

Approved 1-18-89 Date _____

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at _____
Chairperson

8:00 a.m./p.m. on January 11, 1989 in room 254-E of the Capitol.

All members were present except:
Senator James Francisco
Senator Ben Vidricksen
Senator Jack Steineger, Excused

Committee staff present:
Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kansas Leg. Research Dept
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:
Harland Priddle, Secretary of Commerce

The meeting was called to order at 8:00 a.m. by the Chairman, Senator Dave Kerr.

Harland Priddle, Secretary of Commerce, gave an outline of the Annual Report of the Department of Commerce, explaining the five divisions of the Department and their functions. (Attachment I)

The Secretary reported that there were nine Venture Capital Companies certified, bringing the total to twelve Venture Certified Companies. There has been \$22.4 million invested and the tax credit ceiling is \$24 million, therefore no more companies can be certified. The Secretary advised that several companies were certified at the end of the year.

Senator Salisbury asked Secretary Priddle how much the Governor recommended for the Kansas Industrial Training (KIT) and Retraining (KIR) programs. The Secretary stated that they received \$800,000 more in 1989. They started with \$1.2 million. Next year \$2.45 has been recommended.

Senator Karr questioned how the shortfall on the gaming funds will impact the program this year. The Secretary stated he was not sure. The Chairman advised the Committee will receive a presentation on this subject, since this Committee's interests are closely tied with the Economic Development Initiatives Fund. It will be made up of both the revenue side and how the Governor has proposed distributing that money.

Senator Kerr asked if additional venture capital or seed capital funds are seeking certification. Jack Montgomery, Existing Industry Development Division, answered that several are in the pipeline and that none could be certified without raising the tax credit cap.

There being no further questions, the meeting was adjourned.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Testimony

Presented to:

The Senate Economic Development Committee

by

Harland E. Priddle
Secretary of Commerce

January 11, 1989

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1-11-89
Attachment I

KANSAS DEPARTMENT OF COMMERCE

DEPARTMENT OF COMMERCE -- OFFICE OF THE SECRETARY
Harland E. Priddle / 296-3480

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
Wayne Zimmerman / 296-3481
GENERAL ADMINISTRATION
Policy Analysis & Research Unit
Fiscal Accounting & Personnel
Public Information Office
Data Management Unit

EXISTING INDUSTRY
DEVELOPMENT DIVISION

Jack Montgomery / 296-5298
Director

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

Major Activities:

- * Technical Assistance to Businesses and Communities
- * Minority Business Development
- * Venture Capital
- * Liaison with Small Business Development Centers, Certified Development Companies
- * Business Retention
- * First-Stop Clearinghouse

INDUSTRIAL DEVELOPMENT
DIVISION

Lou Atherton / 296-2652
Director

Mission: To identify, pursue and locate new industrial facilities from outside the state into our Kansas communities thereby adding jobs and capital wealth to the State's economic base.

Major Activities:

- * Domestic & International Marketing
- * Kansas Cavalry Organization
- * Kansas Industrial Training/Retraining Program

TRADE DEVELOPMENT
DIVISION

Harry Salisbury / 296-4027
Director

Mission: To increase sales of Kansas 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:

- * Trade Promotion
- * International Marketing
- * Trade Services

TRAVEL & TOURISM
DEVELOPMENT DIVISION

Bob Salmon / 296-7091
Director

Mission: To increase the number of visitors to Kansas by promoting the State as a travel opportunity to both Kansans and non-Kansans alike, and to attract film & video production to the State.

Major Activities:

- * Promotion
- * Tourist Information Centers
- * KANSAS! Magazine
- * Film Services

COMMUNITY DEVELOPMENT
DIVISION

Don Gragg / 296-3485
Director

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

Major Activities:

- * Community Assistance
- * Main Street Program
- * PRIDE Program
- * Community Development Block Grant/Small Cities
- * Partnership Fund
- * Enterprise Zones
- * Certified Cities Program
- * Low Income Housing
- * Rental Rehab Program
- * Future of Rural Communities Task

PERSONNEL

FY - 88

97.5

FY - 89

100.5

BUDGET

FY - 88

STATE	\$5,855,786
FEDERAL	15,192,427
EDIF	674,300
FEE & OTHER	600,037
TOTAL	\$22,322,550

FY - 89

STATE	\$5,755,830
FEDERAL	15,218,311
EDIF	6,372,327
FEE & OTHER	554,274
TOTAL	\$27,900,742

POLICY ANALYSIS AND RESEARCH

Policy Reports

- Enterprise Zones in Kansas
- U. S./Canada Free Trade Agreement: Impact on Kansas
- State Economic Trends

Economic Research

Annual Economic Development Strategy Plan

Publications

- Directory of Kansas Manufacturers and Products
- Firms Headquartered in Kansas
- New and Expanding Manufacturers Report
- Kansas Association Directory
- Directory of Kansas Warehouse and Distribution Centers

Legislative Issues

Kansas Coal Commission Support

PUBLIC INFORMATION OFFICE

Agency Advertising Coordination

Education of Agency Programs

-Press Releases

-Radio Programs

-Audio/Video Presentations

Media Relations

Agency Theme Development

DATA MANAGEMENT

Design and Implementation of Seven Data Systems

- 16,000 Record Mailing Lists
- Internal Budget Tracking System
- "Linger Longer" Data System
- Available Building & Sites
- Wildlife Art System
- Network Kansas System
- Venture Capital Data

