

MINUTES

JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

September 20-21, 2005
Room 519-S—Statehouse

Members Present

Representative Lana Gordon, Chairperson
Senator Nick Jordan, Vice-Chairperson
Senator Jim Barone
Senator Karin Brownlee
Senator Laura Kelly
Senator David Wysong
Representative Sydney Carlin
Representative Don Dahl
Representative Terri Huntington
Representative Jerry Williams
Representative Valdenia Winn

Members Absent

Representative Todd Novascone
Representative Kenny Wilk

Staff Present

Kathie Sparks, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Helen Pedigo, Office of Revisor of Statutes
Renaë Jefferies, Office of Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees

Chuck Banks, State Director, U.S. Department of Agriculture
Dr. Art Hall, University of Kansas
Steve Radley, Director, Kansas Center for Entrepreneurship
Walley Kearns, State Director, Kansas Small Business Development
Patty Clark, Director of Ag Marketing and Community Development, Kansas Department of
Commerce

Steve Weatherford, President, Kansas Housing Resource Corporation Inc.

John Armbrust, Executive Director, Governor's Strategic Military Planning Commission
Helen Pedigo, Assistant Revisor of Statutes
Stan Ahlerich, Interim Director, Kansas, Inc.
Howard Fricke, Secretary, Kansas Department of Commerce
Keri Kish, Staff Attorney, Kansas Insurance Department

Others Attending

See attached list.

Tuesday, September 20 Morning Session

Chairperson Lana Gordon called the meeting to order at 9:15 a.m., welcoming the Committee and introducing the first speaker, Chuck Banks, State Director, United States Department of Agriculture (USDA).

USDA Rural Development

Mr. Banks' presentation began with a report which highlighted the activities of the agency during the last year and included a summary of funding for the agency for the last four years (Attachment 1). Mr. Banks explained that he had come before this Committee some there and one-half years ago as State Director of Rural Development and that progress has been made during that time.

USDA Rural Development is the lead federal agency to serve rural America. It provides assistance through farm, conservation, nutrition, food inspection, and research programs. The primary responsibility of the agency is to provide assistance in both funding and technical assistance in community development and economic development for our rural areas in the United States. To meet this responsibility, the agency has in place more than 40 programs authorized by Congress that include areas of housing, business financing, community, and utility infrastructure programs. In Kansas, the program employs approximately 75 individuals statewide in seven county offices.

The housing programs are designed to follow population guidelines with the upper limit set at 20,000 residences. For example, the housing programs offered by the agency includes assistance to Junction City. This assistance is proving to be a tremendous advantage to the city with the Ft. Riley expansion. The USDA is the lead federal agency supporting the expansion at Ft. Riley, both in housing and community development. Senator Roberts, last June, was able to secure for USDA Rural Development, an additional \$425 million in guaranteed housing funding targeted for the Ft. Riley regional area.

Currently, Congress has structured the majority of the agency housing programs to partner with a commercial lender, local housing authorities, or local state agencies. Most of the programs discussed today, leverage federal dollars both with the public sector and the private sector dollars, in order to maximize them with taxpayer dollars.

The biggest inhibiting factor for growth in our rural communities is lack of affordable housing, according to Mr. Banks. Affordable housing is a priority of the President and is part of his five star effort to improve housing in rural America.

The question was asked, what is the definition of affordable housing? Mr. Banks answered that different communities have different standards of what is affordable.

The business programs, in general, can serve communities with a population up to 50,000. Given the population limitations and the number of communities that qualify, a huge portion of Kansas can be served both in the housing and business programs. A narrow focus has been mandated by Congress on the agency's water programs and community facility programs which provides for targeting specific resources. USDA Rural Development also has programs for businesses. The business program is much like the housing side. Loans are guaranteed for business projects. It can be a rural business or an agriculture-based business.

