

Approved February 7, 1992
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./~~XXX~~ on February 6, 1992 in room 123-S of the Capitol.

All members were present except:

Senator Janice McClure (Excused)

Committee staff present:

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

Conferees appearing before the committee:

Laura Nicholl, Secretary, Department of Commerce
Lynne Holt, Kansas Legislative Research Department
Ben Barrett, Kansas Legislative Research Department
Chuck Scott, Central Kansas Area Vocational-Technical School
Dr. Ed Berger, Hutchinson Community College
Dr. Merle Hill, Kansas Association of Community Colleges
Dr. David DePue, State Council for Vocational Education

Laura Nicholl requested that the Committee introduce several bills as outlined in Attachment 1). Senator Petty moved that the bills be introduced, and Senator Francisco seconded the motion. The motion carried.

S.B. 485 - Authorizing the consolidation of area vocational schools or area vocational-technical schools with community colleges

Lynne Holt explained the bill. She said the legislation resulted from information received by the 1992 Joint Committee on Economic Development that Hutchinson Community College and the Central Kansas Area Vocational-Technical School are exploring the possibility of a merger. The greatest impediment to such a merger is the inability of the community colleges to receive state categorical aid for secondary and postsecondary education. Ms. Holt noted that the bill is not a mandate for consolidations of community colleges and area vocational-technical schools (AVTS) but would give authority for such mergers between two willing institutions. She said the bill provides that consolidation agreements would be approved by the State Board of Education. Under the bill, consolidated community colleges would receive credit hour state aid at the rate of two times the rate for enrollments in vocational programs and out-district tuition could not be charged for students in courses offered by a community college after consolidation for courses previously taught by the consolidated AVTS.

Ben Barrett gave the Committee an explanation of categorical aid for secondary and postsecondary education. He noted that the Governor's proposal would eliminate categorical aid and those funds would be placed in the postsecondary aid program. In response to Senator Petty's question, Mr. Barrett said the bill would have no impact on Washburn University.

Chuck Scott testified in support of S.B. 485 (Attachment 2). He said a consolidation, as outlined in the bill, would establish stable funding for vocational-technical programs; reduce duplication by educational institutions; facilitate opportunities for students to receive college credit for vocational training; consolidate resources and services and provide a coordinated, integrated delivery system.

Edward Berger testified in favor of the bill (Attachment 3). He said the bill provides for mergers which would result in the removal of some of the disadvantages of AVTSs affiliated with unified school districts and said that the bill addresses some of the barriers which have prevented

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,
room 123-S, Statehouse, at 8:00 a.m./~~p.m.~~ on February 6, 1992

mergers in the past.

Merle Hill spoke in support of S.B. 485 (Attachment 4). Dr. Hill said other community colleges, besides Hutchinson Community College, might be interested in consolidations if a combination of "regular" community college funding and "regular" AVTS funding were possible.

David DePue testified in favor of the bill. He said the provisions of S.B. 485 could facilitate two goals of his council: improvement of oral and written communications skills of AVTS graduates and programs offering AVTS students associate degrees.

The meeting was adjourned at 9:00. The next meeting of the Committee will be Friday, February 7, 1992.

Senate Economic Development Committee

February 6, 1992

Request For Introduction of Committee Bills
Relating To Matters In The Kansas Department
of Commerce

Presented by

Laura E. Nicholl, Secretary

Attachment 1
2/6/92
Sen. Eco. Dev.

Request For Introduction of Committee Bills
Relating To Matters In The Kansas Department
of Commerce

The Department of Commerce respectfully requests the introduction of several committee bills effecting the enabling statutes of the department which are included in the seven (7) items listed below.

- 1) Amendment by addition of a section to the Trade Development Division statutes (K.S.A. 74-5408) to consolidate the departments international activities.
- 2) Establishment of an Office of Work Force Training.
- 3) Repeal of the Kansas Wildlife Arts Council and Wildlife Arts Series (KS.A. 74-7901 through 74-7905).
- 4) Amendment to Kansas Local Seed Capital Pool Act (KS.A. 74-8401 through 74-8406) to establish investment time guidelines for local seed capital pools as a condition for continuing certification and eligibility for Kansas tax credits.
- 5) Amendment to Industrial Development Division statutes (K.S.A. 74-5007a and 74-5008a) to change the name to Business Recruitment Division and Existing Industry Development, Statutes (K.S.A. 74-5045 and 5046) to change the name to Existing Business Division. Both changes are requested in order to more accurately reflect involvement with all business sectors including service and wholesale, for example, which are not commonly thought of as "industrial".
- 6) Repeal of Business Incubator statute (K.S.A. 74-5040) which states the department shall create incubator facilities (passed in 1984). No funding has been available for this activity. Business incubators currently operating in Kansas were established without the assistance of this type of program.
- 7) Repeal of Super Conducting Super Collider Project statues (K.S.A. 74-5051 through 74-5054). These statutes were passed to assist the state to compete for a U.S. Department of Energy project in 1987. The project was subsequently awarded to another state and is no longer relevant or necessary to department operations.