Support for 63 Staff on Minicomputer

Maintain Desktop Publishing Systems

Coordinate D.I.S.C. Support to Regional Offices

Support Public Access to Agency Data Network

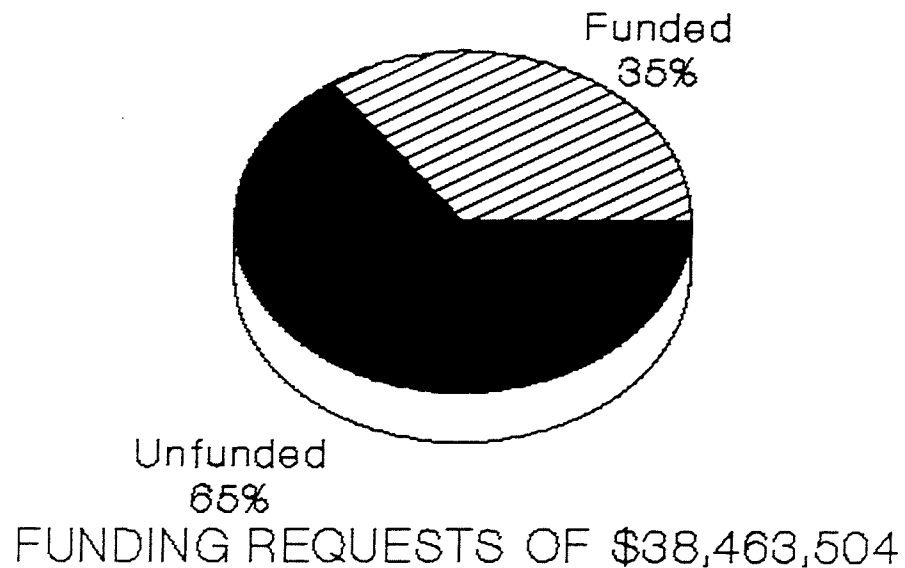
COMMUNITY DEVELOPMENT

Small Cities Community Development Block Grant Program
Kansas PRIDE Program
Kansas Main Street Program
Technical Assistance Teams
Enterprise Zones
Rental Rehabilitation Program
Low Income Tax Credit Program
Kansas Partnership Fund
Governor's Task Force on the Future of Rural Communities

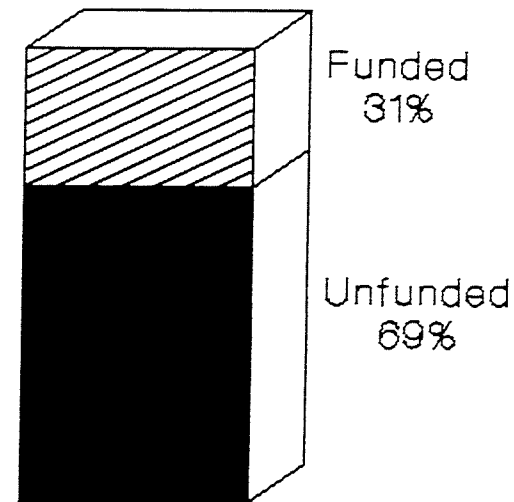
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Amount Distributed		\$14 million
Number of Applicants		231 (\$38 million)
Economic Development		24 (\$5.8 million)
Leveraged \$40.2 million--		
1,000 jobs created or		
retained		
Community Improvement		41 (\$7.2 million)
Water	11	
Sewer	11	
Street	3	
Community Buildings	7	
Housing Rehabilitation	1	
Architectural Barrier		
Removal	8	
Planning & Urgent Need		6 (\$0.4 million)

