

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on February 25, 2003, in Room 522-S of the Capitol.

All members were present except: Representative Steve Brunk, Excused

Committee staff present: April Holman, Legislative Research
Debra Hollon, Legislative Research
Rena Jefferies, Revisor of Statutes
Fulva Seufert, Secretary

Conferees appearing before the committee: Paul Johnson, Kansas Catholic Conference, the United Methodist Church of Kansas, and United Church of Christ

Janet McPherson, Assistant Director, Kansas Farm Bureau Governmental Relations

Carole Jordan, Director of Outreach, Kansas Department of Agriculture, representing Secretary of Agriculture Adrian Polansky

Rebecca Floyd, Executive Vice President/General Counsel, Kansas Development Finance Authority

Others attending: See attached list

Chairman Wilk opened the meeting at 3:30 p.m. by allowing Representative Novascone a point of personal privilege in which he reminded everyone to vote in the primary. The Chair then asked Deb Hollon, Legislative Research Department, to explain **HB 2258**. Ms. Hollon said this act shall be known and may be cited as the agricultural opportunities and value-added partnerships act. She pointed out the purposes on page 2, section 4 and the grants used to support projects in research, education and training, market development, etc. on page 3, section 7. The fiscal note was also distributed to the Committee.

Chairman Wilk opened the Public Hearing for **HB 2258**.

HB 2258: Enacting the agricultural opportunities and value-added partnerships act

The Chair welcomed Mr. Paul Johnson representing Kansas Catholic Conference who spoke in support of **HB 2258**. Mr. Johnson said that the bill was patterned after a law that was enacted in Nebraska in June of 2000. Its primary purpose is to provide up to \$75,000 in grant funds to agricultural groups who are working cooperatively to develop value-added products. He said that he hoped this act would serve as a marker for the Agriculture Products Development Division to use more of their existing budget for these grants. (Attachment 1).

Chairman Wilk next welcomed Ms. Janet McPherson, Assistant Director, Kansas Farm Bureau Governmental Relations, who spoke in support of **HB 2258** and for the "establishment of a mechanism designed to help foster additional agricultural value-added opportunities in Kansas." Ms. McPherson suggested "the committee consider a more concise statement of legislative intent that will transcend economic cycles as opposed to the current listing contained in section 2 of the bill." She had another concern as to the wording of "small enterprise" on page 2, line 10, and what criteria was used to establish "small enterprise." She said that since this represents such a large variety that small is difficult to define. (Attachment 2).

The Chair recognized Ms. Carole Jordan, Director of Outreach, Kansas Department of Agriculture, who said she was representing Secretary of Agriculture Adrian Polansky. She spoke in support of **HB 2258** because

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT at 3:30 p.m. on
February 25, 2003, in Room 522-S of the Capitol.

of their interest in economic development for agriculture and rural Kansas. She stated that rural agricultural economic development is vital to the future success of every citizen in the state. She commented that a healthier rural Kansas means a healthier state of Kansas. Ms. Jordan's testimony mentioned that Kansas farmers and ranchers lost at least 1.1 billion dollars during last year's drought, and that predictions indicate that net farm income will average \$10,000 in 2002, which is \$35,000 less than what is needed to cover a family's living expenses and income taxes. (Attachment 3).

Seeing no other conferees, Chairman Wilk closed the Public Hearing on **HB 2258**.

Chairman Wilk asked April Holman, Legislative Research Department, to refresh the Committee's memory on the following:

HB 2289: KDFA financing out-of-state projects

After Ms. Holman's briefing, Chairman Wilk recognized Ms. Rebecca Floyd, Executive Vice President/General Counsel, Kansas Development Finance Authority, who presented three amendments for **HB 2289**. Ms. Floyd suggested the following:

- 74-8905 (a) (2) delete the term "health care facilities"
- 74-8905 (a) (2) change "may" to "are being"
- 74-8905 (a) (3) Last Paragraph: add bold language as indicated: "Nothing in this subsection (a) shall prohibit the issuance of bonds by the authority when a political subdivision requests the authority to issue bonds or when any statute specifically authorizes the issuance of bonds by the authority..."

She said any one or all of the above changes should work for the program they are trying to develop in their HUD 242 mortgage guarantee assistance program aimed at helping rural and critical access care hospitals with their long term capital finance needs. (Attachment 4).

