

Approved March 29, 1988
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Phil Kline at
Chairperson

3:37 XXX a.m./p.m. on Monday, March 21, 1988 in room 423-S of the Capitol.

All members were present except: Representatives Mainey, Teagarden, Leach, Barkis, Helgerson, Heinemann and Moomaw. - Excused.

Committee staff present:

Jim Wilson, Revisor
Lynn Holt, Research
Elaine Johnson, Secretary

Conferees appearing before the committee:

Paul E. Fleener, Director Public Affairs Division, Kansas Farm Bureau
Wilbur G. Leonard, Legislative Agent, Committee of Kansas Farm Organizations
Dan Cain, member Shawnee County Economic Development Council
Dr. Stanley Z. Koplik, Executive Director, Kansas Board of Regents
H. Kent Craft, Vice President for Development, Kansas Technical Institute
Dr. David DePeu, Executive Director, Kansas Council on Vocational Education
Rex E. Wiggins, President, Kansas Venture Capital, Inc.

Chairman Phil Kline called the meeting to order and opened the continuation of hearing on S.B. 599. The first conferee to be recognized was Paul Fleener.

Paul Fleener stated that the Kansas Farm Bureau is a strong proponent for S.B. 599. The economy of this state revolves around agriculture and passage of this bill will take advantage of the knowledge that exists throughout the state and assist in the development of small scale value-added processing endeavors in Kansas. Farmers will receive great benefit and taxpayers will receive a greater return on their investment of tax dollars if this legislature will expand the commitment and provide the support to programs and activities at Kansas State University. (Attachment 1). Mr. Fleener also referred to Mr. Jack McKee's testimony to the Senate Committee regarding confidentiality of the information that the center might develop for an individual. Professors do consulting for some firms and there must be absolute confidentiality developed between those who have or suspect they have a product to which value can be added and the center. Mr. McKee was unable to testify before the House Committee. Mr. Fleener also expressed some amendatory thoughts for consideration by the committee. He feels it is appropriate for KTEC to be involved. Lines 53 to 74 of the bill talk about the makeup of leadership council, KTEC member was stricken from the bill. This committee might consider reinstating that person and relocating that new language into lines 82 to 87 which appear to be awkward in terms of KTEC naming the coordinator and the person is housed at Kansas State University in the office of the president. They believe it might be more appropriate for this to be within and a part of the Kansas Agricultural Experiment Station. The reason it was put in the office of the president was because there was a feeling that we need this to be an inter-disciplinary approach. The Agricultural Experiment Station operates throughout the state not just at Kansas State University.

Discussion followed.

The next conferee was Wilbur Leonard and he feels that assisting private entrepreneurs in the establishment of facilities and markets for new products, this project could be of immeasurable benefit not only to the farming interests but to the state and to all Kansans and recommends S.B. 599 for passage. (Attachment 2).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 423-S, Statehouse, at 3:37 ~~xx~~ p.m. on Monday, March 21, 1988.

The next conferee on S.B. 599 was Dan Cain. (Attachment 3). Mr. Cain affirmed that the location of the center in the office of the president is a good idea for accountability reasons. This way it can be monitored and we can see how it progresses. Mr. Cain also feels that through this center we can also develop from raw agricultural product bio-mass, non-food uses, example etho-nal.

This closed the hearing on S.B. 599. Chairman Kline announced to the committee that he had appointed a sub-committee to work on this bill. The members are Representatives Heinemann, Aylward and Gjerstad.

Chairman Kline opened the hearing on S.B. 476 and recognized Dr. Stan Koplick.

Dr. Koplick supports S.B. 476 changing the name of the Kansas Technical Institute to Kansas College of Technology. Kansas College of Technology clearly describes the college level of course work and its emphasis on technology. Kansas College of Technology represents a more accurate description of the level, mission and purposes of the instructional activity currently taking place at the institution. (Attachment 4).

The next conferee on S.B. 476 was H. Kent Craft from the Kansas Technical Institute. Mr. Craft testified that the name change idea is not new, but rather the result of several years of frustration endured by campus representatives while trying to carry out normal college business. The name change will clearly identify Kansas Tech for what it is, a college, not a proprietary school and will help promote it as an institution of higher learning, help develop and complete articulation agreements with other institutions for the transfer of credits. The name change was approved by the faculty, staff, administration, Alumni Association, Endowment Association and the Board of Regents. (Attachment 5).