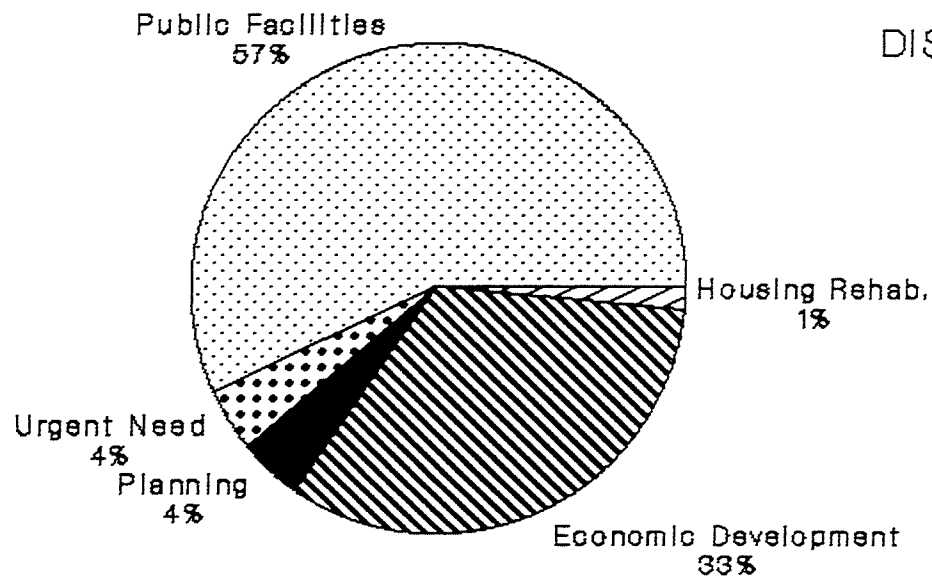
1988 Community Development Block Grants



231 APPLICATIONS

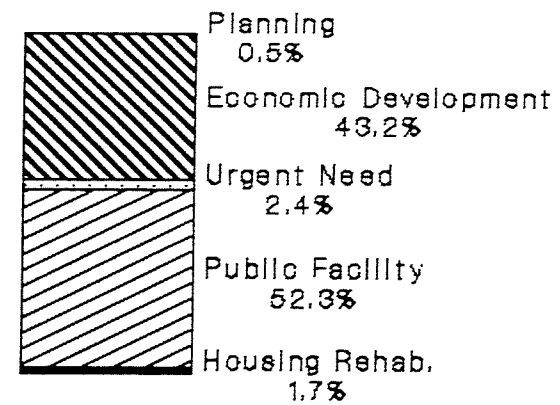


Community Development Block Grant



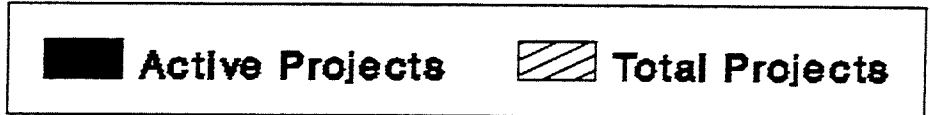
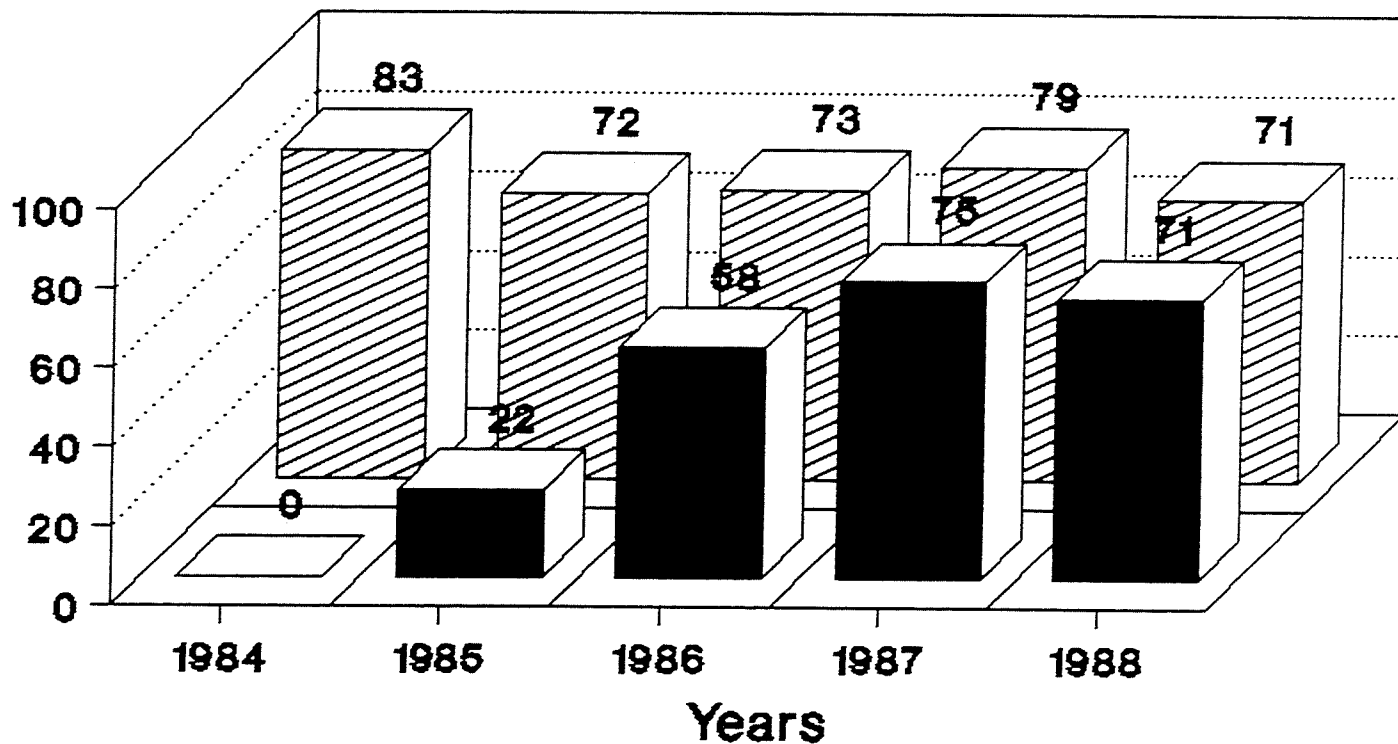
DISTRIBUTION BY NUMBER

DISTRIBUTION BY FUNDING



Community Development Block Grants CDBG Grant Administration

Number of Projects

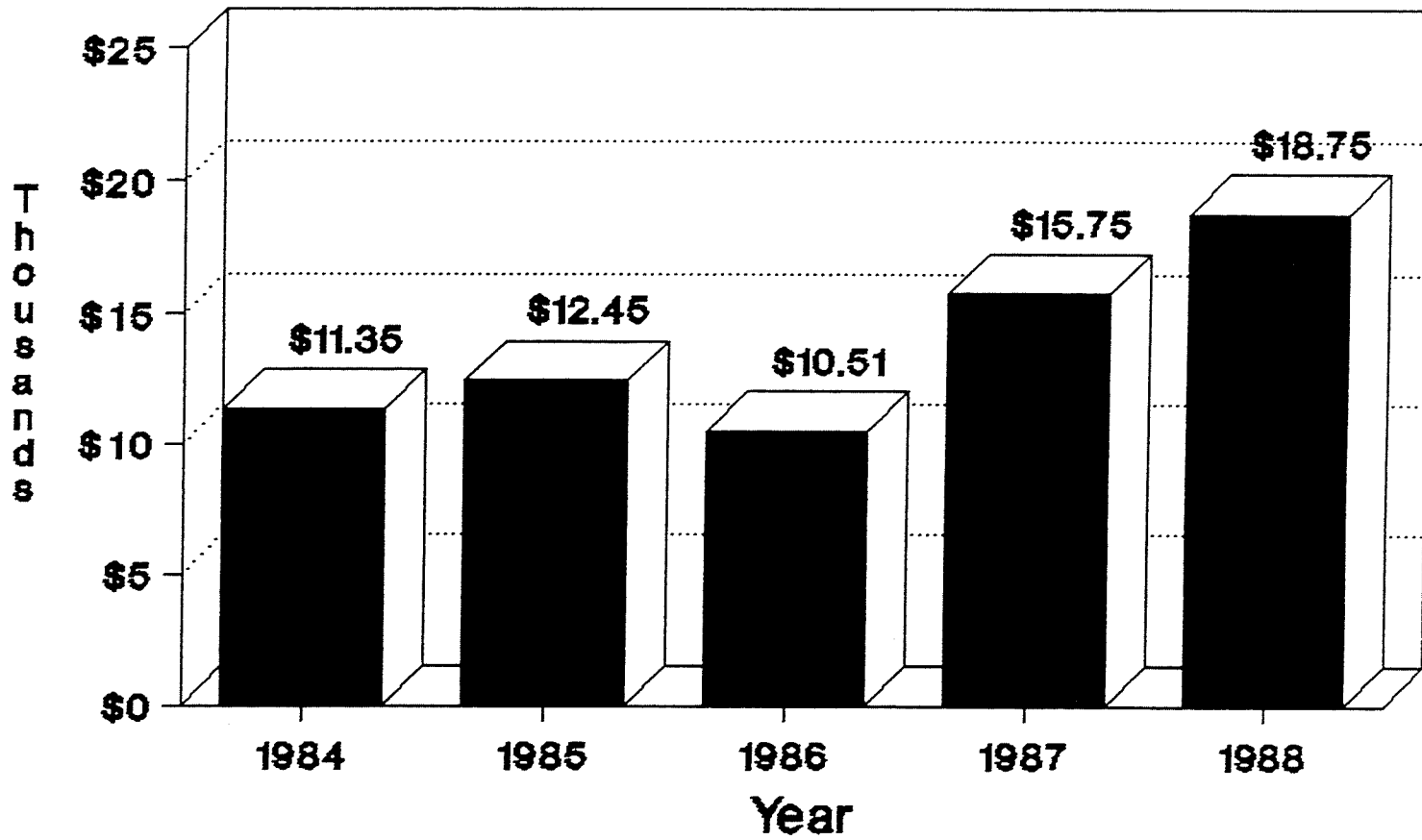


KANSAS PRIDE

Years in Operation	19
Communities Participating	380
1988 Enrollment	87
Volunteer Labor Hours	240,000 (61,176 persons)
Corporate Sponsors	31 (\$18,750)
Pacemaker Awards	4