The following are seven separate explanatory sections related to these requests which explain our reasons for the requests and may assist in bill drafting.

We appreciate the opportunity to make this request and thank you for your consideration of these matters.

Attachment

KANSAS DEPARTMENT OF COMMERCE

Legislative Proposal

Amendment to the Trade Development Division Statutes (Consolidation of Department's International Activities)

1. Bill Summary

Legislation is proposed to formally consolidate all of the Department's international development activities within a single division of the agency. The powers and duties of the Trade Development Division as outlined in K.S.A. 74-5048 would be amended to add a section as follows:

"to engage in the recruitment of international businesses and industries by identifying, contacting, and informing them of the benefits of expanding, locating or relocating to Kansas."

2. Fiscal Impact

The amendment would involve no fiscal impact.

3. Policy Implications/Background

The proposed amendment would formalize reorganized activities within the Department. The consolidation of all international activities within a single division enables the Department to respond more comprehensively to international prospects desiring to locate, expand, or relocate to the State of Kansas.

4. Impact on Other State Agencies

The amendment of these statutes would have no impact on other state agencies.

KANSAS DEPARTMENT OF COMMERCE

Legislative Proposal

Establishment of the Office of Work Force Training

1. Bill Summary

The proposed legislation would create an Office of Work Force Training as a centralized office housing all training programs administered by the Department of Commerce. These include the Kansas Industrial Training (KIT) program, the Kansas Industrial Retraining (KIR) program, and the State of Kansas Investments in Lifelong Learning (SKILL) program. In addition, the office would also include work force training coordination and clearinghouse functions now performed by the Job Training Coordinator.

2. Fiscal Impact

The establishment of the Office of Work Force Training would have no increased fiscal impact.

3. Policy Implications/Background

The creation of an Office of Work Force Training is intended to increase the visibility of the state's efforts in this area and ensure internal coordination within the Department of Commerce between SKILL and other training programs as well as centralized management of these programs.

Senate Bill 32, which would have created an Office of Work Force Training, was passed last session by the House (98-26) and Senate (38-0). The bill was vetoed by the Governor because of the fiscal note of \$37,866 and one additional FTE. No fiscal impact is anticipated in FY 93, however, with the filling of an existing position in January, 1992.

4. Impact on Other State Agencies

The relationship between the Department of Commerce and other state agencies involved in job training will not significantly change. The proposed legislation is merely intended to ensure effective internal coordination of the Department of Commerce training programs and to increase awareness of the state's commitment to work force training.

5. Suggestions for Bill Draft

The Department recommends using essentially the language of S.B. 32 (vetoed during the 1991 Session) without reference to positions or funding which eliminates the fiscal impact.

6. Governor's Position

Governor Joan Finney has advised the Department that her position on such a proposal is one of neutrality so long as it contains no fiscal impact as an addition to her budget recommendation which includes two positions and operating expenses for this function (without the formal designation).

KANSAS DEPARTMENT OF COMMERCE

Legislative Proposal

Repeal of the Kansas Wildlife Arts Council and Wildlife Art Series

1. Bill Summary

The proposed legislation would repeal K.S.A. 74-7901 through 74-7901 the Kansas Wildlife Arts Council and the Kansas Wildlife Art Series currently administered by the Department of Commerce.

2. Fiscal Impact

Production of the Kansas Wildlife Art Series costs the Department's Division of Travel and Tourism Development nearly \$15,000 per year with no specific appropriation made for this expenditure. The program's original intent was for the sale of wildlife prints and stamps to offset the cost of the program. By statute, prints are to be sold for \$100 each and stamps at \$10 each.

Annual sales of the prints have not been sufficient to cover printing costs and no funding was available to market the program. Since sales could not generate sufficient revenues to cover the cost of the program, the program expenses had to come at the expense of the travel and tourism promotional efforts. Currently, the program has a cumulative operating deficit of nearly \$16,000 with a sizeable inventory still available of all stamps and prints.