Dr. David DePeu then testified in support of S.B. 476 based on report from the Institute for Public Policy and Business Research, at the University of Kansas. (Attachment 6).

Senator Vidricksen was unable to attend the meeting as he was chairing the Senate which was still in session.

Representative Aylward moved that S.B. 476 be passed and Representative Foster seconded. Motion carried.

Chairman Kline then opened the hearing on S.B. 673 and recognized Rex Wiggins.

Rex Wiggins began his testimony stating that they found a technical error in the bill. He called on Harold Stones of the Kansas Bankers Association to address the error. Mr. Stones stated that the Senate had inadvertently struck or 48-2801 from line 32 in the bill. There is no reason to strike it and it should be put back in the bill. Mr. Wiggins then proceeded to give the rationale for S.B. 673 which will enable Kansas Venture Capital, Inc. to encourage companies in the insurance industry to buy their common stock and will encourage Sub-S corporations to buy Kansas Venture Capital, Inc. common stock. With these additions as potential purchasers of common stock, Kansas Venture Capital will reach its goal of \$10 million faster and more efficiently. (Attachment 7). Mr. Wiggins then presented a status update on Kansas Venture Capital, Inc. (Attachment 8). Mr. Stones then addressed another change in the bill. The Kansas Bankers Association did not request the change from 4 years to 1 year for tax credit in selling stock, they will not turn it down but if the committee were to reject it the KBA will still be out there selling this stock.

Representative Kline announced to the committee that the minutes of the March 14, 15, 16 and 17 meetings were in their folders.

The meeting adjourned at 4:23 p.m.

Date: 3/21/88

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME

ORGANIZATION

ADDRESS

Ken Buff *Kansas Tech* *Salina*

Stan Z. Koplin *Regents* *Topeka*

John E. Wiggins *Kansas Venture Capital* *Seneca*

Emery E. Fager " " " *Topeka*

Empty lines for additional entries in the table.



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

RE: S.B. 599 - Concerning Creation of an Agricultural
Value-Added Processing Center

March 16, 1988
Topeka, Kansas

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We come before you as a strong proponent of S.B. 599. We have been speaking out for years in Legislative Committees and throughout the State of Kansas urging **economic development in the agricultural sector**. S.B. 599 is an opportunity to assist in this area.

Our policy positions are replete with support for funding agricultural programs. In this brief statement, we will make reference to a few of those policy positions.

When the Legislature funded a study on Economic Development in Kansas, our organization was at the forefront, assisting with financial support for the study that was commissioned by the Institute for Public Policy and Business Research. There was very little reference made to agriculture in the initial study presented to the Governor and the Legislature.

But our interest has not diminished. We believe economic development initiatives should provide opportunities throughout the State of Kansas and particularly for the

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number one industry in the State of Kansas - **AGRICULTURE.**

S.B. 599 proposes to establish an Agricultural Value-Added Processing Center associated with Kansas State University. KSU is the logical place for such a center. There are good programs underway at Kansas State University ... the International Grains Program, the International Meats and Livestock Program, to name just two. This Legislature has modestly funded some research work for nonfood uses for wheat. It is time to pull all these programs together ... to take advantage of the sound and solid programs that are in existence. We urge you to take the next logical step ... **pass S.B. 599** ... to take advantage of the knowledge that exists throughout the state and to assist in the development of small scale value-added processing endeavors in Kansas.

The economy of this state revolves around agriculture. We commend this legislation to you. We ask that S.B. 599 be given favorable consideration in order to assist private entrepreneurs in the establishment of facilities, and to stimulate cooperation among existing state agencies in order to provide assistance in market development for value-added products produced by Kansas farmers and ranchers.

We strongly believe farmers will receive great benefit and **taxpayers will receive a greater return on their investment of tax dollars if this Legislature will expand the commitment and provide the support to programs and activities at Kansas State University** and elsewhere in this state which will enhance opportunities for our products.

