Approved 3-21-89
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 March 15, 1989 in room 123-S of the Capitol.

All members were present except:
Senator Paul Feleciano

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:

The meeting was called to order by Senator Dave Kerr, Chairman.

Lynne Holt, Legislative Research briefed the Committee on Rural Economic Development - Importance of Information. (Attachment 1)

The Chairman suggested open discussion on the whole area of rural development or redevelopment. Senator Francisco felt the State was guilty of not getting information on available programs out to the rural areas. Senator Steineger felt that information was available through the various professional organizations.

Senator Vidricksen pointed out how the Small Business Development Center put together a program called Home Based Businesses held at Wichita State. He stated 85 percent of the participants came from the smaller communities, so with that amount of interest, he felt it would be important to hold more of the seminars in the smaller rural communities.

Senator Oleen stated she felt there was competition between the state agencies for state dollars. She felt the state needs a focus over the monies that the Legislators have responsibility for allocating.

Senator Kerr pointed out various individualized programs, initiatives that the state has taken, but not one of which is an overall structure to take charge of rural development efforts.

Senator Karr stated that there was an information lag and that a coordination of data was needed to look at the whole state and the needs of each individual area. He felt there was a need to tie various groups interested in rural economic development together. He further stated that we need to determine what the trends are and what should be preserved.

Senator McClure reminded Committee members that agriculture is still the main industry in Kansas. When there is a healthy agricultural economy this keeps the small towns alive. She pointed out economic development has come about in southwest Kansas due to the producing and processing of meat products in that area.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,

room 123-S Statehouse, at 8:00 a.m./p.m. on March 15, 1989

The Chairman asked for the Committee's desires in regard to pursuing the rural economic development issue. Since there was no opinion one way or the other, the Chairman appointed a sub-committee with the goal of developing a focus for another interim committee. The Chairman appointed a sub-committee consisting of Senator Moran, Chairman, with members Oleen, Kerr, Karr and McClure.

There being no further business the meeting was adjourned.

GUEST LIST

COMMITTEE: SENATE ECONOMIC DEVELOPMENT DATE: 3-15-84

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
KAREN GNEFKOW	Topeka	DHR
Ann Patterson	Topeka	KDOC
Nancy McCabe	Topeka	KDOC
Kim Grant	"	"
Archie Hurst	"	[illegible]
Stacy Anderson	"	[illegible]

MEMORANDUM

March 14, 1989

TO: Senate Committee on Economic Development

FROM: Lynne Holt, Kansas Legislative Research Department

RE: Rural Economic Development -- Importance of Information

The purpose of this briefing is to invite discussion about the issue of rural economic development which in recent years has been the subject of several Legislative and Executive Branch task forces and reports. I propose to examine this issue from another perspective -- that of the importance of information. At the outset, I want to emphasize that this is but one approach of many that may be used to consider a highly complicated and amorphous issue.

First, we have a considerable amount of data on the economic and demographic characteristics of the state. I refer you to Dave Darling's pull factor and population change maps which were attached to Secretary Priddle's presentation to this Committee. (An analysis of the implications of the pull-factor data for rural communities was presented by Dave Darling and Duane Williams at an economic development conference in February, 1989.) We also have per capita data by county in the "Governor's Report on the Economy" and employment profiles by county, data of which are amassed by the University of Kansas. The Main Street Program administered by the Kansas Department of Commerce provides select community profiles. However, to my knowledge, economic data on a microeconomic level for individual communities are not collected in a systematic manner. Such information may be of value to policymakers if they intend to make decisions involving regional community assets.

Second, there are at least two ways of classifying policies involving assistance to rural communities. In an article on this topic, Mark Drabenstott et al., term these policies as rural transition and rural development. The authors note that these policies are not mutually exclusive. Rural transition policy recognizes that fundamental economic forces are encouraging people and resources to move out of rural communities into other segments of the economy. It aims to facilitate and ease the costs of resource adjustments. Rural development policy seeks to reverse market trends by applying public funds to subsidize rural economic development because social value is attached to the vitality of the rural economy. Transitional programs involve easing human resource adjustment, public infrastructure adjustment, and supplementing rural incomes. Examples of state administered programs include: the Kansas Industrial Retraining program; the Rural Employment Assistance Program (to be discontinued); and the FACTS program. Examples of state administered programs that are designed to stimulate economic development in the long term are the Value Added Center at Kansas State University, infrastructure programs such as the Kansas Partnership Program and State Community Block Grant Program, and the Main Street Program. It is probably accurate to conclude that there has been no comprehensive strategy to address the problems of rural communities. Programs have been implemented which employ each of the policies identified above. For the most part, however, these programs were not designed specifically for rural communities although such communities are certainly eligible beneficiaries. The policy questions raised here are:

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Attachment 1

1. Are communities aware of these state programs?

2. Is technical assistance provided to them so that they may access public funds?

3. What policy strategy will prove most cost effective for any given community?

Third, there can be no monolithic solution to all problems confronting rural communities because the sources and mixture of revenue, proximity to institutions of higher education, physical infrastructure, composition of population and work force, and other important factors vary so much among communities. Certain responses will have to be more regional to address those problems and good data about community economies (Point Number 1) and considerations about the appropriateness of policy objective (Point Number 2) are essential. While it is true that certain problems are shared by most rural communities, such as inadequate medical care or lack of educational resources, others may not be.

