

Approved 3-2-90 Date _____

MINUTES OF THE SENATE COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr Chairperson

8:00 a.m./p.m. on February 28, 1990 in room 123-S of the Capitol

All members were present except:

Senator Oleen
Senator Winter

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kansas Legislative Research Dept.
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

Speaker Jim Braden
Harland Priddle, Secretary of Commerce
Ed Bruske, KCCI
Gregg Svoboda, Southwestern Bell Telephone Co.
Charles Warren, Pres. of Kansas, Inc.

Chairman Kerr called the meeting to order and announced a hearing on S.B. 652. Senate Bill 652 modifies the responsibilities of Kansas, Inc.

Speaker Jim Braden testified in support of S.B. 652. (Att. 1) He stated that S.B. 652 is an attempt to refine the basic statute that created Kansas Inc. He stated that the funding arrangements for Kansas Inc. do need to be modified. There is a great deal of competition for corporate giving, making it very difficult to raise private money. S.B. 652 would dedicate the private funding to the research and educational activities, which would greatly assist in the annual fundraising.

Harland Priddle, Secretary of Commerce testified. (Att. 2) He stated that the original responsibilities outlined in legislation for the Ks. Department of Commerce placed the responsibility for a strategy plan with the department. He said he felt this was not the intent and should have been properly aligned to Kansas Inc. He said implementation of S.B. 652 would:

1. Designate Kansas Inc. to be responsible for strategic and policy planning.
2. Kansas Dept. of Commerce would develop an annual Economic Development Implementation Plan which will direct the efforts of the economic development agencies.
3. Timing of documentation and planning will be arranged in order to provide documentation to the Governor and Legislature in time for upcoming session.

Ed Bruske of KCCI testified. (Att. 3) He stated that KCCI felt that the yearly private funding on a matching one-third basis is impractical. He said he felt that Kansas Inc. should be financed by state government as it relates to its basic needs. State funds should be utilized to support the facilities and staff and any special research project designated by the Legislature.

Gregg Svoboda, Southwestern Bell Telephone Co. testified. (Att. 4) He stated that he supported new section #3 of the bill stating that private sector funds be raised and utilized for research and program development.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,
room 123-S Statehouse, at 8:00 a.m./~~p.m.~~ on February 28, 1990

Charles Warren, Pres. of Ks. Inc. testified. (Att. 5) He urged favorable consideration of the bill. He said it would provide significant assistance to their fund raising efforts and help ensure that Kansas Inc. continue as a viable public/private partnership.

Senator Salisbury made a motion to favorably recommend S.B. 652. Senator Vidricksen seconded.

After committee discussion, Chairman Kerr decided to postpone final action until the members had more time to discuss the bill at the next meeting.

Meeting adjourned.

Date 2-28-90

VISITOR SHEET

(Please sign)

Name/Company

Name/Company

GREGG SVOBODA / Southwestern Bell

STACIE COOPER / IPPBR - KU

Detrod Wolff / KDHR

Brad Mann / KDOC

Ann Patterson / KDOC

Terry Denker / KSBA

ED BROUSKE - KDOT

ALAN STEPPAT - Pete McGill & Assoc.

DVD. GRANT - KCC

Mike GERMAN - Berry Commercial
Trucking Group - Wichita, DN.

JERRY LONERGAN - Ks. Inc.

Scott Hessel - Kansas Inc.

Rich Bailey - KDOC

Ed Cohen - Rep. League of Ks. Legislators

John Kozlowski - KAST

D. WAYNE ZIMMERMAN - KDOC

Testimony on Senate Bill 652

by

James R. Braden, Speaker of the House

Senate Committee on Economic Development
February 28, 1990

Mr. Chairman, members of the Committee, I appreciate this opportunity to appear before you in support of Senate Bill 652. I am testifying in my capacity as a member of the Board of Directors of Kansas Inc. since its creation in 1986. I am also speaking as one of the founders of Kansas Inc. In 1985, I served as Chairman of the Legislative Task Force on Economic Development which proposed a number of new initiatives for the State of Kansas to rebuild our economy. Among those initiatives was the recommendation that we establish a public/private partnership that would serve as a central guidance mechanism and oversight body in economic development.

As you know, Kansas Inc., through its 15 member Board of Directors, provides an institutional forum where the executive branch, the Legislature, the university system, labor, and the private sector can provide policy direction and oversight on issues affecting the State's economy.

I believe that we were wise in our design of Kansas Inc. During the past four years, it has served this State well in its role as an independent and objective source of policy advice and direction. The Board has reviewed the organization, structure and mission of Kansas Inc. at its regular meetings and a special retreat held last Summer. We concluded that there is little need for significant change in its representation or method of operation.