We appreciate the interdisciplinary approach that is

outlined in S.B. 599 ... pulling together university personnel, the State Board of Agriculture and the Department of Commerce, **as well as the private citizens of the State of Kansas!** The interdisciplinary approach will bode well in developing a value-added component for agricultural commodities.

One of our policy positions urges this Legislature to retain all or the greater portion of the so-called "windfall" so that you can do a number of things that have been left undone during tight economic times. One of the important missions for the Kansas Legislature for 1988 ... **one of the things that must be done this year ...** is to assist agricultural activities that have been overlooked! Take bold new steps such as the proposal embodied in S.B. 599.

We are a proponent of this legislation, we encourage support for it and look forward to working actively with the Leadership Council and the coordinator for the Value-Added Processing Center.

Committee of . . .

Kansas Farm Organizations

Wilbur G. Leonard
Legislative Agent
109 West 9th Street
Suite 304
Topeka, Kansas 66612
(913) 234-9016

TESTIMONY IN SUPPORT OF SENATE BILL NO. 599
BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

March 16, 1988

Mr. Chairman and Members of the Committee:

I am Wilbur Leonard, appearing for the Committee of Kansas Farm Organizations. On behalf of our members I thank each of you for the opportunity to express our views with respect to Senate Bill No. 599.

Some of you may logically ask who we are and where do we come from? Founded more than 60 years ago our principal purpose is to present a united front on certain legislative issues wherein there is no disagreement among our members. Reference to the list attached to my brief statement attests to the fact that there is here represented a substantial cross section of the agricultural community. The many Kansans who are a part of these groups and associations are not only engaged in agricultural pursuits, they're dependent upon farming and ranching activities for their very livelihood.

The vast quantities of raw products which are produced in this state is apparent to all of us. But should the people of Kansas be content to produce and market only raw materials?

Only a few short years ago livestock was shipped to packing plants in Chicago, Omaha and Kansas City. There were smaller plants in Wichita and Topeka, but the bulk of slaughter animals went through the stockyards and into the packing plants in the larger metropolitan areas. Today, the stockyards are gone, many of those packing plants are no longer in existence. The cattle trucks you see on the highways usually are not filled with fat cattle on their way to market but with feeder

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cattle consigned to Kansas feedlots. No longer do the cattle come to the packing plants via stockyards. The packers have gone to the cattle, at Garden City, Dodge City, Emporia and other rural centers.

This illustration of change need not be limited to the production of beef. We have here in Kansas an almost endless supply of raw agricultural products; we have adequate supplies of energy, water and transportation; we have manpower, and, if it is insufficient, we should be able to attract into the state whatever is needed.

There is before you today a plan to enhance the quality and the value of the raw agricultural materials produced in Kansas. We have here the opportunity to authorize a leadership council which would have as its goal the creation of a value added center at Kansas state university. With its objectives, as outlined in the bill, including:

Developing processing potential;

Providing technical assistance to existing, emerging and potential value added businesses;

Collecting and disseminating information;

Increasing the national interest in Kansas food products;

Developing market referral programs; and

Assisting private entrepreneurs in the establishment of facilities and markets for new products,
this project could be of immeasurable benefit not only to the farming interests but to the state and to all Kansans.

We appreciate the privilege of presenting our views and we trust that you will recommend Senate Bill 599 favorably for passage.

MEMBERS OF THE COMMITTEE OF KANSAS FARM ORGANIZATIONS

ASSOCIATED MILK PRODUCERS

KANSAS AGRI-WOMEN

KANSAS ASSOCIATION OF SOIL CONSERVATION DISTRICTS

KANSAS ASSOCIATION OF WHEAT GROWERS

KANSAS COOPERATIVE COUNCIL

KANSAS CORN GROWERS ASSOCIATION

KANSAS ELECTRIC COOPERATIVES

KANSAS ETHANOL ASSOCIATION

KANSAS FARM BUREAU

KANSAS FERTILIZER & CHEMICAL INSTITUTE, INC.