PRIDE

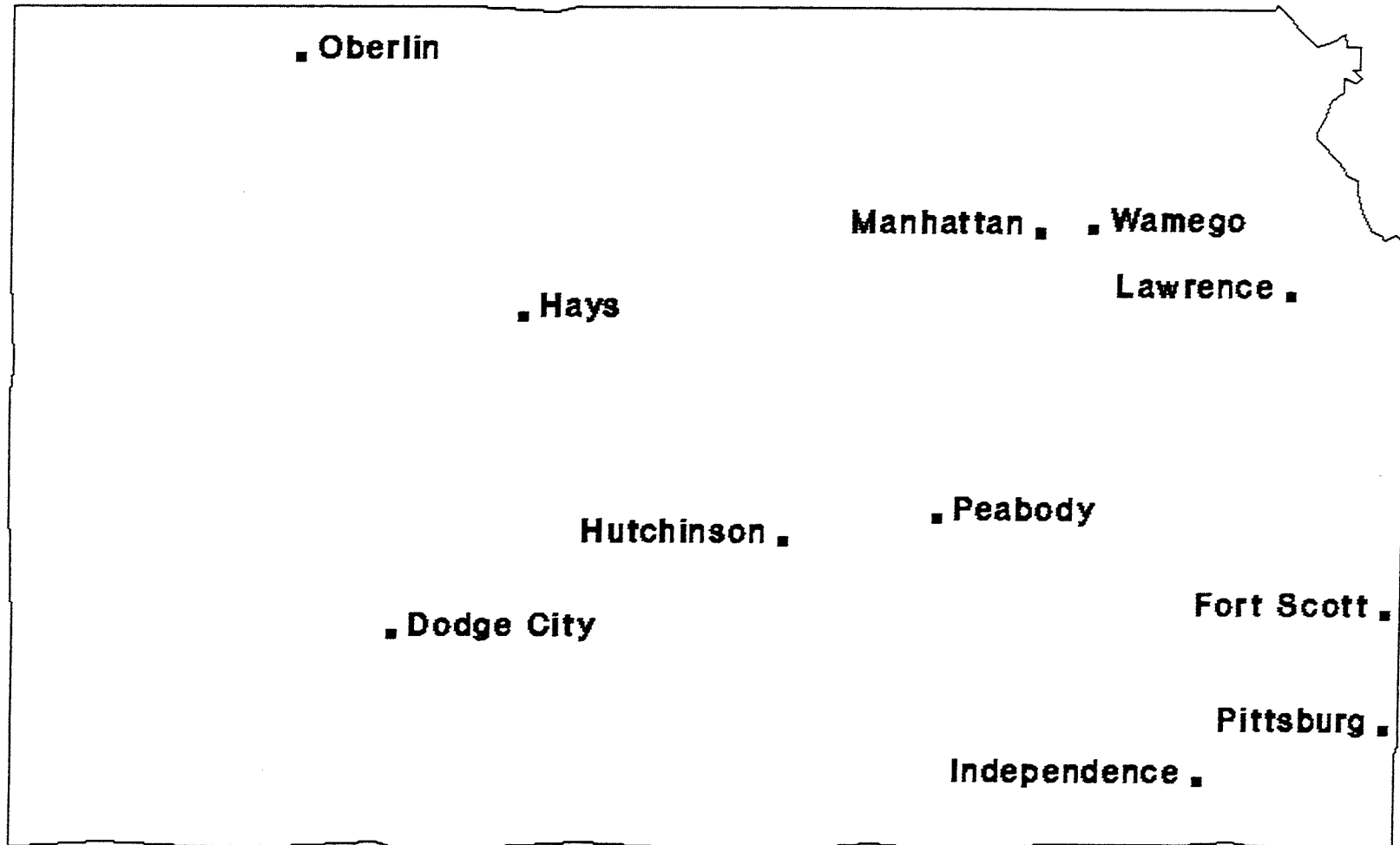
Sponsor Contributions



KANSAS MAIN STREET PROGRAM

1988 Participants	12
On Site Visits	34
Workshops	10
Investments	\$24.9 million
Businesses/Jobs	311/1,259

KANSAS NATIONAL MAIN STREET CITIES



TECHNICAL ASSISTANCE TEAMS

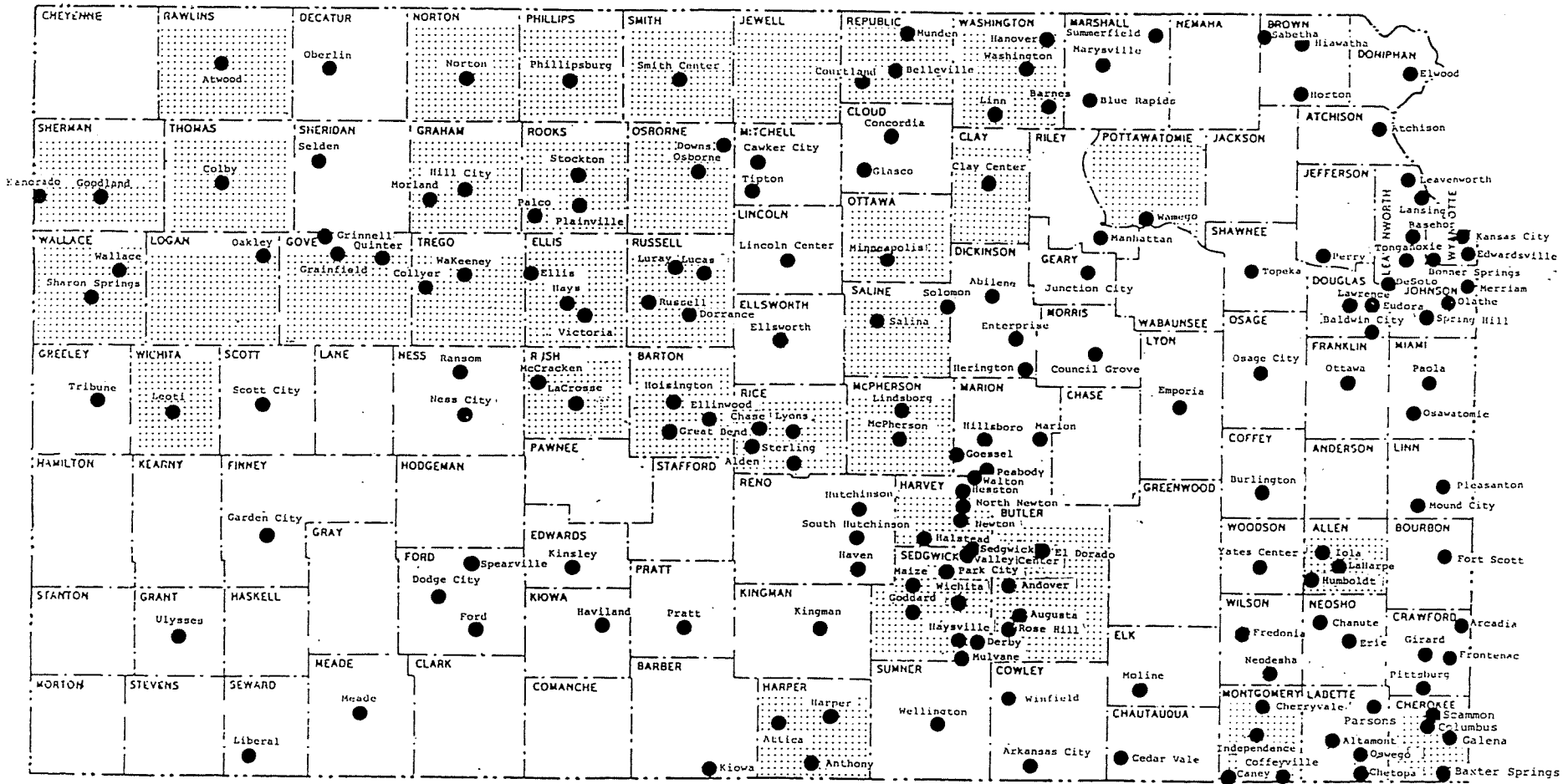
Community Assessment Projects	9
Ellsworth County	
Greenwood County	
Hillsboro	
Lindsborg	
Lyons	
Scott City	
Wamego	
Washington County	
Woodson County	
Volunteer Team Members	22
Follow-up Assistance Visits	12