Kansas and the high plains present some unique rural economic development challenges, according to Mr. Banks. The area of the high plains, and specifically, Kansas, has lost a tremendous amount of population in traditional rural counties. A map was presented to Committee members showing loss of population in counties in Kansas ([Attachment 2](#)). The challenge becomes the maintenance of essential services such as health care, education, transportation, and water systems in these rural communities. This challenge is taken into consideration when the USDA Rural Development looks at the delivery of its programs. In addition, Mr. Banks, stated that the 2002 Federal farm bill was probably the first major significant step by Congress in years to start addressing the issue. Also, talk in Washington is beginning about the next farm bill in 2007 which has the potential to be another major boost for rural development programs.

Mr. Banks also explained the design and purpose of each of the rural business programs as outlined in his handout ([Attachment 3](#)).

Mr. Banks went on to state that basic infrastructure is still lacking in any rural areas of Kansas. Specifically, Kansas still has areas that are deficient in water service, with families and communities still hauling water for basic uses to this day. In addition, rural Kansas needs affordable housing and access to healthcare. It is very clear, whether you are in a rural community or urban community, you have to have community development before you can have economic development. You have to have that basic infrastructure of community assets in an area for community development to take advantage of economic development.

A grassroots community development training program has been developed by the agency. Basically, it provides training to rural leaders in community development. However, the program is being "retooled" for population in-migration which should be helpful to the Ft. Riley regional area.

Also, the agency has taken an active involvement in Hurricane Katrina relief. USDA Rural Development has been working with the faith-based community and the State of Kansas as some of these families move to this area. Families are being placed in vacant projects around the State.

Mr. Banks also provided the Committee members with the USDA Rural Development 2004 Annual Report - Kansas ([Attachment 4](#)), Fort Riley Regional Initiative ([Attachment 5](#)), and Attention: Persons displaced by Hurricane Katrina ([Attachment 6](#)).

Chairperson Gordon thanked Mr. Banks for the presentation and noted that it was an interesting and informative discussion.

Chairperson Gordon introduced Dr. Art Hall from the University of Kansas, who shared with the Committee seven individual reports and an Executive Summary that were completed by the Center for Applied Economics at the University of Kansas and Kansas, Inc. As a summary, the reports represent a situational analysis of the Kansas economy. There are no recommendations in the reports.

According to the findings, Kansas has systematically lagged both the United States and the Plains region in key economic performance measures for at least the past quarter century. Productivity growth is a key driver of economic prosperity. Productivity per worker is the definition of economic growth.

Dr. Hall stated that Kansas has two economies, the East Central region and all other regions. When one examines the economic performance of Kansas relative to other states, it is important to understand that the East Central region almost wholly drives the relative competitiveness of Kansas, and Johnson County almost wholly drives the East Central region.

The following reports were provided by Dr. Hall and can be found at www.kansasinc.org.

- A Brief Economic History of Kansas, 1969-2003: An Executive summary for a Series of Reports;
- Long-Term Economic Trends in the Regions of Kansas, 1969-2003;
- Long-Term Industry Trends in the Regions of Kansas, 1969-2000: Part I - An Industry Focus;
- Long-Term Industry Trends in the Regions of Kansas, 1969-2000: Part II - A Regional Focus;
- Economic Trends Along the Kansas-Missouri Border, 1969-2003;
- Economic Trends Along the Kansas-Nebraska Border, 1969-2003;
- Economic Trends Along the Kansas-Oklahoma Border, 1969-2003; and
- Economic Trends Along the Kansas-Colorado Border, 1969-2003.

Entrepreneurship

Steve Radley, Director, Kansas Center for Entrepreneurship, gave an update pertaining to the Kansas Center for Entrepreneurship.

The mission of the Kansas Center for Entrepreneurship is: “to promote an entrepreneurial culture throughout the state by establishing a central portal that connects entrepreneurs and small businesses to the expertise, education and economic resources they need when they need them.”

Mr. Radley said the Center’s focus was on expertise, education, and economic resources, which has led to three distinct yet integrated product offerings. Each of these product areas ties directly to expertise, education, or economic resources.

Expertise: NetWork Kansas is a statewide service that meets three basic challenges in providing a statewide service that enables entrepreneurs and existing small businesses to be connected with the organizations they need when they need them. NetWork Kansas provides the following:

- A seamless integrated network of small business service providers in Kansas;
 - Access to the network through one central portal via a call center and website;
- and

- Database tools for client tracking and statistical measurement to facilitate evaluation.

