MINUTES

JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

November 8-9, 2001
Room 519-S—Statehouse

Members Present

Representative Bill Mason, Chairman
Senator Nick Jordan, Vice Chairman
Senator Jim Barone
Senator Karin Brownlee
Senator U.L. "Rip" Gooch
Senator Lynn Jenkins
Representative Jerry Aday
Representative Carol Beggs
Representative Annie Kuether
Representative Margaret Long
Representative Vern Osborne
Representative Valdenia Winn

Member Absent

Representative Mary Compton

Staff Present

April Holman, Kansas Legislative Research Department
Mike Heim, Kansas Legislative Research Department
Russell Mills, Kansas Legislative Research Department
Deb Hollon, Kansas Legislative Research Department
Bob Nugent, Revisor of Statutes Office
Rose Marie Glatt, Committee Secretary

Conferees

Don Moler, League of Kansas Municipalities
Rob Hodges, Kansas Telecommunications Industry
Steve Kelly, Director of Business Development, Kansas Department of Commerce and Housing
Barb Reavis, Workforce Network of Kansas

Randy Speaker, Director of Housing, Kansas Department of Commerce and Housing
Irene Hart, Director, Sedgwick County Division of Community Development
Tami Novotny, Compliance Agent, Ranson Housing Compliance
Brad Snapp, Sedgwick County Housing Office
John Frederick, Boeing
Eric Sexton, Wichita State University
Sandra Hazlett, Director of Economic and Employment Support, Department of Social and Rehabilitation Services
Bill Layes, Department of Human Resources

Thursday, November 8
Morning Session

The meeting was called to order by Chairman Mason at 10:15 a.m., on November 8, 2001, in Room 519-S Statehouse. The Chairman displayed an award that had been presented to him by the Mid-America Manufacturing Technology Corporation (MAMTEC). It was MAMTEC's 10th anniversary and they requested that he accept the award on behalf of the Legislature. There were five awards given to those that have supported MAMTEC during the past ten years. He stated that after today's meeting he planned to present it to the Legislative Coordinating Council (LCC).

Staff briefed the Committee on the Telecommunications Right-Of-Way Topic (Attachment 1). The Joint Committee is required by HB 2515 to hear three progress reports regarding the status of negotiations on telecommunications right-of-way and franchise agreements from representatives of municipalities and telecommunications providers before December 31, 2001. Staff reviewed a draft report including background, contents of SB 306, and Committee activities, with no conclusions and recommendations included.

Don Moler, Executive Director, League of Kansas Municipalities, provided the second of three required progress reports to the Joint Committee by reviewing the activities between the telecommunications industry representatives and the representatives of cities in Kansas (Attachment 2). To date there have been eight face-to-face meetings for approximately 30 hours of discussion.

Mr. Moler reported that they have narrowed the issues in dispute considerably and he distributed a handout highlighting the parts of the legislation that are still under discussion and for which language is still being developed by the parties (Attachment 3). Those areas include:

- Language regarding the purpose of the contract franchise ordinance;
- Possibility of access line fees;
- Language involving documents and reports;
- Language concerning the status of existing franchise agreements;

- Language involving competitive infrastructure providers; and

- Language involving relocation of telecommunications facilities.

A ninth meeting is scheduled for December 3 in Overland Park and all parties are hopeful that the remaining issues can be resolved.

Rob Hodges, President, Kansas Telecommunications Industry Association, advised the Committee that the telecommunications industry team remains cautiously optimistic about reaching a successful conclusion to the negotiations on December 3 (Attachment 4). They believe the remaining differences to be resolved are: the franchising authority of municipalities as they relate to telecommunications companies; and how and at what cost telecommunications companies will continue to occupy certain public rights-of-way.

Mr. Hodges asked that the following statement be noted, as it was not included in written testimony: Although the industry as a whole has been working on this issue, the independent telephone companies have taken a neutral position. They have monitored and been involved in conversations on an individual basis, but have not been involved in the day-to-day negotiations. That decision was made in recognition of the fact that most of the challenges have been in urban areas and not experienced in the rural areas.