Representative Krehbiel made a motion to strike line 2, page 6, beginning with the sentence starting with Any and striking out lines 3 and 4 to amend HB 2289. Representative Novascone seconded. Motion carried.

Representative Kuether made a motion to amend HB 2289 on page 4, line 33 by striking "health care facilities." Representative Carlin seconded. Motion carried.

Representative Loganbill made a motion to amend HB 2289 by omitting the or at the end of line 32 and remove comma after facilities and add "or." Also, remove "may" in line 33 and insert "are being." Representative Kuether seconded. Motion carried.

The Chairman called the Committee's attention back to **HB 2289** as amended. Representative Kuether made a motion to pass HB 2289 out favorably as amended. Representative Carlin seconded. Motion carried.

The Chair asked the Committee if members wanted to discuss Representative Patterson's bills, **HB 2365** and **HB 2335**. After discussion, the committee decided to write a letter to the Legislative Coordinating Council recommending these bills to be reviewed.

Representative Novascone made a motion to approve the minutes of the February 20, 2003, meeting. Representative Kuether seconded. Motion carried.

The Chairman announced that there would be no meeting on March 4, 2003, which is a Pro forma day, and that the next meeting would be March 6, 2003, at which time there would be hearings scheduled for the following: **HB 2395** and **HB 2373**.

The meeting adjourned at 4:30 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
TUESDAY - FEBRUARY 25, 2003
TESTIMONY BY PAUL JOHNSON IN SUPPORT OF HB 2258

Thank you for this opportunity to testify in support of HB 2258. My name is Paul Johnson and I lobby on poverty and family farm issues for the Kansas Catholic Conference, the United Methodist Church of Kansas and the United Church of Christ. I also work with Kansas Ecumenical Ministries on these issues.

HB 2258 - Agricultural Opportunities and Value-Added Partnerships Act is patterned after a law that was enacted in Nebraska, June 2000. The primary purpose of this law is to provide up to \$75,000 in grant funds to agricultural groups working cooperatively to develop value-added products. In the first two years of operation 76 applications were received and 25 applications approved for a total cost of \$1.422 million. An annual report on this program from the Nebraska Department of Agriculture - listing the funded individual projects - has been given to the chairman of this committee.

HB 2258 would provide grants to increase the farmer's share of food system profit, open opportunity to beginning farmers and strengthen owner-operated farms. It supports research, education and new market development initiatives by educational institutions, cooperatives and local governments. This bill will help to create and encourage partnerships in rural areas. These partnerships will represent many facets of the community, both private and public, to bring not only ideas to the table but also the resources to help make their goals a reality. These grants would work well with the Kansas' network of Small Business Development Centers, USDA's Resource and Conservation District offices (that support small business development through micro-enterprise training) and the Kansas Department of Commerce & Housing Agriculture Products Development Division. In 1999 both Missouri and Oklahoma created similar programs to this.

New generation agriculture involves a whole set of strategies, systems and practices to provide food and fiber to consumers through cooperatives, community-based value-adding activities and direct marketing to consumers. New generation agriculture provides producers the tools and opportunities to retain a larger share of what they grow or raise. Community-based processing enterprises and cooperative marketing entities can exist anywhere in Kansas.

The hope here is that this act will serve as a marker for our Agriculture Products Development Division to use more of their existing budget for these types of grants and that the loans being repaid to the Division will be directed this way. USDA now has a new Value-Added Development Grant program that could tie in closely to this program. Kansas had 8 projects funded for \$2.5 million last fall. Another round of these grants will be funded this coming summer.

House Economic Development
2-25-03
Attachment 1

AGRICULTURAL OPPORTUNITIES AND VALUE-ADDED
PARTNERSHIPS ACT

ANNUAL REPORT

Nebraska Department of Agriculture
January 1, 2001 - December 31, 2001

House Economic Development
2-25-03

FINANCIAL SUMMARY

<u>Round</u>	<u>Applications Received</u>	<u>Amount Requested</u>	<u>Applications Approved</u>	<u>Amount Awarded</u>
<u>Program Year One¹</u>				
1	30	\$ 2,000,000.00	10	\$543,382.20
<u>2</u>	<u>18</u>	<u>\$ 1,001,472.00</u>	<u>7</u>	<u>\$456,607.80</u>
	48	\$ 3,001,472.00	17	\$1,000,000.00
<u>Program Year Two²</u>				
3	16	\$ 944,014.00	7	\$347,000.00
<u>4</u>	<u>12</u>	<u>\$ 927,850.00</u>	<u>1</u>	<u>\$ 75,000.00</u>
	28	\$ 1,871,864.00	8	\$ 422,000.00
<hr/>				
Totals	76	\$ 4,873,336.00	25	\$1,422,000.00