Senate Bill 652 is an attempt to refine the basic statute that created Kansas Inc. The Bill clarifies the role of Kansas Inc. as the strategic planner for economic development and the Department of Commerce as the lead agency in implementing the Kansas economic development strategy and coordinating state programs. These changes simply ratify existing practice.

The funding arrangements for Kansas Inc. do need to be modified. When we established Kansas Inc. we believed that it was critical to require private sector support of its activities. The requirement that one-third of its funding be derived from the private sector was designed to give the business community a sense of ownership and involvement, as well as to provide a

measure of independence from political control. That reasoning was sound and I believe it remains important to retain the public/private character of Kansas Inc.

While we must maintain the public/private concept, Kansas Inc. does require greater flexibility and latitude in its annual funding and its ability to raise the private dollars for its support. Recent changes in the appropriations process have required Kansas Inc. to raise private dollars for salaries and other operating expenses. This has made it even more difficult to raise money and plan for normal expenses.

Senate Bill 652 does not change the public/private partnership of Kansas Inc. It does reinforce the commitment of state government to its support as set in the annual appropriations process. It dedicates private funding to the research and educational activities. This greatly assists the annual fund raising efforts and provides a much more appropriate use of private dollars.

We at Kansas Inc. have successfully matched state funds with private dollars. The private match was met the last two years and will be met again this year. The private sector has demonstrated its support through the contributions of over 80 Kansas companies. Charles Warren will provide you the details of those efforts.

It is extremely difficult to raise private money. There is a great deal of competition for corporate giving for both charitable and political causes. The current statute makes it even more difficult.

I urge your favorable support of S.B. 652. These amendments will help to ensure that Kansas Inc. continues to play an important role in economic development for both the State of Kansas and the private sector.

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

TESTIMONY
TO
THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT
ON
S.B. 652

BY

SECRETARY HARLAND PRIDDLE
KANSAS DEPARTMENT OF COMMERCE

FEBRUARY 28, 1990

Mr. Chairman and Members of the Committee:

Kansas should be proud of its system of organization for developing policies and strategies and implementing economic development programs. We have moved forward in many areas since the initial program initiatives in 1986 and have completed most of the necessary fine tuning and technical changes we believe are necessary.

Briefly stated, Senate Bill 652 corrects and properly aligns functions and responsibilities for strategic planning and economic development implementation. The original responsibilities outlined in the enabling legislation for the Kansas Department of Commerce placed the responsibility for a strategy plan with our agency. We believe this was not the intent and should have been properly aligned to Kansas Inc. In their assigned responsibilities, Kansas Inc. is the agency designated for policy and strategic planning for the future.

Simply stated, Senate Bill 652 allows for the following:

1. Kansas Inc. will be responsible for strategic and policy planning and the development of supporting plans related to strategic planning.
2. The Kansas Department of Commerce will develop an annual Economic Development Implementation Plan which, in effect, will direct the efforts of the economic development agencies along the intended strategy and policy lines.
3. The timing of documentation and planning has been arranged with the basic concept of providing documentation to the Governor and the legislature in time

Page 2

for their use during the upcoming session. For example, Senate Bill 652 provides for the submission of an annual Economic Development Implementation Plan to Kansas Inc. from the Kansas Department of Commerce by July 15. Kansas Inc. will review this plan and provide comments to the Governor and legislature by September 1. Kansas Inc. will also review and evaluate the annual reports of Kansas Technology Enterprise Corporation, Kansas Department of Commerce, and other appropriate agencies. In turn, Kansas Inc. will provide the Governor and the legislature an evaluation as it relates to fulfilling the strategies as previously outlined in Kansas Inc.'s plan. These comments will also go to the Governor and legislature by September 1.

We believe these are the proper alignments of responsibilities and duties and also these allow for proper timing of submission to the Governor and legislature for consideration in the next session of the legislature.

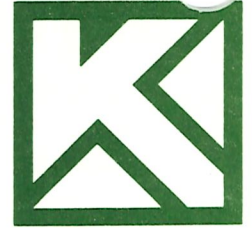
In order to implement and develop the necessary coordinating programs, a Cabinet Council for Economic Development will be established and chaired by the Secretary of Commerce. This Council will involve all agencies, including cabinet agencies, and others in a coordination effort designed to retain the proper direction of economic development programs.

I stand for questions Mr. Chairman and members of the committee.