Mr. Hodges noted that the draft legislation before the Committee today was a product of those negotiations, and asked for the Committee's guidance in meeting the obligation to provide three reports regarding their progress to the Joint Committee before December 31. After the December 3 meeting, they anticipate having language for a draft bill that would be presented to the Joint Committee. If the Committee endorses the language, it could then be used as a pre-filed bill for the 2002 Session.

Mr. Hodges stated that currently the language of the draft Committee report is heavily dependent on SB 306. After a review of the history of the bill, and to alleviate any problems associated with SB 306, he requested that the language be more dependent on the draft bill than on the provisions of SB 306.

Mr. Hodges and Mr. Moler reviewed the draft bill, pointing out the following changes:

- Section C—changes in definitions of access lines fee, gross receipts, and local exchange providers;

- Section H—one time application fees;

- Section P—what a city may not do;

- Section S—a provision requiring the pass through of any assessed fees to its end-user customer's bill; and

- Section 2—17-902 has been completely reworked replacing a single sentence with detailed language pertaining to the responsibility and rights of the city.

Both representatives stated that there have been major concessions on both sides and they continue to work diligently to provide a document acceptable to all parties.

Discussion following their presentation included:

- The impact that this proposed legislation may have on other utility companies;
- The intent of the parties as it relates to the possible losses or increases of revenue for cities;
- Process and options for the bill going forward; and
- The issue of home rule and how it relates to the new language.

After a lengthy discussion regarding the definition, intent, and meaning of "unregulated services" and its possible impact on future access fees and charges for cities, a request was made that in order to clarify the issues, additional information be presented along with the final report, comparing the differences that have been negotiated from the old bill to the new bill.

Due to the scope of this issue the Chairman stated that a bill, endorsed by the Committee, pre-filed before the 2002 Session, was important. Permission was given to Mr. Moler and Mr. Hodges to take the finished product directly to the Revisor's Office to be worked for presentation to the Committee.

Staff reviewed a draft Committee report on the Incorporation of Cities Within Five Miles of Existing City (Attachment 5). There was a review of the background of HB 2124, a floor amendment that would have changed the city incorporation law to eliminate the unanimous vote requirement of the board of county commissioners when considering the incorporation of a new city within five miles of an existing city. Staff reviewed SB 367 along with an overview of the existing law, including the prerequisites, process of petitions, public hearings, and special provisions. Committee activities were reviewed to date with no conclusions and recommendations included.

Discussion followed regarding the intent of the language of the bill, the county commission's voting history in the Lake Sherwood area, government's role in dictating what happens at the city and county levels, and the predominate number of commissioners in counties across the state, and the pros and cons between requiring a simple majority or unanimous vote for counties.

Senator Barone moved that the Committee request a new bill with statewide application be drafted and introduced to change the unanimous vote requirement to a simple majority vote for incorporation of a city within five miles of an existing city. Representative Aday seconded and the motion carried.

The meeting recessed at 11:40 a.m., for the lunch break.

Afternoon Session

The meeting reconvened at 1:46 p.m. Staff presented the report of the Joint Committee on Economic Development on Housing Issues to the 2000 Kansas Legislature (Attachment 6). Included in the report were supplemental notes on Substitute for House Bill No. 2971 (2000) and House Bill No. 2205 (2001). The history and background of the housing issue were outlined. Staff reviewed the findings of the items specifically identified in the study that included:

- The relationship between housing and economic development;
- The role of the statutorily authorized housing trust fund;
- The comparison of Kansas' housing finance resources and structure to those of other states;
- The effectiveness of available housing finance resources in Kansas; and
- The rental housing programs and housing with supportive services.

Joint Committee activities from the 1999 Interim were reviewed including the recommendations made by Kansas Department of Commerce and Housing (KDOC&H) as well as conferees. It was noted that at the same time as the Joint Committee was studying housing issues, the Governor had convened a commission on housing expecting their report sometime in December 1999. KDOC&H made a request to wait until the Governor's Commission on Housing completed its study of housing issues before taking action. In conclusion, the Committee made no recommendations on this topic based on that request.

In the 2000 Session, HB 2971 was introduced, creating the Kansas Housing Development Corporation (KHDC); however, it failed to pass out of the Senate Commerce Committee. HB 2205 followed in the 2001 Session, a similar bill with the exception of the board structure and it failed on final action on the House floor with a vote of 45-78.