KANSAS GRAIN & FEED DEALERS ASSOCIATION

KANSAS LIVESTOCK ASSOCIATION

KANSAS MEAT PROCESSORS ASSOCIATION

KANSAS PORK PRODUCERS COUNCIL

KANSAS RURAL WATER DISTRICT ASSOCIATION

KANSAS SEED DEALERS ASSOCIATION

KANSAS SOYBEAN ASSOCIATION

KANSAS STATE GRANGE

MID-AMERICA DAIRYMEN

KANSAS VETERINARY MEDICAL ASSOCIATION

KANSAS WATER WELL ASSOCIATION

3/16/88

Testimony of Dan Cain on S.B. 599

Mr. Chairman, members of the committee on Economic Development my name is Dan Cain and I am an agricultural producer in Shawnee, Douglas, Jefferson and Osage Counties, Kansas. I am also a member of the Shawnee County Economic Development Council having served on that body since 1981.

It is indeed a pleasure to see legislation creating an agricultural value added processing center. Our Shawnee County Economic Development Council has been a proponent of the value added concept for the last 3 years.

One of our initial acts to promote value added was to write and deliver a letter from our council, and supported by our County Commission, to Dr. Jon Wefald the day he was inaugurated President of Kansas State University urging him to support the value added concept at Kansas State.

Today we urge this body to legislate into law this most important concept which will allow the processing of agricultural products to be put on a hi-tech development program. What better way is there to employ hi-tech development than with our rare agricultural commodities.

Mr. Chairman and members of the committee the Shawnee County Commission and its Economic Development Council of which I am a member urge you to pass this great concept into law.

Thank you.

Dan Cain
Agri Business member
Shawnee County Economic Dev. Council

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HOUSE ECONOMIC DEVELOPMENT COMMITTEE

TESTIMONY IN SUPPORT OF SENATE BILL NO. 476

Dr. Stanley Z. Koplik, Executive Director
Kansas Board of Regents - March 21, 1988

Senate Bill No. 476 would change the name of Kansas Technical Institute to Kansas College of Technology. The Kansas Board of Regents has initiated this action on behalf of KTI for several reasons. I would like to describe those for you.

1. Renaming the institution Kansas College of Technology clearly describes the college level of course work and its emphasis on technology.
2. There presently exists a lack of understanding throughout the state regarding the specific mission of Kansas Technical Institute. This is readily apparent through confusion some have between KTI and the Salina Area Vocational-Technical School.
3. There is confusion with proprietary schools offering specific occupational training programs which do not transfer to colleges/universities if the student wants a baccalaureate degree. Kansas Technical Institute is an integral part of the Regents system offering opportunities for many students to continue their studies without interruption at universities such as Kansas State, KU and Wichita State.

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4. We have encountered fund raising difficulties with foundations which do not perceive KTI as a college. They express confusion particularly about the word "institute." An endowment association has recently been organized to assist in securing non-state funds. The name change to Kansas College of Technology would lend support to the endowment association's efforts.

In summary, Kansas College of Technology represents a more accurate description of the level, mission and purposes of the instructional activity currently taking place at the institution. We strongly encourage your support of the name change.

Testimony Before the House of Representatives
Economic Development Committee
in Support of Senate Bill #476

H. Kent Craft
Vice President for Development
Legislative Liaison
Kansas Technical Institute

March 21, 1988

Chairman and members of the committee, it is indeed a pleasure for me to have this opportunity to speak on behalf of Kansas Technical Institute in support of Senate Bill #476 and to be a part of what we hope to be a historical occasion at Kansas Tech.

The name change idea is not new, but rather the result of several years of frustration endured by campus representatives while trying to carry out normal college business. We believe the name change will help remedy this problem and will:

- * Clearly identify Kansas Tech for what it is, a college, not a proprietary school, not a special school and not a vocational school.
- * Help promote the fact that Kansas Tech is an institution of higher learning in promoting a college as a college, rather than an institute or a school.
- * Help in the development and completion of articulation agreements with other institutions for the transfer of credits.
- * Help further develop strong relationships with not only peer institutions, but also business and industry on the state, national and international level.
- * Help establish a solid relationship with Foundations, business, industry, friends and alumni to provide the external resources necessary to meet the student and educational needs of the college.

