners and public notice of such sale or disposition containing the time, place and conditions thereof having been given at least once each week for three consecutive weeks prior thereto in the official newspaper of the county. Such sale shall be made to the highest bidder except that the board of county commissioners shall have the right to reject any or all bids. ~~No property, the value of which exceeds \$100,000,~~ shall be sold or disposed of by any board of county commissioners, unless the proposition of sale or disposal of such property shall first be submitted to a vote of the electors of the county at a question submitted election called therefor, which election shall be called, noticed and held in the manner provided by K.S.A. 10-120, and amendments thereto, or at a general election. If a majority of the votes cast at any such election authorizes any sale, such sale shall be made upon the notice hereinbefore prescribed by publication, to the highest bidder, except that the board of county commissioners shall have the right to reject any or all bids. When property of the county having a value of not more than \$100,000 is sold, the board of county commissioners shall cause to be published as a part of the statement required by K.S.A. 19-228, and amendments thereto, a detailed account of such sale which shall describe the property sold, to whom sold, and the sale price.

(b) Except for any property belonging to a county law enforcement department, no real property belonging to Shawnee, Sedgwick or Johnson County shall be sold or disposed of by any board of county commissioners without a unanimous vote of such commissioners and public notice of such sale or disposition containing the time, place and conditions thereof having been given at least once each week for three consecutive weeks prior thereto in the official newspaper of the county. Such sale shall be made to the highest bidder except that the board of county commission-

Attachment II

*Senate Economic Development
Committee
1-29-87*

ers shall have the right to reject any or all bids. If, within 90 days after the first publication of such notice a petition signed by not less than 2% of the qualified electors of the county is filed with the county election officer, such real property shall not be sold or disposed of unless the proposition of sale or disposal of such property shall first be submitted to a vote of the electors of the county at a question submitted election called therefor. The election shall be called, noticed and held in the manner provided by K.S.A. 10-120, and amendments thereto, or at a general election. If a majority of the votes cast at any such election authorizes any sale, such sale shall be made upon the notice hereinbefore prescribed by publication, to the highest bidder, except that the board of county commissioners shall have the right to reject any or all bids.

(c) The provisions of this section shall not apply to or restrict the conveyance of real property by any county to the state of Kansas, the title to which was previously conveyed to such county by the state of Kansas.

(d) The provisions of this section shall not apply to or restrict the conveyance of real property by any county to a non-profit corporation organized under the laws of Kansas if such real property is acquired and conveyed by the county for the purpose of development of an industrial or business park on such real property comprised of businesses engaged in: (a) manufacturing articles of commerce; (b) conducting research and development; or (c) storing goods or commodities which are sold or traded in interstate commerce.

Section 2. K.S.A. 1986 Supp. 19-211 is hereby repealed.

Section 3. This act shall take effect and be in force from and after its publication in the Kansas register.

PRESENTATION TO

SENATE ECONOMIC DEVELOPMENT COMMITTEE

BY

HARLAND E. PRIDDLE
SECRETARY OF COMMERCE

January 27, 1987

*Attachment III
Senate - Eco Devo
1-29-87*

ECONOMIC DEVELOPMENT

Economic Development Legislative Committees and Studies

H.B. 3122 creates standing House, Senate, and Joint Committees on Economic Development. The 13-member Joint Committee will be composed of five Senators and eight Representatives including the chairmen of the House and Senate standing committees and would be created effective January 1, 1987. The standing committees are established pursuant to existing laws and regulations governing other standing committees of the Legislature.

In addition to the creation of the committees, the bill identifies five areas of study to be reviewed prior to the convening of the 1987 Legislative Session. These areas include:

1. The appropriateness of Kansas agricultural research to the changing needs of the economy.
2. The appropriateness of Kansas capital markets to the rapidly changing needs of Kansas business, industry, and agriculture.
3. The appropriateness of the existing state governments' tax structure to the rapidly changing needs of the Kansas economy.
4. The control, supervision, and financing of postsecondary education in Kansas.
5. The appropriateness of the state's business training and employment development programs.

The studies are to be accomplished by the Legislative Economic Development Commission created by H.C.R. 5034 or by task forces appointed by the Commission. The Commission is also given the authority to appoint further task forces to study any additional recommendations proposed in the final report of the Kansas Economic Development Study which is to be completed in the spring of 1986.

Joint Legislative Commission on Economic Development

H.C.R. 5034 created a ten-person Joint Legislative Commission on Economic Development. The Commission was charged with studying and making recommendations regarding the role of the state in carrying out a comprehensive plan of action for economic development and orderly growth for the state of Kansas. The Commission was to make an interim report to the Legislature and the Legislative Coordinating Council not later than March 19, 1986, recommending actions to be taken during the 1986 regular session of the Legislature and a final report to the Legislative Coordinating Council not later than November 1, 1986 regarding such additional recommendations as the Commission may determine.

(The Commission's interim recommendations have been incorporated into House Bill Nos. 2951, 2960, and 3122; House Concurrent Resolution No. 5047; Senate Bill Nos. 754, 755, 756, and 757; and Senate Concurrent Resolution No. 1635.)

Kansas, Inc.

H.B. 2960 creates Kansas, Inc., a quasi-public, not-for-profit corporation to be run by a board of 15 predominantly private sector members serving in an advisory capacity to the Governor, the Kansas Department of Commerce, and the standing and joint legislative committees on economic development. Kansas, Inc. will re-

REVIEW OF 1986 ECONOMIC DEVELOPMENT INITIATIVES

place the existing advisory commission to the Department of Economic Development. The corporation is charged and empowered to:

1. coordinate the activities of all parties having a role in the state's economic development through evaluating, overseeing, and appraising those activities on an ongoing basis;
2. oversee the implementation of the state's economic development plan and monitor the updates of that plan;
3. review and evaluate the state economic plan developed by the Department of Commerce;
4. update, revise, and manage the state's econometric modeling analysis and planning process;
5. provide appropriate oversight to insure the successful implementation of Kansas Venture Capital, Inc.; and
6. oversee the targeting of scarce state resources to enhance the state's comparative economic advantages.

The corporation must publish an annual report and, in 1993, shall begin a review and evaluation of the effectiveness of economic development programs and activities within the state and shall, based on its findings, make appropriate recommendations to the Legislature.

The Legislature will fund the activities of Kansas, Inc. in its first year of operation, but in subsequent years state funds must be matched by other funds on a two-thirds state and one-third private basis.

Kansas Technology Enterprise Corporation

Substitute for S.B. 755 enacts new statutes to create, as of January 12, 1987, the Kansas Technology Enterprise Corporation (KTEC), a nonprofit corporation to foster innovation in existing businesses and the development of new businesses in the state. KTEC will absorb and expand the activities of the existing Office of Advanced Technology and the Advanced Technology Commission.

KTEC will foster innovation by:

1. supporting the creation of centers of excellence for basic research, applied research and development, and technology transfer at Kansas educational institutions;
2. awarding competitive research grants to develop commercial applications;
3. engaging in seed capital financing; and
4. providing for the transfer of technology between Kansas educational institutions and Kansas small business.