Steve Kelly, Director of Business Development, KDOC&H, presented an overview of Private Activity Bonds (PABs) and Related Procedures in Kansas (Attachment 7). Mr. Kelly explained that PABs provide local units of government a means to support projects/activities that they feel are worthwhile without the governmental body risking exposure to financial liability. He provided details on the following: authorization source, volume caps, federal guidelines, qualifying issuers for qualifying projects, criteria for eligibility, and a typical breakdown per category per year. These bonds provide the state with a resource that allows the state to be an active partner with local entities in their support of worthwhile projects. KDOC&H anticipates that the additional cap, now available, will provide more funds for housing-related uses and have an even greater impact on economic development throughout the state.

Discussion followed regarding any impact the lack of a Kansas Housing Finance Agency might have on the PABs. Mr. Kelly described the process all parties go through regarding the allocation of funds and what that means for first-time homeowners. The Chairman requested that the Committee be given data outlining the location of projects representing the $150 million allocation of PABs from the federal government for the most recent year available. Mr. Kelly agreed to provide the information.

Randy Speaker, Director of Housing Development, KDOC&H discussed a brief synopsis of the Housing Development Division's structure, resources, and programs. He provided history on Kansas housing policy, and identified some powers and authorities utilized by other states in addressing their housing needs that are not currently authorized in Kansas (Attachment 8). New copies of the Housing Development Resource Guide were distributed to the Committee (permanent copy on file at KDOC&H).

Mr. Speaker described the Housing Development Division, followed by the existing Kansas Housing Policy and current housing trends. He addressed PABs, stating that because of the complicated nature of bond issues, high intermediary costs are often incurred, making it difficult to finance small developments.

Mr. Speaker listed the following seven activities that may be engaged in by a housing finance agency but not by a housing conduit agency such as the KDOC&H:

1. Own property for purposes of revitalization.

2. Issue bonds for single family and multifamily developments.

3. Contract with other government agencies for housing resources.

4. Participate with private lenders in risk sharing.

5. Utilize existing lenders to originate loans.

6. Provide below market funds as a conduit lender.

7. Purchase mortgages of nonperforming housing developments.

Most housing finance agencies across the country have found that they could create and distribute additional housing resources more efficiently if all powers and authorities are bundled within a single agency. To date, the Housing Development Division has been able to emulate some of the above powers and authorities, however, they are less effective and more difficult to implement when utilized on an individual basis.

In conclusion, Mr. Speaker stated that legislation was introduced last year to establish a separate Housing Finance Agency. Although KDOC&H recognizes the need for additional revenues, powers, and authority to address the affordable housing needs, at this time they are not prepared to endorse any particular structural change.

Discussion followed his presentation regarding the rules and regulations of HUD, pros and cons of traditional forms of financing used for rehabilitation projects, Ranson Housing, the administration and compliance agents, projects financed through the PABs, lack of financial options available to a developer to build speculative homes in rural Kansas, problems in maintaining rental properties in mixed economic communities, and optional ways of achieving a rural/urban balance from tax credit or bond programs.

Irene Hart, Director, Sedgwick County Division of Community Development, presented a Progress Report on Statewide Housing Bond Issuance (Attachment 9). She introduced two resource people; Tami Novotny, Compliance Agent, Ranson Housing Compliance and Brad Snapp, Director, Sedgwick County Housing Office, who could provide details related to her testimony.

The Mortgage Revenue Bond program generally allows a unit of government to use their taxing authority to issue bonds, at a tax-exempt rate, resulting in a lower interest rate. That advantage allows them to sell the bonds and obtain money to make mortgage loans at a lower than market rate. There are strict federal guidelines and the Sedgwick County Kansas Division of Community Development is the end product of those federal rules and regulations.

The target population for the Mortgage Revenue Bond Program is low and low-moderate income persons. Ms. Hart explained the definition of the term "first-time homeowner" and gave a program comparison of the eligibility requirements for loans regarding income limits, purchase price, etc., between the KDOC&H and Sedgwick/Shawnee County Programs.