Status of NetWork Kansas

Phase 1. Currently in the process of traveling throughout the state conducting “town hall” type meetings with all of the organizations that will be a part of NetWork Kansas. After each presentation, each organization is asked to complete an online enrollment form that can be entered into the resource database. Currently, the Center has received more than 80 enrollments and has mailed out 40 additional invitations for enrollment. A total enrollment of 175-200 participating organizations is anticipated as part of NetWork Kansas.

Phase 2. This phase will be a soft rollout of NetWork Kansas in the late fall. This rollout will include the opening of the call center and moving into new offices on the campus of Wichita State University.

Phase 3. This phase will be a full scale rollout of NetWork Kansas that includes a website for accessing information and increased promotional activity.

Education. The first step is to find out what is being taught throughout the State of Kansas in terms of entrepreneurship. This includes K-12, non-credited courses, and credited courses. Once the data is gathered, the Center plans to promote those offerings through the NetWork Kansas call center and website.

Economic Resources. The Center has named the Entrepreneurship Fund, StartUp Kansas. The mission of StartUp Kansas is to provide financial resources for prospective Kansas entrepreneurs in business startup.

Status of StartUp Kansas. An initial service description for StartUp Kansas has been completed. An Access to Capital Committee has been formed. This Committee will finalize the guidelines including the capital vehicles being utilized and the submission guidelines. In addition, this committee will review all requests for capital, and approve or disapprove each request.

In summary, the primary responsibility of the Kansas Center for Entrepreneurship is to connect each entrepreneur and small business with the organization or organizations that can fill their need through NetWork Kansas, entrepreneurial educational outreach, and StartUp Kansas ([Attachment 7](#)).

Kansas Small Business Development

Wally Kearns, State Director, Kansas Small Business Development, spoke about the increased level of collaboration between the Kansas Small Business Development Centers (KSBDC) and the Kansas Department of Commerce. The KSBDC has primary responsibility in collaboration with the Kansas Department of Commerce and Wichita State University, for establishing the Kansas Center for Entrepreneurship. The KSBDC, as of July 2005, is an ex-officio member of the Board of Directors of the Kansas Downtown Development Association ([Attachment 8](#)).

Afternoon Session

Rural Economic Development

Patty Clark, Director of the Ag Marketing and Community Development Divisions of the Kansas Department of Commerce, testified that it must be understood there is no single solution that can mitigate the challenges of population out-migration and economic decline in the rural areas.

Ms. Clark provided the Committee members with handouts: Partners in Rural Economic Development ([Attachment 9](#)) and CO-Ag & NCKP ([Attachment 10](#)). Ms. Clark pointed out that this material illuminates some of the communities and some of the entrepreneurs that are bucking the trends that Dr. Hall testified to this morning. There are communities in Kansas that are thriving, that are enhancing their quality of life and that are undergoing economic development. There are entrepreneurs in the rural communities that are doing that as well.

Ms. Clark reported that there are 23 communities in the Kansas Main Street Program. Garden City was added in 2004 and Hoisington in 2005. There are a number of applicants for this program, but only one community can afford to be added each year. A vital and thriving downtown is a signal of a vibrant and thriving community and Kansas Main Street Program focuses assistance on historical preservation, marketing, beautification, and entrepreneurship.

In addition, Emporia, this past summer, received the Great American Main Street City award by the National Trust Main Street Center. Emporia's achievement required a decade-long process of planning and implementation to rejuvenate its downtown.

The Agritourism Initiative has really taken off in Kansas, according to Ms. Clark. A sound education platform was provided for agritourism operators to make very informed business decisions as they take their farm assets from production agriculture to tourism. For example, Kansas has grown from seven state farm wineries to 13 state farm wineries; and it is a thriving industry in Kansas. Farm wineries are the cornerstone of the agritourism industry in the state ([Attachment 11](#)).

Ms. Clark spoke about regional agritourism efforts ([Attachment 12](#)).