The corporation must publish an annual report, adopt a threshold funding level for each of its programs, and recommend to the Governor and to the Legislature appropriations to make the programs competitive with comparable programs in other states.

Kansas Venture Capital Company Act

Substitute for S.B. 757 enacts the Kansas Venture Capital Company Act, to facilitate the formation of venture capital companies and the expansion of the Kansas economy.

A tax credit of 25 percent will be allowed for cash investment in a certified Kansas venture capital company made in tax years 1986 through 1992, up to a maximum total investment of \$24,000,000, including up to \$10,000,000 for Kansas Venture Capital, Inc. For any contributor, the credit in any year will be limited to 25 percent of the total amount of the credit and to 25 percent of the tax liability. Credits for any tax year may be carried back for up to three years or forward until used.

Venture capital companies will be certified by the Secretary of the Department of Commerce subject to rules and regulations to be adopted by October 1, 1986. To continue in certification the company will have to invest an increasing proportion of its original capitalization in equity in the ventures in which investments are made.

The companies will be required to file an annual report with the Secretary of the Department of Commerce for the Secretary's review of their compliance. Companies will have 120 days to correct any deficiency found by the Secretary. If the company does not meet the qualification requirements within the 120 days, it will be decertified. Upon decertification, the stockholders must repay to the state any credits taken for contributions of capital to the company.

A company in compliance with the Act may voluntarily decertify but will then be required to repay to the state any credits claimed by its investors. In the event of such voluntary decertification after the seventh year, investors will not be liable to repay any credits claimed.

The Secretary of Commerce must submit an annual report of activities under the act to the Governor, Legislature, venture capital companies, and Kansas, Inc. (created by H.B. 2960).

Reorganization of the Kansas Department of Economic Development

H.B. 2951 reorganizes the Kansas Department of Economic Development effective January, 1987. Under the provisions of the bill, the current Small Business Division and Office of Minority Business are merged and expanded to create the Existing Industry Development Division. The new division will have the primary responsibility in providing assistance and technical advice to existing Kansas firms. The responsibilities of the current Office of Advanced Technology are transferred to the quasi-public Kansas Technology Enterprise Corporation created by S.B. 755. In addition, a Trade Development Division is created and charged with the primary responsibility of seeking out new export markets for Kansas products, encouraging investment by foreign corporations, and assisting Kansas businesses in developing expertise in the export field. The name of the department is also changed to the Kansas Department of Commerce.

Statewide Risk Capital System

Substitute for S.B. 756 establishes a statewide risk capital system and prescribes procedures for the functioning of Kansas Venture Capital, Inc. (KVC) to implement this system. The Secretary of the Department of Commerce is authorized to invest \$10,000,000 of state moneys in nonvoting preferred stock of Kansas Venture Capital, Inc. This preferred stock would receive the same dividend and the same rate of capital appreciation as other capital stock of the corporation, but would be repaid in full prior to other shares being redeemed.

The investment may not be made until \$10,000,000 of voting common stock is purchased by banks, savings loan associations, individuals, corporations, or other entities. Securities issued by KVCII are exempted from the registration requirements of the Kansas Securities Act.

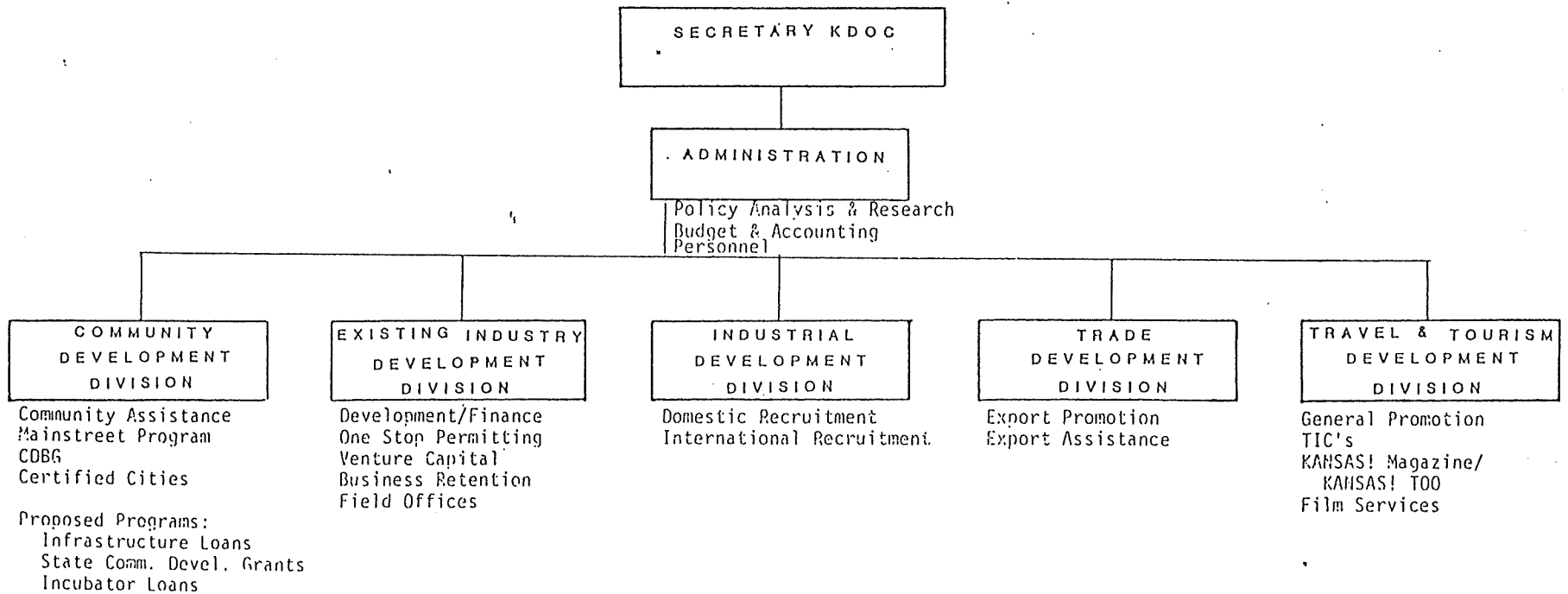
The Board of Directors of KVCII will consist of 15 members: eight representatives of Kansas financial institutions; two venture capitalists or investment counselors; and five persons representing business sectors of importance to the Kansas economy. The corporation must publish an annual report and shall be subject to audit by the Legislative Division of Post Audit. Dividends of the corporation are exempted from corporation and individual income tax, financial institutions privilege tax, and domestic insurance company privilege tax.

Investors of up to \$10,000,000 in the voting common stock of the corporation will be eligible for a credit against income or privilege taxes of 25 percent of the investment, not to exceed 25 percent of the taxpayer's tax liability for that year. The credit could be claimed in equal installments over a four-year period. Credits claimed in any year which exceed 25 percent of the tax liability for that year may be carried back for three years or carried forward indefinitely until used.