¹ Program Year One - Began January 1, 2001 and Ended on June 30, 2001

² Program Year Two - Began July 1, 2001 and will end on June 30, 2002

Plains Produce Co-Generation Greenhouse **Minden, NE** **\$50,000.00**

Project Deadline: February 15, 2002

The purpose of this project was to develop a large commercialized, producer owned greenhouse that would produce hydroponic tomato's for the local grocery markets. This ten member cooperative facility was constructed on the east edge of Minden, Nebraska, and will employ over 30 employees while providing additional income to the owners who profit from the business operation. Grant funds were used specifically to conduct a feasibility study, prepare a business plan along with professional engineering and accounting services. This project originally was intended to utilize power sources from existing facilities, however the feasibility study suggested that the over \$2 million facility be constructed as a stand alone operation and construction soon followed. Currently, the ownership is expected to be complete with this project and begin operation in late December or early January 2002.

High Plains Grass Seed Association **Alliance, NE** **\$15,000.00**

Project Complete: May 30, 2001

This project represents a group of 26 grass seed producers who are interested in constructing their own cleaning and packaging facility that will enable them to produce, clean, package and ship seed directly from Nebraska. Currently this product is being grown in Nebraska then shipped to the pacific northwest region to be cleaned and packaged, then shipped to retailers around the country. The grant funds were used to contract with an industry expert to conduct a feasibility study to determine the viability of constructing a producer owned facility to perform these functions in Nebraska while capturing the margins for the work for Nebraska producers. This is the first evaluation step for this effort and the study revealed that potential does exist for a producer owned facility. The final report indicates that this producer group is planning to proceed with the next step to finance and construct a producer owned grass seed facility.

Launching Nebraska Value-Added Cooperatives **Walthill, NE** **\$73,375.00**

Project Complete: November 30, 2001

This project was awarded grant funds for three producer groups consisting of over 30 producers involved in the formation of direct marketing endeavors. The project was designed to concentrate approximately 25% of the grant award to developing formation templates that would guide all three groups through the legal formation and banking industry clearance process. The remaining funds were focused on individual equipment such as computers that each cooperative needs that would allow them to better address their local markets. Individually, these groups were unable to complete their legal formation and purchase the needed equipment but with a partnership of all three groups working in concert with state funds they were able to prepare their own specific cooperative to market products without compromising their individual identity. Currently, all three cooperatives are operating in several locations in Nebraska and marketing locally produced products under these group identities.

Marketing Nebraska Winery & Grape Industry **Raymond, NE** **\$28,000.00**
Project Deadline: March 15, 2002

Nebraska Winery and Grape Growing Association consisting of approximately 80 growers members submitted an application to support a marketing effort that would compliment the existing winery industry while encouraging more producers to grow grapes in Nebraska. Grant funds were requested to produce and distribute a brochure, purchase a professional booth display, generate educational newsletters, develop a web site and conduct workshops for growers. This project is still ongoing but indications from the applicant are that the grant funds are providing them with opportunities not available otherwise.

KAAPA Ethanol Plant **Kearney, NE** **\$75,000.00**
Project Complete: July 17, 2001

Grant funds were requested to help cover cost of a feasibility study along with capitalization and business plans needed to organize and construct a producer owned ethanol facility. Information obtained from this phase of the project will be used to establish the ownership structure, provide potential investors with a prospectus and an overall plan for construction and operation of the plant. The grant funds invested were matched with producer funds of more than 30% of the total project expense.

Husker Ag Processing - Ethanol Plant **Plainview, NE** **\$75,000.00**
Project Complete: September 27, 2001

Grant funds were requested to cover costs of legal organization along with structuring the public offering that will be used to solicit investors. The initial group consisted of about 30 producer members that were interested in determining the feasibility of a producer owned ethanol facility in northeast Nebraska. One direct result of this grant project is the recent approval for Husker Ag Processing to sell public stock in the company and secure capital for the eventual construction of the facility. In November, a ground breaking ceremony was held to begin the actual construction of the facility. Although the final offering for stock has not yet been completed, it appears that the group will have adequate investors to proceed with their construction.

