

Approved 1-31-89
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 26, 1989 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kans Leg Research Dept
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:

Harold Stones, Kansas Bankers Association

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

The Chairman advised that hearings would continue on Senate Bill 21. The first conferee on the bill was Harold Stones, Kansas Bankers Association. He stated that the Kansas Bankers Association feels that Kansas is on the threshold of being able to really aide our economic situation through exports. Two things are needed: technical export assistance and adequate financing. Mr. Stones stated that Senate Bill 21 is practical, is needed and will go a long way toward assisting the growth of exports for Kansas companies. Mr. Stones comments and endorsement of Senate Bill 21 are attached. (Attachments 1 & 2).

Committee members received two handouts, letters in support of Senate Bill 21. (Attachments 3 & 4)

The Chairman stated that enough questions had been raised regarding this bill that it is necessary to research some of those issues. The issues are listed in (Attachment 5). Staff was asked to begin researching these issues.

Minutes of the January 24, 1989, meeting were reviewed. It was moved by Senator Oleen and seconded by Senator Moran that the minutes be approved. Minutes approved.

There being no further business, the meeting was adjourned.

January 19, 1989

TO: SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

FROM: Harold Stones, Kansas Bankers Assn.

This is a "white paper" to the committee following an informal meeting on 1/18/89 between Sen. Steineger; Ray Williams, SBA; Harry Salisbury, Dept. of Commerce; and myself. It contains only a few of the topics we discussed, and the conclusions which were apparent.)

A. Why is SB 21 needed, if SBA and Ex-Im Bank now are in the business of guaranteeing export loans?

1. Commercial bankers have been trained since birth to make loans on fixed assets. When a bank has deviated from familiar areas of expertise, it usually has regretted it. Regulators have also made bankers regret making "out of territory" loans secured by collateral which is not readily available, even when no money is lost.
2. So when a local manufacturer comes in for a loan and wants to secure it with a contract from a buyer in another country, the banker has no idea whether the foreign buyer can perform.
3. The buyer, therefore, usually produces a Letter of Credit (LOC) from his/her local bank (in a foreign country). Itk may be a bank the local Kansas banker has never heard of, and one which is not in the jurisdiction of the courts of the United States.
4. Therefore, a series of specific "aids" must be in place to facilitate the successful granting of this kind of credit.
 - a. A partial loan guarantee by an government agency to share the risk greatly facilitates the loan. SBA is a very good organization. Please do not interpret this as any negative outlook toward them, but if you have ever examined the paperwork package required for any SBA guarantee, you will quickly know the majority of Kansas banks do not have anyone aboard with the expertise in dealing with SBA. Those banks who have developed an "SBA expertise" are very happy with the agency, but it takes a good deal of effort and manpower to utilize the SBA. The Export-Import Bank is doubly complex. It is anticipated that the Dept. of Commerce will greatly simplify the paperwork and the procedures involved when writing rules and regs for the Kansas Export Finance Act.
 - b. It will take a concerted effort on the part of the KBA and officials of the Dept. of Commerce who administer this program to promote the financing of exports with local banks. The KBA will greatly utilize DOC officials at virtually every meeting of bank management we have, until necessary expertise and interest exists. We will also work closely with bank regulators who will also need information and expertise so our work will not be negated by overly-cautious regulators. The KBA will gladly take this job on, because of the needed positive impact on our state's economy. Our currency rates right now make exports very do-able. It is anticipated that the Dept. of Commerce will greatly assist in the marketing of information and

See Doc - 1-26-89

Attachment 1

motivation to Kansas banks, in a way which the SBA never could, and in a way the KBA alone cannot.

c. A Correspondent bank with international expertise and relationships is needed to consult with the originating, local Kansas bank, to investigate the transaction and perhaps (depending on the reputation and size of the original LOC bank, to "Confirm" the Letter of Credit. Several Kansas City, Wichita or Denver banks are among those who could assist. Also, the "international" bank might provide some of the loan money, if the request exceeds the local originating Kansas bank's loan limit.

B. The three necessary ingredients to export financing, in order to (i) facilitate the loan; and (ii) identify and manage the risk are:

1. The guaranteeing state agency, as discussed above.
2. The Correspondent or "International" bank, as discussed above.
3. The local, originating bank.

a. If you assume the foreign buyer will have his/her purchase power backed by an LOC from a foreign bank, and that bank is fully investigated, and the LOC confirmed by a U. S. international bank, then the major element of risk becomes the Kansas manufacturer's ability to perform (to have the export material completed and shipped according to contract). Most international banks, and the SBA will not touch a transaction unless there is a local banker as part of the "package" who knows the manufacturer's reputation, who can often spot trouble quickly, who stays in touch, etc. etc. Therefore, we strongly recommend that for the program's workability, a Kansas originating bank be a requirement.