DEPARTMENT OF COMMERCE

KANSAS DEPARTMENT OF COMMERCE

FISCAL YEAR 1988



DEPARTMENT OF COMMERCE -- OFFICE OF THE SECRETARY

Mission: The Department of Commerce shall act as lead agency of the State for Economic Development for the promotion of business, industry, trade and tourism.

DEPUTY SECRETARY
GENERAL ADMINISTRATION
Policy Analysis & Research Unit,
Fiscal Accounting & Personnel

EXISTING INDUSTRY DEVELOPMENT
DIVISION

Mission: To promote and encourage growth, diversification, and retention of business and industry in Kansas.

Major Activities:

- * Small Business
- * Minority Business Devel.
- * One Stop Permitting
- * Field Offices
- * Local Community Technical Assistance
- * Community Development Block Grants--Economic Development
- * Liaison with Small Business Development Centers, Certified Development Companies, Venture Capital Companies

INDUSTRIAL DEVELOPMENT
DIVISION

Mission: To attract new business and industry from outside the state, thereby creating jobs, attracting new capital investment and expanding and diversifying the state's economic tax base.

Major Activities:

- * Domestic Business Recruitment
- * International Business Recruitment
- * Targeted Marketing Program
- * National Promotion Campaign

TRADE DEVELOPMENT DIVISION
DIVISION

Mission: To increase sales of Kansas agricultural and manufactured products worldwide, thereby creating jobs, bringing new dollars into the state, and enhancing the growth and expansion of the state's economic base.

Major Activities:

- * Domestic Trade Development
- * International Trade Development
- * Agriculture Trade Development

TRAVEL & TOURISM
DEVELOPMENT DIVISION

Mission: To increase the number of visitors to Kansas by promoting the state as a travel opportunity to both Kansans and non-Kansans alike.

Major Activities:

- * Promotion
- * Tourist Information Centers
- * Kansas Magazine
- * Film Services

COMMUNITY DEVELOPMENT
DIVISION

Mission: To provide grants, loans and technical assistance of Kansas communities to stimulate and support economic development activity.

Major Activities:

- * Community Assistance
- * Mainstreet Program
- * PRIDE Program
- * Community Development Block Grants--Small Cities
- * Enterprise Zones
- * Certified Cities Program

MISSION OF THE DEPARTMENT OF COMMERCE

The Department of Commerce shall act as lead agency of the State for Economic Development for the promotion of business, industry, trade and tourism.

OBJECTIVES OF THE DEPARTMENT OF COMMERCE

The following are considered to be objectives of the Department of Commerce in fulfilling their mission of the promotion of business, industry, trade and tourism in the State of Kansas.

- a. Facilitate the growth, diversification and expansion of existing industries and the creation by Kansans of new wealth generating enterprises.
- b. Promote economic diversification and innovation within the basic industries and sectors of the state.
- c. Promote increased productivity and value added products, processes and services among wealth generating enterprises and the export of those goods and services created by small and large Kansas enterprises to the nation and the world.
- d. Maintain and revitalize economically depressed rural areas and urban neighborhoods by targeting scarce resources by size, sector and location to communities and enterprises of particular need and opportunity, and by working in close collaboration with local communities.

- e. Protect and enhance the environmental quality of the state in ways consistent with dynamic economic growth.

- f. Forge a supportive partnership with the Legislative Standing and Joint Committees on Economic Development, Kansas, Inc., Kansas Technology Enterprise Corporation, Kansas Venture Capital, Inc., Kansas Certified Development Companies, Kansas Small Development Centers, Kansas Public and Private Educational Institutions, and other appropriate private and public sector organizations in achieving the economic development goals of the state.

- g. Increase the number of visitors to Kansas by promoting the state as a travel opportunity to both Kansans and non-Kansans.

- h. Increase sales of Kansas products worldwide, thereby creating jobs bringing new dollars into the state and enhancing the growth and expansion of the state's economic base.

1987

ECONOMIC DEVELOPMENT
STRATEGY STATEMENT

Prepared by: Kansas Department of Economic Development
October 31, 1986

1987 ECONOMIC DEVELOPMENT STRATEGY STATEMENT

1986 HB 2951 and HB 2960 charge the Kansas Department of Economic Development with the responsibility for preparing the state's economic development strategy. It is our belief that the Legislature intended for KDED to prepare a short, concise statement that articulates the state's major economic development goals and objectives. The attached strategy attempts to do this.

In preparation for writing the strategy, a review was made of the recommendations of the state's major consultants (Redwood and Krider, Belden Daniels, ASLAN, and Roger Vaughan), the Public Agenda Commission, Legislative Economic Development Commission, and publications cataloging the strategies of other states. The review found that the major thrusts of each were strikingly similar, and that the ultimate public purpose was always to create or retain jobs. Consequently, this strategy statement draws heavily from those recommendations and attempts to condense them into a single document.

The strategy contains five major goals and each goal has several sub-objectives. The major goals are to:

1. Improve the entrepreneurial climate in Kansas.
2. Encourage investment in business expansion, modernization and innovation.
3. Promote Kansas and its products.
4. Increase the state's investment in human capital through education.
5. Increase the quality of the state's infrastructure.

The strategy statement is different from the many recommendations in that it also articulates specific performance measures to gauge state's progress toward its economic development goals. This addition is critical, because until Kansas is able to regularly measure the effectiveness of its efforts, we can only speculate about our progress.

Every attempt was made to select "bottom line" performance measures that measure progress toward the desired end rather than the means to reach that end. In cases where data is currently not being gathered for the performance measures listed, a method will need to be devised to gather this data.

As you will note, the column titled "Improvement Goals Over Time" contains a space for short term and long term goals. These goals will be developed by the new Department of Commerce in negotiation with the organizations involved after Kansas, Inc. reviews the goals, objectives and performance measures.

Goal: 1.0: Improve the entrepreneurial climate in Kansas.

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
1.1 To identify and remove barriers that inhibit the birth and expansion of businesses, and that discourage businesses from moving to Kansas.	<p>1.1.1 Percentage increase in significant reforms to state statutory and regulatory policies that enable the intended goal to be achieved without unnecessarily restricting entrepreneurial incentives.</p> <p>1.1.2 Extent to which state policies allow the shifting of resources from declining businesses to expanding businesses.</p>			<p>State Agencies</p> <p>Dept. of Commerce</p> <p>Dept. of Health & Environment</p> <p>Dept. of Human Resources</p> <p>Dept. of Revenue</p> <p>Ks. Tech. Enterprise Corp.</p> <p>State Financial Regulatory Offices</p>

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
1.2 To encourage the birth, growth, diversification and retention of businesses in Kansas, particularly primary businesses.	<p>1.2.1 National ranking of the state's business climate, as measured by the:</p> <p>a. Percentage increase in net new jobs.</p> <p>b. Percentage increase in net new businesses.</p> <p>c. Percentage increase in total businesses (start-ups + retentions - closures).</p> <p>d. Percentage increase in fast-growing, young companies.</p> <p>e. Percentage increase in business headquarters located in Kansas.</p> <p>1.2.2 Growth of publicly held, Kansas-based companies, as measured by the:</p> <p>a. Percentage increase in the number of new issues in over-the-counter stock traded.</p> <p>b. Percentage increase in the market capitalization of existing issues of over-the-counter stock.</p> <p>1.2.3 Quantity and quality managerial and financial assistance available to businesses, as measured by the:</p> <p>a. Percentage increase in businesses (pre-start, new existing & established existing) assisted by Small Business Development Centers that survive beyond two and five year periods.</p> <p>b. Percentage increase in permanent jobs created and sales growth over time in businesses assisted by Small Business Development Centers.</p> <p>c. Percentage increase in permanent jobs created or retained by businesses assisted by Certified Development Companies.</p> <p>d. Provision of 50X or greater of SBDC or CDC services to primary businesses.</p>			<p>State Agencies</p> <p>Dept. of Commerce</p> <p>Ks. Tech. Enterprise Corp.</p> <p>Local Economic Development Org.</p> <p>Small Business Development Ctrs.</p> <p>Certified Development Companies</p>

Goal: 2.0: Encourage investment in business expansion, modernization and innovation.