The Pork Stops Here **Humboldt, NE** **\$32,000.00**
Project Completed: August 13, 2001

Grant funds were requested to purchase needed equipment for this group of 29 pork producers who focused on the direct marketing of fresh and frozen pork products. An example of the equipment purchased includes a computer, printer and commercial freezer storage equipment. Currently, this group is marketing directly under their own label in several southeast Nebraska communities as well as larger grocery markets in Lincoln and Omaha. In addition to the equipment purchases, grant funds were also utilized to develop a web site and an advertising campaign. Their final report indicates that this group will likely continue with their effort and apply for additional funds through this grant program in the future.

Round Two Awards⁴

Grow Nebraska (Central Plains Foundation) **Holbrook, NE** **\$60,000.00**

Project Complete: June 29, 2001

This project is designed to provide a collection of services simultaneously to a number of value-added ventures in Nebraska. Since many of these groups are financially unable to successfully enter large markets on their own, collective assistance is needed to address these markets. Grow Nebraska provided marketing, sales and promotion support for a total of 29 producers who are adding value to their products. Testimonials listed within the final report indicate that not only did this funding provide them with exposure in markets normally available to more commercial operations, considerable increases in sales resulted from their involvement in advertising and trade show promotion.

Rocky Mountain Sugar Growers Cooperative **Scottsbluff, NE** **\$75,000.00**

Project Deadline: January 31, 2002

The Rocky Mountain Sugars Growers Cooperative consists of approximately 400 sugar beet producers from Nebraska, Wyoming and Colorado and their primary function is to organize and complete the purchase of the sugar processing company that is currently owned by Tate & Lyle Corporation. The total cost of the purchase is near \$100 million dollars, and since the primary processing facility is located in Scottsbluff, Nebraska the Cooperative requested grant funds to pay for the computer system that would link all of the facilities together electronically. This smaller project totaled over \$300,000 and the grant dollars represent less than 25% of the total costs to develop this computer structure. The project will not be completed until January of 2002, but the progress report submitted by the applicant indicates that this system is vital in the successful daily operation of the cooperative.

Nebraska Sandhills Yellow Perch Coop **Panhandle, NE** **\$54,247.00**

Project Completed: October 22, 2001

The Nebraska Sandhills Yellow Perch Cooperative consists of 22 producers that are currently raising yellow perch for both seed stock or "Fingerling" fish as well as for fillet fish for the food markets. The members of this cooperative are producing perch in their own existing farm ponds, creating a higher value for their land and their fish. The costs associated with the formation of this group took considerable time and money to complete and as a result the group requested assistance from this grant program to help them purchase equipment necessary to gather and process their fish. Grant funds were used to purchase collection stations, harvesting and transportation equipment that is mobile enough to be moved from one operation to another. The final report submitted indicates that the group gained the needed momentum as a group to take the next step which is processing the fish for local retail markets in Nebraska.

⁴ Round Two Application were submitted by March 30, 2001.

Family Quality Pork Processors Petersburg, NE \$75,000.00
Project Complete: June 30, 2001

This grant project was submitted to help a group of about 180 pork producers who are interested in building their own slaughter facility in Nebraska. Specifically, grant funds were requested to assist in zoning approval, development of a business plan, marketing study and the development of an environmental management system. The grant funds were in part used to contract with consultants who have expertise to carry out these necessary functions. Ultimately, the goal of this group is to own and operate a slaughter facility that can provide them with another alternative for marketing as well as a chance to capture the processing margin that currently is being paid to other commercial slaughter facilities. The final report indicates that through the completed studies, this group is going to proceed with the primary effort to construct their facility.

Nebraska Sun Oil Coop Kimball, NE \$75,000.00
Project Deadline: March 15, 2002

This grant was awarded funds to conduct a marketing and feasibility study focused on the potential of a producer owned sunflower crushing plant in Kimball, Nebraska. Since the majority of the sunflowers are grown near Kimball and the closest processors are in Kansas and South Dakota, this group had hoped to build local processing capacity in Kimball. The feasibility study was conducted by Seneschal, Jurgens & Hale, a nationally recognized research firm out of Massachusetts that specializes in cooperative efforts. The study was not favorable towards the construction of a producer owned crushing plant, primarily because of the volatile oil market and commodity nature of sunflowers. Although the feasibility study discouraged a commodity market, the group has decided to conduct a market study looking into the possibility of other potential markets like nutraceuticals or pharmaceuticals.

