

Approved March 15, 1989
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:35 ~~xxx~~/p.m. on Monday, February 27, 1989 in room 423-S of the Capitol.

All members were present except: Representatives Goossen and Gregory. Excused.

Committee staff present:
Jim Wilson, Revisor
Lynne Holt, Research
Elaine Johnson, Secretary

Conferees appearing before the committee:
Charles Warren, President, Kansas Inc.

The meeting was called to order by Chairman Baker at 3:35 p.m.

Chairman Baker recognized Lynne Holt.

Lynne Holt gave the committee an overview of H.B. 2845. (Attachment 1). Ms. Holt also made reference to the following attachments, three letters from individuals who briefed the committee on the Trade Fair Assistance Program on February 7, 1989 and a letter from Airparts International, Ltd.

Letter from Express Scale Parts, Inc. supporting the bill. (Attachment 2).

Letter from Great Plains Industries, Inc. supporting the bill. (Attachment 3).

Letter from Heyco, Inc. supporting the bill. (Attachment 4).

Letter from Airparts International, Ltd. requesting changes in the bill. (Attachment 5).

Ms. Holt responded to questions from the committee.

Chairman Baker recognized Charles Warren.

Charles Warren, President of Kansas Inc. testified in support of H.B. 2845. Mr. Warren reiterated the strong support that he gave this bill in his presentation to the committee on February 7, 1989. He is excited about the new initiatives that both the Senate and House Committees are developing in the area of international trade. We now have the opportunity to provide major and significant help to small business in Kansas in moving them into international exports and global markets. Mr. Warren commented on some specific provisions of the bill which he felt the committee should consider. (Attachment 6).

Mr. Warren responded to questions from the committee.

Jamie Schwartz Vice President of CMS, Inc. addressed the committee briefly on how he feels this bill provides a much needed opportunity. He feels that this bill shouldn't be tied down to cut people and distributors out.

This closed the hearing on H.B. 2485.

The committee discussed portions of H.B. 2485. Representative Mead requested that the revisor do a balloon for tomorrow's meeting with the proposed changes the committee discussed.

(Attachment 7) is a letter from Sam Brownback, Kansas Secretary of Agriculture regarding the fact that the Kansas State Board of Agriculture at their February 21, 1989 meeting decided to take no stance on the issue of corporate hogs.

The meeting was adjourned at 4:46 p.m.

Elizabeth

Staff Briefing on H.B. 2485

On February 7, this Committee heard presentations from five companies in Kansas which expressed their support for a trade fair assistance program. Kansas, Inc. also lent its support for such a program. On February 8, this Committee voted to introduce conceptually a bill on trade fair assistance. The result of that vote is H.B. 2485 which is modeled to a large extent after legislation enacted in Indiana. Pursuant to the bill, the Secretary of Commerce is to administer the program and prior to promoting the participation of small business concerns in trade shows, the Secretary is required to (1) conduct market research to determine the presence and extent of overseas markets for the products of Kansas small business concerns and (2) determine the market areas offering Kansas small business concerns the best export opportunities. The Secretary is authorized to adopt rules and regulations to implement the program.

Kansas small businesses may be reimbursed by the Department of Commerce for expenses attributable to promoting products which were manufactured or processed in Kansas or which received value added in Kansas. Excluded from reimbursement are salaries of employees and travel expenses including lodging or meal expenses. Reimbursement for attendance at a fair may not exceed 50 percent of the amount which is subject to reimbursement under this act, not to exceed \$3,500. No business concern may receive more than \$7,000 in any state fiscal year. A list of criteria is found in Section 5 which governs the eligibility of a concern to receive financial assistance. A Trade Fair Promotion Fund is established in the State Treasury, expenditures from which would be used for reimbursements to small business concerns.

House Eco Dev Committee

Attachment 1

2/27/89



Express Scale Parts, inc.

20663 W. 68TH STREET • SHAWNEE, KANSAS 66218 • (913) 441-4787
February 27, 1989

Representative Elizabeth Baker, Chairperson
Kansas House Economic Development Committee
State Capitol
Topeka, Kansas 66612

Dear Representative Baker:

I have read a copy of the bill, House Bill #2485, by the Committee on Economic Development, and I believe that this will be most advantageous for small and medium sized Kansas companies to showcase their products in places that they would not normally be able to afford to showcase them. As a small Kansas company ourselves, we have many instances where we could benefit by this particular bill, and as a result of expenses of shows being so astronomical we have not been able to participate.

For example, my husband is right now today at the GEAPS show in Vancouver, Canada. This is a well thought of industry show for the grain equipment dealers and the grain industry. This is a show that we have never been able to participate in simply because it is too costly, and we have never had the funds available. Therefore, he took the opportunity to fly up on his own as a representative of the company and walk around the show seeing if he could drum up business or meet any good connections. This is one show that if this bill were passed we would probably try to participate in in the future. Any consideration that you could give this bill we would certainly appreciate. If there is any that we can show our support as a small Kansas company, we would also like to do this.

