Approved March 29 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Elizabeth Baker at
Chairperson

3:39 ~~a.m.~~/p.m. on Monday, March 19, 1990 in room 423-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee:
Charles Warren, President of Kansas Inc.
Michael O'Keefe, Division of Budget

The meeting was called to order at 3:39 p.m. by Chairperson Baker.

Representative Baker opened the hearing on SB 436 and recognized Charles Warren, President of Kansas Inc.

Mr. Warren testified in support of SB 436. He stated that implementation and evaluation of the existing economic development programs and tools, along with an increased sensitivity on the part of program managers to rural needs, is required. There is a demonstrated need to systematically document and report on a regular basis the geographical incidence of community and economic development grants and loans made by state government by size and type of community. SB 436 would enable the establishment of an annual report on the entirety of economic, community and infrastructure grants by program and across an array of state agencies that would include funding from the EDIF, the State General Fund, and other sources such as bonding. The data would be collected and compiled by Kansas Inc. As presently conceived, this reporting requirement should not be a burden to state agencies nor should it have any significant fiscal impact, particularly if it is used to supplant the existing reporting requirement carried out by Division of Budget for EDIF distribution. Attachment I.

Mr. Warren responded to questions from the committee.

Representative Baker closed the hearing on SB 436.

Representative Chronister made a motion that SB 436 be passed favorably. Representative Aylward seconded the motion. Motion carried.

Representative Baker opened the hearing on SB 593 and recognized Mike O'Keefe from the Division of Budget.

Mr. O'Keefe stated his Division asked for this bill to help with cash flow. The dates were changed to alleviate this problem.

The committee had no questions for Mr. O'Keefe.

Representative Baker closed the hearing on SB 593.

Representative Weimer made a motion that SB 593 be passed favorably. Representative Brady seconded the motion. Motion carried.

Representative Baker called for discussion of SB 498.

Representative Heinemann made a motion that SB 498 be passed favorably. Representative Chronister seconded the motion. Motion carried.

The meeting adjourned at 3:59 p.m.

Elizabeth Baker

Date: 3/19/90

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME	ORGANIZATION	ADDRESS
	KBA	Topeka
	Kansas Inc	Topeka
Bernd Spies	Hamburg State Government	Hamburg, West Germany
Scott Hessell	Kansas Inc	Topeka
Alan Steppat	KIBA	Topeka
Tom Lynch	Intern	Topeka
Kathy Taylor	KBA	Topeka
Brad Smoot	Fourth Financial Corp	"
Roger Myers	Capitol Journal	Topeka
	Topeka	KNBP
	KBA	Topeka
	KUSI	TOPEKA
	DIVISION OF BUDGET	TOPEKA
	Fourth Fin	Tpk
	Fourth Financial	Wichita
	KBA	Topeka
Linda McGee		

Legislative Testimony

KANSAS inc.

Testimony On

Senate Bill 436

Development Assistance Reporting Requirement

by

Charles R. Warren
President, Kansas Inc.

House Committee on Economic Development

March 19, 1990

400 S.W. 8th Street, Suite 113
Topeka, Kansas 66603

(913) 296-1460

House Eco. Devo. Committee
Attachment 1
3/19/90

Madame Chairman, members of the committee, thank you for this opportunity to testify on Senate Bill 436 that would establish an annual reporting requirement for state development grants and loans.

During the 1989 legislative session, Kansas Inc. was asked by the Senate Committee on Economic Development to prepare a "Rural Development Action Plan," that would assess and compile the actions taken by Kansas State Government to assist our rural communities and make specific recommendations to encourage rural development. During the interim, we prepared that report and presented it to the Joint Committee on Economic Development. The Joint Committee was briefed on its contents and held hearings on the proposals on at least four occasions. The Kansas Inc. report was mailed to each member of the Legislature and distributed widely throughout the State.

The report includes four basic sections: an introduction to the problems of rural Kansas and a review of national and state efforts to address rural decline; a discussion of several policy issues related to rural development, and a set of recommendations developed by Kansas Inc. staff.

Among the recommendations are: 1) the establishment of a regional and community strategic planning grant program, now incorporated in H.B. 2602 and 2603; 2) the establishment of an economic development grant reporting system (S.B. 436); 3) creation of uniform regions for state funded entities (H.B. 2602); 4) co-location of regional and field offices; and, 5) further development of a strategic planning data base on rural communities. Other longer term recommendations for further research were also suggested.

Since 1985, Kansas has taken unprecedented action to equip the State with programs and appropriations for economic development. The extensive legislation and actions taken by the Governor and the Legislature were documented by Kansas Inc. in the report, "Kansas Economic Development Update" (June, 1989). These initiatives are for the most part still in their first or second year of operation. Little evaluation has been done, nor has there been any systematic attempt to document the geographical incidence of program delivery.

Implementation and evaluation of the existing economic development programs and tools, along with an increased sensitivity on the part of program managers to rural needs, is required.