Nebraska Corn-Fed Beef Statewide \$75,000.00
Project Deadline: May 15, 2002

The Nebraska cattle industry has banded together to create a private label program that offers source verified, Nebraska based, value added beef products to meet the needs of consumers. Grant funds were requested to develop an education process for restaurant employees to learn the process of Nebraska Corn-Fed Beef and better address the consumer questions in locations where the product is being offered. In addition, table tents, marketing brochures and product promotional efforts and web site revisions were made. According to the progress report, the program has seen an increase in the production capacity and through efforts of this project they have been able to increase the demand of the product from the consumer level rather than pushing the product through the market. There have also been efforts to expand the market by presenting this concept at national food service shows in Chicago. This project has given producers an opportunity to participate directly in the food service market without the added risk and expense of building their own slaughter capacity.

Farmers Premium Produce

Pleasanton, NE

\$42,360.80**Project Deadline: May 15, 2002**

Currently in Nebraska there are several vegetable greenhouse production facilities that collectively represent a small amount of the local demand for produce in Nebraska. These production facilities elected to work together to spread out their marketing capabilities so that they could better address the local market for longer periods of time without competing against each other. Grant funds were requested to enhance their supply capabilities by purchasing an inventory control system that will allow one central sorting facility to match deliveries with the stage of ripeness of the vegetables. In doing so, this would allow longer shelf life for all products, cut down on waste from untimely deliveries and increase the overall efficiency of all of the producers. As a result, this marketing group has been able to introduce Nebraska grown tomatoes into the Lincoln and Omaha grocery markets and provide a constant supply with the limited production capabilities that exist. This effort secures the ability of Nebraska vegetable producers to maintain Nebraska markets that are local which cuts down on delivery costs and increases producer profits. This technology has provided the group with a double digit increase in shipment efficiency without effecting production. As production capacity increases in Nebraska, this computerized inventory control system can grow as production increases.

Round Three Awards⁵**Family Quality Pork Processors**

Creston, NE

\$75,000.00**Project Deadline: July 15, 2002**

This project is a renewed funding project which is designed to support the development of a producer owned hog slaughter facility. The cooperative has 185 current members and additional funding was requested to purchase software, develop an of Eco-Label for their finished product and the design of a wetlands for waste treatment on their final facility site. Current plans are continuing to proceed with the final goal of a producer owned hog slaughter facility. A site has been selected, zoning approved east of Petersburg, Nebraska, and engineering studies continue on the planned site. During construction, this cooperative will partner with a local locker to assist them in developing markets that will be established when the construction is complete. The progress report indicates that funding has been secured and that the project is proceeding on schedule.

⁵ Round Three Applications were submitted by June 29,2001.

Oregon Trail Ethanol Coalition **Davenport, NE** **\$75,000.00**
Project Deadline: December 30, 2001

This project represents a nine county coalition interested in the feasibility of a producer-owned ethanol plant in the Davenport, Nebraska, area. Currently they are a loose knit group seeking funding to conduct a "bank quality" feasibility study along with a capitalization plan that could be applied to the project if the decision is made to proceed forward. The intended ownership of the facility would be predominantly Nebraska producers but producers in Kansas will also be solicited. The recipient has indicated that the feasibility study has been completed and they are proceeding as planned with a capitalization plan.

Nebraska Alfalfa Marketing Association **Cozad, NE** **\$17,000.00**
Project Deadline: August 15, 2002

The purpose of this project is to develop an aggressive marketing plan focused on the dairy industry, marketing hay from this marketing association of over 150 alfalfa producers. Grant funds are being used to develop a marketing effort that will entice mid-western dairy producers to purchase their alfalfa needs from this organization rather than sourcing their supply from elsewhere. In doing so, the transportation costs should be less and the value of this product could be captured and preserved in Nebraska. In order to properly address the marketing of their products, legal expertise was needed to evaluate the role of the association and the tax implications that may follow. The progress report submitted indicates that the legal questions have been resolved and they have proceeded with a marketing campaign to more than 4,500 dairies in the midwest. The association is beginning to see tangible results from this effort but greater long term impact is expected.