Finally, the Committee was briefed about the following Department of Commerce programs:

- **KAN-STEP.** This program helps construct new community and senior centers, fire stations, and even water lines. There are currently 21 KAN-STEP projects being built in Kansas. The program utilizes HUD funding that is received from the federal government.
- **Community Service Tax Credit Program.** Each year, the Department of Commerce awards \$4.2 million in state income tax credits to non-profit organizations for projects to improve health care, senior services, youth programs, and quality of life. During the most recent award phase, the agency received a request for \$22 million in tax credits.
- **Value Added Loan Program.** Commerce has experienced a significant increase in applications for value added loans for bio-fuels projects. The interest in the bio-fuels arena is escalating on a daily basis. Ethanol facilities are creating a number of jobs and are an economic impact in the rural communities ([Attachment 13](#)).

- **Enterprise Facilitation Projects.** These projects surround the entrepreneur with the skill set that he or she may lack to create a successful and sustainable business. Kansas has five regional enterprise facilitation projects that cover 22 rural counties. To date, those projects have created 99 new businesses, retained 15 businesses, and expanded 26 businesses, which created or retained nearly 400 jobs.
- **CDBG Economic Development Loans.** The federal government provides funding through the Department of Housing and Urban Development each year to do economic development loans in our rural communities. The loans are low interest and are made through the local unit of government. The loans are based on job creation for low-to-moderate income wage earners and the maximum available is \$750,000. Recent examples would be the loans made to Garnett and Pratt to assist with the new ethanol facilities, and the creation of a new animal health product distribution center in Belleville.
- **Rural Business Development Tax Credit Program.** This program has encountered some challenges in its efforts to provide access to capital in our rural areas and may require modifications to ensure the goals of the program are achieved. All of the foundations report that donors are not as willing to give money to an intangible concept such as regional economic development versus giving to a tangible project like equipment for their local hospital or drug prevention programs for their youth (Attachment 14).

Finally, Ms. Clark stated that the thing that poses the greatest challenge to the rural communities is leadership. Rural communities do not have full time city managers, city mayors, or city councils. Many times, the application for these programs come from the city clerk, because that is the only full-time employee who has anything to do with fiscal operations or economic development in the cities and communities.

Housing

Ms. Clark gave a second presentation pertaining to housing programs offered through the Department of Commerce. She focused on the Community Development Block Grant Program. This program provides funds to rural communities to improve their housing quality and capacity.

The Small Cities Community Development Block Grant program is federally funded and is governed by federal regulations. The most significant criteria is that the funds serve the low-to-moderate income families in rural Kansas. Funds from this program can be used for rehabilitation of existing structures, as well as for demolition. The rehabilitation can include modernization and renovation, and the demolition is important to communities that wish to remove blighted areas to beautify their residential areas. Also, a portion of the funding must be used for water and sewer projects (Attachment 15).

The question was asked how the various agencies avoid duplication of the various resources. Ms. Clark replied that to avoid duplication, staff from the various agencies, USDA Rural Development, Community Development at Commerce, and KDHE meet on a quarterly basis to report and talk about projects that are in the pipeline so that resources can be used in an effective manner.

The following brochures were provided to the Committee members and can be found on line at www.kansascommerce.com.

- KAN STEP—Community Development Block Grant Program;
- Housing Rehabilitation Program; and
- Community Development Block Grants.

Other information provided to the Committee members can be found in Attachment 16.

Steve Weatherford, President, Kansas Housing Resource Corporation, Inc., shared with the Committee members some of the following activities of the Kansas Housing Resources Corporation (KHRC):

