

Approved: 02/14/94
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Rochelle Chronister at 2:20 p.m. on February 10, 1994 in Room 514-S of the Capitol.

All members were present except: none

Committee staff present: Alan Conroy, Legislative Research Department
Paul West, Legislative Research Department
Diane Duffey, Legislative Research Department
Scott Rothe, Legislative Research Department
Jim Wilson, Revisor of Statutes
Jerry Cole, Committee Secretary
Sharon Schwartz, Administrative Assistant

Conferees appearing before the committee:

Senator Pat Ranson, Twenty-fifth district
Bernie Koch, Wichita Area Chamber of Commerce
John Scheirman, Kansas Department of Transportation (KDOT) Bureau Chief of Rail Affairs

Others attending: See attached list

Chairman Chronister opened the hearing on **SB 456**. Senator Pat Ranson opened testimony on the bill as a proponent. (See Attachment 1). Senator Ranson referred to information in her testimony that was presented by Charles Warren of Kansas, Inc. Mr. Warren was scheduled to appear and presented information to the committee, (See Attachment 1a), but was unable to attend the meeting. Bernie Koch, Wichita Area Chamber of Commerce, also appeared in favor of the bill. (See Attachment 2). Chairman Chronister closed the hearing for the bill. Rep. Bradley moved that SB 456 be passed favorably from the committee. Rep. Pottorff seconded the motion and it carried.

She then opened the hearing for **HB 2806**. Rep. Kent Glasscock presented testimony for Sue Peterson, Kansas State University, who was likewise unable to attend the committee meeting. (See Attachment 3). Rep. Glasscock then made a motion to amend the bill by changing the word "May" on page 5 line 13 of the bill to the word "July". Rep. Mead seconded his motion and it carried. Rep. Glasscock made a second motion to pass and favorably recommend the bill. The motion was seconded by Rep. Pottorff and carried.

Chairman Chronister opened the hearing for **SB 557**. John Scheirman, KDOT Bureau Chief, presented his testimony on the bill under consideration in favor of its passage. (See Attachment 4). Rep. Bradley moved to amend the bill by requesting the Kansas Developmental Finance Authority to perform a review for competitive bids, as well as the bond counsel and underwriter for the bond in question. Rep. Bradley withdrew his motion on finding that KDOT was not responsible for the bonds, as the Mid States Port Authority was the issuing body. Rep. Heinemann moved for favorable passage of the bill, seconded by Rep. Carmody and carried unanimously.

Chairman Chronister notified Rep. Heinemann she was referring **HB 2842, 2853, 2857, 2926, 2927, 2928, 2952, 2982 and SB 453** to his subcommittee. She notified Rep. Mead his subcommittee was referred **HB 2908, 2909, 2929, 2930, 2938, 2939, 2940, 2941 and 2945.**

Attention was then turned to **HB 2652** for subcommittee reports to the committee on budget recommendations for Judicial agencies in the bill. Rep. Hochhauser gave the FY 94 subcommittee recommendation for the Board of Indigents' Defense. (See Attachment 5). Rep. Gatlin gave the FY 95 subcommittee report for the agency. Rep. Dean made a motion to include a proviso in the bill preventing

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S of the Capitol, at 2:20 p.m. on February 10, 1994.

movement of Wichita Indigents' Defense agency offices by not allocating monies for moving expenses or other rental locations. The motion was seconded by Rep. Heinemann and carried. Rep. Hochhauser made a motion for the subcommittee reports to include fiscal impact information from impending legislation (i.e. **HB 2578** on the death penalty). Rep. Gatlin seconded the motion and it carried. Rep. Gatlin moved to adopt the subcommittee reports for FY 94 and FY 95 as they had been amended by the committee. Rep. Hochhauser seconded the motion and it carried.

The meeting was adjourned at 3:45 p.m. The next meeting is scheduled for February 11, 1994 at 8:00 a.m.

1994 Appropriation Committee Guest List

1	NAME	ORGANIZATION
2	Kathie Sparks	DOB
3	Donna Ayub	Rep Munoz's Staff - Intern
4	Pak Lenson	Ks. Senate
5	Jerry Sloan	OJA
6	Linda McGill	KOJA
7	JP Small	MSPA / KD OT
8	B. Koch	Wichita Area Chamber
9	M. Cathey	BIDS
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		