C. What about the sufficiency of the "4 to 1 leverage effect" referred to in Lines 49-52?

1. First, the state's money is not "leveraged", which implies it is mixed with bank funds and loaned. The state's money is to be used as security to pay off guarantees in the event a loss is experienced. Otherwise, the \$1 million appropriated by the State will not be used. If, prudence is carefully exercised, and Kansas Export Loan Guarantee Review committee will be in place to see that it is, then we would expect losses to be at a minimum. Therefore, the 4 to 1 ratio of guarantee to loan amount, looks to be very conservative.

This guarantee principle is utilized by SBA and by the Farmers Home Administration, and their losses on guaranteed loans have been minimal.

Mr. Chairman, Members of the Committee, thank you for this opportunity. For the benefit of the Kansas economy, we support S. B. 21.



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

January 18, 1988

TO: Senate Committee on Economic Development

FROM: Kansas Bankers Association

RE: Endorsement of SB 21 (Financing of exports)

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the Committee in support of SB 21 - the Kansas Export Finance Act. Our industry believes this legislation is another important part of the state's economic development program which should be enacted.

On the next page, we have prepared an amendment which we believe will strengthen the bill further.

Last fall a representative of the Department of Commerce attended all six of the KBA regional meetings and presented information on the financing of exports. A survey of bankers attending those meetings revealed that an overwhelming majority believed the creation of a state guarantee program on export financing would be positive for Kansas. While there is relatively little export financing by Kansas banks currently, such a program should serve as a strong stimulus for expanded activity in this area. One only has to look at the success of SBA and FmHA guarantee programs to see that banks would seriously consider using such an export program. In addition, it would obviously provide much needed capital for existing Kansas businesses involved in exporting and would encourage the development of new exporting entities.

We are in agreement that the program should be administered through the Department of Commerce with a strong and experienced loan review committee. We see no reason to set up an entirely separate authority for the program.

We would also emphasize that the rules and regulations promulgated by the Department for this program will be very important in determining how much the program will be used by banks.

The KBA stands ready and willing to work with the Department of Commerce and any other state agency or private sector group in creating a viable export finance program. We believe it is very important to the future of our state's economy and we, therefore, strongly urge passage of SB 21.

[Handwritten signature]
Sen Eric-Devo
1-31-89
Attachment 2

PROPOSED AMENDMENT TO S. B. 21

TO: Senate Committee on Economic Development

FROM: Harold Stones, Kansas Bankers Assn.

Mr. Chairman, Members of the Committee, thank you for the opportunity to present the following amendment to Senate Bill 21:

On Page 3, Line 109, by inserting the following after the word, "in":

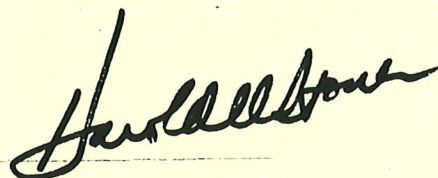
"interest-bearing time deposits in any commercial bank or trust company located in Kansas. Such deposits shall be secured as stipulated in K. S. A. 75-4218. If the board determines that it is impossible to deposit such moneys in such time deposits at a rate equal to or greater than the average yield before taxes received on ninety-one day United States treasury bills as determined by the federal reserve banks, as fiscal agents of the United States, at its most recent public offering of such bills prior to the inception of such deposit contract, such moneys shall be invested in"

On Page 3 by striking all of Line 112 after the word, "or" first appears; by striking all of Line 113, and all of Line 114 before the word, "in" last appears.

The only change effected in this amendment is to make sure the funds stay in Kansas, so long as banks are willing to pay the 91 day Treasury bill rate, or higher; and to provide security for such deposits in the same manner as is utilized for all other state deposits.

If no banks are willing to pay such rate, then other forms of out-of-state investment may be authorized.

Mr. Chairman, Members of the Committee, the KBA respectfully urges your favorable consideration of the above amendment.



81 (b) The committee shall review all proposals for Kansas export
82 loan financing guarantees under section 4 and shall approve those
83 proposals that the committee deems to represent reasonable risks
84 and to have a sufficient likelihood of repayment. The committee shall
85 advise the secretary of commerce on matters under this act when
86 requested by the secretary and may provide such advice when
87 deemed appropriate by the committee.