There are federal guidelines regarding the target areas and Ms. Hart called the Committee's attention to the 2001B Bond Document that explains the details of the program to eligible first-time homeowners. Maps reflecting those targeting areas were reviewed.

Ms. Hart listed five strategies that helped the Sedgwick/Shawnee County Housing Authority achieve their program expansion goals. They include: concerted personal effort, rural set-aside, one point bonus to rural banks, local market research, and innovative program development.

In an effort to make the program more efficient, the agency has identified the following initiatives:

- More local promotion of the program with more bankers and realtors participating. Awareness is part of the program's successful growth.

- Expansion of the targeted areas in various communities. Although in the past this has been difficult, due to the strict federal guidelines, with the new census data available expansion may be possible.

- Blend funds to get a lower mortgage rate for the homebuyer, making the program more affordable.

- Collaborate with other programs to reach lenders in an effort to inform them of the various programs available.

The history of the relationship of the Sedgwick County, Kansas Division of Community Development with the State of Kansas was reviewed, including the interlocal agreements with Shawnee County.

Brad Snapp responded to a question regarding the criteria for determining the bond issuers. He explained the bid process, stating that George K. Baum was selected due to their expertise in the bond market, innovative methods, and established relationship. He noted that during the bid process, George K. Baum consistently returns the best bid package.

Tami Novotny, described the guidelines and procedures she followed regarding the review of the applications and issuance of the approval of the bonds. She told the Committee that her employer, Jack Ranson, has worked as a financial advisor with Sedgwick/Shawnee counties to help when they send out bids for the bonds and to be the compliance agent for the state. They are funded through a percent of the bond allocation. Ms. Novotny provided the historical background of Ranson Capital Corporation, Ranson Housing, and Ranson Municipal Consultants.

Discussions followed regarding possible actions a legislator may take to help increase the awareness of the loan program in their districts and the limitations imposed on the Sedgwick County, Kansas Division of Community Development of working in various territories due to the lack of interlocal agreements.

The pros and cons over the issue of Kansas being the only state without a Housing Finance Agency were discussed. It was suggested that goals should be defined and a comparative report completed reflecting how those goals are met under the current system as well as a Housing Finance Agency. The comparison would reflect a more accurate picture of what Kansas may or may not be missing by not having a stand alone Housing Finance Agency.

The Committee questioned whether the Sedgwick County Division of Community Development, as the sole provider for these types of loans statewide, provided the best program. The history of the agreement and the reasons behind selecting the current program were explained. Various options other states have employed were given. It was suggested that the policy issue is to determine if Kansas has the best mechanism today to get the most resources without raising state tax dollars.

The meeting was adjourned at 4:07 p.m.

Friday, November 9

Morning Session

The meeting was called to order by Chairman Mason at 9:20 a.m., in Room 519-S Statehouse.

Sandra Hazlett, Director of Economic and Employment Support, Kansas Department of Social and Rehabilitation Services (SRS), provided an update on welfare reform efforts, with an emphasis on the employment preparation services to recipients through the Temporary Assistance for Needy Families (TANF) program (Attachment 10). The program's mission is to provide clients with the pre-employment services they need to identify and resolve barriers, and get them on an equal footing to compete with mainstream job seekers.

Ms. Hazlett told the Committee that the TANF caseload has declined 45 percent since Welfare Reform began in 1996. She noted that the more easily employed adults have now left the program and the remaining caseload represents a concentration of persons with more difficult needs and barriers. In the current caseload of 13,400 families there are 50 percent exempt from work requirements. The remaining 50 percent have severe and/or multiple barriers to employment. Most TANF clients also have concurrent involvement with other divisions and programs within SRS.

Ms. Hazlett reviewed the annual budget resources comprised of a $101 million Federal TANF block grant matched by a minimum of $62 million in state Maintenance of Effort (MOE). She reviewed the four ways the state may use the TANF funds, according to federal regulation:

- To provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- To end the dependence of needy parents by promoting job preparation, work, and marriage;
- To prevent and reduce out-of-wedlock pregnancies; and
- To encourage the formation and maintenance of two-parent families.

Ms. Hazlett explained that in her testimony Attachment A depicts how the TANF funds are utilized in Kansas. It lists all the programs and allocations as well as the expenditure amounts.

