Approved February 5, 1991
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 31, 1991 in room 123-S of the Capitol.

All members were present except:

Senator Jerry Moran

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Laura Nicholl, Secretary, Department of Commerce

Senator Dave Kerr, Chairman, called the meeting to order and introduced Laura Nicholl, Secretary of the Department of Commerce.

Laura Nicholl provided written testimony (Attachment 1). Chairman Kerr asked about the decisions to cut several economic development programs in light of Ms. Nicholl's testimony that she has requested a year-long study of existing programs as a basis for recommended changes. Ms. Nicholl replied that the Governor has four primary goals: supporting the Margin of Excellence, continuing the highway program, property tax relief and aid for the needy. She said that to support these goals, some changes were required in the budget; and that recognizing the growth economic development has experienced, perhaps it is time to trim what may be a "fat cat". Chairman Kerr stated that the Joint Committee on Economic Development had identified as its priorities, in order: work force training, technology transfer and applied technology, capacity building and foreign sales and reverse investments of foreign companies. Chairman Kerr said it appeared that three of those four areas received the largest reductions in the budget. Ms. Nicholl replied that a Japanese office would continue to exist, but it would not be a state office. She said that with regard to the Kansas Technology Enterprise Corporation (KTEC), there was a question about the public/private parternship concept as well as an economic question and that administrative costs could be reduced by making KTEC a part of the Department of Commerce. Chairman Kerr referred to the recent evaluation by six nationally recognized experts in economic development (see Attachment 2) and their conclusion that one of the real strengths in Kansas' economic development efforts is the private sector involvement. Ms. Nicholl said that she understood the Governor has a problem with a lack of accountability, and it is her feeling that would be overcome by having an advisory committee rather than an advisory board.

Senator Feleciano questioned further about the public/private partnership accountability concern. Ms. Nicholl answered that the issue is having public funds at the control of private citizens. Senator Feleciano noted that the report made to the Committee yesterday by KTEC showed that investments in that organization have netted substantial returns and that less than 10% of the funds were used for administrative costs. Ms. Nicholl said that the reason the state would be better served if KTEC were a part of the Department of Commerce is that the agency has a better communication network. In response to a question from Senator Salisbury, Ms. Nicholl said that the German office will be closed and consideration given to opening another office in Europe. She said that the Japanese office is very expensive and there will continue to be an office there, but it will not be a state office.

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.

Senator McClure asked Ms. Nicholl what she views as the state's largest industries and the state's emerging industries and the position she feels the agency should take with regard to them. Ms. Nicholl said she sees agriculture, oil and gas and manufacturing as the largest industries. She said that a current criticism is that Kansas is a very large manufacturer of durable goods and that the number of jobs is not the problem--rather, the per capita income. She feels that education should be emphasized with a focus on what type of industries will be attracted to Kansas.

Answering a question from Senator Winter, Ms. Nicholl said that the Governor is deeply committed to the four campaign promises mentioned earlier and Ms. Nicholl doesn't believe that the budget reductions are in the name of reducing economic development activities but rather an effort at reducing the overall budget to maintain those promises. Ms. Nicholl said she would be open to considering a "better way". She added that the Governor's focus is on existing industries and the reduction in KIT (Kansas Industrial Training) funding is a result of the feeling that a large percentage of those monies support large industries who could pay their own way. Ms. Nicholl said that she believes the Governor would be open to consideration of other ideas if her goals were respected. Chairman Kerr stated that he wanted to re-emphasize the fact that Kansas' economic development strategy, developed in the 1986 session, was a joint effort of the executive and legislative branches of government as well as the Senate and House and was totally bipartisan. He said it would be extremely disappointing if the entire strategy were to be changed by policies developed without input from the legislative branch. He added that, as a member of KTEC, he knows personally that the board has insisted upon detailed business plans in virtually every activity, so that there is a definite plan for commercialization before the research begins. Senator Feleciano asked about a time frame for a legislative agenda for the agency. Ms. Nicholl said it is her intention to have lunch with the Committee for further discussion.

Senator Winter moved that the minutes of the January 30, 1991 meeting be approved. Senator McClure seconded the motion, and the motion carried.

Committee members were provided copies of a recent article from the Topeka Capital-Journal regarding an assessment of economic development efforts in Kansas (Attachment 2) and a copy of the Kansas Technology Enterprise Corporation's proposal to the National Institute of Standards and Technology (on file in the Kansas Legislative Research Department).

The meeting adjourned at 9:00. The next meeting of the Committee will be Tuesday, February 5, 1991.