Objective	Performance Measure(s)	Improvement Goal(n) Over Time		Responsible Organization(s)
		Annual	4 Year	
2.1 To identify and attempt to fill financial gaps that inhibit innovation and expansion.	<p>2.1.1 Extent to which new and expanding businesses with sound management and business proposals are able to obtain needed debt and equity financing, as measured by the:</p> <ul style="list-style-type: none"> a. Percentage of the assets of state financial institutions committed to commercial and industrial loans. b. Percentage of loans under \$25,000 to new businesses by state financial institutions. c. Percentage of loan portfolios of state financial institutions committed to export finance. d. Percentage increase in investments in Kansas businesses by pension funds. e. Percentage of investment by formal venture capital companies in Kansas businesses. 			<p>State Agencies Dept. of Commerce State Financial Regulatory Offices</p> <p>State Financial Institutions Venture Capital Companies</p>

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
2.2 To encourage increased risk taking by financial institutions without jeopardizing the integrity of the institutions.	<p>2.2.1 Percentage increase in significant reforms to state statutory and regulatory policies that enable financial institutions to price risk, that is, to earn a higher rate of return from successful but risky ventures to compensate for a higher default or failure rate on unsuccessful ones.</p> <p>2.2.2 Percentage of financial institution portfolios invested in more risky business ventures.</p>			<p>State Agencies Dept. of Commerce State Financial Regulatory Offices</p> <p>State Financial Institutions</p>

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
2.3 To expedite the commercialization of innovative processes and products.	<p>2.3.1 Increase innovative business activity by Kansans and Kansas companies, as measured by the:</p> <ul style="list-style-type: none"> a. Percentage increase in patents granted in Kansas. b. Percentage increase in the money spent on research and development by business. c. Percentage of state research grants that result in the successful commercialization of an innovative product or process. 			<p>State Agencies Kansas Tech. Enterprise Corp. Universities</p>

Goal: 3.0: Promote Kansas and its products.

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
3.1 To encourage out-of-state and foreign based businesses to open a plant or facility in Kansas, particularly primary businesses.	3.1.1 Increase in the quantity and quality of investment by out-of-state firms, as measured by the: a. Percentage of businesses attracted to Kansas. b. Percentage of jobs created by businesses attracted to Kansas. c. Average salary level of the jobs created by businesses attracted to Kansas. d. Percentage increase in business headquarters attracted to Kansas.			State Agency Dept. of Commerce Local Economic Development Org.
3.2 To increase the exportation of Kansas products to foreign countries.	3.2.1 Percentage increase in foreign exports by Kansas businesses.			State Agencies Dept. of Agriculture Dept. of Commerce Local Economic Development Org.
3.3 To encourage import substitution, that is, the substitution of Kansas products for products imported from outside Kansas.	3.3.1 Percentage increase in the number of instances in which major substitutions occur.			State Agencies Dept. of Agriculture Dept. of Commerce Local Economic Development Org.
3.4 To increase the number of visitors in Kansas.	3.4.1 Increase in the number and impact of visitors in Kansas, as measured by the: a. Percentage of non-Kansans who visit Kansas for vacation, regional and national conventions and conferences. b. Percentage of Kansans who opt to vacation in Kansas. c. Percentage of dollars spent in Kansas by Kansans and non-Kansans in a & b.			State Agencies Dept. of Commerce Park & Resources Authority Local Tourism Organizations

Goal: 4.0: Increase the state's investment in human capital through education.

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
4.1 To remove barriers that limit the ability of state post secondary education institutions adapt to changing demands and technologies.	4.1.1 Quality and quantity of post secondary education, as measured by a statewide institutional comparison of the: <ul style="list-style-type: none"> a. Percentage of students placed in jobs upon graduation. b. Average salary of graduates upon graduation. 			State Board of Education Community Colleges Vocational Schools Board of Regents State Universities

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Amount	4 Year	
4.2 To increase the ability of the state's business training system to meet the needs of existing businesses and those recruited from outside Kansas.	4.2.1 Quality and quantity of customized business training, as measured by the: <ul style="list-style-type: none"> a. Percentage increase in recruited businesses that need and receive state financial assistance for business training. b. Percentage increase in expanding existing businesses that need and receive state financial assistance for business training. c. Percentage increase in existing businesses that need and receive state financial assistance to retrain employees for other jobs. 			State Agencies State Board of Education Community Colleges Vocational Schools Dept. of Commerce Dept. of Human Resources Board of Regents State Universities Local Private Industry Councils

Goal: 5.0: Increase the quality of the state's infrastructure.

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
5.1 To provide a basic system of state infrastructure — transportation networks, recreational facilities and public buildings — conducive to economic development.	5.1.1 Percentage increase in state owned and maintained infrastructure that meets reasonable standards of adequacy. 5.1.2 Percentage reduction in the cost of economic development related infrastructure financing for local governments.			State Agencies Dept. of Commerce Dept. of Transportation Dept. of Health & Environment Kansas Water Office Park & Resources Authority

Objective	Performance Measure(s)	Improvement Goal(s) Over Time		Responsible Organization(s)
		Annual	4 Year	
5.2 To provide a basic system of local infrastructure — roads and bridges, water supply and treatment, utilities and public buildings — conducive to economic development.	5.2.1 Percentage of locally owned and maintained infrastructure that meets reasonable standards of adequacy.			Local Governments