ENTERPRISE ZONES

Number of Enterprise Zones	208
1988 Applications	96
Amend or Recertify	42
New Cities	23
New Counties	27

Designated City And County Enterprise Zones

As Of December 31, 1988



RENTAL REHABILITATION PROGRAM

Federal funds for Rehabilitation of Low Income Housing

Direct Rental Assistance to Low Income Persons

First Full Year of State Administration

Approximately \$700,000 available per year

Three Awards	\$600,000	(156 housing units)
Applications Pending:	\$545,000	(108 housing units)

LOW INCOME TAX CREDIT PROGRAM

Federal Tax Credits Available for:

New Construction
Acquisition
Rehabilitation

First full year of operation

All available 1988 credits allocated -- \$3 million

Awarded 37 Projects for 1988

Program Total of 3,348 rental units
and
\$134 Million Private Sector Investment

KANSAS PARTNERSHIP FUND

New in 1988

Provides Low-Interest Loans for Local Infrastructure
Improvements Necessary for Business Location/Expansion

Organized This Year -- Loans in 1989

GOVERNOR'S TASK FORCE ON THE FUTURE
OF RURAL COMMUNITIES

Provided Staff Support

Public Hearings Across State

Survey of Small Communities, Rural Counties

Final Report Preparation

Implementation of Recommendations

EXISTING INDUSTRY DEVELOPMENT

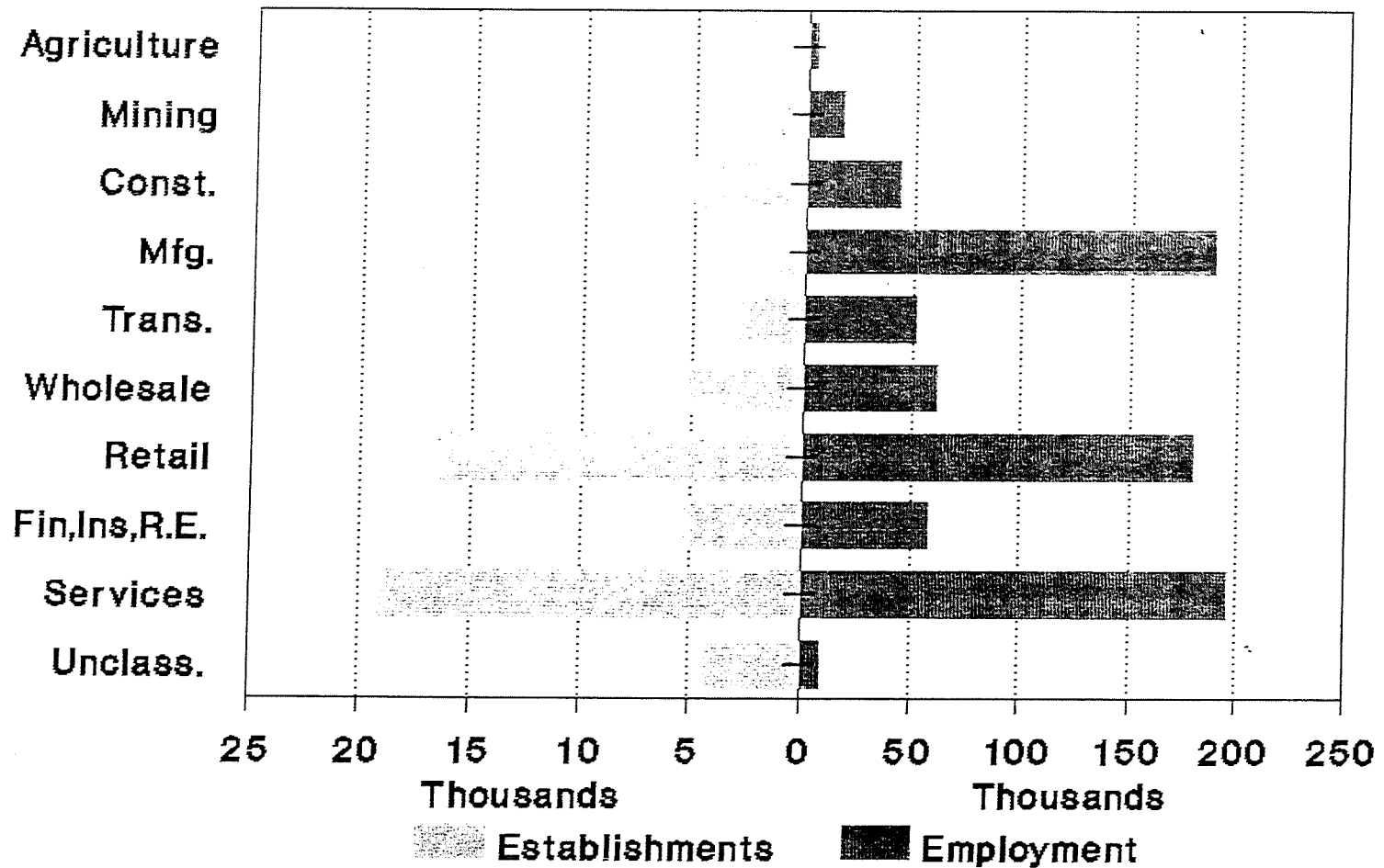
Small Business Operations

- Venture and Seed Capital
- Business Retention and Expansion
- First Stop Clearinghouse
- Certified Development Company Assistance
- Small Business Development Center Assistance