The types of employment services provided to TANF clients were explained. They include Job Readiness, Job Search, Training and Services to Employed TANF clients and former TANF clients. Attachment B lists those categories and reflects the number of clients served and the cost of service for 2000 and 2001.

Ms. Hazlett explained that there are three high-level performance measures used to monitor outcomes related to the TANF employment service expenditures that are contained in Attachment C. They include the TANF Employment Rate, Initial Hourly Earnings, and the Work Participation Rate.

In conclusion, Ms. Hazlett told the Committee that the strategies used to provide case management, training, and employment services to TANF clients have been successful, citing as evidence a 45 percent caseload reduction since 1996 and that 37,000 former TANF adults have gained employment and retained it for at least a year. She added that people that still remain on the caseload have a greater concentration of needs and employment barriers and will require individualized services prior to preparing them for work. However, she noted that if Kansas workers suffer more layoffs, the TANF cash assistance caseload may increase as the worker's unemployment benefits expire. Ms. Hazlett told the Committee that SRS will continue to coordinate its services with other resources in the communities as well as continue to concentrate its primary efforts and expertise to help clients with multiple employment barriers to obtain their first jobs, develop a work history, and reach a greater degree of self-sufficiency.

Discussions continued regarding the following issues:

- Differences in the current program and the Kan-Work program from the early 1990s;

- The current number of casework social workers serving clients;

- The percentage of the expenses used to provide child care;

- Data on how long clients remain on the job and what percent return for assistance; and

- The decrease in percent of TANF cases closed with employment from 1997-2001.

The Chairman requested that Ms. Hazlett provide a breakdown of the $212 million, reflecting each particular area of TANF employment service expenditures. This data would be used at a later date to help evaluate how much of those expenditures should be charged to workforce development. She agreed to do so.

There were questions concerning the number of cases an average social worker can handle in a given period of time and the impact the release of prisoners and closure of mental hospitals might have on the program.

There was a request for more information on delivery costs on services, the dollar amount currently being placed in major businesses that participate in training programs, and clarification of responsibilities of staff working in workforce development. Ms. Hazlett described groups that meet routinely to discuss workforce development issues, such as the Workforce Network of Kansas (WNOK).

To clarify what falls under the umbrella of workforce development, Ms. Hazlett was challenged to come up with a common definition of the term “workforce development” that can be used clarify the programs concerning the Kansas state money expenditures.

During the discussion it had been suggested that perhaps Kansas should look at what other states are doing in the arena of workforce development. Barb Reavis responded that each state addressed the issue of workforce development in different ways. Some states have combined all their programs dealing with employment and training and those support services that support finding jobs. Some of the programs are placed in economic development agencies, some in social service agencies, and some continue to do business, leaving those programs in the agencies where they reside trying to coordinate those services through memoranda at the local level. She briefly reviewed the history of the workforce development structure stating that there is currently an attitude of cooperation and coordination between the agencies. She described various inter-agency groups that meet routinely to talk about services and how to improve the current programs. She suggested it would be a good exercise to hypothetically build a workforce development agency from scratch to answer questions on what it would look like and what and how services would be delivered. The pros and cons of her suggestion were debated.

Senator Jordan stated that many Kansans are frustrated with the workforce development system and he is hopeful that there will be meaningful recommendations out of the Committee that strongly state that there must be some kind of coordination of all services, regardless of what changes need to be made, starting with the definition of workforce development. It was suggested that Ms. Reavis carry the message back to the Governor’s Office. The concern is that Kansas continues to try to improve incrementally and unfortunately that is not fast enough.

Copies of the draft report on Aviation Research were distributed to the Committee (Attachment 11). Staff gave the background of the study and reviewed the Committee activities that included hearing testimony on the Kansas Strategic Technology Cluster Assessment, and the Clusters of Innovation Initiative.

Staff reviewed the key points of various speakers and conferees that had presented material to the Committee. KTEC presented information to the Committee on the aviation portion of the Kansas Strategic Technology Cluster Assessment and also discussed NIAR, which is affiliated with Wichita State University. The President of KTEC presented information on the Cluster of Innovation Initiative conducted by Dr. Michael E. Porter. A listing of Wichita’s assets was given as well as nine challenges facing the community if they are to remain competitive in today's marketplace. The Interim Executive Director of NIAR provided the Committee with an overview of the facility and outlined the specific items of the five-year plan. The Director of Engineering for Boeing testified in support of the five-year plan.

