

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman William G. Mason at 3:35 p.m. on February 1, 2000 in Room 522-S of the Capitol.

All members were present except: Representative Larry Campbell - E
 Representative Broderick Henderson - E
 Representative Lloyd Stone - E

Committee staff present: April Holman, Legislative Research Department
 Renae Jefferies, Revisor of Statutes
 Lynne Holt, Legislative Research Department
 Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee: Secretary Gary Sherrer, KDOC&H

Others attending: See Attached List

Representative Gatewood moved, seconded by Representative Kuether that the minutes from the January 27 meeting be approved. The motion carried.

Chairman Mason gave a brief history of the loss of the Saturn project in El Dorado and Wichita due to the lack of funds in the state treasury. He spoke about the origination and reason for the KEOIF funds and introduced Secretary Sherrer for an overview of the program.

Secretary Gary Sherrer, introduced KDOC&H staff members attending the briefing: Fred Schwien, Deputy Secretary, Steve Kelly, Director, Business Development Director and Sherry Brown, Fiscal Officer. He thanked the Chairman for his request to review the process and success of the program, stating that due to work flow on as many as sixty projects a year, one tends to lose sight of the whole picture.

He presented a packet, as his written testimony, to the committee members for their perusal (Attachment 1). He provided details on: (1-1) KEOIF Process of identifying prospects through negotiations to the signing of a contract, (1-2) Cost Benefit Analysis citing the example of the Aluminum Company of America, (1-3) Loan Agreement and Promissory Note, the contract outlining the twenty-eight requirements and stipulations, (1-11) Document outlining the specific criteria agreed upon in the contract and the actual performance of the business, (1-12) Security Agreement used in taking a lien on certain properties, (1-15) Two News Releases on opening a business in local community, (1-17) KEOIF Performance to-Date, providing data on employment and payroll information, delineated in their 1st, 2nd, 3rd and 4th year and Special Projects, (1-21) Regional Econometric Model (REMI) on the Speedway, Wyandotte County Site, (1-28) Sykes, Inc. Economic Impact Analysis and (1-31) Summary Impact Analysis FY 1995-96 KEOIF Projects.

In conclusion Secretary Sherrer stated that the KEOIF dollars, less than \$20 million of them, have impacted \$620 million payroll, either actual or under contract, over one-half billion dollars in construction, which related to a KEOIF grant and over 15,000 jobs making the KEOIF program one of the best economic development tools, today.

Chairman Mason gave credit to David Hineman for the predecessor plan. He voiced his concern about the use of KEOIF dollars being used for a special projects directed by the Legislature. Secretary Sherrer stated that there might have been a proviso on the Treasurers of the Czar, however it would have been an exception not the norm.

Discussion followed regarding the review committee process. Secretary Sherrer stated that due to several problems with the review process, in 1995 the Legislature determined that he could run the agency and hold him accountable for the program, however what they learned during the recent review was that one step in the KEOIF program had been overlooked. They were to review the year's program, after the fact with a five member panel and to date that hasn't been done. The panel members were sent the annual reports with all the data, but there wasn't a meeting convened. They will start this process immediately.

Chairman Mason asked about the process and problems associated with the Speedway project. Secretary Sheer discussed the difficulty of projects that require land being taken from owners and the REMI model that had provided information that changed attitudes regarding the project. The balance of KEOIF funds distributed throughout the state has also been a major factor in acceptance of Speedway project by creating a win/win situation.

Chairman Mason reiterated that when KEOIF was put into place, the strategy was that KDOC&H have as much latitude as possible. He was pleased to know that concept is working, however he was going to recommend a bill that would add the Economic Development Committee and the Senate Commerce Committee to the review report process. Secretary Sherrer stated that they concurred, however he cautioned that micro managing and confidentiality could be a concern. Discussion followed regarding the benefits of the Speedway to the community and state, importance of confidentiality of the report and data on employment, payroll and penalty information.

Chairman Mason thanked the Secretary for his report and briefing. He noted that by being informed the committee will be able to evaluate any challenges on the floor for funding of things that may not be appropriate.

Chairman Mason asked if there were any introduction of bills.

Representative Aday stated that he has requested a bill draft which would create a housing finance agency in accordance with the recommendations of the Governor's Commission on Housing. Representative Aday noted that a briefing on the report of Governor's Commission on Housing is scheduled for Thursday's Committee meeting. Representative Aday moved that the conceptional bill be introduced to the house, seconded by Representative Osborne. The motion passed.

Representative Mason moved that the *Economic Development Committee of the House and the Senate Commerce Committee* be added to the phrase "the panel shall report its findings to the governor, etc. Representative Aday seconded the motion, with a comment. He questioned whether confidentiality was an issue and the Chairman assured him that the report was after the fact and would not disclose confidential information. The motion carried.

Representative Mason asked the Committee for the introduction of a House Concurrent Resolution requesting the state to undertake and fund an ongoing strategic plan. He went on to discuss a strategic plan, developed in 1986, which revolutionized the Economic Development strategy of the state. He noted this plan had not been updated and he recommended that the committee consider the importance of this issue by requesting that the state undertake and fund an ongoing strategic analysis of the state's economy. The Chairman noted that he preferred it be a committee resolution. The resolution urges that sufficient funding for this undertaking be the result of matching contributions made with private sector and public sector. It would direct Kansas, Inc. to update existing Strategic Economic Development analysis, which is long overdue. Discussion followed regarding various previous studies that had been done. Representative Aday made the motion that a House Concurrent Resolution request the state government to undertake and fund an ongoing strategic analysis of the state's economy, seconded by Representative Sharp. The motion carried.

The next meeting is Tuesday, February 3.

Chairman Mason adjourned the meeting at 4:49 p.m.