KAAPA Ethanol Plant **Kearney, NE** **\$75,000.00**
Project Deadline: December 15, 2001

This project has also received renewed funding from this grant program to complete the second phase of pre-construction needs for a producer owned ethanol facility in the Axtell, Nebraska, area. This second award was to assist the group in completing their financial commitment from producers through informational meetings as well as conducting an environmental engineering study and a construction engineering study that are specific to the site selected for the plant. This producer driven cooperative represents nearly 200 members and they have indicated that the financing and pre-construction requirements are in place to begin construction soon.

Crossroads Coop - Ethanol Project **Sidney, NE** **\$75,000.00**

Grant funds were requested in this project to do preliminary feasibility and capitalization plans for the development of a producer owned ethanol facility in the Scottsbluff area. The project is being driven by a steering committee of producers and the administrative support for the project is being supported by Crossroads Coop, a farmer owned grain cooperative in Sidney, Nebraska. In addition, grant funds are also being used to organize meetings aimed at producers who may be interested in investing in the project.

Nebraska Small Farms Coop Pender, NE \$6,000.00

Project Complete: October 22, 2001

This application requested grant funds to be used to conduct a feasibility study for a natural foods cooperative and make specific recommendations on marketing, structure, location and cooperative strengths and weaknesses. The University of Nebraska Food Processing Center was selected to conduct the study to assess the intentions of the group. The final report submitted by the group indicates that there were numerous recommendations in the study which they intended to incorporate into their future planning. The study also provided assurance that a market does exist to support the continued development of a stronger retail presence by this cooperative.

Nebraska Farm Products Prague, NE \$15,000.00

Project Complete: November 27, 2001

The intent behind this application was to conduct a feasibility study to assess the potential for a year round farmers market retail outlet in Lincoln, Nebraska. This group consists of ten groups producing natural foods, meats and other food products that would like to be able to collectively market their goods year round through their own cooperatively owned retail outlet. The feasibility study looked at the structure of the group, recommendations for marketing, labels, store location and revenue expectations. The study did indicate that this type of retail outlet could be viable in Lincoln, Nebraska, and that the potential for such a store could be very large. The project's final report suggests that the group intends to incorporate many of the suggestions made in the study and proceed with the effort to establish this outlet.

Round Four Awards⁶

KDK Meats, LLC Bridgeport, NE \$75,000.00

This application was submitted to construct a producer owned locker plant in Bridgeport, Nebraska, and grant funds are to be used to cover a portion of the construction costs of the facility. Once constructed, this facility would provide the only private USDA inspected slaughter facility in western Nebraska. This service will allow direct meat marketers the opportunity to slaughter their meat locally and also provide access to local retail outlets that require inspected meat. This project will not only eliminate the need to go out of state to slaughter animals at an inspected location, they will also benefit as owners of the facility in reduced fees for their ownership. The award was announced in late November and actual payment was not made until early December 2001. The preliminary plans indicate that construction should be complete and facility should be in operation sometime in February 2002.

⁶ Round Four Applications were submitted by September 28, 2001.



Kansas Farm Bureau

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PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Re: HB 2258 – Agricultural opportunities and value-added partnership act.

**February 25, 2003
Topeka, Kansas**

**Presented by:
Janet McPherson, Assistant Director
KFB Governmental Relations**

Chairman Wilk and members of the Committee, thank you for the opportunity to comment on HB 2258 and share our conceptual support for the establishment of a mechanism designed to help foster additional agricultural value-added opportunities in Kansas. I am Janet McPherson and I serve as the Assistant Director of Governmental Relations for Kansas Farm Bureau (KFB). KFB is the state's largest general farm organizations and represents agricultural producers through the 105 county Farm Bureau Associations across Kansas. Our policy process is grassroots driven and enacted by members who are themselves, farmers and ranchers.

Kansas Farm Bureau strongly supports initiatives to spur both agricultural value added enterprises and rural development opportunities:

- *We support increased efforts to develop, promote and utilize products derived from the crops and livestock produced by our nation's farmers and ranchers;*
- *We support additional research and development to find non-traditional farm products that have the potential to become viable enterprises for agricultural producers;*
- *The revitalization of rural communities must be a high priority for private citizens, as well as local, state and national governments;*
- *We support initiatives that will:*
 - *Enhance the economic, social and cultural climate for farm and rural families;*
 - *Improve the general potential of rural communities to attract and retain people, business and industry; or*
 - *Include all types of farming operations in economic development and initiative programs.*

House Economic Development
2-25-03
Attachment 2

We would respectfully suggest the committee consider a more concise statement of legislative intent that will transcend economic cycles as opposed to the current listing contained in section 2 of the bill. Additionally, we inquire as to what will constitute a "small enterprise" (pg. 2, line 10) and what criteria will be used to establish that: potential cash flow, number of employees, number of acres, number of animals, etc? We would encourage this committee to include all types of farming and ranching operations in economic development and incentive programs. "Small" may have one impact on a husband and wife partnership and quite another to a family operation run by dad, mom and three children, each with their own families.

