

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman John Faber at 3:30 P.M. on January 24, 2008 in Room 783 of the DSOB.

All members were present except:

Representative Doug Gatewood - excused
Representative Vaughn Flora - excused

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department
Emalene Correll, Kansas Legislative Research Department
Hank Avila, Kansas Legislative Research Department
Gordon Self, Revisor of Statutes
Kristen Kellems, Revisor of Statutes
Florence Deeter, Committee Assistant

Conferees appearing before the committee:

Becki Rhoades, Department of Commerce, International Marketing, Department of Agriculture
Corey Mohn, Agribusiness Development, Department of Agriculture

Others attending:

See attached list.

The Chair welcomed Jeanne Stinson, Interim Director for Ag Marketing and Community Development, Kansas Department of Commerce, who introduced the Agricultural Marketing team and announced that Carol Jordan will be the new director for Ag Marketing and Community Development.

Responding to previous questions, Becki Rhoades highlighted items in the budget of interest to Committee members ([Attachment 1](#)). She said that the EDIF (Economic Development Initiatives Fund) allocations from 2005 through 2008 are relatively consistent, as are the total expenditures, except for a grant from the USDA (United States Department of Agriculture) for \$913,000 for Kansas State University. She noted that the funding beyond EDIF goes to a loan program and other selected programs.

Answering questions, Ms. Rhoades said that the total expenditures includes EDIF and that most of expenditures are derived from EDIF; she noted that the fluctuations are governed by the number of applications received for loan programs. She said that EDIF receives annual funds from the Kansas Lottery. Ms. Rhoades explained that the loan balance grows slightly each year, depending on the amount of repayments—currently there is a balance about \$1 million. She explained 2001 was a turning point in the loan program; after 2001 the division has scrutinized credit more closely and now realizes a good return on their loans. She said the interest rate for loans is interest-free for the first two years, and then becomes one point over the prime rate from then on.

Corey Mohn explained that a review team assesses a loan application, conducts an interview with the applicant, evaluates the applicant's repayment history, and makes a decision; he observed that two to three loans were turned down last year. He said it is important that each applicant be willing to provide some level of matching funding for the start of the business.

Ms. Rhoades replied that usually there are more applications than money available. She said some loans require a feasibility study for start-up companies; some loans are for upgrades. In addition, the division tries to stay on the cutting edge; however the division also seeks to involve many other resources that fit the applicant's needs. She stated that if multiple resources are providing funds, the division always seeks to obtain the first mortgage.

Mr. Mohn replied that high credit score usually causes an applicant to be rejected; the division is not a bank, but uses a criteria matrix, which includes a management assessment, to determine the amount of risk. Ms. Rhoades indicated that should a business default, Agriculture Marketing repossess the business, sells the equipment and pays off the original business loan. She offered to provide information later to identify which of the listed loans were not repaid. Following a member's comment that the 2008 EDIF allocation of \$931,000 included \$300,000 for loans and about \$100,000 for KSU, leaving \$530,000 for administration, she

CONTINUATION SHEET

MINUTES OF THE House Agriculture and Natural Resources Committee at 3:30 P.M. on January 24, 2008 in Room 783 of the DSOB.

listed \$380,000 for salaries, \$132,000 for contractual services, \$16,400 for commodities, and capital outlay for \$5,500 as administrative expenses.

The Chairman requested a balance sheet showing assets and outstanding expenditures to be submitted to the Committee.

The Chairman congratulated Carole Jordan on her new appointment as Director of Agriculture Marketing.

The meeting was adjourned at 4:15 p.m. the next meeting is scheduled for January 27, 2008.