Sincerely,

Carla G. Mattson
Vice President

CGM/gg

House Eco Devo Committee

Attachment 2 2/27/89



1711 Longfellow Lane
Wichita, Kansas 67207
316-686-7361 Telex 417 357
FAX 316-686-6746

GREAT PLAINS INDUSTRIES, INC.

February 24, 1989

Representative Elizabeth Baker
Chairperson
Kansas House Economic Development Committee
State Capitol
Topeka, Kansas 66612

Madame Chairperson,

I have received and reviewed House Bill No. 2485 as proposed by your committee and find it to accurately and fairly reflect the views of the International small business community.

As such, I would have nothing further to add at this time and enthusiastically support the bill.

Respectfully submitted,

GREAT PLAINS INDUSTRIES

A handwritten signature in cursive script that reads "Harry Crow".

Harry Crow
Director International Sales

HC:cm

House Eco Devo Committee
Attachment 3 2/27/89

OSWALT

**Livestock
Products**

*DIVISION OF HEYCO, INC
Post Office Box 1038
2005 North Taylor, N. Hwy. 83
Garden City, KS 67846 (316) 275 6101.
Fax # (316) 275 3865*

February 23, 1989

Representative Elizabeth Baker
Chairperson
Kansas House Economic Development Committee
State Capitol
Topeka, KS 66612

Dear Representative Baker;

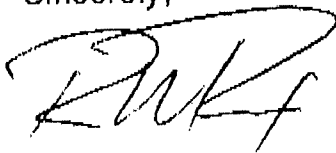
I have read with interest the proposed House Bill No. 2485, The Trade Fair Assistance Program and wish to express my good feelings regarding the positive impact that such an enactment could have on Oswalt Livestock Products and Heyco, Inc.

We have been placing a lot of effort towards establishing customers and sales agents in several foreign countries. We have had some success but in most cases the potential users of our products are not aware of the benefits that our products offer. Only in displaying our products directly to them can we get our message across and that is for the most part a very expensive process.

We feel that the Kansas Trade Fair Assistance Program will offer very valuable assistance, not only for ourselves but other Kansas Manufactures in their efforts towards establishing export markets for Kansas built products. As you know the foreign fairs and trade shows are one of the most cost effective ways of reaching the maximum number of potential customers.

I encourage you to give your support to the bill as it is currently written.....Lets get the show on the road and give our Small Kansas Manufacturerers their chance to compete in today's world export markets.

Sincerely,



Robert W Peat
Executive Vice President
Heyco, Inc.

Feeding Products for the Livestock Industry

*House Eco Devo Committee
Attachment 4 2/27/89*



AIRPARTS

INTERNATIONAL, LTD.

5801 WEST HARRY
P.O. BOX 12370
WICHITA, KANSAS 67277
316 / 943-2377
TELEX 417363 AIRPARCO WIC
293504 ARPTS UR

Representative Elizabeth Baker
Chairperson
Kansas House Economic Development
Committee
State Capitol
Topeka, Kansas
66612

February 27, 1989

Ref: US 0055/89

Dear Ms. Baker:

I was glad to receive copy of House Bill N°2485. It's indeed a reassuring feeling to see the work that you're trying to accomplish in our behalf. We thank you very much for it.

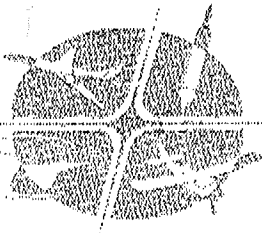
We read all the provisions of this Trade Fair Assistance Program and we agree wholeheartedly with it. However we wish to point out a detail that appears in lines 51/52 (page 2). It is established therein that "the secretary shall emphasize trade shows considered to offer Kansas small business concerns the best export opportunities for products produced in Kansas or which receive value added processing in Kansas."

Likewise in lines 59/63 we read: "Expenses which may be reimbursed under this act shall include only expenses attributable to promoting products which were manufactured or processed in Kansas or which received value added processing in Kansas..."

We are concerned that there is no provision for products sold or exported by a Kansas small business concern. This omission would leave out of this promotion package a company such as Airparts who pays a substantial amount of taxes and provides jobs for over 35 families in Kansas.

Perhaps wording of the bill could be re-phrased to read: "or received value/price added in Kansas...". You must be aware that a great amount of aircraft components are not produced in Kansas. And the companies who certainly produce aircraft in Wichita (ie Boeing, Beech, Cessna or Learjet are 'nt in need of trade show assistance.

*House Eco Devo Committee
Attachment 5*



AIRPARTS

INTERNATIONAL, LTD.