Regional Field Office Operations

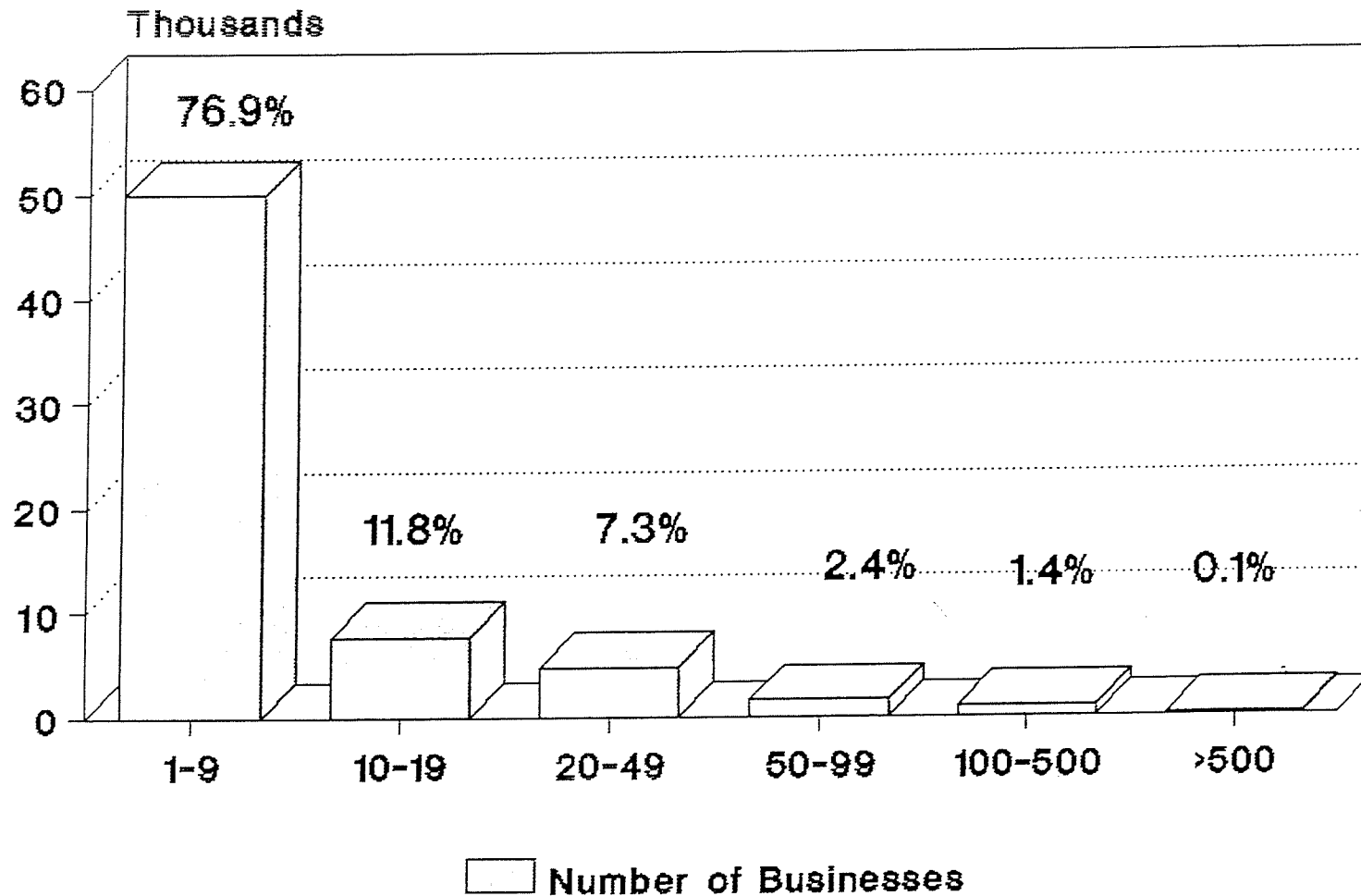
Minority Business Affairs

KANSAS INDUSTRIES



County Business Patterns - 1986 (5/88)

KANSAS BUSINESSES BY SIZE



County Business Patterns - 1986 (5/88)