KANSAS INC

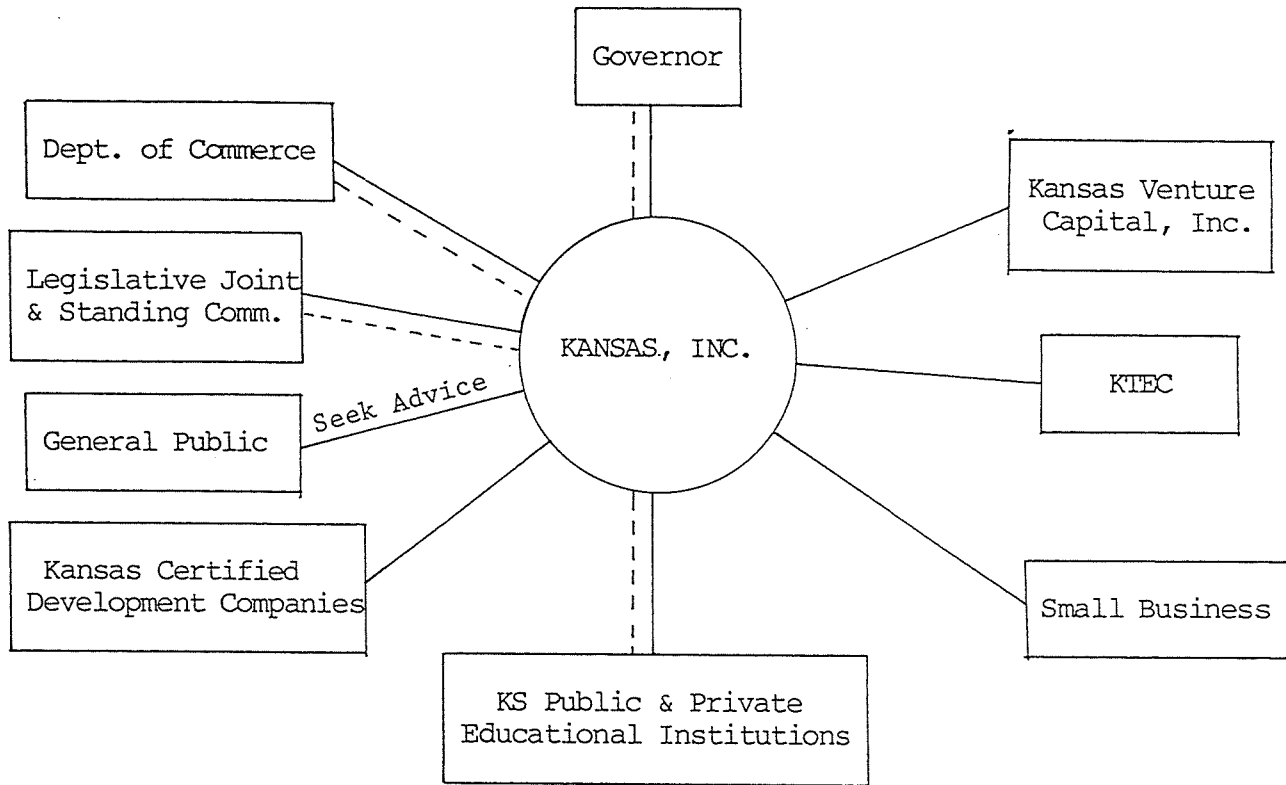
KANSAS, INC.

GENERAL COMMENTS

Kansas, Inc. is the key policy direction agency created by the 1986 legislative session in their economic development initiatives. This new corporation has broad responsibilities in the development of economic development issues for Kansas for many years to come.

The following sections outline suggested actions and comments relating to the implementation of this key quasi-public entity in Kansas. Kansas, Inc. should assert itself and become the lead agency as quickly as possible in giving direction and coordination for the development of the economic development issues for the future. Initial strong membership indicates the ability to accomplish these specific actions, provided the intercoordination between the Department of Commerce, Kansas, Inc. and other new organizations and activities is accomplished.

ORGANIZATIONAL RELATIONSHIPS OF KANSAS, INC.



———— Partnership Role
 - - - - - Advisory Capacity

NOTE:

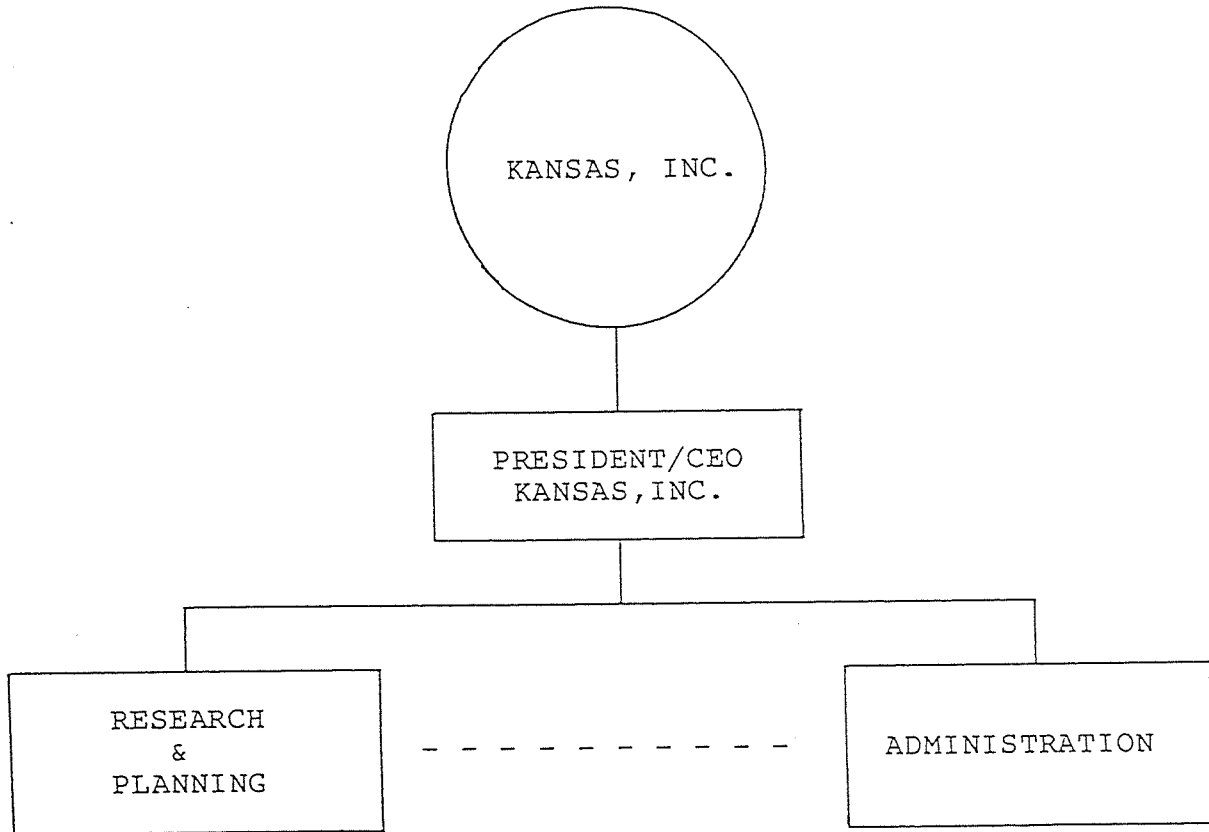
A. Governor is Co-Chairman of Kansas, Inc. other members included:

1. Secretary of Commerce
2. 1 each appointed by the Governor from Agriculture, aviation and oil industries.
3. 1 appointed by the Governor from value added industry.
4. 2 appointed by the Governor from financial industry.
5. 1 appointed by the Governor from labor.
6. Commander of Kansas Calvary
7. 1 select by the Board of Regents
8. 4 legislative appointments by:
 - a. Speaker
 - b. President of the Senate
 - c. House minority leader
 - d. Senate minority leader

B. Kansas, Inc. will serve in an advisory capacity to the Department of Commerce, legislative committees and Governor's office. All other organizational relationships will be in an oversight position to insure that economic goals of the state are achieved.