Fourth, problems in rural communities affect urban communities. Although the extent to which a county's per capita sales tax collection correlates with state revenues returned to the counties in the form of grants-in-aid or services can never be quantified with any exactitude, it is fairly obvious that cross-subsidization of affluent counties by less affluent ones will always exist. However, by attempting to expand or diversify the use of commodities produced in a less affluent community or by providing resources that will keep small businesses in rural communities, the state can assist, even if only marginally, in reducing the level of cross-subsidization.

Not only is information crucial for policymakers to make educated decisions, it is also crucial for businesses to thrive and communities to grow and diversify their economies. There are many points at which information may be disseminated, such as universities, community colleges and vocational education schools, public broadcasting systems, libraries, K-12 schools, extension service offices, county seats, nonprofit organizations. How do rural communities receive information? Perhaps a good starting point is the identification of all information dissemination sites for each county and the methods by which the state can assist residents of these communities in accessing information. (The Department of Commerce has already initiated efforts to that end.)

One means of diversifying their economic base is for rural communities to establish businesses based on information services. In an article on "Information Technologies and Rural Development in the 1990s," it was noted that:

> Information intensive services and small scale industries do not have the infrastructure requirements (e.g., water, sewer, fire protection, etc.) that are difficult for small communities to supply. As a result, these industries can locate in rural areas more easily than the large scale industries prevalent in earlier eras. Additionally, in the past, service industries needed to be located near large manufacturers since their main purpose was to service them. Now, however, service industries increasingly support their services from

the region where they are located and therefore no longer need to be located near the "basic" industries mostly located in urban areas.

However, modern communications technology is a prerequisite for an expanding service sector.

States have already embarked on using technology to disseminate all modes of information (courses, seminars, lectures, data, meetings) to businesses, schools, colleges, and others. For example, Oregon is in the process of evaluating its state's informational needs. The Governor of Oregon appointed a committee as directed by legislation enacted in 1987. This Committee, called Ed-Net, was charged with examining the prospect of a statewide telecommunications system and specifying the functions, potential, organization, cost, and implementation of such a system. A needs assessment was conducted of rural and urban localities in all parts of the state and disclosed that Oregon residents needed greater access to the state's education, training, and information resources. Based on this needs assessment, the Ed-Net Committee designed a set of core services and support services. The core services pertain to career advancement, school support, literacy and at-risk support, and independent learning. The support services pertain to needs and resource brokering, library and data base access, video teleconferencing capabilities, training and technical consulting to Ed-Net users, and electronic access to the public policy-making process. The design makes use of the telecommunications infrastructure that already exists in Oregon and adds to it satellite transmission of full broadcast video, compressed-video, and high-speed data. The satellite component would allow information to be transmitted to all communities in Oregon. Ed-Net is designed to provide as many as 1,000 satellite receiver dishes to organizations that become Ed-Net members.

In Minnesota, two-way interactive video systems running through fiber optic cable allow students at remote locations and instructors teaching at host locations to see, hear, question, and respond to each other simultaneously. In Iowa, a state educational network, to be financed with state bonds, is in the planning stages. This network will use fiber optics to connect 18 higher educational institutions with all the state's county seats and approximately 1,200 K-12 classrooms.

Similar projects could be undertaken in Kansas should they be considered cost-effective propositions. Indeed, a plan to connect with fiber optic cable several schools in southwest Kansas is currently under consideration. The intent is to avert consolidation of public schools and provide schools access to certain college preparatory courses they are currently unable to offer. In addition, Kansas, Inc. contracted for a market assessment of a subscriber-based information network which will identify the information needs of state agencies and state associations. Furthermore, Kansas State University was authorized federal funds of over $5.9 million for construction of and equipment for an Educational Communications Center. Sixty-two satellite receiver dishes will be installed at public schools in mostly rural areas throughout the state. Kansas State University plans to install a fixed satellite uplink and acquire a portable KU band uplink.

To conclude, policymakers need accurate, up-to-date information about rural communities to formulate the most cost-effective policies. Likewise, rural communities are dependent on information but, as noted in an article by

Reich, "may be at a relative disadvantage in using some of these new communications technologies." Reich notes:

> The highways of the future are likely to be fiber-optic cables, which permit a level of high-quality, low-cost transmission of large quantities of data unequaled by any other media. Although communications companies have begun stringing fiber-optic networks across the nation, these networks are centered around major cities . . . . A strategy for reviving rural America must get the newest and most efficient communications technologies to rural America.