

Approved: January 15, 1998
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 13, 1997 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Feleciano, Gooch, Jordan, Ranson, Steffes, Steineger and Umbarger.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
Gary Sherrer, Lieutenant Governor/Secretary, Department of Commerce and Housing
Patty Clark, Agriculture Products Development Division

Others attending: See attached list

Gary Sherrer, Lieutenant Governor/Secretary of Commerce and Housing, (DOCH), submitted the Fiscal Year 1997 Annual Report. (A copy is filed in the office of Legislative Research)

Lieutenant Governor Sherrer stated DOCH had been asked about its accountability and whether the programs actually work. Lieutenant Governor Sherrer stated there are a number of ways in which the programs are audited: the federal government, legislative post audit, a periodic independent analysis by Kansas, Inc., Strategic Planning by Kansas University, Committees of both the House and Senate, as well as the Appropriations Committee of the House, and the Ways and Means Committee of the Senate. The past 12 months have marked the agency's second year of actively measuring the quality and performance of its programs and services. The comprehensive performance review system is carried out by the Quality Assurance Program which methodically collects customer feedback through client surveys and channels this information back into programs and services. A survey taken during the past year of all the programs and services reflected that 18% were critical to the users and 71-72% were very important.

Lieutenant Governor Sherrer reflected that although the economy is strong and more than 5,000 new jobs have been created per year and new businesses brought to the State, DOCH is aware this momentum cannot be sustained. DOCH has been engaged in an analysis of what kind of businesses Kansas can appeal to and how to lay out a good marketing plan. This plan will be instituted this quarter. DOCH determined through its analysis there are six types of industries that should be targeted: distributional warehouses, plastics industry, value added agriculture, aviation and avionics, and regional business centers.

Patty Clark, Director, Agriculture Products Development Division, stated the Division was transferred to DOCH effective July 1, 1996. The Division is focused in two main areas, marketing and value added. The marketing component is focused on price, placement and promotion of agricultural products. The value added area is focused on development and commercialization of new products within the agricultural sector.

In FY 97 the Agriculture Division awarded a total of \$363,403 in grants and loans. \$171,000 was a bridge financing loan to U.S. Premium Beef, allowing a one of a kind partnership with Farmland Industries. A \$50,000 partnership loan was given to 21st Century Alliance to establish a dry edible bean cooperative and a dry edible bean processing facility. The American White Wheat Producers was funded in the amount of approximately \$1,640 to research and quantify specific baking qualities of white wheat. White wheat varieties have proven to have some superior baking qualities over the traditional Kansas hard red wheat. This project will create new marketing avenues for wheat based on those baking qualities. The Division provided A&M NuTec, L.L.C. a commercialization loan in the amount of \$30,000 to develop a nutritional pet chew, replacing a pet chew with no nutritional value. A \$10,000 loan was awarded to Dinahs Noodles to develop a specialty line salad dressing, ensuring year round employment, as noodle production is a seasonal business. \$24,500 was awarded to 3B's Foods to commercialize a process to "pre-soak" and then dehydrate edible beans to

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eliminate the inconvenience of pre-soaking beans prior to cooking.

Ms. Clark stated the Division continues to partner with Kansas State University to fund pilot plant facilities that assist companies with product labeling, nutritional analysis and recipe commercialization. The funding to K-State during FY 97 was \$76,263 and serviced over 1400 clients. The seven projects were leveraged with an additional \$560,028 in private funds and in-kind assistance. U.S. Premium Beef repaid their bridge loan in full prior to the end of the calendar year.

Lieutenant Governor Sherrer reported the study undertaken with the railroads in Wichita, using railroad mitigation funds appropriated by the 1997 Legislature, is close to completion, and it is anticipated recommendations will be made within the next few months. The proposal provides for grade separation, changing traffic patterns.

Lieutenant Governor Sherrer stated DOCH is assisting communities and businesses in achieving measurable performances by bringing new companies to the state, creating new jobs, and raising wages of Kansas employees. It is necessary to invest in the Investments in Major Projects and Comprehensive Training program (IMPACT) as provided in Governor Graves proposed budget. There continues to be a demand for skilled workers. The Kansas workforce is one of the greatest pluses in bringing businesses to Kansas due to their reliability and skills. Less than 1% of IMPACT funding has been requested this past year for business infrastructure assistance.

Lieutenant Governor Sherrer requested a bill extending economic development incentives to financial institutions and insurance companies be introduced.

Senator Ranson moved, seconded by Senator Steineger, 7 RS 1641 be introduced as a Committee bill. The Committee unanimously adopted by the motion on a voice vote.

The Committee adjourned at 9:00 a.m.

The next meeting is scheduled for Wednesday, January 14, 1998.

SENATE COMMERCE COMMITTEE COMMITTEE GUEST LIST

DATE: January 13, 1998

NAME	REPRESENTING
Bill Sneed	ISC
Bro Grant	KCU
Paddy Clark	KDOC & H
Vicky Henley	KDOC & H
Steve Jack	KDOC & H
Michael Miller	Kansas Inc
John Walsh	KDOC & H
Doug Farmer	DOB
Norine Kruse	KDOC & H
Matt Birch	KDOC & H
John Hoff	KDOC & H
David L. Ross	"
David Bybee	"
Sherry Brown	KDOC & H
Bernice Koch	Wichita Chamber
Roger Franzke	Ks. Gov. Consulting