ORGANIZATIONAL CHART

KANSAS, INC.



MISSION OF KANSAS, INC.

Kansas, Inc. will function as the Board of Directors of Kansas Economic Development policy, to evaluate the effectiveness of the state's economic development programs and to insure that all agencies and individuals in the development system work together to improve the state's economy.

OBJECTIVES OF KANSAS, INC.

The following are objectives of Kansas, Inc.:

- a. Determine the state's areas of potential and continuing competitive advantage.
- b. Oversee the formulation of economic development policy and strategic planning.
- c. Oversee the targeting of scarce state resources.
- d. Plan for improvements in the state's tax, regulatory and expenditure policies.
- e. Perform analysis to assess the impact of major businesses coming or leaving Kansas.
- f. Serve in an advisory capacity to the Department of Commerce.
- g. Forge a supportive partnership with the major organizations involved in economic development in the State of Kansas.

- h. Establish goals, priorities and program standards and evaluate the effectiveness of state economic development programs and policies in accordance with these standards.

- i. Institutionalize an ongoing means of collaboration with the principal economic development organizations in the state.

- j. Review and evaluate the major programs and activities of the Department of Commerce and the major pieces of economic development legislation passed by the 1986 legislature.

- k. Provide appropriate oversight to insure success with implementation of Kansas Venture Capital, Inc.

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KANSAS TECHNOLOGY ENTERPRISE CORPORATION

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

GENERAL COMMENTS

The Kansas Technology Enterprise Corporation (KTEC), created by Senate Bill 755, will become effective on January 12, 1987. KTEC replaces the previous Advanced Technology Commission, an office within the Kansas Department of Economic Development, as the new quasi-public entity. The Board of Directors of KTEC will be composed of 15 appointed individuals outlined in the statute creating the organization. These include 10 appointments by the Governor, 4 legislative appointments and the Governor or Secretary of Commerce.

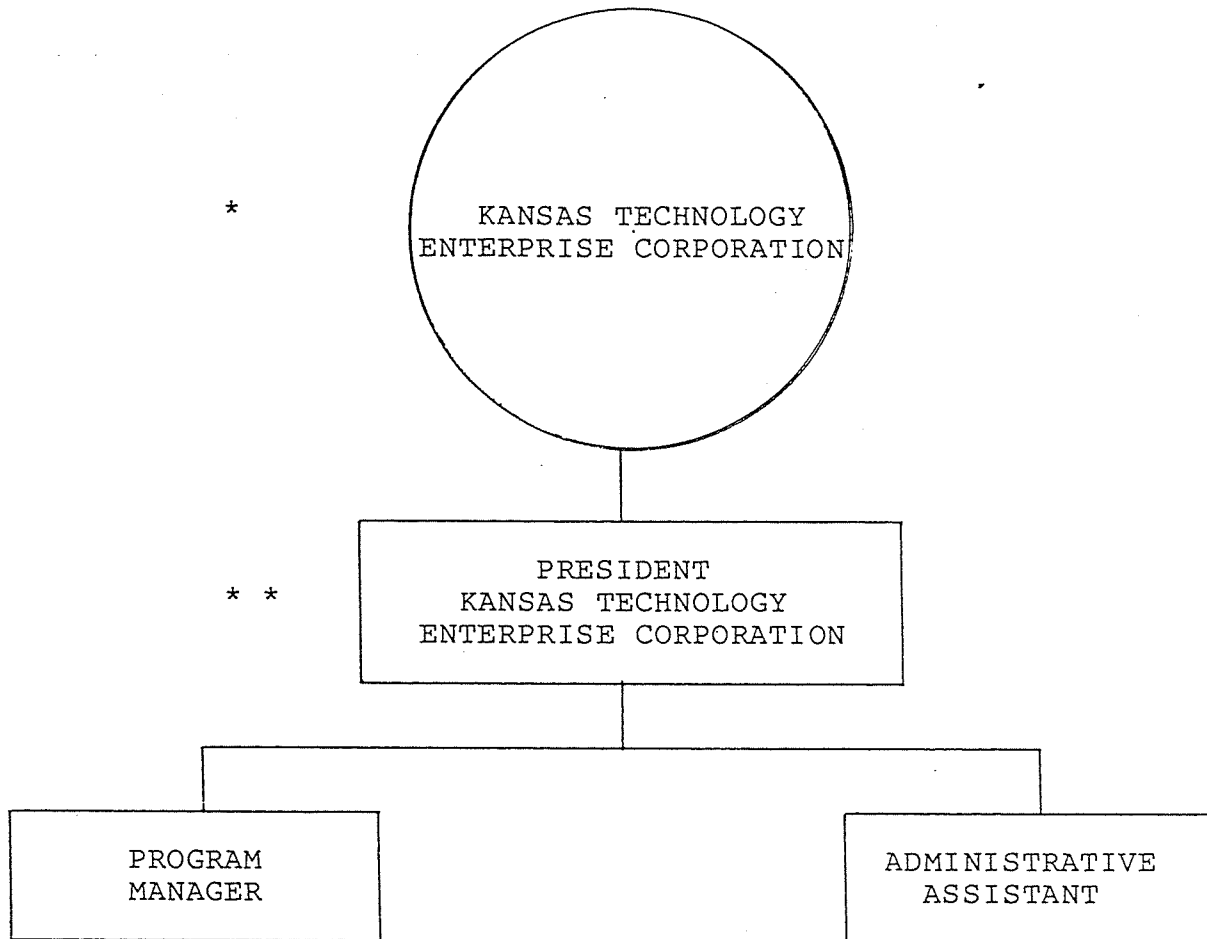
The Kansas Department of Economic Development currently has 3 staff members assigned to support the Advanced Technology Commission. These will automatically be transferred to KTEC to support and assist with such actions as the organizational and functional structure dictate, as well as the budget and personnel requirements of the new corporation. The selection of the President by the board of the Kansas Technology Enterprise Corporation will be one of the initial implementation actions required by KTEC.

KTEC has the sufficient responsibility for coordinating and directing the efforts of research and development within Kansas, to assure that new innovations in high technology are

available to private sector businesses for growth and expansion of Economic Development within the state. The following sections outline specific thoughts and recommended actions regarding the implementation of KTEC.

ORGANIZATIONAL CHART

KANSAS TECHNOLOGY ENTERPRISE CORPORATION



* 15 Members

Governor or Secretary of Commerce
10 Members appointed by the Governor
 4 from private sector
 4 scientists or engineers
 2 from financial sector

4 Legislative Appointments
 Speaker of House
 President of the Senate
 House Minority Leader
 Senate Minority Leader

* * President, Program Manager and Administrative Assistant
makeup the total staff support for Kansas Technology
Enterprise Corporation.

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

MISSION STATEMENT

The Kansas Technology Enterprise Corporation (KTEC) will provide the imagination and resources for innovation in existing and developing businesses, especially the creation, growth and expansion of Kansas enterprises in a diversified range of primary sectors dealing with value added products, processes and services.