We do appreciate the chance to speak to you today regarding value added agricultural opportunities. We look forward to opportunities to work together to help improve the lives of farmers, ranchers and all Kansans. Thank you.

Kansas Farm Bureau represents grassroots agriculture. Established in 1919, this non-profit advocacy organization supports farm families who earn their living in a changing industry.



KANSAS

DEPARTMENT OF AGRICULTURE
GREG A. FOLEY, ACTING SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

House Economic Development Committee

February 25, 2003

House Bill 2258

Carole Jordan, Kansas Department of Agriculture

Good afternoon, Chairman Wilk and members of the committee. I am Carole Jordan, here to represent Secretary of Agriculture Adrian Polansky. He is very interested in economic development for agriculture and rural Kansas. He's sorry he couldn't be here himself this afternoon, but our budget is being discussed in the Senate Ways and Means Committee at this same time.

Agricultural opportunities and value added partnerships are important to this administration's mission. As set out in this bill, cooperation between the Department of Agriculture and the Kansas Department of Commerce will be vital to our success.

It is important that all the various entities—state, federal and private—with an interest in rural development work together in creative and serious ways to enrich our farms and rural communities. We need coalitions and cooperation to improve rural life. A healthier rural Kansas means a healthier Kansas, period.

Last year's drought cost Kansas farmers and ranchers at least 1.1 billion dollars in crop losses. KSU economists tell us it seriously cut farm income. Forecasts say net farm income will average \$10,000 in 2002. That's \$35,000 less than needed to cover family living expenses and income taxes. And financial stress on the farm does not just stay in the countryside. It affects Kansas businesses from border to border, small town to metropolis.

We must address not only the effects of what may be an ongoing drought, but also long-term population, income and employment losses in rural Kansas. Encouragement of agricultural opportunities and value-added partnerships can help battle those losses.

Please let me express our appreciation for this committee's interest in rural and agricultural economic development. They are vital to the future success of every citizen of our state.

*House Economic Development
2/25-03
Attachment 3*

Rebecca Floyd

From: Rebecca Floyd
Sent: Monday, February 24, 2003 3:17 PM
To: 'wilk@house.state.ks.us'; 'aprilh@klrd.state.ks.us'
Cc: Steve Weatherford
Subject: 2289 multi state

Representative Wilk:

KDFA is working to develop a HUD 242 mortgage guarantee assistance program to help rural and critical access care hospitals with their long term capital finance needs. These hospitals have been virtually unable to borrow money due to their limited revenue streams and inability to attain investment grade credit ratings. KDFA is currently unable to issue bonds for rural hospitals which may be financed with general obligation bond proceeds. The problem for these hospitals, is that even though they in theory could be the beneficiary of county GO bonds, Counties have not had the resources to help finance these hospitals either. The HUD 242 program has emerged as a viable option, and HUD has specified a preference for working with sophisticated state wide issuers like KDFA. In order to remove the statutory impediment to assisting these hospitals, KDFA would need to amend our statute in one or more of the following ways which could be done in HB 2289:

1. 74-8905(a)(2) delete the term "health care facilities"
2. 74-8905(a)(2) change "may" to " are being"
3. 74-8905(a)(3) Last Paragraph: add bold language as indicated: "Nothing in this subsection (a) shall prohibit the issuance of bonds by the authority when a political subdivision requests the authority to issue bonds or when any statute specifically authorizes the issuance of bonds by the authority..."

Any one, a combination, or all of these changes should work for the program we are trying to develop. Please call with any questions. Thank you.
ref

Rebecca E. Floyd
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	'wilk@house.state.ks.us'		
	'aprilh@klrd.state.ks.us'		
	Steve Weatherford	Delivered: 2/24/2003 3:17 PM	Read: 2/24/2003 4:24 PM

House Economic Development
2-25-03
Attachment 4