Changing the name of Kansas Technical Institute to the Kansas College of Technology has been approved by our faculty, staff, administration, Alumni Association, Endowment Association and the Board of Regents. We are now asking you for your support.

Thank you for your consideration.

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VOCATIONAL/TECHNICAL EDUCATION AND
KANSAS ECONOMIC DEVELOPMENT

A Research Report

prepared for

The Kansas Council on Vocational Education

November 9, 1987

Institute for Public Policy and Business Research
The University of Kansas

No. 128

Principal Investigator: Dr. Charles Krider
Professor of Business and
Director of Business Research

Project Director: Kathleen Bryant
Research Associate

Research Director: Don Eskew

Research Assistant: Tim Ternes

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Recommendation 7.E: Position Kansas Technical Institute to serve a unique statewide constituency in advanced technological education and training programs, particularly advanced engineering technologies and technical and technological systems.

Recommendation 7.E.1: Rename the institution the Kansas College of Technology to better reflect its role within the Kansas higher education system and as a unique agent in the state's economic development strategy.

As indicated by projections for the distribution of jobs in Kansas, industry will experience increased needs for highly specialized programs of engineering technology (*Kansas Occupational Outlook*, 1985). Given the state's limited resource base, the best strategy for Kansas is to designate one institution to address these needs. By so doing, that institution has better potential to attract a sufficient volume and quality of resources to achieve statewide--and perhaps national--recognition for excellence. Especially in high-tech training areas where instructors and equipment are rare and expensive, it makes sense to locate those programs at Kansas Tech.

Kansas Technical Institute is already in position to assume a unique role of leadership toward meeting the needs of industry for engineering technologies and technical systems training. Its statewide mission has been established, and its programs are designed to train engineering technicians for adaptation to highly skilled occupational tasks. The visibility of Kansas Tech to the student and business communities, however, and its potential to develop conspicuous technical strengths are highly dependent on the differentiation of its educational focus from that of other two-year institutions in the state: It is essential to the economic well-being of the state vocational/technical education system to avoid duplication of mission, objectives, and program offerings, and to do so in both directions. Technical and community colleges should not offer technological programs, nor should Kansas Tech duplicate vocational/technical curricula. In fact, Kansas Tech should provide an important continuing education option for graduates of community and technical colleges. If KTI finds a need to locate in industrial areas, they could coordinate with existing facilities to meet industry needs. KTI would not be a competitor, but a provider of programs not provided. They could be given by KTI staff at existing institutions.

The proposed name change for Kansas Tech, to The Kansas College of Technology, is intended to enhance the image of the institution and to better recognize its function within the vocational/technical education system and its role in the implementation of state economic development policy. A change in name also clearly differentiates the institution from the increasing number of proprietary technical institutes that compete for Kansas students.

5. to provide technical options for secondary students and adult career education and training for the community.

Recommendation 8.C: PROPOSED VOCATIONAL/TECHNICAL MISSION FOR COMMUNITY AND TECHNICAL COLLEGES: to provide primarily post-secondary vocational/technical education to all communities in a defined service area.

PROPOSED GOALS FOR COMMUNITY AND TECHNICAL COLLEGES :

1. to serve as the state's primary provider of post-secondary vocational education and other specialized training and retraining programs that
 - a. develop skills for job entry;
 - b. prepare for further technical education opportunities, apprenticeships and;
 - c. enhance the technical skills of the area's existing work force in order to meet the demands of industry competition; and
2. to offer curricula and courses which
 - a. satisfy associate degree or certificate program requirements and/or
 - b. transfer to 2- or 4-year institutions and/or
 - c. satisfy the basic training/retraining needs of local industry.

✓ Recommendation 8.D: PROPOSED MISSION FOR THE KANSAS COLLEGE OF TECHNOLOGY (Kansas Technical Institute): to provide unique technological education and training to a statewide constituency at the associates and specialty certificate level.