- **Asset Management Program.** The agency, under contract with the United States Department of Housing and Urban Development (HUD), oversees the management of all Section 8 developments throughout the state. HUD provides rental assistance in exchange for developers to make the rent affordable to low-income persons within a community. This program provides \$39.3 million in rent assistance to 11,300 units in 256 rental housing developments in 70 counties in Kansas. A total of 273 contracts are monitored for compliance with local, state, and federal laws and regulations. KHRC received an administration fee for administrating this program. The administrative fee provides the funding for overhead expenditures at KHRC.
- **The First-Time Home Buyer Program.** This program provides home ownership grants to low-income, first-time home buyers. The program, working through a Mortgage Lenders Consortium, helps a first-time home buyer with the down payment and the closing costs. During the most recent accounting period, \$3.19 million was granted to 226 first-time home buyers, leveraging over \$14 million in private mortgage funds from the state Mortgage Lenders Consortium. The Mortgage Lenders Consortium includes 250 lenders serving all 104 counties, excluding Johnson County which is an entitlement county. All entitlement counties receive their own home dollars from HUD to conduct similar programs. The maximum grant allowed in this program is \$25,000. The average purchase price is \$75,400 and the average grant amount is \$14,000.
- **The Home Owner Rehabilitation Program.** This program provided \$2.1 million to 126 homeowners to rehabilitate their homes during the most recent accounting period.
- **Housing with Supportive Services Section.** There are several programs in this area. The Kansas Accessibility Modifications Program (KAMP) provided 119 individuals with disabilities in 60 counties assistance in the form of home accessibility modifications. Funds for this program are found in The State Housing Trust Fund or funds that are generated through an administration fee.
- The State-Funded Emergency Repair Program (ERP) provided 108 homeowners in 50 counties emergency repairs to their homes. This, too, is a non-federal program. Repairs include replacement of faulty furnaces, roofs, plumbing, electrical problems, and sewer line repairs.

- **The Weatherization Assistance Program.** The program provided \$4.3 million for housing improvements to increase energy efficiency in 933 owner-occupied homes in 403 rental units in 92 counties. This program is funded by federal dollars.
- **The Emergency Shelter Program (ESG).** This program provided \$868,252 to 64 local agencies to provide services to approximately 13,500 homeless individuals and families in 85 counties.
- **Rental Housing.** KHRC financed the new construction of 797 rental units and the acquisition and rehabilitation of 441 rental units, generating \$105 million in capital investment in 19 counties. Sources of this funding included the Housing Tax Credit (H.C.), Private Activity Bonds (PAY), and Community Development Housing Organizations (CODO). CODO is the non-profit housing organization in communities that are now committed to providing affordable housing.

The agency awarded from the State Housing Trust Fund \$344,797 in financing to four developments, \$50,776 for rehabilitation of a housing authority development (HOME) match and \$37,728 for project-based rental assistance to one housing authority (HOME) match (Attachment 17).

The information and detail about any of the above listed programs can be retrieved by going to the website: www.kshousingcorp.org.

During the discussion following the presentation by Mr. Weatherford, he stated he thought USDA has the best program for providing affordable housing. KHRC has partnered with USDA on many projects.

John Armbrust, Executive Director, Governor's Strategic Military Planning Commission, was the next presenter. He provided the Committee members with handouts which he referred to during his presentation (Attachments 18, 19, and 20).

Because of the added troops to Ft. Riley, additional housing will be needed within the next five years. However, the Commission expects most to arrive in the next two to two and one-half years. The projected increase is 10,000 soldiers in the next five years and it is estimated the soldiers will bring with them about 13,600 family members. As post housing is full, it is projected that most will be living off post. In addition, the government will be creating approximately 2,000 civilian positions on post.

The region is looking to add a total of 30,000 to 35,000 individuals over a five-year period. To give perspective to this increase, it is equivalent to adding one and one-half new towns the size of Junction City to the region in that time period, and probably 80 percent of that in the first two years. It was estimated that just the growth to the region will add about \$400 million a year in economic impact to the State. If one adds all the military installations together in Kansas, the estimate is closer to \$3 billion a year. In addition, the federal government will be investing over \$1 billion in new and improved infrastructure during that time period.

Mr. Armbrust stated that the area will require at least 7,000 new housing units over the next two years. In order to meet that need, the community will have to build between 4,500 and 5,000 housing units in the Ft. Riley area off post during the first year and by 2007, a total of 7,000 to 7,500 housing units needs to be completed. By the end of 2010, the estimate is 9,000 new housing units.

Communities around Ft. Riley and Junction City also are building homes. Each town and city has to work through its process in getting infrastructure in order to get the houses built. The good news is that developers are working in the entire region to reach this goal.