88 (c) The committee shall organize annually by electing a chair-
89 person and vice-chairperson from among its members. The com-
90 mittee shall meet upon call of the secretary of commerce or the
91 chairperson or upon call of any three of its members. Three members
92 shall constitute a quorum for the transaction of business.

93 (d) Members of the Kansas export loan guarantee review com-
94 mittee attending meetings of the committee, or attending a subcom-
95 mittee meeting thereof authorized by the committee, shall be paid
96 compensation, subsistence allowances, mileage and other expenses
97 as provided in K.S.A. 75-3223 and amendments thereto.

98 Sec. 6. (a) There is hereby established the Kansas export loan
99 guarantee fund in the state treasury. The Kansas export loan guar-
100 antee fund shall be administered by the secretary of commerce. All
101 moneys in the Kansas export loan guarantee fund shall be used to
102 provide guarantees against commercial preexport and postexport
103 credit risks in accordance with this act.

104 (b) All moneys received for Kansas export loan financing guar-
105 antee fees under section 4 shall be remitted to the state treasurer
106 at least monthly and deposited in the state treasury to the credit of
107 the Kansas export loan guarantee fund.

108 (c) The pooled money investment board may invest and reinvest
109 moneys credited to the Kansas export loan guarantee fund in obli-
110 gations of the United States of America or obligations the principal
111 and interest of which are guaranteed by the United States of America
112 or ~~in interest-bearing time deposits in any commercial bank or trust~~
113 ~~company located in Kansas, or, if the board determines that it is~~
114 ~~impossible to deposit such moneys in such time deposits, in repur-~~
115 ~~chase agreements of less than 30 days' duration with a Kansas bank~~
116 ~~or with a primary government securities dealer which reports to the~~
117 ~~market reports division of the federal reserve bank of New York for~~

"interest-bearing time deposits in any commercial bank or trust company located in Kansas. Such deposits shall be secured as stipulated in K. S. A. 75-4218. If the board determines that it is impossible to deposit such moneys in such time deposits at a rate equal to or greater than the average yield before taxes received on ninety-one day United States treasury bills as determined by the federal reserve banks, as fiscal agents of the United States, at its most recent public offering of such bills prior to the inception of such deposit contract, such moneys shall be invested in"

118 direct obligations of, or obligations that are insured as to principal
119 and interest by, the United States government or any agency thereof.
120 All moneys received as interest earned by the investment of the
121 moneys credited to the Kansas export loan guarantee fund shall be
122 deposited in the state treasury and credited to the Kansas export
123 loan guarantee fund.
124 Sec. 7. This act shall take effect and be in force from and after
125 its publication in the statute book.

Limited gains ahead for district states

Most Tenth District states made limited gains in 1988. Looking ahead, improvement will likely continue in many states, with the size of gains determined largely by the mix of sectors in individual states. Despite the prospect for continued improvement, however, overall economic activity across the district will remain sluggish in 1989.

Kansas (10th District - KS, MO, NE, OK, CO, N.M., W.V.)

Kansas economic conditions improved somewhat in 1988. The employment gain in Kansas during the first three quarters of 1988 was among the largest of all seven district states. But while the state's modest 1.8 percent increase in employment was well above the district average, it was also well below the nation's employment increase. The increase in Kansas real personal income during the first half of 1988 exceeded the districtwide increase in income and nearly matched the U.S. increase. A recovering farm economy was a positive influence on the Kansas economy during 1988, while the performance of

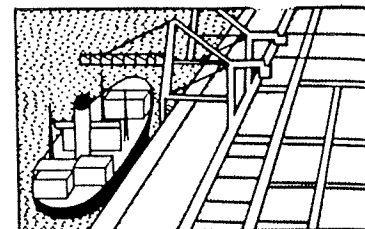
other major sectors was mixed.

The state's manufacturing sector received a boost in 1988 from the increased sales of general aviation aircraft and defense-related aircraft production in the Wichita area. High-tech industries continued to strengthen during the year, especially the assembly of civilian jet-aircraft components. In contrast, automobile production in Kansas City continued to slide. However, a new, more automated plant will bring some stability to the long-term outlook for auto production in Kansas.