The Need for Data on Funding

Concerns have been raised in Kansas about a presumed bias in state economic development programs toward Eastern and urban regions of the State. These concerns cannot be addressed without data on program delivery and funding by region or size of

community. Some economic development programs will naturally provide greater benefit to firms located in metropolitan areas simply because the scale and scope of economic activity in urban areas is significantly greater. Other programs such as KTEC's Centers of Excellence are explicitly designed to involve universities and indirectly the cities in which they are located.

There is a demonstrated need to systematically document and report on a regular basis the geographical incidence of community and economic development grants and loans made by state government by size and type of community.

The Division of Budget currently compiles information on expenditures from the Economic Development Initatives Fund on an annual basis. Expenditure data is requested from state agencies by congressional district. By statute, one-half of EDIF funds must be spent evenly by congressional district. Volume I of the Governors Budget for FY1991 reports the distribution for FY1989. According to the Division of Budget, each congressional district should have received 10 percent of the 50 percent total or $857,310.

> The actual figures illustrate that expenditures in Districts One, Two, Four and Five exceeded the minimum amount. Expenditures in District Three fell short of the minimum by $24,862 with a total of $832,448. (p.28)

This report provides only total dollars by district; it does not discriminate between urban and rural areas, and there is a great deal of interpretation required. Dollars are recorded in terms of the addressee of the grant check, not in terms of actual program delivery.

There are serious flaws in both the EDIF distributional requirement and the reporting method. The requirement addresses gaming revenues only, not economic development programs. For example, KIT (Kansas Industrial Training) funds were split between the state general fund and EDIF. Only those KIT grants made from EDIF dollars are reported. The Governor has recommended that KIT in FY1991 be funded entirely from EDIF. If appropriated in that manner, the report for 1991 will include the entire program. The report also does not identify EDIF distributions by program but only provides a lump sum by district.

S.B. 436 would enable the establishment of an annual report on the entirety of economic, community and infrastructure grants by program and across an array of state agencies that would include funding from the EDIF, the State General Fund, and other sources such as bonding. The following chart identifies those development programs recommended by Kansas Inc. for inclusion in the grant reporting system.

The data would be collected and compiled by Kansas Inc. staff on an annual basis. We propose that each agency be required to submit an annual report to Kansas Inc. by October 1 so that it can be transmitted to the Legislature in January of each year and also be included in the Governor's annual budget.

A simplified report is suggested that would not pose an onerous administrative burden on state agencies and that would be easy to compile by our staff. The following data elements are suggested for the report:

1. Name of State Agency and responsible Division.
2. Program Title under which award was made.
3. Statutory authority for program (K.S.A. 00-0000).
4. Dollar amount of grant or loan award.
5. Source of funding (EDIF, SGF, Federal, Other).
6. Name of recipient organization or entity.
7. Address of recipient organization including city and county where it is principally located.
8. Congressional District in which address of organization in 6 above is located.

It is recommended that the report required in S.B. 436 be used as the source of the data for reporting on EDIF distributions by congressional districts.

To facilitate the collection and compilation of the data, we recommend that agencies submit the report both in hard copy and on diskette in a Lotus spreadsheet program. This process will provide for easy merging of the data into a single report with a minimum of staff time.

We believe that this report will serve several purposes. It will be helpful in program coordination. It will enable us to evaluate whether any regional or geographic bias exists in economic development funding. It will help determine whether programs are being applied in a mutually supportive fashion. Distributional data on program funding should also increase the sensitivity of program managers to the issue of statewide equity. We also feel that this type of information will be critical to the seven year sunset evaluation mandated as part of Kansas Inc.'s responsibility in determining the effectiveness of our overall economic development efforts.

As presently conceived, this reporting requirement should not be a burden to state agencies nor should it have any significant fiscal impact, particularly if it is used to supplant the existing reporting requirement carried out by Division of Budget for EDIF distribution.

I urge your support of S.B. 436. I would be pleased to answer any questions or to provide any additional information the Committee may require.

a-1-4
3/19/90

State Agencies and Programs for Inclusion in a Community and Economic Development Grant Reporting System

Department of Commerce -

- Community Development Block Grants
- Partnership Loan Fund
- Kansas Industrial Training and Retraining Grants
- Main Street Grants
- Tourism Grants
- Trade Fair Assistance Grants
- Export Finance Loan Guarantees
- Small Business Development Center Grants
- Certified Development Company Grants
- Rental Rehabilitation Program

Kansas Development Finance Authority

- Small Business Basic Enterprise Loans
- Industrial Development Pooled Bond Program

Department of Health and Environment

- Water Pollution Revolving Loan Fund
- Remediation Grants

Kansas Technology Enterprise Corporation

- Applied Research Matching Grants
- SBIR Matching Grants
- Research Equipment Grants
- Training Equipment Grants
- Seed Capital Fund (Ad Astra Investments)

Kansas Venture Capital Inc.

- Venture Capital Investments

Kansas Conservation Commission

- Aid to Conservation Districts
- Watershed Dam Construction
- Multipurpose Lakes Program

Department of Wildlife and Parks

- Land and Water Conservation

Kansas Arts Commission

Local Arts Grants

Kansas Historical Society

Local grant programs

All program expenditures, grants, loans, and awards funded from the Economic Development Initiatives Fund (EDIF) made by any state agency.