3. Policy Implications/Background

The current statutes were established to recognize Kansas artists and Kansas wildlife; however, the program does not align itself well with what is commonly defined as the mission of the Division of Travel and Tourism Development. The Travel and Tourism Commission voted nearly one year ago to seek repeal of the statute. Repeal of these statutes would allow the Division to focus its resources on programs more closely aligned with its overall mission of promoting and developing travel opportunities in Kansas.

4. Impact on Other State Agencies

The repeal of these statutes will not affect any other state agency. However, the Department would support the transfer of the program to an appropriate agency.

KANSAS DEPARTMENT OF COMMERCE

Legislative Proposal

Amendments to the Kansas Local Seed Capital Pool Act

1. Bill Summary

An amendment is proposed for the Kansas Local Seed Capital Pool Act (K.S.A. 74-8401 through 74-8406). The proposed amendment would establish investment time guidelines for local seed capital pools as a condition of continuing certification and eligibility for the 25% Kansas income tax credits. The proposed legislation would amend K.S.A. 74-8403 by adding a section as follows:

"To continue certification, a local seed capital pool must: (1) Invest as least 30% of its original capitalization at the end of three years; (2) have invested at least 50% at the end of five years; and (3) have invested at least 75% at the end of seven years."

2. Fiscal Impact

The proposed amendment would have no fiscal impact on the Department.

3. Policy Implications/Background

Currently, certified local seed capital pools have no time guidelines for making investments from the seed capital pool. The certified venture capital companies have a statutory time frame for investing their original capitalization, but the local seed capital pools are not subject to comparable requirements. With no time guidelines for making investments from the seed capital fund, there is no assurance that the money invested in these funds will be kept moving into eligible investments. The proposed legislation would establish guidelines similar to those in place for certified venture capital companies.

4. Impact on Other State Agencies

This amendment would have little or no impact on other state agencies. The Department does provide information from the annual reports of these local seed capital pools to the Department of Revenue to confirm taxpayer eligibility for the Kansas income tax credits available through this program.



KANSAS DEPARTMENT OF COMMERCE

Legislative Proposal

Amendment to the Industrial Development and Existing Industry Development Statutes (Division Name Changes)

1. Bill Summary

The proposed legislation would revise the names of the Industrial Development and the Existing Industry Development Divisions. The name of the Industrial Development Division would be changed to the Business Recruitment Division. The term "industrial development" is typically associated with manufacturing and warehousing. However, an increasing proportion of the companies that the division works to recruit to the state are involved in service-related operations. These operations include administrative offices, financial services, telemarketing, catalog centers, to cite some examples. The term "business recruitment" provides a more accurate description of the division's activities, as well as emphasizes the main function -- recruitment. The name of the Existing Industry Development Division would be changed to the Existing Business Division. Again, this change would more accurately reflect the broad base of existing businesses in the state with which the Division works rather a more narrowly defined term of "existing industry."

2. Fiscal Impact

No significant fiscal impact is anticipated by the agency. The division names would be changed during the normal course of updating letterhead, promotion material, and other printed material.

3. Policy Implications/Background

The purpose of the name changes for the divisions is to more accurately reflect the diversity of companies that are a part of both division's efforts. In addition, the change also emphasizes the primary functions of the respective division. There does not appear to be any negative policy implications connected with this change.

4. Impact on Other State Agencies

The amendment of these statutes will not effect any other agency.

KANSAS DEPARTMENT OF COMMERCE

Legislative Proposal

Repeal of Business Incubator Statutes

1. Bill Summary

The legislative proposal would repeal K.S.A. 74-5040. This statute states that the Department shall establish one or more business incubator facilities within the state by providing grants to local nonprofit corporations to establish such facilities.

2. Fiscal Impact

This statute has had no fiscal impact on the Department, and no funding has been requested for this program in the FY 1993 budget request.

3. Policy Implications/Background

The incubator program statute was originally passed in 1984 with the intent of using Community Development Block Grant (CDBG) funding. However, Attorney General Opinion No. 84-107 stated that CDBG funds could not be used for this purpose as the statute was written because grants from the CDBG program must be made to local governments, not to nonprofit corporations. The statute actually states that the Department shall establish one or more incubator facilities, but amendments have not been made nor has alternative funding been made available to establish this program. Given current budget constraints, no funding has been requested for this program.

The business incubators currently operating in Kansas were established without the assistance of this type of program. There has been considerable debate about the role of the state in incubator-type programs, but no consensus has been reached.

4. Impact on Other State Agencies

Repeal of this statute would have no impact on other state agencies.

KANSAS DEPARTMENT OF COMMERCE

Legislative Proposal

Repeal of Superconducting Super Collider Project Statutes

1. Bill Summary

The proposed legislation would repeal K.S.A. 74-5051 through 74-5054, the Superconducting Super Collider project formerly administered by the Department of Commerce.