The weakening of oil prices in 1988 began to erode some of the stability established by the Kansas energy industry in 1987. Although production increased, exploration and development activity declined significantly. Oil production for the first half of 1988 was slightly higher than for the same period a year earlier, but natural-gas production increased over 13 percent. And the state's relatively small coal production doubled in the first eight months of the year, compared with the same period in 1987. Despite the improvement in energy production, however, the average number of active drilling rigs in the first three quarters of 1988 was nearly 20 percent below the level from the same period in 1987.

Continued gains in agriculture and manufacturing will probably contribute to another year of moderate economic growth in Kansas. High-tech and general aviation manufacturing stand to benefit further from favorable exchange rates. The energy industry, however, will likely weaken further as low prices force additional closings of the state's numerous high-cost stripper wells—those producing less than ten barrels of oil a day.

Characteristics of Kansas Exporters



Steven Maynard-Moody
William Cheek

Dr. Maynard-Moody is director of policy studies at the Institute for Public Policy and Business Research and associate professor in the Department of Public Administration. William Cheek was a research assistant at the Institute at the time of the survey.

Increasing Kansas's participation in the national and world economies is an important part of the state government's plan for economic development. How this might be accomplished most efficiently is still to be determined. To provide data for informed policy making, 424 business owners and managers were asked about their product markets, their firms' characteristics, barriers to exporting to foreign countries, and programs to facilitate foreign export trade. The survey results point to several factors affecting exports that might be addressed by policy makers.

Methodology

The telephone survey for this study was conducted from February 29 to March 8, 1988. A total of 424 interviews with the owners or managers of exporting and non-exporting Kansas firms were completed. The response rate for the survey was 89 percent: for every ten individuals contacted, nine responded to the survey.

Questions asked in the survey were designed by the Institute research staff in collaboration with Kansas Inc., which the Kansas legislature has established as the planning organization for state economic development.

The sample was drawn from the Kansas Department of Commerce's *Di-*

rectory of Manufacturers and Products. Two hundred and three exporting firms and 221 non-exporting firms were included in the final sample.

The percentages obtained in the sample are estimates of the entire populations under consideration. Sampling theory suggests that when an adequate random sample is obtained within a population, the sample will adequately reflect the responses that would be given if the entire population were surveyed. The margin of error in a survey is the probable difference between interviewing everyone in a given population and a sample drawn from that population. The margin of error for this survey is 5 percent at a 95 percent level of confidence. Given this margin of error, chances are that in about 19 out of 20 cases if all exporters and non-exporters in Kansas had been surveyed with the same questionnaire, the result would differ from the poll findings by no more than 5 percent in either direction.

Although great care is taken in composing questions and drawing a sample, caution should be exercised in the interpretation of telephone survey results. Responses generally represent immediate answers to questions, and respondents are limited to the answer categories given. Nevertheless, telephone surveys are by far the best form of public opinion polling to obtain random and representative samples in a timely fashion.

Results

The survey results show clearly that larger firms are more likely to export than smaller ones. The majority

of Kansas exporting businesses employ between ten and 99 full-time employees. Nearly half of exporters have sales of between \$1 million and \$10 million. In contrast, most non-exporting firms have fewer than ten full-time employees and less than \$1 million in sales.

Even though exporting firms are relatively large, decisions about exporting are made by executives in Kansas (rather than by out-of-state corporate leaders) in about two-thirds of export firms. And most of these managers are optimistic about their potential for increasing exports.

For the most part, these executives have decided to do their own marketing, and they do not rely heavily on foreign trade fairs to sell their products. Nearly 80 percent of exporters market their products themselves. About 10 percent use U.S. marketing firms, and another 10 percent hire international marketing firms.

Only 39 percent of exporters attend foreign trade fairs. However, 59 percent plan to attend trade fairs in the future. This increase may point to rising interest in export expansion in the Kansas business community. If the state were to pay half the expenses of attending foreign trade fairs, 66 percent of exporters say they would attend.

Characteristically, Kansas firms that sell their products abroad also distinguish themselves from non-exporters by their activity in national markets. Exporters sell 72 percent of their products in the national market rather than locally, within the state, or abroad. Businesses that do not export sell less than a third of their products nationally, and nearly half their sales are in the local market.