Thu, Feb 10, 1994

KANSAS SENATE

PAT RANSON
SENATOR, DISTRICT TWENTY-FIVE
SEDGWICK COUNTY
1701 WOODROW CT.
WICHITA, KS 67203
(316) 267-7991



STATE CAPITOL, 143-N
TOPEKA, KANSAS 66612-1504
(913) 296-7391

COMMITTEE ASSIGNMENTS
CHAIRPERSON: JOINT COMMITTEE ON ECONOMIC
DEVELOPMENT
VICE-CHAIRPERSON: COMMERCE
MEMBER: JUDICIARY
LOCAL GOVERNMENT
ELECTIONS, CONGRESSIONAL &
LEGISLATIVE APPORTIONMENT &
GOVERNMENTAL STANDARDS

TO: Members of the House Appropriations Committee

FROM: Senator Pat Ranson

RE: SB 456

DATE: February 10, 1994

Attached is a copy of the proviso language included in the 1993 appropriations bill in regard to the Kansas Economic Initiative Opportunity Fund. It specifically defines the circumstances that would qualify a project for this fund. Two of the circumstances that apply to the Wichita request for grants are: (3) the award of a significant federal or private sector grant which has a financial matching requirement; (4) the departure from Kansas or the substantial reduction of the operations of a major employer.

The WI/SE Partnership for Growth has applied for \$372,000 from the Fund for three separate projects to help the community respond to the layoffs of approximately 5,000 jobs from the largest private employer in Kansas. The loss of these jobs is clearly an economic emergency that deserves a state response.

Many unemployed workers in Wichita and South Central Kansas have exhausted their unemployment compensation and are badly in need of retraining, counseling, and appropriate placement. Others need assistance in starting their own businesses. Many of the small manufacturing companies are trying to join together for bidding projects and diversifying their products. The WI/SE request for these three projects address these needs.

Please support these worthwhile projects that the Kansas Economic Opportunities Fund Review Committee recommended to the State Finance Council for funding in December 1993.

ATTACHMENT 1

made from the Kansas economic development endowment account of the state economic development initiatives fund for the fiscal year ending June 30, 1994, moneys may be expended by the above agency from the Kansas economic development endowment account of the state economic development initiatives fund during fiscal year 1994 for the following, subject to the expenditure limitations prescribed therefor:

[+]

Kansas economic initiative opportunity fund..... 1,485,000

Provided. That expenditures may be made by the above agency from this subaccount of the Kansas economic development endowment account for grants to one or more state agencies, or by such state agencies pursuant to authorization to make expenditures from this subaccount in accordance with the grant award: *Provided, however,* That no grant may be awarded from this subaccount unless until a five-member committee, consisting of the secretary of commerce and housing, the president of the Kansas technology enterprise corporation, the private sector co-chair of Kansas, inc., and the private sector chairperson of the board of directors of the Kansas technology enterprise corporation, determines that an economic emergency or unique economic development opportunity exists which warrants the award of a grant from this subaccount for a strategic economic intervention by such state agency or agencies to address expenses involved in securing economic benefits or avoiding or remedying economic losses related to: (1) A major expansion of an existing Kansas commercial enterprise; (2) the potential location in Kansas of the operations of a major employer; (3) the award of a significant federal or private sector grant which has a financial matching requirement; (4) the departure from Kansas or the substantial reduction of the operations of a major employer; or (5) the closure of a major federal or state institution or facility: *Provided further,* That no expenditures shall be made from this fund except upon approval by the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and amendments thereto.

Olathe travel information center..... 267,300

Provided. That no expenditures for construction shall be made until the department of commerce and housing receives clear title to the land on which the travel information center is to be constructed; and that the final construction plans have been reviewed by the joint committee on state building construction: *Provided further,* That no expenditures shall be made from this subaccount for construction of a driveway.

(e) There is appropriated for the above agency from the following special revenue fund for the fiscal year specified, all moneys now or hereafter lawfully credited to and available in such fund, except that expenditures other than refunds authorized by law shall not exceed the following:

December 10, 1993

Kansas Economic Opportunities Fund
Minutes of Review Committee

The Secretary of Commerce and Housing, Bob Knight; the President of Kansas Inc., Charles Warren; The Chairman of the Kansas Inc. Board of Directors, Eric Jager; and the Chairman of the Kansas Technology Enterprise Corporation, Lloyd Silver, met via telephone conference at 3:00 p.m., on December 10, 1993 to review an application from the WI/SE Partnership, Wichita, Kansas for funding from the Kansas Economic Opportunities Initiatives Fund (KEIOF) for three projects:

- 1) \$250,000 to match the federal grant award to the Kansas Manufacturers Association.
- 2) \$50,000 to match local dollars to create an Employment and Training Board in Sedgwick County.
- 3) \$72,000 to fund a loan loss reserve for a micro loan demonstration program to be administered by the South Central Kansas Economic Development District. These funds will match a \$750,000 grant by the Small Business Administration and \$40,000 from Wichita Area Development.