2. Fiscal Impact

There is no fiscal impact associated with the repeal of these statutes.

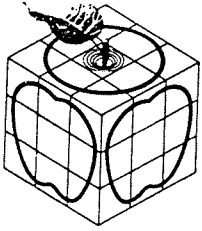
3. Policy Implications/Background

The current statutes were intended to enhance the state's ability to compete for the award of the superconducting super collider project of the U.S. Department of Energy. The statutes define powers of the Secretary of Commerce related to the project, establishment of a Super Collider Project Fund, and definitions relating to the project. The 1988 Legislature appropriated \$250,000 for this project with a balance lapsed of \$30,669.

The superconducting super collider project was awarded to another state by the federal agency. Therefore, these statutes are no longer relevant or necessary to the operation of the Department.

4. Impact on Other State Agencies

The repeal of these statutes will not affect other state agencies.



CKAVTS

Central Kansas Area Vocational-Technical School

*Administrative Center
1500 Boyd Ave. • P.O. Box 545 • Newton, Kansas 67114 • 316 / 283-0930*

My name is Chuck Scott. I am Director of Central Kansas Area Vocational-Technical School.

Chairman Kerr and members of the Senate Economic Development committee, I thank you for allowing me the opportunity to address you today regarding Senate Bill 485.

In an era of fiscal austerity, Kansas' area vocational-technical schools are struggling to respond to the growing demand for competent, highly-trained technicians to meet the needs of employers who expect and are entitled to employees equipped with the skills to work productively in an increasingly competitive occupational marketplace.

Insufficient funding, a limited ability to upgrade equipment, a shortage of support services in the areas of curriculum development and basic skills remediation, competition for students from a limited population base and, in some cases, deteriorating facilities, have all created impediments to the ability of area vo-tech schools to optimally respond to the training needs of a technologically sophisticated work force in modern-day Kansas.

Central Kansas Area Vocational-Technical School, in its fragmented configuration, is handicapped in its ability to be responsive to State Board of Education initiatives and mandates. A climate of funding instability poses a constant threat to the weak organizational underpinnings of the school.

If CKAVTS is to solidify its role as an educational institution and more effectively carry out its State Board of Education-mandated role to "provide individuals, both secondary and postsecondary students, with an opportunity to

attain occupational competence," and establish recognized legitimacy in a more conventional operational mode, substantial restructuring must occur.

Restructuring options, in my opinion, include a close examination and consideration of a transfer of the authority for the operation of CKAVTS from the CKAVTS Area Board of Control to the Hutchinson Community College Board of Trustees.

What would consolidation accomplish?

1. It would establish a stable and long-term funding platform for vocational-technical training programs.
2. It would reduce or eliminate duplication of efforts by two educational institutions whose service areas virtually overlap.
3. It would facilitate the development of opportunities for secondary and postsecondary students to be granted college credit for vocational education training upon entry into academic programs of study at Hutchinson Community College.
4. It would consolidate resources and services, resulting in a more coherent and meaningful organization.
5. It would create a coordinated, integrated delivery system.

Consolidation of area vo-tech schools on a wholesale basis is probably not necessary or advisable. But because of the unorthodox and fragile organizational structure of Central Kansas Area Vo-Tech School, I advocate unification of the school with Hutchinson Community College for the reasons previously cited.

Senate Bill 485, in my view, provides the legal mechanism to accomplish such a union.

The major tenets of the bill provide the means and impetus for mergers to occur.

The bill:

1. Is permissive, not compulsory.
2. Ensures continued eligibility for earmarked vocational education funds to vo-tech programs.
3. Protects counties with vo-tech programs from paying out-district aid to the home county of the consolidated school.
4. Provides for the disposition of all properties, personnel and financial obligations of the assimilated school.
5. Permits the consolidated school to enter into participating agreements with school districts previously affiliated with the area vo-tech school for the continuation of vocational programs.

Is consolidation the best alternative? I believe that question must be asked by the administration, advisory groups and governing board of each school. Decisions should rest with those schools which wish to consider merger as an option. The advantages must be carefully weighed against the disadvantages. Conditions which prevail now that make consolidation infeasible may change in the indeterminate future to make the prospect of consolidation more desirable--and, indeed, perhaps necessary for survival.

Without enabling legislation, schools which wish to explore and seek consolidation would be thwarted; a condition of inertia may prevail. Legislation which expands possibilities and offers choices is good for schools and good for Kansas.

As a footnote, I would add that direct vocational education funding to USDs and elimination of vocational education categorical aid, as provided for in Governor Finney's school finance plan, materially diminishes the relevance of consolidation of Central Kansas Area Vo-Tech School and Hutchinson Community College.