The survey respondents export

Table 1
Products of Surveyed Kansas Export Firms

<u>Type of Product</u>	<u>Percent of Firms</u>
Non-electrical machinery	27.9%
Fabricated metal products	10.9
Rubber and plastics	7.5
Food and kindred products	7.0
Instruments and related products	6.0
Miscellaneous manufacturing	6.0
Electric and electrical equipment	6.0
Transportation equipment	5.5
Chemicals and allied products	5.5
Printed and published materials	5.0
Stone, clay, and glass products	3.0
Apparel and textile products	3.0
Primary metal industries	1.5
Paper and allied products	1.5
Agricultural products-livestock	1.0
Furniture and fixtures	1.0
Agricultural services	0.5
Lumber and wood products	0.5
Leather and leather products	0.5
Petroleum and coal products	0.5
Total	100.0 (N=201)

their products to more than fifty countries. Europe receives the largest share of Kansas exports, 37 percent, and Canada is next, receiving 23 percent. Fifty-one percent of Kansas exports are classified as machinery, instruments, transportation equipment, and miscellaneous manufactured goods.

Managers and owners of export firms were also asked whether or not five types of state programs would help their businesses. They agreed with managers of non-exporting firms when they gave the highest rankings to programs that would provide information. Eighty-two percent of exporters would like the state to provide information on foreign markets. Individual assistance with export development would help 71 percent of exporters, and information

on foreign governments would help 68 percent. Sixty-seven percent could use state help with financing exports, and 51 percent would like the state to help coordinate financing with private banks. About 70 percent of Kansas exporters finance their exports internally. Fifteen percent use credit from Kansas banks, and 13 percent use out-of-state banks. Less than 1 percent have received financing from venture capital firms.

Eighteen exporters, 9 percent, reported they had lost export contracts because of a lack of financing. When they were asked what type of financial assistance programs could help increase exporting, their preferences were almost equally divided among open accounts for overseas customers, a program to allow exporters to receive payment on

shipment of goods, and a program to allow customers to pay for goods up to 180 days after receipt. So few respondents had lost contracts because of financing problems that we cannot generalize from these responses.

In contrast, many non-exporters consider lack of financing a significant barrier to entering export markets. Forty-seven percent of the businesses that would like to export report that they do not because of lack of financing.

Discussion

One strategy for increasing Kansas exports would be to establish programs that target firms with characteristics similar to those of successful exporters. Our survey shows that these would be larger firms, firms with a large proportion of sales in the national market, and firms producing machinery, fabricated metal, and the other types of products shown in Table 1.

Entering the export market could help small firms grow as well. A program to assist small businesses that are selling products with proven export potential would be promising. However, such a program should take financing problems into consideration. Survey results indicate that financing is a barrier to exporting for small firms. Exporting firms are larger than non-exporters, they can rely heavily on internal funds for financing, and they do. Also, non-exporters in general consider financing to be a barrier.

The survey results show that no matter what type of firm is targeted for state programs, information on foreign markets, and to a lesser extent on foreign governments would be helpful.

For more detail, see the full report of this study, International Exporting and Non-Exporting Businesses in Kansas, Monograph Series no. 154, Institute for Public Policy and Business Research, May 1988. The study was conducted at the University of Kansas for Kansas Inc.



SMALL BUSINESS ADMINISTRATION
KANSAS CITY REGIONAL OFFICE
911 WALNUT STREET, ROOM 1300
KANSAS CITY, MISSOURI 64106-2087

JAN 25 1989

January 19, 1989

Senator David Kerr
Kansas Senate
State Capitol
Topeka, Kansas 66612

Dear Senator:

I am enclosing our Loan Program SOP for your information and a DOC report on the number of jobs created by exports for the State of Kansas as well as the other states in the Region. If you have any questions, I will be pleased to find the answers for you. I am also enclosing the EXIM Bank's representative address.

Mr. George J. Donegan, Jr.
Deputy Vice President
Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, DC 20571

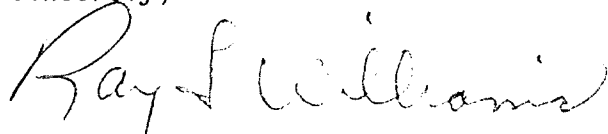
I would like to respond to one question that I was asked at the hearing. This primarily concerns the duplication of programs between the State and the SBA. It is true that you can make an argument that there is duplication, but I believe the State has other advantages including marketing. However, as my time was running out, I did not have time to discuss the advantages of the State and the SBA working together. For example, The SBA guarantee limit is \$750,000, the proposed limit for the State program is \$300,000. If a Memorandum of Understanding were developed, then the combined guarantee limit would be \$1,050,000 to be used for inventory and and accounts receivable financing.