These projects were submitted earlier to the Governor's Task Force on The Wichita Layoffs. Each responds to the layoffs in the aviation industry of over 5,000 employees and reductions in staffs by other major area employers.

In the committee discussion, Lloyd Silver questioned how these projects fit with the criteria set for the use of the fund. Warren responded by noting the fact that the fund was envisioned as a response to significant reductions by a major employer that seriously impacts a community. The KMA grant is designed to assist small manufacturing companies to diversify away from the aviation industry. The companies involved have experienced serious cutbacks in orders. The training board is an attempt to coordinate the efforts of local providers in assisting in the training and retraining of laid off workers and helping other area employers expand and hire skilled workers. The micro-loan is designed to assist laid off workers and others in the Wichita area start new businesses as an alternative to employment.

A vote was taken and each of the four members of the committee voted to recommend the three projects and the total amount of \$372,000 to the State Finance Council for funding. It is noted that the position of President of the Kansas Technology Enterprise Corporation is vacant and there are only four voting members of the committee at the present time.



Recorded by Charles R. Warren, President, Kansas Inc.
December 10, 1993

PROJECT SUMMARY

I. *SOUTH CENTRAL KANSAS ECONOMIC DEVELOPMENT DISTRICT (SCKEDD)'S \$750,000 MICRO-LOAN PROGRAM.*

The Small Business Administration (SBA) has approved a \$750,000 loan to the South Central Kansas Economic Development District (SCKEDD) to be used to establish a Micro-Loan program. The SBA program requires that a 15% loan loss reserve (\$112,000) be established to guarantee SCKEDD's ability to repay the 10-year loan to SBA. Wichita Area Development (WAD) has approved a \$40,000 grant to SCKEDD to cover the first draw from SBA. An additional \$72,000 is required to match the entire SBA loan.

In addition to the loan, SBA will make a grant to SCKEDD of up to 25% (\$187,500) of the loan for administration costs to market, screen, package, close and service the loan. SCKEDD will provide the required 25% (\$47,000) match for the administrative grant.

The loans cannot exceed a maximum \$25,000 for each borrower; SBA estimates that the average loan will be approximately \$10,000. It is estimated that up to 75 loans will be funded under the program.

Research by the Center for Economic Development and Business Research (CEDBR) at The Wichita State University for Kansas Inc. on behalf of the Governor's Task Force on Lay-Offs suggests that as many as 15-20% of laid-off workers in the Wichita area will attempt to start their own businesses. This estimate is based on historical data from the 1982-83 downturn and on information from St. Louis (which has experienced similar layoffs) at McDonnell Douglas in recent years.

SBA has already approved the \$750,000 loan to SCKEDD. State funding is needed immediately for the remainder of the 15% loan loss reserve.

PROJECT SUMMARY

II. **ESTABLISHMENT OF AN EMPLOYMENT AND TRAINING BOARD FOR WICHITA/ SEDGWICK COUNTY.**

On August 5, 1993 the WI/SE Board of Directors approved a recommendation from its Task Force on Training Wichita's Work Force to create a community-wide Employment and Training Board. The Board's primary task is to set clear goals (expectations) associated with the preparation of post-secondary students for work place requirements and to evaluate progress toward those goals. Related tasks would include developing a coordinated employment and education network and coordinated program development associated with work place competency requirements. The Task Force's recommendation was approved and funding development for a staff and related support for the Board is under way.

The Task Force's recommendation comes after 18 months of careful research and deliberation by local education/training leaders from education, business and labor, and reflects the rapidly changing demands of the work place brought about by global competition. Employers in Sedgwick County clearly predict the need for more competent workers with the flexibility to continuously improve production and/or service delivery processes. This translates to the need for a closer, more dynamic relationship between employers and post-secondary educators and trainers (while at the same time not taking away from the importance of K-12 reform).

Setting goals and expectations related to work place competencies requires some type of guidelines or tools for that purpose. The Task Force has adopted (and WI/SE has approved) the competency recommendations set forth in the Secretary's Commission of the Achievement of Necessary Skills (SCANS) report. This report outlines specific foundation skills which are necessary for entering and advancing in a competitive work place environment. The skills pertain to the following areas:

- Resource allocation
- Interpersonal abilities
- Information management
- Systems literacy
- Mastery of technology

The Employment and Training Board will include key decision-makers from higher education, business and labor, and one representative from area school districts. The Board and its objective will complement similar initiatives at the State level.

The proposed budget is \$153,000 for the first year to meet staffing requirements. The Task Force has been successful in securing \$50,000 in discretionary funds available for grants through the* Kansas State Board of Education. An additional \$50,000 is requested through this proposal. Local funding will be leveraged to round out the estimated \$153,000 budget projection.