2-3

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

SB 652

February 28, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Economic Development Committee

by

Ed Bruske
President

Mr. Chairman and members of the Committee:

My name is Ed Bruske, president of the Kansas Chamber of Commerce and Industry.

KCCI would like to take this opportunity to support SB 652.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

We supported the concept of Kansas Inc., the business-government partnership created by this legislature back in '86. We continue to support Kansas Inc. and have been very pleased with the initiative this agency has shown on a number of important issues.

However, since it's conception, we have had concerns as it relates to the funding of the organization. KCCI believes that yearly private funding on a matching one-third basis is impractical. This has been proven in a number of similar situations, primarily in local communities starting with the Philadelphia Plan in the early '70's. This concern was confirmed when we met with a number of private fund raisers who have participated in similar economic development efforts across the country. All advised us that our initial effort hinged too heavily on a limited number of issues.

It is our contention that Kansas Inc. should be financed by state government as it relates to its basic needs. In other words, state funds should be utilized to support the facilities and staff and any special research projects designated by the legislature or the executive branch. SB 652 addresses many of those concerns.

It is also the opinion of KCCI that Kansas Inc. should be able to receive private contributions and grants as it relates to research projects only. If the private sector determines that it needs a specific study or issue reviewed, then it should be prepared to initiate that study with its own funds, or, a matching grant concept with Kansas Inc. But, it is obvious that the co-mingling of government and private funds to pay for operational expenses is a hindrance and basically unacceptable to private enterprise. Most companies and/or their foundations are reluctant or prohibited from giving funds that are utilized for staff or physical facilities unless the recipient organization has a mission that encompasses their specific interests.

Therefore, it would be KCCI's recommendation that private contributions and grants be directed into a private foundation that would utilize the dollars as potential matching funds with Kansas Inc. on the above suggested basis. If sufficient funds could be accumulated within the foundation, the interest alone would generate enough funds to initiate and match Kansas Inc. activities for a number of years without soliciting the private sector on a yearly basis.

It would be more appropriate to solicit the business community if a long-range menu of development concerns were established. Companies could then be solicited on a three-year, five-year, or perhaps one-time basis for private funding for specific projects

within their area of interest. This would give Kansas Inc. the certainty of existence and the staying power needed to establish its credibility. It would also eliminate the Kansas Inc. staff and Board of Directors from spending a large percent of their time as fund raisers. And, most important, it would broaden the base of contributors and help alleviate the appearance of conflict of interest as it relates to special studies.

"SENATE BILL NO. 652"

prepared for

The Committee on Economic Development
The Kansas Legislature

by

Gregg Svoboda
Southwestern Bell Telephone Company
220 East Sixth Street, Room 505
Topeka, Kansas 66603
(913) 276-1945

February 28, 1990

"In Support of Senate Bill No. 652"

Mister Chairman and members of the committee, good morning. It's a privilege to have the opportunity to speak before you today.

My name is Gregg Svoboda, and I'm here today as a representative of Southwestern Bell Telephone Company. My title is District Manager-Economic Development, and my responsibility in that position is the coordination of the company's statewide efforts in the economic development arena. In that capacity, I have had the privilege to work for and with the president and staff of Kansas Inc.

In December 1988, I became a loaned executive, assigned to work with Charles R. Warren, president of Kansas Inc. My general responsibilities were: 1) to assist the president in implementing and managing the required fundraising with the business community of the state; 2) to help plan and organize the development of new strategic plans for the state's economy; and 3) to act as a facilitator between Kansas Inc. and the print and electronic media statewide to focus attention on the past and ongoing accomplishments of the organization.

Southwestern Bell Telephone has a proud and continuing tradition of providing support to state and community organizations through its loaned executive program. Personnel have been loaned to the Department of Commerce, to various United Way organizations and most recently to Kansas Inc. In each instance there has occurred a win-win situation. We are absolutely convinced that these types of private/public partnerships are essential to the

quality of life and the economic well-being of our cities, state and company. In addition to the in-kind value of the loaned executive, Southwestern Bell has provided other types of support/investment to Kansas Inc.

- In 1988, \$5000 cash investment
- In 1989, \$5000 cash investment
- In 1989, \$1750 cash support for the
"Workforce Training Conference
- In 1990, \$5000 cash investment

Again, we are convinced that our continuing support of this important organization is a good investment for Kansas and Southwestern Bell Telephone Company.

During my assignment to Kansas Inc., I was impressed with the willingness of many companies to provide financial support. On the other hand, it was my impression that a disproportionate amount of time was spent by the president, relative to the private sector fundraising requirement. While private sector investment is essential, I remain unconvinced that this responsibility should be borne by the president of Kansas Inc. and/or his staff. An alternative method, perhaps driven by the business community, would seem appropriate as they represent the ultimate beneficiaries of increased economic development.