The SBA is also coming out with a new program that offers \$1,000,000 for fixed assest financing (plant and equipment), with a term of probably 5 to 7 years and \$250,000 working capital financing for inventory and accounts receivable. If the State program was coupled with this program the result would be \$1,000,000 for fixed assests (5-7 year term) and \$550,000 (\$250,000 from the SBA and \$300,000 from Kansas) for inventory and accounts receivable, or a total of \$1,550,000 in financing guarantees. This would address the question some of the Senators had concerning use of proceeds. If a way can be found for the State of Kansas and the SBA to work together, it seems clear that the small business community in the State of Kansas would have most of the financing guarantees they would require. I might also add that we could respond to your needs either on a export transaction basis (contract) or on a revolving line of credit basis.

Sen Eco - Alvaro
1-26-89
Attachment 3

I want to thank you for giving me the opportunity to appear before your committee and if I can be of further assistance, please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script that reads "Ray L. Williams".

Ray L. Williams
Regional Int'l Trade Officer

cc: William Powell 
Regional Administrator
U. S. Small Business Administration

Harry Salisbury
Director
Trade Development Division
Kansas Department of Commerce

The University of Kansas

Institute for Public Policy
and Business Research

January 25, 1989

Senator David Kerr
Chairman, Senate Committee on
Economic Development
Topeka, Kansas

Dear Mr. Chairman:

I would like to take this opportunity to respond to a question posed by Senator Steineger at the Senate Committee meeting on January 19, regarding the need for a Kansas program for export finance (as proposed by SB 21). His question arose from the testimony of Mr. Williams of the Small Business Administration, who had previously testified that his organization could serve the same purpose.

I believe that there are three main reasons for the state to provide an export finance program. First, smaller firms may have difficulty accessing federal programs such as those offered by the SBA, and may be unable to easily secure the collateral necessary to take advantage of such programs. Also, I believe that the existing SBA program suffers from a lack of marketing to small businesses that may wish to export. A state program could be marketed through the efforts of the Dept. of Commerce as well as through Kansas financial institutions, with the help of the Kansas Bankers' Association, and would thus be more likely to reach potential small exporters. Third, implementation of a state program would allow businesses to deal with essentially one entity in carrying out an export transaction, through assistance from the Dept. of Commerce, rather than going to first state and then federal agencies for different stages of the process.

I had Roger Nelson, a research assistant at the IPPBR, contact Noor Doja, of the Minnesota Export Finance Authority, and Ronald Gjerde, of the Illinois Export Development Authority, to ask them for their reactions to this question. Each was a conferee at the August, 1988 meetings of the Joint Economic Development Committee, so I felt it would be beneficial to ask them each for their opinions. Their comments were generally in concurrence with my own thoughts above.


Sen Eco-Devo
1-26-89
Attachment 4

Both cited the fact that even though the SBA does in fact have such a program, it is rarely used. The cumbersome process in dealing with the federal bureaucracy, and the collateral requirements of that program were reasons given as probable explanations for its infrequent use. Mr. Doja stressed that although the SBA does offer loan guarantees, many small businesses also need information and assistance concerning international marketing of their products, training of employees, and product distribution. He believes a major advantage of their state program is the fact that if a business wishes to enter the area of exports, they need only think of one entity to gain all the assistance they need -- the Minnesota Trade Office -- rather than going to one place for financing, another for marketing assistance, etc. Mr. Gjerde noted that the collateral required to obtain a guarantee is often difficult to acquire by firms truly in need of assistance, and that those with enough collateral could probably get financing from a financial institution by themselves.

I personally believe that a Kansas program would be more easily accessible by small businesses within our state, and would facilitate export by those firms with the potential to enter international markets. A guarantee program such as the one outlined in SB 21 would also expose smaller local banks to international transactions.

Overall, I think that a state program would be of great benefit to the state, and would encourage exports to a greater extent than the program operated by the Small Business Administration.

Sincerely,



Charles E. Krider,
Professor of Business
University of Kansas

cc: Sen. John F. Steineger
Lynne Holt

Questions Raised by Committee - January 26, 1989

1. One percent per transaction fee. Check on size and time sensitivity, along with flat fee.
2. Kansas bank to originate the loan.
3. Money invested in Kansas banks.
4. Length of time. 360 days or longer.
5. Memo of Understanding with SBA and EXIM Bank.
6. Services or just projects eligible.
7. Reinsurance mandatory?
8. Terms of the committee and membership.
9. Collateral?
10. Can Secretary of Commerce approve small guarantees?
11. Significance of the words insurance, co-insurance and guarantees?
12. Available to small companies and new exporters only?

San Ego - also
1-26-89
Attachment 5