In addition, Mr. Armbrust pointed out that a minimum of 16,000 new automobiles are expected in the Ft. Riley area over the next five years. The Commission, in conjunction with the Kansas Department of Transportation, is providing \$44.0 million of funding to repair Highway K-18 around the post and old Highway 77.

Local builders, contractors, and developers have been given first choice on many local sites. Because of the need, however, people from outside the state also will be building homes.

Steve Weatherford spoke again relating to the housing issue at Ft. Riley. He pointed out that the State has two primary resources that can impact the issues of the housing requirements. First, is the agency's ability to issue mortgage revenue bonds that lower the cost of the financing of multi-family property which are called private activity bonds or multi-family mortgage revenue bonds. In essence, what happens, is the federal government gives the agency authority to enter the capital markets through a bond sale and obtain tax exempt financing which will lower the cost to the developer in the form of lower interest rates on a first mortgage.

The second resource is the Housing Tax Credit Program. The Housing Tax Credit Program addresses the equity side of the financing. Private developers negotiate their mortgage with a private lender. The bonds are used as a way to allow that lender to lower the rate on the first mortgage. The developer takes the housing tax credit and sells that to an investor and the investor takes the proceeds into the project in the form of equity to meet the demands of the underwriting requirements of that lender.

However, the problem the agency is trying to address is the way the federal regulations require the agency to calculate the eligible income for the military family. Military pay comes in various components. First, there is base pay, based upon rank, and second, a base allowance for housing. This is given to every soldier to help offset the cost of housing when base housing is unavailable. This is called the basic allowance for housing (BAH). If a family received BAH it has to be included in the calculation of income to determine eligibility to determine if they will fall below that 60 percent area needing income and then be eligible to move into a unit that was produced by the developer using the tax credit program. An example is provided in Attachment 21 which demonstrates the problem.

KHRC has been working with the Kansas Congressional delegation to get legislation or an expression of Congressional intent inserted into some legislation that would allow the Secretary of HUD to issue a waiver that says we do not have to continue to include the BAH in the military family's calculation. Both families get rental assistance. One comes from HUD, one from the military. It is the position of the agency that both should be treated the same.

Senator Brownback has offered this language in an appropriation bill and Senator Roberts is working with his fellow colleagues to drum up support for this language. Once this language gets passed, it is believed there will be a number of developers who will want to use both the mortgage revenue bond resource and the tax credit resource to develop housing in Geary County and other counties surrounding Ft. Riley.

There was no further discussion. The meeting was adjourned at 3:50 p.m.

**Wednesday, September 21
Morning Session**

The meeting was reconvened by the Chairperson.

Kansas Inc.—Overview

Chairperson Gordon recognized Helen Pedigo, Assistant Revisor of Statutes, who gave an overview of the statutory responsibilities of Kansas Inc. (Attachment 22). In addition, a memorandum prepared by the Kansas Legislative Research Department, which listed the reports completed by Kansas Inc. since its inception, also was presented to the Committee (Attachment 23).

Chairperson Gordon recognized Stan Ahlerich, Interim Director, Kansas Inc. The Director stated that Kansas Inc.'s mission, as defined by statute is: "To conduct long-range strategic analysis of and planning for the economic development of the State of Kansas, to evaluate state economic development policies and programs, and to oversee the formulation and implementation of economic development policy for the State." Also, Kansas Inc. is charged with three basic charges: long-term strategic planning, research and analysis, and evaluation (Attachment 24).

Mr. Ahlerich explained the Kansas Inc. Yearly Time Cycle handout to the Committee (Attachment 25). The research report, economic development Legislation in Kansas: A Chronological History from Fiscal Year 1986-2004 can be found at www.kansasinc.org. According to Mr. Ahlerich, this report is useful because it outlines all the legislation that has been passed in regard to economic development over the years. In addition, the research report, Fiscal Year 2004 Grants and Loans Report, can be found at www.kansasinc.org. This report can serve as a resource tool for targeting scarce resources to geographic regions of the state, to areas of economic distress, or for specific policy goals.

