

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on February 14, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. Benlon
Rep. Pottorff

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Nancy Kirkwood, Committee Secretary

Conferees appearing before the committee: Charles Warren, President, Kansas, Inc.
Warren Schmidgall, Executive Vice President, Hill's Pet Nutrition
Gary Sherrer, Secretary, Kansas Department Commerce and Housing

Chairperson Allen opened the public hearing on **HB2825** regarding the reorganizing of Kansas, Inc. She recognized Charles Warren as a proponent of the bill. He explained the bill makes two significant changes that affect the membership of the Kansas, Inc. Board of Directors and the funding of the agency (Attachment 1).

Warren Schmidgall was recognized by Chairperson Allen as a proponent. He is in support of eliminating the private sector funding as a mandated matching requirement (See attachment 2).

Chairperson Allen recognized Gary Sherrer as a proponent. No written testimony was given.

Chairperson Allen concluded the hearing on **HB2825**.

SB459 was brought to the Committee's attention by Chairperson Allen. She requested that Lynne Holt, Legislative Research, summarize the bill. Rep. Glasscock made a motion to recommend favorable passage of the bill. Rep. Beggs seconded the motion. Committee discussion followed. Revisor Nugent stated a technical amendment definition "J" instead of "I". Rep. Glasscock made a substitute motion to move the bill out favorably with a technical amendment. Rep. Beggs seconded the motion. By a count of hands, there were 7 for the recommended passage and 9 against. The motion didn't prevail.

Rep. Wempe made a motion to report the bill adversely. Rep. Kirk seconded the motion. By a count of hands, there were 8 for the passage and 8 against. The motion failed. No further action was taken on **SB459**.

The Committee's attention was brought to **HB2825** regarding the reorganizing of Kansas, Inc. Discussion from the Committee took place. Rep. Packer made a motion to recommend favorable passage of the bill. Rep. Glasscock seconded the motion. The motion passed.

Chairperson Allen adjourned the meeting at 4:05 p.m.

The next meeting is scheduled for February 15, 1996.

H.B. 2825
Amendments to Kansas, Inc. Enabling Statute

Testimony of
Charles R. Warren, Ph.D.
President, Kansas, Inc.
February 14, 1996

Madame Chair, members of the Committee, I appreciate the opportunity to testify on H.B. 2825 today. This bill incorporates several changes in the Kansas, Inc. statute, many of which are technical in character. The bill does make two significant changes that affect the membership of the Kansas, Inc. Board of Directors and the funding of the agency. I have attached a section-by-section explanation of the amendments made in H.B. 2825.

The bill would add two private sector members to the Kansas, Inc. Board of Directors bringing the total membership of the Board to 17. One new member would represent the business and professional services sector. This is an extremely important area of the economy and one that is growing rapidly. The other new member would be an owner of a small business. Kansas is a state of small business and this important constituency deserves representation on the Board. In addition to providing representation to these very significant sectors and constituencies of the Kansas economy, these additional private sector members would strengthen our public-private partnership and give the business community a stronger voice in Kansas, Inc. We currently have eight members from the private sector and seven from the public sector. This would change the ratio to ten private and seven public.

The other significant change would eliminate private sector funding as a mandated matching requirement. The responsibility of the state to fund salaries and operations would continue as currently in statute. The responsibility of the private sector to fund research and educational activities would also continue. This change does not diminish our responsibility to raise funds from the private sector to fund our research program. It simply allows Kansas, Inc. to raise the funds it needs in the amount it is able to secure and to spend those funds in a more flexible manner for the purposes currently expressed in statute. Presently, the Division of Budget sets the exact amount of funds we are required to seek from private donors. It then allocates those funds within our annual budget. We are not only required to raise a specific amount of private dollars, but to spend that amount during the fiscal year. As a consequence, private dollars are used to support salaries and operations. Of course, we can receive more funds than the Division of Budget establishes, if we can find generous donors. We believe that private dollars should not be allocated in the annual budget process. We would also like to have increased flexibility in the use of private donations.

I hope you will support these amendments. I would be pleased to answer any questions or provide additional information. Thank you.