PROPOSED OBJECTIVES FOR THE KANSAS COLLEGE OF TECHNOLOGY (Kansas Technical Institute):

1. to serve a statewide constituency in technological training and retraining programs at the specialty certificate and associates degree level that
 - a. prepare for employment at the level of associate engineer;
 - b. prepare for baccalaureate education opportunities; and
 - c. enhance the technological and technical systems skills of the state's existing work force in order to meet the demands of industry competition; and
2. to offer curricula and courses that
 - a. satisfy associate degree requirements, and/or
 - b. transfer to 4-year institutions, and/or
 - c. satisfy the advanced training/retraining needs of the state's industry in the engineering technologies and technical systems areas.

TESTIMONY ON SENATE BILL 673

House Committee on Economic Development

Representative: Phil Kline, Chairperson

By: Rex E. Wiggins, President

KANSAS VENTURE CAPITAL, INC.

March 21, 1988

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RATIONALE FOR SENATE BILL 673

1. Enables Kansas Venture Capital, Inc. to encourage companies in the Insurance Industry to buy our common stock.

- 2 Encourages Sub-S Corporations to buy Kansas Venture Capital, Inc. common stock.

Summary:

With these two additions as potential purchasers of common stock, we will reach our goal of \$10 million faster and more efficiently.

STATUS UPDATE ON KANSAS VENTURE CAPITAL, INC.

March 18, 1988

MANAGEMENT:

Rex Wiggins was elected President of Kansas Venture Capital Inc. (KVCII) on December 19, 1987. Mr. Wiggins developed and refined his venture capital investment skills as an Executive for Mor-America Capital Corporation, one of the nations oldest and more successful SBIC's. He was personally responsible for a portfolio in excess of \$6 million. Investments and new business development were in a 10-state region, primarily encompassing the Midwest. His portfolio consistently averaged greater than a 25% annual compounded rate of return.

Mr. Wiggins holds a M.B.A. in Finance and a B.S. in Economics from the University of Missouri. He has served on numerous board of directors of developing companies and currently serves on the Board of Directors of a \$80 million publicly-held company. Mr. Wiggins has also served as a consultant to Allsop Venture Partners, a \$105 million midwestern based private venture capital firm.

INVESTMENT POLICY GUIDELINES:

Kansas Venture Capital has adopted a new set of Investment Policy Guidelines. This is a complete departure from the old days of KVCII doing high-risk loans with bank participations.

A blend of early stage companies, later stage companies, turn-around companies and acquisitions are a part of the guidelines.

The primary thrust of these guidelines are that

"Kansas Venture Capital, Inc., a licensed small business investment company, will be a continuing and self-sustaining organization whose goal will be to optimize its risk-adjusted rate of return so as to enhance the Kansas economy over long periods of time. The President will focus efforts on funding companies which can use equity capital efficiently and profitably in the creation of economic value throughout the entire State of Kansas."

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BOARD OF DIRECTORS:

KVCI has recently elected a 15-man Board of Directors that is in complete compliance with State legislation.

INVESTMENTS:

KVCI has invested \$1,283,000 in five companies that created or preserved 190 jobs with an approximate annual payroll of \$3.1 million since legislation was passed allowing KVCI to become a certified venture capital company.

The industries these investments are in are as follows:

- metal fabrication
- office services
- lodging
- asphalt paving
- outdoor advertisements

A recent commitment has been made to a Shawnee County company that is relocating here from Colorado that will employ over 170 people.

Over 60 proposals from the entire state have been received in the last 75 days. Several of these are under serious consideration. Some are very large in dollar size. Many other opportunities are still to be received.

SUMMARY:

KVCI, a certified Venture Capital company with its new management, investment policy guidelines, and board of directors is poised to make a significant impact on the economy of the State of Kansas. We are very pleased with what we have accomplished in such a short time frame.

KVCI has been challenged by the State to establish a viable source of venture capital in Kansas. We look forward to meeting that challenge in the years ahead in the best way possible, and that is by achieving a high degree of profitability for KVCI while protecting shareholders investment.

Prudent investments by KVCI will not only result in earnings but prosperity for Kansas through the generation of jobs, payrolls and taxes. The opportunities are there and we will make the best of those opportunities.

We look forward to having the State become our partners in these exciting times of expansion, profitability, and greater nationwide awareness of KVCI. We applaud the legislative committees that have assisted in making this unique concept of a venture capital company a reality in the State of Kansas.