Finally, as it pertains to new section #3 of the bill, we are in support of the position that private sector funds be raised and utilized for research and program development. It is entirely appropriate that salaries, rents and other operating expenses be covered by annual appropriations of the legislature.

In summary, we strongly support SB 652, its intent, purposes and goals. We recommend approval of same.

Mr. Chairman, that concludes my prepared remarks. I would be happy to address any questions you and the committee members might have.

TESTIMONY ON S.B. 652

by

**Charles R. Warren
President, Kansas Inc.**

**Senate Committee on Economic Development
February 28, 1990**

Mr. Chairman, members of the Committee, I appreciate your consideration of Senate Bill 652 and the opportunity to explain the objectives of these amendments to our existing statute.

Secretary Harland Priddle has addressed the recommendations relating to the strategic planning functions of Kansas Inc. and how the Department of Commerce and our agency envision our respective roles with regard to this function. I have attached for your information a further explanation of those amendments. I would like to emphasize that this would clarify existing practice among the Department of Commerce and Kansas Inc. As you know, Harland and I do work closely together and believe that this provides a better definition of our respective roles. Strategic planning is a significant responsibility and one which I hope to place more emphasis on in the near future. I believe that we can contribute best by focusing on the long term needs of the state and providing direction to our economic development policies. Planning for the future and evaluation of our current programs should be the most important roles for Kansas Inc.

I would like to concentrate my remarks on the provisions which modify Kansas Inc. funding arrangements.

The current statute requires a two-thirds/one-thirds match of state funds with private dollars. This provision was modified in 1988 by Senate Bill 739 which authorized us to count in-kind contributions as part (up to 20%) of the one-third private match. That was extremely helpful to our fundraising. We have received major in-kind donations each of the last two years.

The current matching requirement was intended to ensure that we operated as a public/private partnership. That concept remains sound and must be preserved. However, in practice it has become far more burdensome and more inflexible than I am sure was intended by the Legislature. Kansas Inc. was modeled after the Indiana Economic Development Council. Prior to coming here, I evaluated

the Indiana agency and wrote a chapter in a book about its operation. The Indiana statute also calls for one-third private funding, but it does not demand a mandatory match. In Indiana, salaries and operating expenses are paid by the State. Private funds are used for research.

Technically, we cannot spend money from the state general fund unless and until we are able to match each dollar with 50 cents from the private sector. We are granted the entire year to raise the private match. This year the problem has been compounded by the appropriations statute which authorized only two-thirds of the annual salary amount to be spent from the SGF. This means that we must use private dollars to pay salary expenses for the months of March, April, May and June. Salary for those four months totals \$63,000. We currently have \$47,880 in our private checking account and \$5,400 in the state matching fund. We have more than \$24,000 in pledges of cash donations that will be received over the next several weeks. Those sources total \$77,280. We will meet our payroll.

The major problems we face are: 1) the difficulty in raising private money for salaries (most consider us to be state employees); and 2) the inability to plan expenditures until the end of the fiscal year.

We are not asking for relief from the obligation to raise private dollars in support of Kansas Inc. We are asking for more flexibility and to make a very difficult job somewhat easier.

I want to report to you on our fund raising success. 1988 was the first year I was President and the first year Kansas Inc. was required to match state dollars. In FY1988, we met the match by raising \$80,658 for the portion of the year required. In FY1989, we raised private dollars in an amount that exceed the matching requirement. Our required match was \$145,885, we actually expended \$153,237 from private sources. This fiscal year (1990) we are required to raise \$148,970.

FY90 Fundraising:

The following details our fund raising efforts this fiscal year.

Cash donations/confirmed pledges:	\$68,900
In-Kind contributions to date:	1,700
Cash anticipated in support of Planning data base project:	13,200
Cash anticipated from FY89 donors:	27,150
In-Kind from Ernst & Young:	15,000

Total Raised to 2/28/90: \$125,950

For Fiscal Year 1990, we still need to secure \$23,020 which will need to come primarily from new contributors. I have every confidence that we will meet that goal.

We have also been very successful in broadening our base of contributors. We now have approximately 80 companies which we consider the private investors of Kansas Inc. Attached is a list of those companies arranged in order of size of donation. As you can see, the business community in Kansas appreciates the work of Kansas Inc. and has been generous in its support. I am proud of the support shown by these businesses.