OBJECTIVES OF THE KANSAS TECHNOLOGY ENTERPRISE CORPORATION

The objectives of the Kansas Technology Enterprise Corporation (KTEC) are as follows:

- a. To promote the collaborative research between universities and industries through:
 1. The applied research matching grant program.
 2. Centers of excellence programs (basic research fund, applied research fund, and technology transfer fund).
- b. To assist existing and prospective Kansas enterprises in start up and capitalization in the formation of effective business plans, financial proposals and protection of intellectual property.
- c. To attract research facilities, grants and other funds to Kansas, including development of proposals for such facilities and projects, from sources including federal government, the Midwest Technology Development Institute and the private sector.

- d. To develop centers of excellence for basic and applied research in technology transfer which meet national standards of excellence.
- e. To maximize the potential for return on the investments made by the corporation by acquiring ownership or taking license and patents, copyrights, and proprietary processes, or negotiating royalty payments to the corporation.
- f. To provide seed capital financing for commercializing innovations by Kansas enterprises.
- g. To promote Kansas high technology programs and the advantages of doing technology related business in Kansas through promotions, conducting an annual Kansas technology exposition and presence at national high technology trade shows.

OTHER INITIATIVES

JOINT AND STANDING COMMITTEES ON ECONOMIC DEVELOPMENT

KANSAS VENTURE CAPITAL CORP

ECONOMIC DEVELOPMENT TASK FORCES

TASK FORCE ON AGRICULTURE

<u>Legislators</u>	<u>Non-Legislators</u>
Rep. David Heinemann Chairperson	Gary Gilbert, Gilbert Grain (Clay Center)
Sen. Fred Kerr Vice-Chairperson	Dale Rodman, Excel Corporation (Wichita)
Sen. Merrill Werts	Eugene Beachner, Beachner Seed Co. (St. Paul)
Sen. Jerry Karr	Wayne Hagerman, Farmer (Larned)
Rep. Bill Bryant	John Davis, Fidelity Bank (Garden City)
Rep. Don Rezac	Dana Jackson, The Land Institute (Salina)
	Richard Basore, Farmer (Bentley)

The charge to the Economic Development Task Force on Agriculture was to recommend ways and means by which agriculture research and development in Kansas might be redirected and enhanced: (1) to underpin the development of a broader agricultural base through diversification into new commodities; (2) to facilitate the application of new scientific technologies to value added processing of Kansas agricultural commodities within Kansas; and (3) to support the successful commercialization of new products and processes in national and international markets.

TASK FORCE ON BUSINESS TRAINING

<u>Legislators</u>	<u>Non-Legislators</u>
Sen. Alicia Salisbury, Chairperson	Buddy Baker, Midland Brake (Iola)
Rep. Denise Apt, Vice-Chairperson	Fred P. Braun, Jr., Zephyr Products, Inc. (Leavenworth)
Sen. Leroy Hayden	Gary Clark, University of Kansas (Lawrence)
Sen. Ben Vidricksen	Richard Corwin, Famous Companies (Topeka)
Rep. Rick Bowden	Ron Hoover, United Rubber Workers of America, Local 207 (Topeka)
Rep. Dorothy Nichols	John Moore, Cessna Aircraft Company (Wichita)
	James H. Stringer, Hutchinson Community College (Hutchinson)

(Funded in Part by a Grant from the
National Conference of State Legislatures and
Office of Educational Research and Improvement
(U.S. Department of Education))

The Task Force on Business Training was charged with addressing the appropriateness of the state's business training and employment development programs with regard to the rapidly changing needs of the Kansas economy.

The work of the Task Force was conducted through a series of two-day meetings in each of the months of July through October and one day in November. During this time the Task Force endeavored to develop an in-depth understanding of the present job training system, to receive input in the form of suggestions and recommendations for improving the system from as many interested parties as possible, and to evaluate the analysis and recommendations of two consultants whose services were retained on behalf of the Task Force. The consultants were Dr. Roger J. Vaughan, Roger Vaughan Associates, and Dr. Charles Krider, Director of Business Research, Institute for Public Policy and Business Research, University of Kansas.

TASK FORCE ON CAPITAL MARKETS
AND TAXATION

<u>Legislators</u>	<u>Non-Legislators</u>
Sen. Dave Kerr, Chairman	Charles Becker, Campbell-Becker (Lawrence)
Rep. Clyde Graeber, Vice-Chairman	Ben Craig, Metcalf State Bank (Overland Park)
Sen. Paul "Bud" Burke	Nancy Hiebert, Douglas County Commissioner (Lawrence)
Sen. Frank Gaines	Lee Peakes, George K. Baum and Co. (Kansas City)
Rep. Clint Acheson	Daryl Schuster, First National Bank (Liberal)
Rep. Joan Adam	Shelby Smith, Former Lieutenant Governor (Wichita)
	Montie Taylor, Peoples Savings and Loan (Parsons)

The Task Force on Capital Markets and Taxation was charged to evaluate the appropriateness of Kansas capital markets and tax structure to the rapidly changing needs of the Kansas economy, to undertake a benefit-cost analysis of Kansas tax incentives, and to review the adequacy and structure of the Kansas risk capital system.

The Task Force held five two-day meetings and received testimony from major interest groups as well as several individual firms affected by the financial and tax structure. Dr. Charles Krider was commissioned to conduct the benefit/cost analysis, and Belden Daniels was retained as consultant on capital markets issues.

TASK FORCE ON HIGHER EDUCATION

<u>Legislators</u>	<u>Non-Legislators</u>
Rep. Phil Kline, Chairman	Gary Bell, Wichita City Commissioner
Sen. Audrey Langworthy, Vice-Chairman	Frank Eaton, Schwab- Eaton, P.A.
Sen. Nancy Parrish	Dr. Gery Hochanadel, Pres., Labette Community College
Sen. Wint Winter	Dr. Michael McCarthy, Pres., St. Mary of the Plains College
Rep. Jo Ann Pottorff	Sandra McMullen, Kansas Board of Regents
Rep. Bill Reardon	Frances Royer, Washburn Board of Regents and Pres., St. Mary's State Bank
	Don Slawson, Kansas Board of Regents and Pres. Slawson Companies, Inc.

The Task Force was given the following charge:

1. Evaluate the appropriateness of the state's higher education system to meet the rapidly changing needs of the Kansas economy.
2. Evaluate control, supervision, and financing of postsecondary education in other states, compare other states' policies with those of Kansas, and create policies appropriate to Kansas based on the interstate analysis.
3. Evaluate control, supervision, and financing of postsecondary education in Kansas, including (a) a review and determination of the mission of public postsecondary education to and beyond the year 2000; (b) the kind of structure, control, and supervision required of public postsecondary education to accomplish such mission; and (c) the principles and level of financing of public postsecondary necessary to accomplish such mission.
4. Evaluate other states' policies which increase their commitment and investment in higher education and which encourage closer working relationships between industry, higher education, and state government.