Thank you.

Testimony to Senate Committee regarding Senate Bill 485

February 6, 1992

Edward E. Berger

I am Ed Berger President of Hutchinson Community College. I am speaking in Support of Senate Bill 485. There is a need to pass permissive legislation to provide for the merger of Vocational Technical schools and Community Colleges in the State of Kansas. Such a merger would consolidate the training function, improve communication to business and industry about training services, improve articulation between secondary and post-secondary education, enhance the possibility of academic and vocational education being more closely tied together, and improve the size and scope of vocational programs as is mandated in recent Carl Perkins Vocational Education legislation. Additionally, such a merger would remove some disadvantages which have constrained area vocational schools affiliated with unified school districts. The most immediately visible of these constraints are: (1) the restrictive certification requirements for instructors which reduces the instructional pool, (2) the traditional nine-month calendar of the unified school districts which disallows a more flexible 12 month calendar offering multiple entry opportunities, and (3) the discomfort of older students who are placed in classes that have a predominance of secondary students.

This bill addresses some of the barriers that have prevented mergers in the past. It enables community colleges that merge with vocational schools to receive:

1. funding at a two for one basis for all vocational programs as is presently in place at two community colleges that are also vocational schools,
2. categorical aid for secondary vocational education (community colleges could contract with Unified School Districts to provide secondary vocational education), and
3. post secondary vocational education funding for students not pursuing credit hour programs.

Additionally, courses added to a community college curriculum, as a result of a merger, would not be eligible for the county portion of out district tuition. From the community college perspective, this bill could be strengthened with county out district tuition being phased in over a three year period.

The area vocational education board will have input to the community college board of trustees, on vocational education issues, through an advisory capacity, allowing for continued broad based representation of vocational and economic development concerns. Industry would continue to have representation through a variety of craft and program advisory committees.

The bill would also underline and extend the implementation of Tech-Prep programs.

This bill is permissive in nature and would have application only to institutions that choose to incorporate its provisions in the local setting.

Attachment 3
2/6/92
Sen. Eco. Dev.



KANSAS ASSOCIATION OF COMMUNITY COLLEGES

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W. Merle Hill
Executive Director

Phone 913/357-5156
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To: Senate Committee on Economic Development

From: Merle Hill, Executive Director
Kansas Association of Community Colleges

Date: February 7, 1992

Subj: Senate Bill No. 485, an act authorizing the consolidation of area vocational schools or area vocational-technical schools with community colleges.

Mr. Chairman, members of the Committee, I am Merle Hill, executive director of the Kansas Association of Community Colleges. Thank you very much for giving the Association the opportunity to address the provisions of Senate Bill No. 485.

Since 1972, when the recommendations of the Master Planning Commission were published, Kansas community colleges have been ready to cooperate, coordinate or consolidate with the area vocational or area vocational-technical schools to provide educational and training programs for Kansans. The college trustees have not promoted the concept of consolidation, however, because of the reluctance of supporters of the vocational schools to consider such an option. Now that an area vocational-technical school is interested in merging its programs with those of a community college, the Kansas Association of Community College supports the efforts and interests of the two institutions.

Senate Bill No. 485 is permissive legislation and requires local initiatives before any merger or consolidation can take place. The Kansas Association of Community Colleges believes this type of legislation to be appropriate at this time.

The provision in SB 485 to fund vocational programs at the community college at twice the statutory rate (currently \$28) precludes other community colleges from expressing a strong interest in the bill at this time. Cloud County Community College, for example, might be interested in some kind of "merger" with both the Beloit and Salina vocational schools, but the two-for-one funding provision does

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not make the proposition that attractive. The only way such a merger could be sound fiscally, the president of Cloud County Community College believes, would be for the vocational schools to receive, as a minimum, the 85-percent funding for postsecondary costs which is also in statute. If a combination of "regular" community college funding and "regular" AVTS funding were possible, it would increase the potential of making a merger possible without increasing the cost to the State.

The president of Coffeyville Community College and the director of the Coffeyville vocational school have also "run the numbers" to see what might be possible there. If two-for-one funding, like that provided in SB 485, were provided, the vocational school would receive some \$300,000 less than it now receives for postsecondary programs. Under such funding provisions, neither a coordinated nor a merged educational program would be possible fiscally.

Since SB 485 is premissive legislation, the Kansas Association of Community Colleges urges you to give consideration to the initiatives of two educational institutions and report the bill favorable for passage.

Thank you. I shall be pleased to answer any questions you may have.