Accountability of Private Funds

I would like explain the other provisions of New Section 3. Section 3 (b) makes explicit the authorization of Kansas Inc. to receive private funds and grants from private foundations and other governmental entities. Section 3(c) places in statute the existing system that we have established with the Division of Accounts and Reports in providing a monthly status of private receipts and expenditures. It also establishes an annual financial report which would detail the share of our budget funded by the state and the private sector. We have established a system to provide a full disclosure and accounting of all private funds received. These amendments would update our statute.

I urge your favorable consideration of this bill. It will provide significant assistance to our fund raising efforts and help ensure that we continue as a viable public/private partnership.

I would be pleased to answer any questions, or provide any additional information desired by the committee. Thank you.

February 28, 1990

KANSAS INC./COMMERCE DEPARTMENT STATUTORY CHANGES

The Board of Directors of Kansas Inc. supports the proposed changes to the Kansas Inc. and Department of Commerce statutes. The Board recommends that the Legislature should enact new statutory guidelines to provide better clarification of agency purpose and duties and a more practical financing formula.

Strategic Planning. The most important element in economic development is a coordinated and effective strategic planning mechanism. This importance was recognized by the Legislature in 1986 in creating Kansas Inc. and reorganizing the Department of Economic Development (now the Department of Commerce). In Kansas Inc., the Legislature wanted to create an organization which would be responsible for coordinating the development of a state economic development strategy.

In the statutes for Kansas Inc. and the Department of Commerce, the Legislature included sections outlining the agencies' responsibilities with regard to strategic planning. These mandates, though, conflict with what is expressed as the general purposes of these two agencies.

K.S.A. 74-8002 (a)(1) states that the purpose of Kansas Inc. shall be to "undertake ongoing strategic analysis in order to determine the state's areas of potential and continuing competitive economic advantage". The Commerce Department's mandated purpose includes passages such as, "promote economic diversification", "maintain and revitalize economically depressed rural areas..." and "facilitate the growth...of new wealth-generating enterprises". These purposes indicate that Kansas Inc. is responsible for strategic planning and the Commerce Department for implementation.

Several sections in the agency's mandated duties are related to strategic planning. To alleviate any inconsistencies and conflict, the staffs of Kansas Inc. and the Department of Commerce met to discuss these differences. It was decided that the passages in the Department of Commerce's legislation that deals specifically with strategic planning (K.S.A. 74-5005 (a) and (b)) should be placed in the Kansas Inc. statute. This change would firmly place the responsibility of economic development strategic planning with Kansas Inc. and leave the Department of Commerce the pivotal role of implementation.

5-4

PRIVATE SECTOR INVESTORS OF KANSAS, INC.

* * * *

Southwestern Bell Telephone
Bank IV
Hallmark Cards, Inc.
Kansas Bankers Association

Kansas City Power and Light Company
Texaco USA
United Telephone System

* * *

Ernst & Young
SCKEDD
ARCO Oil and Gas Company
KPL Gas Service
Yellow Freight Systems
Bartlett and Company Grain
Black & Veatch

Kansas Gas and Electric, Company
Boeing Military Airplanes
Midwest Grain Products, Inc.
Prudential-Bache
Salina Airport Authority
Devlin Ventures, Inc.

* *

ADM Milling
American Investors Life
ARCO Pipeline
ATSF Railway
American Telephone & Telegraph
Burns & McDonnell
Dillons Store Division
J.E. Dunn Construction
Farmland Industries
George K. Baum & Co.
IBM
J.P. Fogel
Kansas Farm Bureau Services

Kansas City Star Company
Marion Laboratories
The Marley Company
Metcalf State Bank
National Pizza
KMPG Peat Marwick
Puritan-Bennett
Rockwell International
Seaton Publishing
Stauffer Communication
UtiliCorp United
Wichita Eagle

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Commerce Bank & Trust
Dan Carney
The Dane G. Hansen Trust
Howard, Needles, Tammen & Bergendoff
Kansas State Bank
K&E Petroleum, Inc.
Lario Oil Company
Martin Tractor Company
Murfin Drilling Company
NCRA
Packer Plastics
Pete McGill and Associates
Union Gas System, Inc.
Ark City Packing

Armstrong, Teasdale, Schlafly, Davis & Dicus
DeBauge Brothers, Inc.
FMC Corporation
Gill Studios, Inc.
Lathrop, Koontz & Norquist
McPherson Bank & Trust
Morton International, Inc.
Multimedia Cablevision
Philips Lighting Company
Reece Construction Company
Security Benefit Life
Home Bank & Trust
George R. Shaw
Taylor Forge Engineered Systems, Inc.