Mr. Ahlerich provided to the Committee two industry reports completed by Kansas Inc.: the New Cotton Frontier and New Oil Refinery Possibilities in Kansas. He explain that the cotton industry has emerged in the southern counties of the State and is of growing importance to the economy (Attachment 26). The New Oil Refinery Possibilities in Kansas Report provides the reader with technological information about the industry and that the State might be an excellent place for a new refinery (Attachment 27) and a research proposal for energy (Attachment 28).

Several outsourced research reports were presented, as were several proposals for study, including the following:

- Proposal to Conduct Consumer Confidence survey for Inclusion in the Annual Indicators of the Kansas Economy (IKE) (Attachment 29);
- Agricultural Commodities Future (Attachment 30);
- Kansas Energy Council, future Gen Project (Attachment 31);
- Providing health insurance to employees (Attachment 32); and
- The Property Tax and the Performance of the Kansas Economy (Attachment 33).

In reply to a question whether research been done on what affect taxes have on economy, Mr. Ahlerich said: "The Property Tax and the Performance of the Kansas Economy" is a study that is included in the agenda for out-sourced research items for 2006. The design of the evaluation would include a methodology developed by the three agencies, Kansas Inc., KTEC and Department

of Commerce. The goal of the report would be that all parties would work toward a deliverable and meaningful report." ([Attachment 34](#)).

Current publications published by Kansas Inc. are listed on ([Attachment 35](#)). All of these reports can be found on the website www.kansas.inc.org.

IKE Reports

Mr. Ahlerich then gave a presentation on the Indicators of the Kansas Economy (IKE) report.

The IKE report came about when it was suggested that information about the economy would be most helpful in a single document. Kansas Inc. currently is in the process of designing such a document and is reviewing all current information sources. Mr. Ahlerich stated Kansas Inc. is striving to make all of its reports better, keep them updated, automated, and in real time.

Chairperson Gordon thanked Mr. Ahlerich for work done by Kansas Inc. Several Committee members commented they were impressed with the information provided by Kansas Inc. and the new direction the agency is taking.

Tax Incentives and Tax Credits

Chairperson Gordon introduced Howard Fricke, Secretary, Kansas Department of Commerce, who was representing Secretary Wagon and the Department of Revenue as well as the Department of Commerce. He presented an update on the work of the incentive advisory group and gave an overview of the first advisory group meeting which was held this summer.

Commerce Department staff have been working to develop a new database utilizing the key performance indicators ([Attachment 36](#)).

Afternoon Session

Workers Compensation

Keri Kish, Staff Attorney for the Kansas Insurance Department, spoke about the Workers Compensation Fund Oversight Committee.

Ms. Kish explained that in 1993, legislation was passed that completely revised workers compensation in Kansas. The second injury fund was dissolved. It was spun off into the Kansas Workers Compensation Fund. The Kansas Workers Compensation Fund continues to pay old claims that were established under the prior Second Injury Fund, and to pay new claims for employers who do not carry workers compensation insurance. However, the Fund is brought into case only after litigation. If the employers do not carry workers compensation insurance, the Division of Workers Compensation will access the criminal courts against the employers.

In 1993, part of the reform legislation provided for the Workers Compensation Oversight Committee. However, this Committee has not met regularly since 1994 and the last time the

Committee did meet was 1999. The Committee has 11 members. Those members are listed on a handout provided to the Committee (Attachment 37).

Outside of the Committee activities, the Kansas Insurance Department issues a report on the Fund each year to the Legislative Coordinating Council. The report provides all the information and statistics from the prior year activity of the Fund. In addition, an annual report is prepared for the Governor's office.

Ms. Kish stated that it is the position of the Insurance Commissioner that the Committee continue; however, it should be an unpaid Committee.

After a lengthy discussion pertaining to whether the Workers Compensation Fund Oversight Committee should remain in existence, *a motion was made by Senator Barone and seconded by Representative Huntington that this issue be brought back up in the October meeting for final Committee action, and at that time, draft legislation be presented for consideration. The draft legislation should eliminate the Committee and make necessary responsibility assignments. A vote was taken, motion carried.*

The meeting was adjourned at 2:50 p.m. The next meeting is scheduled for October 11 and 12, 2005.

Prepared by Carlene Maag

Approved by Committee on:

October 11, 2005

(date)