VENTURE AND SEED CAPITAL

Nine Venture Capital Companies Certified bringing total to 12

- \$22.4 million invested

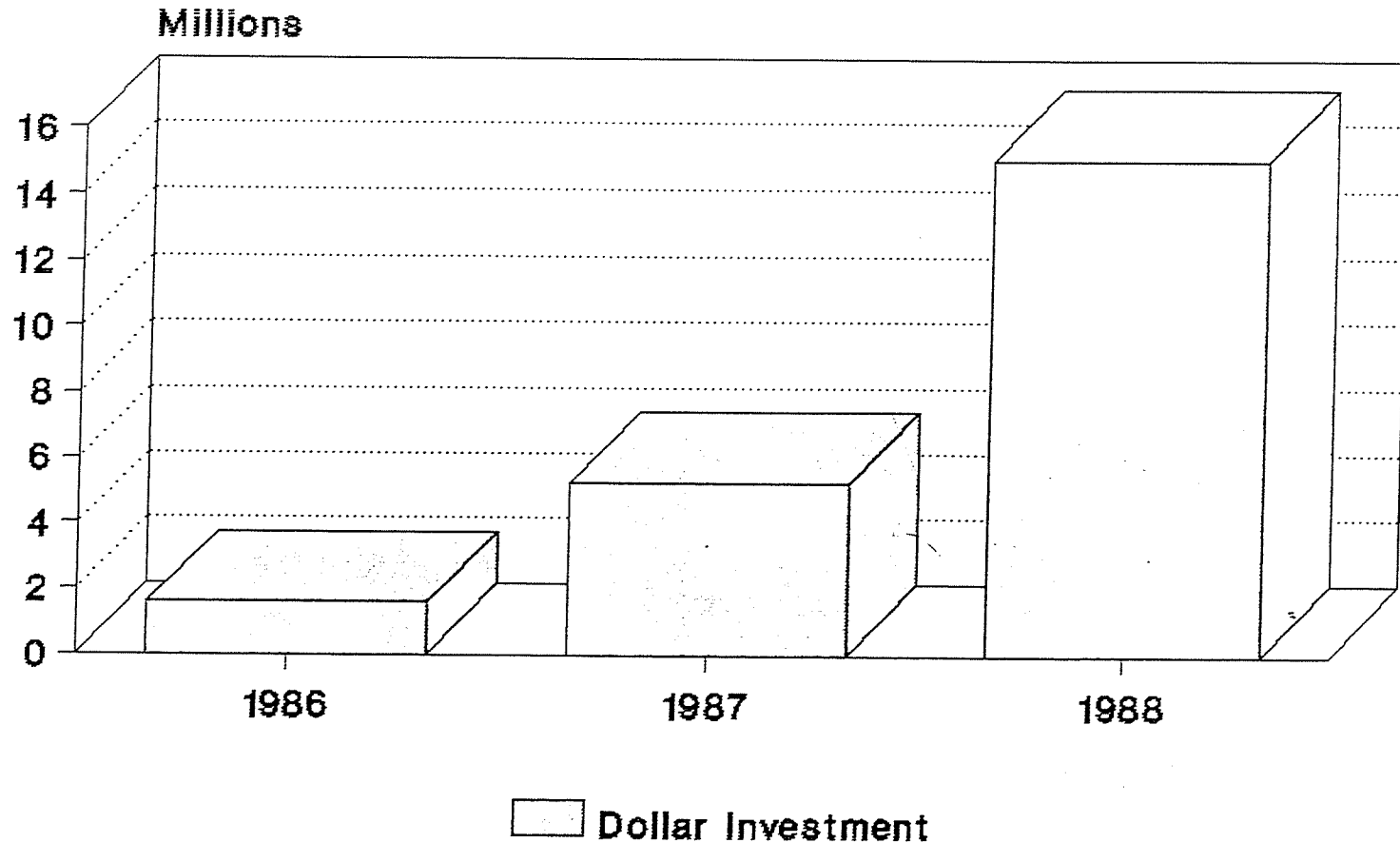
One Local Seed Capital Pool Certified

Venture Capital Conferences

Venture Capital Network Computerized

VENTURE AND SEED CAPITAL

(Investment in Certified Co. by Year)



Kansas Department of Commerce

FIRST STOP CLEARINGHOUSE

Named Changed from One Stop Clearinghouse

Activity:

Time Period	Number of Requests	Percent Increase
1985	52	--
1986	392	654%
1987	1,230	214%
1988	1,388	13%

BUSINESS RETENTION AND EXPANSION

Study of Business Completed in 10 Medium-Sized Communities

Reports Issued for Each Individual Community

Follow-up and Implementation Underway

Development of Program for Smaller Communities

**CERTIFIED DEVELOPMENT COMPANY AND
SMALL BUSINESS DEVELOPMENT CENTER ASSISTANCE**

Summary of Certified Development Activity

	FY 1986	FY 1987	FY 1988
Total Number of Approved Projects	90	124	135
Total Amount of Project Financing	\$38.4*	\$48.6*	\$33.3*
Total Number of Jobs to be Created	932	1,227	1,087
Total Number of Jobs to be Retained	820	1,032	1,171

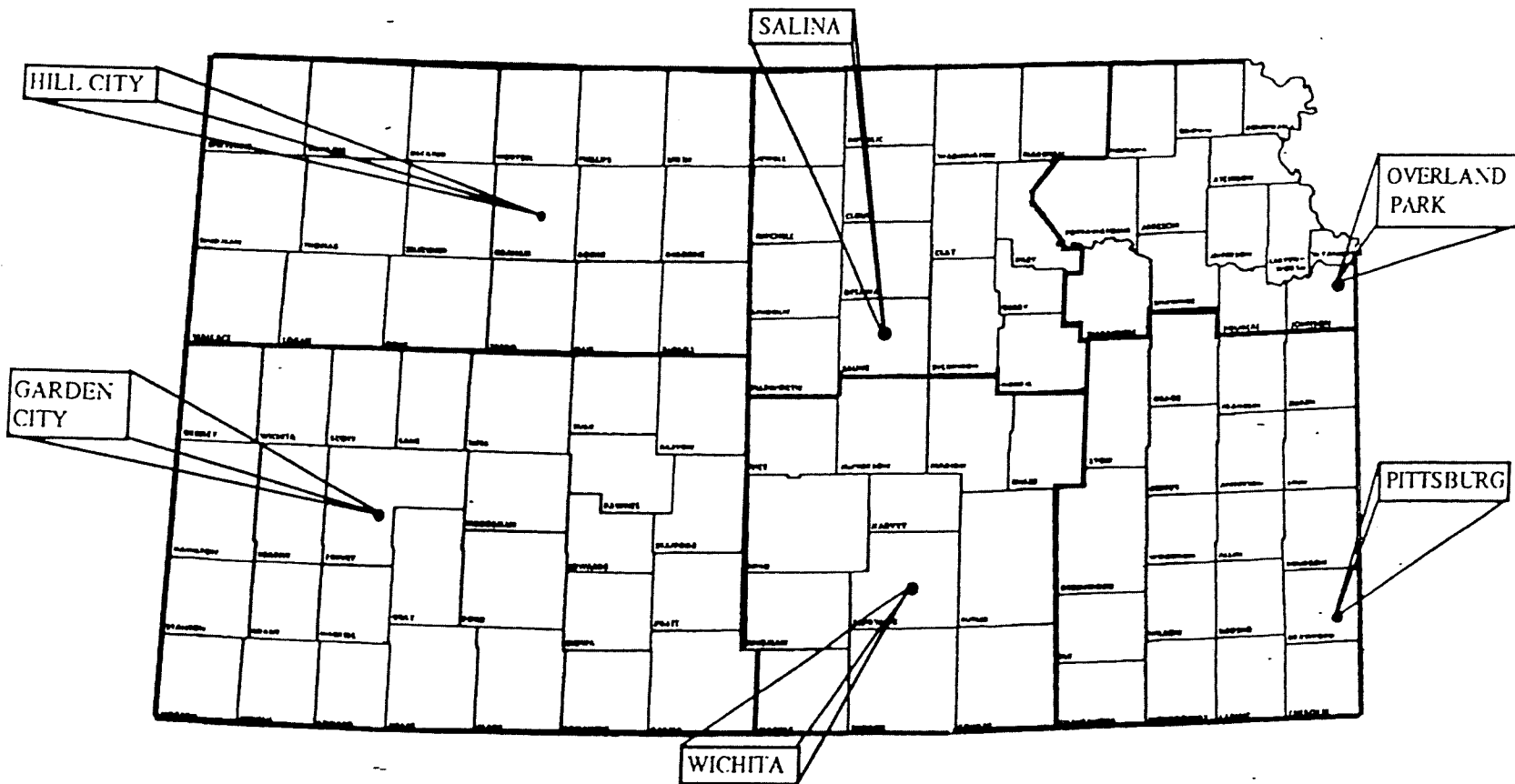
* Millions

**Small Business Development Center Accomplishments
(FY 1988)**

	Goal	Achieved	Percent of Goal
One Time Consulting*	292	405	139%
Continuous Short Term Consulting*	423	637	151%
Continuous Long Term Consulting	438	457	104%
Training Sessions	314	302	96%
Primary Industry Clients	540	468	87%