Date 1/31/91

SENATE ECONOMIC DEVELOPMENT
VISITOR SHEET

(Please sign)

Name/Company	Name/Company
Bill Hollenbeck	~~Pitt State~~
PITT ST UNIV	
Bud Grant KCCI	
Dennis Taylor	
Ken Baker - Beech Aircraft Corp	
Terry Denker/Bd. of Ag.	
E F Engel	
Rebecca Bossemeyer/SOS	
Cindy Diehl	
Ric Green	
Jean Barbee	Travel Industry Assn.
BRUCE GRAHAM/KEPCo	
Bill Martin - KIDA	
Dave Cleveland	Dept. Of Commerce
KEN EVANS	DEPT. OF Commerce
WALT DARLING/DIVISION OF BUDGET	

Joan Finney
Governor

Laura Nicholl
Secretary

REMARKS TO THE SENATE ECONOMIC DEVELOPMENT COMMITTEE

It is an honor and a privilege to speak to you today about something so important to me and to Kansas. Economic development in today's world, as you know, is not a luxury. It is a necessity. My goals for the Department of Commerce, for this year and beyond, will always be grounded in that truth.

Kansas has been very successful in establishing a sound economic development strategy. KDOC has grown out of these efforts, and now after several years of tremendous growth, is in need of evaluation.

My primary goal for this year is to evaluate KDOC, and create a more efficient, effective agency. Last week, the Kansas, Inc. Board approved my request to provide a study of our existing programs. This is to be completed by this time next year. The Kansas, Inc. study, along with a year of committed analysis by my staff will provide me with the direction and basis for recommended changes in KDOC.

The Peer Review Committee, invited by Kansas, Inc. last week, offered positive support for Kansas' Economic Development Strategy and made recommendations to enhance our effectiveness. Their suggestions will be very helpful in forming our evolving Economic Development Strategy.

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Attachment 1
1/31/91
Sen. Eco. Dev.

Jobs for Kansans are very dear to the Governor's heart. KDOC increases wealth and improves other conditions of the Kansas people by creating and keeping jobs, among many other things. At KDOC, we will continue to plant new seeds by actively recruiting new businesses to the state. We will also increase our efforts to "water the flowers" already in the garden. In 1989, 76% of all new maufacturing jobs in Kansas came from existing manufacturing industries.

Proposed changes in the Department will be based on careful study, with two goals in mind. First, we must make the Department more efficient. And second, we must measure all our programs by their effectiveness. We will view cuts in the name of efficiency, not at the expense of effectiveness.

KDOC should be customer demand driven. All our programs must be tailored to meet the needs of the state. It will no longer be sufficient to pay lip service to ideas that may look good on paper, but don't accomplish the stated objectives. And, as you are painfully aware, the state is not in the financial condition to pay for programs that cannot prove their own worth.

As Secretary of Commerce, I am not so concerned with the question, "What <u>should</u> Commerce do," but rather, I ask, "What <u>can</u> Commerce do?" I look forward to working with you to accomplish these and other challenges, always looking to the primary goal -- keeping the Kansas economy growing and vital.

I'll be happy to respond to any questions you may have.

1/31/91

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STATE OF KANSAS • SENATE CHAMBER

BEN E. VIDRICKSEN

Senate Assistant Majority Leader
District 24. Lincoln. Ellsworth. Saline Counties
713 N. 11th Street. Salina. Kansas 67401

memorandum

Economic efforts in Kansas 'unique'

By NANCY TOMPKINS
The Capital-Journal

Kansas holds an edge over other states in its economic development efforts, but needs more communication from communities and the private sector to help create better-paying jobs, a panel of evaluators said Friday.

A panel of six economic development experts from across the country took a hard look at Kansas' efforts since 1986 and its strategy and approach, said panelist Doug Ross, president of the Corporation for Enterprise Development, Washington, D.C.

The evaluators deemed Kansas "unique" among many states in that it "understands its economic needs and acts upon them," Ross said.

As evidence, he cited the state's formation of Kansas Inc. "where the governor, Legislature and private sector come together and figure out the needs of the state and the strategy for addressing them."

Kansas Inc. is the state's public-private partnership that develops economic development policy and strategic planning.

"That has given Kansas a real advantage, and we urge you to maintain that structure," Ross said.

Ross said Kansas' economic strategy appears to be expanding.

"The part that remained was to try to make sure there is a job for every Kansan," he said. "What we see being added to your goals was a second goal of trying to make sure those are better-paying jobs."

That requires more skilled people and higher performance companies, he said.

"To create better-paying jobs effectively, the state will have to go much further than it has in involving both the private sector and the regions of the state — the communities by region," he said.

"The next emphasis is to have communities come together in regional clusters," said evaluator James Kenworthy, Ann Arbor, Mich., manager of research and technology programs with the Michigan Strategic Fund. "They need to take more of a hands-on ownership of regional economic development plans, which includes the key industries in those communities."

Involving the people affected by the local economy is more effective than "sitting in Topeka or listening to outside experts who are telling you about what's working someplace else," he said.

Ross said while Kansas ranked high among the states, the United States isn't "stacking up very well against European and Asian competition in their approach to economic development."

Attachment 2
1/31/91
Sen. Eco. Dev.