In undertaking this review, the Task Force was directed by the Commission to:

5. Coordinate closely with the Board of Regents special study of the mission, role, and scope of each Regents' institution.
6. Coordinate closely with the Special Interim Committee on Financing of Regents' Institutions.
7. Coordinate closely with the Board of Education study of the mission of community colleges.
8. Coordinate closely with the Task Force on Business Training and Vocational Education.

The Task Force was served by two consultants: Dr. H. Edward Flentje, Professor of Public Administration, Hugo Wall Center for Urban Studies, Wichita State University, and Dr. Anthony Redwood, Executive Director, Institute for Public Policy and Business Research, University of Kansas. Dr. Flentje served as principal consultant to the Task Force on governance of higher education. Dr. Redwood assisted the Task Force by providing information and recommendations on higher education-business sector linkages for economic development.

FUTURE ACTIONS RELATED TO ECONOMIC DEVELOPMENT

LEGISLATION

REMAINING ITEMS

IMPLEMENTATION

NEW IDEAS

COMMITTEE ACTIONS

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.

* 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. (KVCII) 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 KVCII company stock; (c) that the \$1.5 million already invested in KVCII be reinvested, and be credited toward the \$10 million requirement; and (d) that the Secretary of Commerce be allowed to interpret KVCII'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).

* 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).

* Bills done for January 14, 1987 meeting.

ProLeg.LH/jsf

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)

Recommendations	Action Taken	Status
Traditional Industries		
1. Task Force on Agriculture	Task Force appointed	Report of Task Force Completed 12-2-86
2. Expand TORP		No action taken
Taxation		
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
Education, Research, and Technology Transfer		
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		
Finance, Capital Formation and Innovation		
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
State Organization for Economic Development		
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 constitutional 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	
Community Development and Small Business		
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	
Economic Development Strategy in State Policy Making: Human Resources, Infrastructure and Regulation		
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 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		

IMPLEMENTATION

COORDINATION

COMMUNICATION

EVALUATION

NEW IDEAS

KANSAS COMMON MARKET

KANSANS BUY FROM KANSANS

SUGGESTED COMMITTEE ACTIONS

ADDRESS LEGISLATION

RECEIVE PRESENTATIONS FROM AGENCIES AFFECTING
ECONOMIC DEVELOPMENT

KANSAS VENTURE CAPITAL CORP

KANSAS INC

KTEC

TRANSPORTATION

HUMAN RESOURCES

REVENUE

UNIVERSITIES

ANALYZE THE RECOMMENDATIONS WHICH HAVE NOT BEEN ADDRESSED

RECEIVE PRESENTATION FROM DEPARTMENT OF COMMERCE ON STRATEGY PLAN

SUMMARY

SUMMARY

REVIEW OF INITIATIVE

STATUS

IDEAS FOR THE FUTURE

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)

Attachment IV
Senate Eco Dev
1-29-87

Recommendations	Action Taken	Status
Traditional Industries		
1. Task Force on Agriculture	Task Force appointed	Report of Task Force Completed 12-2-86
2. Expand TORP		No action taken
Taxation		
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
Education, Research, and Technology Transfer		
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		
Finance, Capital Formation and Innovation		
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
State Organization for Economic Development		
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	
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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).

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Attachment II
Senate Eco Dev
1-29-87

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...and make for comment. James Keenan, general counsel for Baltimore-based Fidelity and Deposit Company of Maryland, said he had not yet seen the complaint and could not comment.

The Bank of Kansas City seeks \$3.3 million plus interest from June 8, 1985.

Loans to TMI were among a number of

...by the Missouri Securities Commission to make a recession offer to the limited partnership investors.

The action stemmed from an investigation which determined that the company had sold unregistered securities through an unregistered securities dealer in violation of Missouri law.

Morgan banks view venture capital fund with caution

By DAN MARGOLIES

Although more than 200 Kansas banks have made informal pledges to commit \$6 million to the state's revived venture capital company, Kansas Venture Capital Inc., three key banks in the metropolitan area are viewing the firm cautiously.

The banks — Security Bank and Industrial State Bank in Kansas City, Kan., and Mission Bank in Mission — are owned by the Frank Morgan group and are among the largest on the Kansas side of the state line.

"We're taking a wait-and-see attitude," said Wilbur Hook, chairman and chief executive officer of Security and Mission and president of Industrial State. "Our position is that we're doing nothing on it at this point."

The state's bankers recently received offering memorandums for Kansas Venture Capital, a once-moribund company launched by the legislature in 1972 to provide equity capital for small Kansas businesses.

The legislature has authorized the state to invest \$10 million in nonvoting, preferred stock if the state's bankers and other financial institutions — the general public is not eligible to subscribe — purchase a similar amount of the company's common stock.

In addition, because the firm is licensed by the Small Business Administration as a small-business investment company, it is eligible to receive from the SBA up to three times the amount of its common stock, or \$30 million, potentially giving the firm a total of \$50 million to invest.

"Nationally, that's not a big pool, but in Kansas it's plenty big," said Ben Craig, president of Metcalf State Bank and the chairman of a task force appointed two years ago by the Kansas Bankers Association to look into ways to foster economic development in the state.

So far, about 225 of the state's 613 banks have signed nonbinding pledges to commit up to 0.65 percent of their capital, surplus and undivided profits, the amount recommended by the bankers association, to Kansas Venture Capital, said Harold Stones, executive director of the bankers group.

The banks' "nonbinding expressions of support" amount to approximately \$6.1

million. Combined with about \$1.5 million in capital the firm already had, the nonbinding pledges put the firm three-quarters of the way toward meeting its \$10 million goal.

Hook said the Morgan banks' "wait-and-see" attitude stemmed from the banks' experience with Kansas Development Credit Corp., a state-authorized venture that owns 51 percent of Kansas Venture Capital.

The credit corporation was formed 20 years ago to provide a pool of loans for businesses that might not otherwise qualify for bank loans. About 410 participating banks supplied the money for the loans, which primarily were made to existing manufacturing, processing, wholesale and service companies, although some were used to start new businesses.

Officials this year decided to liquidate the credit corporation's \$5.2 million loan portfolio and concentrate on the venture capital fund. So far, about 40 percent of the credit corporation's funds have been paid back to the banks.

Hook said estimates that the banks might take a 20 percent loss have made the Morgan banks reluctant to invest in the venture capital fund.

Even so, most of the larger metropolitan area banks in Kansas said last week they planned to invest in the company. "We've got to do something about the state of the economy," said Donald See, president of Overland Park State Bank & Trust Co. "If you have a better idea, throw it out on the table, but so far I haven't heard any . . .

"This thing isn't a panacea, it certainly doesn't represent all of the answer, but it's something."

Fourth Financial Corp., the largest bank holding company in the state and owner of Bank IV Olathe, Bank IV Lenexa and seven other banks, has made the biggest commitment to Kansas Venture Capital so far. The company's banks have made informal pledges of more than \$1 million, or 10 percent of Kansas Venture Capital's capital subscription.

Some information for this story was provided by Jon Barnes, a reporter for the Wichita Business Journal.

*KC Business Journal
1-26-87*

*Attachment VI
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1-29-87*