5801 WEST HARRY
P.O. BOX 12370
WICHITA, KANSAS 67277

316 / 943-2377
TELEX 417363 AIRPARCO WIC
293504 ARPTS UR

Now, if we can take the word "processed" to signify fractioned, inspected, weighed, re-packaged or just the dictionary definition: "a series of actions or operations conducing to an end." for the word process, we see no objections whatsoever as to the present wording of the bill.

In any event we feel this initiative to be a step in the right direction.

When people came to buy our grain, oil or airplanes we need't advertise, we did'nt sell, people bought from us.

Now all that has changed. We must be aggressive and defend and pursue an elusive market. And promotion is the cornerstone of this marketing effort we must all make.

The Department of Commerce is to be commended for this change we are starting to see. We know the legislature of Kansas is behind us so we are confident of the final outcome. Thank you very much for your efforts.

Sincerely,

H. George Maxwell
Vice President
of Marketing

HGM/cm



Governor Mike Hayden, Co-Chairman
Eric Thor Jager, Co-Chairman

Charles R. Warren, President

CAPITOL TOWER, SUITE 113 • 400 S.W. 8TH • TOPEKA, KANSAS 66603-3957 • TELEPHONE (913) 296-1460

House Bill No. 2485

Trade Fair Assistance for Small Businesses

Testimony by

Charles R. Warren
President, Kansas Inc.

February 27, 1989

*House Eco Devo Committee
Attachment 6
2/27/89*

House Bill 2485

Madame Chairperson, members of the Committee, I am Charles Warren, President of Kansas Inc. I appreciate this opportunity to testify in support of House Bill No. 2485 that would establish a trade fair assistance program in the Kansas Department of Commerce.

This week's issue of BusinessWeek dated February 27 carries a cover story titled: "TRADE: Will We Ever Close The Gap?" One of the articles inside proclaims: "The Little Guys are Making It Big Overseas: Midsize companies in export niches could help ease the trade deficit in the long run."

The article notes that: "86,500 companies have occasional foreign sales but would like to make more. Spurred by the cheap dollar, thousand of other companies with no export activity are starting to learn the ropes. Almost all these players have sales of less than \$300 million a year."

The article goes on to say that: "this broad gearing up to export by thousands of smaller companies is just in its early stages and will help keep the growth in U.S. exports strong." The former U.S. trade representative is quoted as saying: "The growth in these smaller companies is where the growth in our country is."

The article also reports on some of the new export initiatives underway in the states of Massachusetts, Minnesota, and Oregon.

I think our greatest accomplishment in this 1989 legislative session for economic development will be in moving Kansas into the forefront of states playing a major, innovative role in international trade and exports. We have already established a strong international trade and development division in the Department of Commerce and have set up trade offices in Europe and Asia. Secretary Harland Priddle and Division Director Harry Salisbury have made the goal of increasing Kansas exports a top priority and are providing effective and energetic leadership. In the Interim Session, the Joint Committee on Economic Development studied international trade intensively. One result was Senate Bill 21 to create a new export financing program. The Senate Committee studied this bill carefully in over five separate hearings and discussion. Their work was one of the finest examples of legislative policy analysis, I have witnessed. As a result of their deliberations, Senate Bill 21 passed the full Senate with a unanimous vote of 38 to 0.

The Kansas Inc. Board of Directors recommended strongly that the Legislature establish both an export financing program and a trade fair assistance program to provide the International Trade Division additional needed tools to increase foreign exports by small Kansas firms.

The combination of export finance and trade fair assistance will provide the Department of Commerce valuable tools to work with Kansas companies providing them the type of direct assistance that can really make a difference. Commerce has done a good job in providing trade leads, information and training through seminars, and foreign representation. If we can enact Senate Bill 21 and House Bill 2485, Commerce will be able to move beyond advice and representation into proactive support of Kansas exporters and would-be exporters.

I would like to comment on some of the specific provisions of House Bill 2485.

1) On line 61, I would add the words: "services originating in Kansas" after the word "promoting." This change would enable Kansas firms engaged in engineering, software development, or other types of professional services to be eligible.

2) Another type of company that should be eligible for the trade fair assistance is exemplified by Maxwell Air Parts of Wichita which was named exporter of the year in 1988 by the Small Business Administration. This company exports air frame and engine parts for light planes overseas. Essentially they are in the packaging and distribution business. Perhaps, we need to add the words "packaged" to line 61 before the word "manufactured" to ensure that this type of activity is eligible.

3) I question the use of the future verb tense in line 91 that requires: "that participation . . . will enhance the export opportunities of products." If this is to be interpreted as meaning that the Secretary must guarantee that participating firms will return from the trade show with export sales, I think we are demanding far too much. Lines 89 and 90 require Secretarial approval and we should have confidence in his judgement to authorize participation by firms in trade shows that are clearly appropriate and show strong potential for sales. I would recommend the deletion of paragraph (c) in Section 5.