The Chairman asked John Frederick, Boeing, and Eric Sexton, Wichita State University, to update the Committee on any changes relating to the issue of a consolidated funding package and bonding program between the Aircraft Companies, NIAR, Wichita State University, and the Regents.

Mr. Frederick told the Committee that since September they have met with Clay Blair, Chairman of the Board of Regents; Steve Clark, a Regent from Wichita; and Dr. Donald Beggs, President of Wichita State University. The intent of the meeting was to insure that all parties were in concert with the Board of Regents as it relates to their initiatives for NIAR. The proposal was well received. However, while acknowledging the state's fiscal position, they have not had closure on the funding mechanism. They continue to work together to find those answers before the 2002 Legislative Session. Ultimately, when a recommendation comes from the Committee, they are hopeful that the recommendation will fund NIAR for $5 million for the next four years, to help leverage additional federal funding and private funds.

Discussion followed between the Committee and John Frederick and Eric Sexton regarding the dollar amounts to be used for the NIAR proposal and the source of those dollars and bonding funds, specifically coming from the Board of Regents, Wichita State University, private industry, and the State of Kansas. Several strategies using various funding sources were explained. Mr. Bendis responded to questions and clarified the differences between issues concerning the $100,000 bond issue, $5 million aviation proposal, and $5 million Strategic Technology proposal. Discussion followed regarding the challenges facing the Committee to promote and educate their peers to obtain a consensus on the floor regarding the issue.

Senator Gooch moved that the Committee forward a recommendation to the full Legislature for the total funding of $5 million per year, for four years to be used for Aviation Research. Representative Beggs seconded the motion.

Discussion followed regarding the suggestion that explicit language be added to the recommendation explaining the importance of the money to the industry, education, and return on investment. In addition the Committee requested information regarding the fee structure for services provided by NIAR to determine and reflect the rate of return on investment. Many members voiced their support of the importance of the issue and stated that the language used in the recommendation should reflect the value of the aviation industry, how many other states they operate in, the overall condition of the current facilities, the competition for new business, and the overall challenges facing Kansas in this economic arena. The Chairman stated that Committee members would be expected to educate their peers on a one-to-one basis in order to express the importance of the issue.

Eric Sexton agreed to provide data reflecting revenue that could be generated from services provided by NIAR, the location of other similar facilities, revenues lost because of lack of services, number of jobs generated, and specific information on the planned projects.

The motion was re-stated. Senator Gooch moved that with the current information before them and expecting additional information to be forthcoming that the Committee recommends to the full Legislature that $5 million per year, for four years be allocated for Aviation Research. The draft of the recommendation will be reviewed, making any necessary changes at the December meeting. Representative Beggs seconded the motion and <u>the motion carried.</u>

The Chairman called on staff to review the draft report on Kansas Strategic Plan and Possible Restructuring of State Economic Development (<u>Attachment 12</u>). Staff gave the background of the study and reviewed the Committee activities that included hearing testimony of the strategic plan developed by Kansas, Inc.; the report of the Governor's Vision 21st Century Task Force; the review by the Legislative Division of Post Audit; and the strategic initiatives developed by KDOC&H.

Staff reviewed the key points of various conferees before the Committee. Kansas, Inc. presented an overview of the draft strategic plan that included 47 specific steps to strengthen the economy. The testimony noted a number of general findings concerning the level of cooperation at agency and leadership levels. Specific policy recommendations were included covering five general areas. The Committee also examined the analyses conducted by other agencies and entities of the state's economy and economic development infrastructure. The Legislative Post Audit findings were discussed and suggested statutory changes were explained. Testimony on the strategic initiatives of KDOC&H were reviewed covering the following areas: rebuilding rural areas, globalization, workforce development, and creation of incentives and policies and tourism promotion.

Representative Long moved that the minutes from the Joint Committee on Economic Development meeting on September 20-21 and October 11-12 be approved. Representative Beggs seconded and the motion carried.

The meeting was recessed at 12:00 noon for the lunch break.