* Data for Period 1/1/88 - 6/30/88

KANSAS DEPARTMENT OF COMMERCE
REGIONAL OFFICES



MINORITY BUSINESS AFFAIRS

Referred Nearly 300 Contracting Opportunities

- Valued at \$2.5 million

Conducted Eight Workshops

Annual Conference

Presentation of Awards

- Minority-Owned Businesses

- Women-Owned Businesses

Published Minority Business Directory

Industrial Development

Domestic Marketing

International Marketing

Industrial Prospect Activity

Kansas Cavalry

Kansas Industrial Training (KIT) Program

Community Contact Program

Domestic Marketing

Target Industry Program

Prospect Follow-Up Program

Industrial Tour

Promotional Materials

Kansas Cavalry Missions

International Marketing

German Office

- Active prospects -- 17
- Hanover Trade Fair
- Lt. Governor's visit
- Public relations
- German language brochure
- Direct mail campaign

Japan Office

- Assistance to Yuasa Battery
- Active prospects -- 16
- Direct mail campaign
- Visits by Kansans
- Public relations

Canada

- Investment seminar

Industrial Prospect Activity

	<u>1988</u>	<u>1987</u>
Active Prospect Files	153	153
In-State Visits		
Domestic	52	51
International	14	3
Communities Visited	50	51
Jobs Created	2,766	1,675
New Companies	17	7
Expansions	4	2

Kansas Cavalry

Membership Increase -- 13

Prospect Missions -- 5

Industry Appreciation

Developing Kansas

Cavalry Call

KCCI Caucus

Kansas Industrial Training (KIT) Program

High Demand for Funds

36 Projects - 3,098 Trainees

Projects in 25 Communities

Funds Leveraged with Education

Community Contact Program

Personal Visits To Communities

Develop Good Working Relations

Collect Up-To-Date Information

TRADE DEVELOPMENT DIVISION

INTERNATIONAL

Kansas Overseas Offices and Trade Service Representatives

Existing Representation:

Tokyo, Japan
Stuttgart, West Germany
Taipei, Taiwan
Seoul, South Korea
Bangkok, Thailand
Jakarta, Indonesia
Zhengzhou, Peoples' Republic of China

New Representation Established in 1988:

Bogota, Colombia
Asuncion, Paraguay
Lima, Peru

International Trade Missions and Trade Exhibitions

Trade Mission--South America

Colombia
Paraguay
Peru
Venezuela

Trade Mission--Asia

Taiwan
Japan

Trade Exhibition--Canada

Vancouver, British Columbia

Results

- 16 Kansas firms travelled with KDOC personnel to participate in these missions.
- 56 unescorted Kansas representatives and firms visited our overseas offices and trade service contacts
- Over \$6 million in sales completed or under negotiation for import/export licensing or letters of credit opening representing 15 Kansas companies in 8 foreign countries
- 12 representation agreements signed
- 15 Kansas companies assisted through various catalog shows throughout the world

Other Activities

- Hosted 176 visitors from 11 foreign countries for trade functions
- Conducted 5 "Basics of Exporting" seminars for more than 100 Kansas companies
- Hosted 33 Kansas companies and 17 Korean companies during procurement mission visit to Kansas City
- Distributed 2,754 International Resource Directories to Kansas firms
- Distributed 893 Kansas Manufacturing Firms in Export directories to potential overseas buyers/distributors
- Distributed 403 Kansas Importers directories to potential sellers/exporters overseas
- Printed 2 foreign language (Chinese, Spanish) brochures and distributed more than 3,000 copies

DOMESTIC

Bloomingtondale's Promotions

Introduced 117 Kansas companies to Bloomingtondale's management officials and buyers
Managed the successful participation of 77 Kansas companies in 2 separate promotions spanning 8 weeks
Several hundred thousand dollars in sales resulted from orders through both Bloomingtondale's and other retailers who discovered Kansas products as a result of the promotions.
National exposure given to Kansas and Kansas firms through eighteen television reports, numerous radio features, and several hundred national and statewide newspaper and magazine articles

Wal-Mart's "Bring It Home To The USA" Domestic Buying Program

Introduced 188 Kansas manufacturing firms to the program
Assisted 27 Kansas firms in the preparation and submission of bids to Wal-Mart
2 contracts have been received by Kansas companies as a result

"The Best of Kansas Arts and Crafts" Catalog

Published on November 1, 1988
Contains selections from 150 Kansas artists and crafts people and 50 Kansas art or craft-related businesses/galleries
2,000 catalogs sold as of December 31, 1988

Governor's Industry Tour

Coordinated tour visiting 12 Kansas firms

TRAVEL AND TOURISM

Promotional Programs

Linger Longer

Visitor Information Centers

Travel Shows

Film Services

Publications

Visitors Guide

Kansas! Magazine

Kansas Too!

Brochures

PROMOTIONAL PROGRAMS

Linger Longer

Participating Businesses	650
Prizes Offered	Coleman Cooler
Results	8,500

Research Data:

Stayed Longer	68%
Visited Attraction	55%
Purchase in Specialty Shop	73%

Visitor Information Centers

State Centers	4
Area Centers	3
Visitors - 1987	336,843
Visitors - 1988	381,859 (+13%)

FILM SERVICES

Sixth Year of Operation

1988 Activity

2 Feature Films
Commercials
Documentaries
Music Video
Japanese TV Quiz Show

Kansas Receipts from Film \$8.3 million

Requests During Year 877 (46% increase)

Trade Shows:

Location Expo (California)
Cinetex (Las Vegas)

PUBLICATIONS

Kansas! Magazine	53,000
Kansas Too!	3,700
Kansas Calendar	10,000
The Four Seasons of Kansas	Released and Currently for Sale
Visitors Guide	
Calendar of Events	
Group Tour Guide	
Kansas Wildlife Series - "Red-Tail Hawk"	

1988 SPECIAL EVENTS

- 1) National Tour Association
 - "Picnic in the Park" Luncheon
 - 3200 delegates attended
 - Post-fam tour

- 2) Society of Americal Travel Writers
 - Post-Convention tour given

- 3) Bloomingdale's

- 4) Nine Public Forums

- 5) Eisenhower Centennial Commission