4) Lines 105-107 allow the Secretary to request information regarding effectiveness of trade show participation and is an important provision. Such information will be very helpful in the evaluation of this program and will enable the Legislature to judge the program's success and the adequacy of its funding in future years. We need to insist upon requirements such as this in all of the economic development legislation we propose.

In my presentation to this committee on February 7, I supported strongly the establishment of the program now developed in House Bill 2485, and cited the highly successful results obtained under a similar program in Iowa. I would like to reiterate that strong support. I am excited about the new initiatives that both the Senate and House Committees are developing in the area of international trade. I think we now have the opportunity to provide major and significant help to small business in Kansas in moving them into international exports and global markets.

I would be happy to answer any questions. Thank you.

STATE OF KANSAS



STATE BOARD OF AGRICULTURE

SAM BROWNBACK, Secretary

DONALD L. JACKA, JR., Assistant Secretary

February 22, 1989

Representative Elizabeth Baker
RM. 175 West, State Capitol
Topeka, KS 66612

Dear Representative Baker:

The Kansas State Board of Agriculture was requested by Representative Gjerstad to provide a written statement concerning HB 2368.

The issue of corporate involvement in Kansas agriculture has a long history. In 1987 the delegate body to the Kansas State Board of Agriculture annual meeting took the following stance:

Charles Hamon read a resolution of the first district. We the State Board of Agriculture oppose any change in the corporate farm bill that will give corporations a competitive advantage over the family farm. The resolution was seconded by Jim Feldkamp.

Following the delegate discussion the delegates voted 125 in favor and 10 against. The motion passed.

In 1988 the delegate body adopted the following resolution:

Delegate Resolution

1988 Kansas State Board of Agriculture Annual Meeting

Charles Hamon made a motion from the first district regarding corporate farming as follows: First district caucus recognizes the need to stimulate growth in the pork industry in Kansas. We support measures to increase the technological information available to current producers. In order to increase capital availability to the Kansas Swine Industry the first district would support changes in the current corporate farming law only if there are legislative safeguards against any artificial economic incentives and only if the current producers of the state receive the help of an enlarged technological and research effort. The motion was seconded by Vic Krainbill, of the first district. The motion carried 113 votes in favor and 25 against. The motion carried.

Following the 1988 delegate body stance and the Kansas Pork Producers Council's (KPPC) establishing a position, the Board adopted the following resolution on February 22, 1988:

RESOLUTION ADOPTED BY THE KANSAS STATE BOARD OF AGRICULTURE

February 22, 1988

WHEREAS the Kansas State Board of Agriculture has always and continues today to whole-heartedly support the family farm. Changes need to be made in certain laws to continue and increase market access for family swine producer, increase in-state grain consumption, increase grain marketing opportunities and create rural jobs.

Therefore, the Kansas State Board of agriculture supports the following resolution:

The Kansas State Board of Agriculture recognizes the need to assist the current pork producers in the state. To this end, the Kansas State Board of Agriculture supports measures to increase the technological information available to current producers which includes a Center of Excellence for Swine production to be located at K-State.

In order to assist the family pork producer, the Kansas State Board of Agriculture will oppose any corporate swine law changes unless there are legislative safeguards against all artificial economic incentives, and unless current producers of the state receive the help of an enlarged technological and research effort.

Kansas State Board of Agriculture also recognizes the need to maintain a viable pork industry in Kansas. To this end, the Kansas State Board of Agriculture would allow changes in the current swine farming law to include contract production, corporate breeder farm operations, and corporate farrow to finish operations that exclude any vertical integration link between production and processing entities.

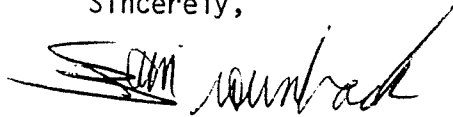
Vote Count: 8 in favor, 1 against, 1 abstention

At the 1989 annual meeting the delegate body did not discuss or vote on the corporate hog issue. Furthermore, the Kansas Pork Producers Council has changed their position to one where the organization itself will take no stance on this divisive issue.

The Kansas State Board of Agriculture revisited the corporate hog issue during their February 21, 1989 meeting and decided to take no stance on the issue, reflecting the lack of vote by the delegate body in 1989 and the neutral stance taken by the industry as put forward by the Kansas Pork Producers Council.

The Kansas State Board of Agriculture has always and continues today to whole heartedly support the family farm. We look forward to working with your committee in providing any information we have available on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Sam Brownback". The signature is written in a cursive style with a large, sweeping initial "S".

Sam Brownback
Kansas Secretary of Agriculture
(913) 296-3558

SB:rac

cc: Representative Gjerstad