Afternoon Session

The meeting reconvened at 1:40 p.m. The Chairman reviewed the history of the Strategic Plan and opened the discussion on issues related to restructuring of agencies, funding mechanism for economic development, and recommendations and proposed initiatives from various reports.

A question was raised regarding a cabinet level energy position and Mr. Ranson explained the plan to create an energy policy coordinator to develop a recommendation for the creation of a state energy agency. He explained that at this time it is not a specific policy recommendation.

A discussion followed regarding the responsibility of the Committee members to define the will of the people as well as meet the challenge of explaining and educating their associates and constituents to the importance and needs regarding economic development. The mechanism to provide funding for the three agencies was discussed. *Representative Osborne moved that the Committee recommend to the full Legislature that the cap be removed from the State Gaming Revenues Fund. Representative Aday seconded.*

Discussion followed regarding the possibility of the gradual elimination of other expenditures from the EDIF fund over a period of five years, the starting date of the proposal, and the definition of "new economic development initiatives." Mr. Bendis responded that new initiatives could be defined as something that significantly enhances the investment in various arenas important to Kansas, such as bringing NIAR up to speed, the need for three new wind tunnels, the need for additional funding for life sciences or biotechnology, value-added research in agriculture at Kansas State, and funding for venture capital investments. It was agreed that since they cannot dictate what happens to the funds, it was suggested that the Committee put in their proposal a strong recommendation that the funds be used solely for economic development purposes.

Representative Osborne revised his motion to read that the Committee recommends to the full Legislature that the cap from the State Gaming Revenues Fund be removed fully in five years and increased annually by a minimum of $2 million a year. At the end of the five years the EDIF revenue would reflect the total amount the actual fund produces. Representative Aday seconded.

Discussion followed whether it might be more advantageous to make the recommendation for three years instead of five. *Representative Kuether moved that the motion reflect removal of the cap in three years instead of five, with a minimum of an annual increase of $2 million a year. Representative Long seconded.* Discussion followed over the pros and cons of the time frame and the proposed amount of the annual increase. *The motion carried.*

Senator Brownlee moved that the Committee make a statement that after a period of three years the EDIF fund would be used solely for economic development initiatives or activities, and that all other programs currently funded with EDIF funds be removed over a three year period. Representative Aday seconded. The motion carried.

The issue of cost effectiveness of the sales tax initiatives and credit programs currently available in Kansas was discussed. At this time there is inadequate data available to evaluate these programs. It was suggested that as of January 2003, the Department of Revenue would collect the necessary data to determine if the current programs are meeting their objectives and the evaluation function would be contracted out every two years. Under this suggested plan Kansas, Inc. would be disbanded and the evaluation process privatized. Long term planning would become a function of the Department of Commerce leadership. A dialogue regarding the strengths and weaknesses of the suggestion followed.

The Committee discussed some of the problems with the current structure of the three agencies and questioned the merit of removing the responsibility of coordination for economic development activities from Kansas, Inc., a suggestion from the Strategic Plan. Mr. Ranson delineated the structure and role Kansas, Inc. plays in the overall picture of economic development.

Representative Kuether moved that the word "coordination" as stated in current law be removed from the charge of Kansas, Inc. as recommended in the Strategic Plan. Representative Aday seconded. The motion carried.

Discussion followed regarding the need and appropriate party for the charge of coordinating economic development efforts. The consensus was that the decision should come from the Governor's Office.

Copies of the draft report on Workforce Development were distributed to the Committee (Attachment 13). Staff gave the background of the study and reviewed the Workforce Investment Act (WIA) created in 1998. WIA requires that states create a customer-based, locally driven, seamless system of employment and training services that may be accessed by both employees and employers.