Proposed Amendments to the Kansas, Inc. Enabling Statute

- 74-8001 Two private sector members would be added to the Board of Directors, bringing the total number of members to 17, and the number appointed by the Governor to nine. One member would be from the professional and business service sector and one member would be an owner of a small business.
- 74-8003 The Board is required to meet at least quarterly and other times on call of the Governor. New language would also allow the Board to set additional meetings.
- 74-8004 Paragraphs (9) and (10) would be deleted. Paragraph (9) calls for Kansas, Inc. to review and evaluate the "state economic development plan" prepared by the Department of Commerce and Housing. There is no statutory requirement that KDOC&H prepare such a plan, and it has not done so for several years. Paragraph (10) calls for review of KTEC and KDOC&H annual reports by Kansas, Inc. This review is impractical and has not been done. Kansas, Inc. has other opportunities to comment on the activities of both entities.
- 74-8005 The President is hired by the Board of Directors. New language is added that would make the selection of the President by the Board subject to approval of the Governor.
- Paragraph (b)(4) would be deleted to eliminate the initial requirement of a business plan. This requirement pertained to the first year of operation and is obsolete.
- 74-8006 The date for submittal of the Kansas, Inc. annual report would be deleted. A fiscal year annual report should be prepared and submitted either in September or January.
- 74-8009a Language requiring a private sector match would be deleted from this section, along with language that elaborates on the matching requirement and its reporting. This section would retain existing language that obligates the state to fund salaries and operating expenses, and enables private funds for research and education.
- 74-8010 Phrases related to periods of time would be deleted to provide for Kansas, Inc. evaluation duties to be ongoing and continuous.
- 74-8011 The initial phrase, "Four years after the effective date of this act," would be deleted to provide for review and evaluation of Kansas, Inc. by the Joint Committee on Economic Development as an ongoing function.

Testimony
in support of
HB 2825

House Committee on Economic Development

By

Warren Schmidgall
Executive Vice President
Hill's Pet Nutrition

February 14, 1996

*Economic Development
February 14, 1996
Attachment 2*

Good afternoon, Madam Chair and Members of the Committee. My name is Warren Schmidgall, and I am here to urge your support for this bill. I am executive vice president with Hill's Pet Nutrition, here in Topeka, and appear before you today in two capacities: First, I represent Hill's, which is a private sector contributor to Kansas, Inc., and second, I currently serve on the Board of Directors of Kansas, Inc., representing the manufacturing sector.

Hill's has contributed to Kansas, Inc. over the past couple of years, because we believe strongly in the role that Kansas, Inc. plays in the economic development process. At the same time, we are concerned.

We are concerned that the ability of Kansas, Inc. to provide continued economic development insight and leadership is potentially limited by their success in raising funds from the private sector.

And, we are concerned that we, along with other donors, are funding salaries and operating expenses of Kansas, Inc. Other than Kansas, Inc., Hill's does not fund basic staff and support services of any organization. We are interested in supporting programs or activities with specifically defined objectives. We would prefer to do the same with Kansas, Inc., but this requires that mandated private sector fund raising be discontinued.

As a member of the Board of Directors of Kansas, Inc., I also urge your passage of this legislation. Kansas, Inc. has a small staff with a critical oversight role to play in the economic development of the State. It is an organization that we can leverage for economic development by keeping them focused on their mission. Kansas, Inc. has proven that it is a viable and credible element of economic development. It is an organization that separates Kansas from many other states. And I don't have to tell you that any advantage we can get in this era of global competition is vital. But with such a small staff, Kansas, Inc. must remain focused.

Relieving them of the responsibility of supporting operations through mandated private sector fund raising, which is likely to become increasingly difficult and time consuming, allows greater focus on their basic mission and responsibilities.

Finally, it is very important that the independence and public/private nature of Kansas, Inc. be maintained. Independence is assured by the make-up of the Board of Directors. In fact, this bill adds two private sector members which will further increase the role of the business community in Kansas, Inc.

Kansas, Inc. has always relied on the State for its principal source of funding. This legislation does not change that. What it does do, is allow the private sector to contribute in support of specific research projects.

In summary, I think this legislation is important because private sector donors are increasingly unwilling to fund basic salaries and operating expense of Kansas, Inc. Furthermore, it would allow Kansas, Inc. to function more effectively, and in the long run that will give the State more for its economic development investment.