Staff reviewed the major Federally Funded Programs: One-Stop Career Centers, Kansas Job Link, Welfare to Work, Kansas Schools to Careers. Included were the State Funded Programs: Kansas Industrial Training Program (KIT), Kansas Industrial Retraining Program (KIR), and Investments in Major Projects and Comprehensive Training Program (IMPACT). Although there is currently no central entity with authority over all workforce development efforts in Kansas, staff described the responsibilities of the Kansas Workforce Investment Partnership (KWIP) and Kansas Interagency Resource Network for Workforce Development (KIRNWD) that act in advisory and planning capacities. The successful workforce development initiatives used in Georgia and Oregon were reviewed. The Governor's Vision 21st Century Task Force on Workforce Development report was reviewed, delineating the five recommendations that focused on workforce development and preparing Kansans for future jobs. The concept for the Wichita Area Learning and Career Institute was reviewed. Phase I that entails analysis and assessment was to be completed in the fall of 2001. The Committee activities included the list of the conferees heard at the September meeting at the NIAR on the campus of Wichita State University.

There was a question regarding the time frame for Phase II, the business case and Phase III, implementation, of the proposal for the Wichita Area Learning and Career Institute. John Frederick, Boeing-Wichita, stated that Phase I is due early in December and there is currently no official timetable set for Phases II and III. The Chairman stated that there is little the Committee can do now but endorse the concept of the Institute. SRS has been asked to provide additional information on Workforce Development, therefore it was agreed that the Committee would not take any action at this time.

Copies of the draft report on Creation of the Target Fund were distributed to the Committee (Attachment 14). Staff gave the background of the study stating that during the 2001 Legislative Session, KDHR proposed the creation of a fund entitled Training, Assessment, Recruitment of Labor, Gateway to Services, Employment Centers, and Transition Support (TARGET). Under the KDHR proposal, the TARGET fund would be created by channeling 50 percent of the Federal Unemployment Tax Act (FUTA) receipts into a TARGET fund. The proposed uses and the administration of the TARGET fund moneys were outlined. The Committee activities included a review of the conferees that testified at the September meeting in Wichita.

Discussion followed regarding the percent of Federal Unemployment funds being circumvented to create the TARGET fund. Bill Layes, Department of Human Resources (KDHR), stated that regardless of the percent used, all claims would be paid. He assured the Committee that KDHR is confident that there are more than adequate funds available for this project. The theory is that if the funds are used for employment training, resulting in putting people to work, not only would additional taxes be coming in but also there would be a decrease in a demand for unemployment services. There was discussion regarding the timing of this new program in view of all the other issues related to workforce development. Mr. Layes explained the process of how the interest is returned to the state from the Federal Unemployment Funds and how the funds would be used.

A question was raised as to whether the Kansas Chamber of Commerce and Industry (KCCI) had developed an alternative funding proposal for workforce development since that organization opposes the creation of the TARGET Fund. It was noted that the KCCI was asked to provide a recommendation to the Committee in September.

The Committee requested that a reminder be sent to KCCI regarding their recommendation on how to address the need for Workforce Development in Kansas. Staff was advised that in the final draft of the Creation of the TARGET Fund Report, under Conclusions and Recommendations it should be noted that the Committee made no recommendation.

The Chairman asked if there was discussion or recommendations on the Housing Finance issue. There was consensus that if there were not significant changes to the old bill, there would be little support from members of the Committee. It was suggested that if any Committee members had definite new Housing Finance proposals that those should be brought back to the December meeting. A discussion followed over the question of why one agency in Wichita has the bonding authority for the state. The Chairman challenged the Committee to bring back questions, recommendations, and proposals regarding this issue. Staff noted that under current law local governments must issue the bonds, however it was pointed out that legislation could be introduced to give bonding authority to KDOC&H or some other state agency. A discussion continued regarding the current program and Matt Goddard, Heartland Community Bankers Association, reminded the Committee of the four options presented by Randy Speaker at the 1999 interim meeting in Pittsburg. The Chairman stated that they would review those options at the next meeting.

A request was made that at the next meeting KDHR give a brief report on their plan to meet the needs of the escalating number of unemployed workers. Committee members asked that, if at all possible, information that had been requested on Workforce Development be forwarded to them, for their perusal, prior to the December 17 meeting.

The next meeting will be on December 17, 2001, in Topeka at 9:00 a.m., with the potential for continuation of the meeting on December 18. It was noted that the scheduled meetings on November 19-20 were cancelled. The Chairman thanked the Committee for their efforts. The meeting was adjourned at 4:00 p.m.

Prepared by Rose Marie Glatt
Edited by April Holman

Approved by Committee on:

December 17, 2001