* *The State Board of Education funds are from federal funding. (Care Perkins Fund)*

PROJECT SUMMARY

III. **EXPANSION OF KANSAS MANUFACTURERS ASSOCIATION (KMA)'S NONPROFIT CONSORTIUM.**

Twenty ^{four} ~~one~~ Wichita area sub-tier suppliers to the major defense/aerospace firms have established a nonprofit corporation to implement a collaborative network to improve their competitive capabilities. This consortium recognizes that major manufacturing firms (Boeing, Beech, Learjet, Cessna locally, as well as others such as McDonnell Douglas, Lockheed, etc.) have embarked on programs to reduce the number of vendors -- partially brought about by (1) the end of the Cold War and reductions in the US. defense budget, (2) the current recession in the United States and international airline industry which has severely impacted commercial aircraft sales, and (3) the necessity to reduce cost in order to compete internationally with firms which are subsidized by foreign governments.

The nonprofit consortium, Kansas Manufacturer's Association (KMA), was formed in August 1992 and is operating from an office in Enterprise Place provided by the WI/SE Partnership for Growth. It is supported by the regional office of Mid-America Manufacturing Technology Center (MAMTC) at The Wichita State University. Operations are financed from members' dues and a small grant from MAMTC. It is anticipated that in the future KMA will earn commissions from its member firms for work contracted as a result of KMA marketing efforts. The primary thrust of KMA since its inception has been joint marketing efforts on behalf of its members.

KMA has applied to the National Institute of Standards and Technology (NIST), a division of the U.S. Department of Commerce, for funding under NIST's Technology Program (TRP) for a three-year pilot project which would provide management and employee training, assist with access to selected technologies and aid member firms in the development or acquisition of products to manufacture or distribute. The survival of many of these firms may well be at stake in this proposed project.

The three-year project has a budget of \$2 million with \$1 million to come from NIST and the remainder to come from local, state and private match, including membership dues to KMA and earned commissions. The first-year grant request to NIST is \$400,000, requiring a \$400,000 match.

KMA is requesting \$250,000 in matching funds from the Kansas Economic Opportunity Fund. \$150,000 will be provided locally from KMA members (dues and commissions) and WI/SE (office space and services).

NIST funds are available in the current Federal fiscal budget. A decision on the KMA application is expected prior to September 30, 1993 for immediate funding.* The requested State funding will be required at that time.

* The Ks Manufacturers Assoc was notified Nov. 24, 1993 that the NIST grant of \$1 million was awarded to them.

EDIF Funds Leveraged in Response to Wichita Layoffs

\$2,590,000

\$1 EDIF = \$6.96 Federal & Local

\$372,000

EDIF

Federal & Local

December 10, 1993

Kansas Economic Opportunities Fund
Minutes of Review Committee

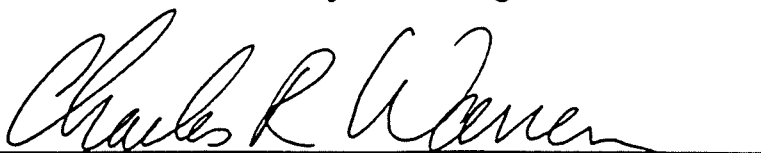
The Secretary of Commerce and Housing, Bob Knight; the President of Kansas Inc., Charles Warren; The Chairman of the Kansas Inc. Board of Directors, Eric Jager; and the Chairman of the Kansas Technology Enterprise Corporation, Lloyd Silver, met via telephone conference at 3:00 p.m., on December 10, 1993 to review an application from the WI/SE Partnership, Wichita, Kansas for funding from the Kansas Economic Opportunities Initiatives Fund (KEIOF) for three projects:

- 1) \$250,000 to match the federal grant award to the Kansas Manufacturers Association.
- 2) \$50,000 to match local dollars to create an Employment and Training Board in Sedgwick County.
- 3) \$72,000 to fund a loan loss reserve for a micro loan demonstration program to be administered by the South Central Kansas Economic Development District. These funds will match a \$750,000 grant by the Small Business Administration and \$40,000 from Wichita Area Development.

These projects were submitted earlier to the Governor's Task Force on The Wichita Layoffs. Each responds to the layoffs in the aviation industry of over 5,000 employees and reductions in staffs by other major area employers.

In the committee discussion, Lloyd Silver questioned how these projects fit with the criteria set for the use of the fund. Warren responded by noting the fact that the fund was envisioned as a response to significant reductions by a major employer that seriously impacts a community. The KMA grant is designed to assist small manufacturing companies to diversify away from the aviation industry. The companies involved have experienced serious cutbacks in orders. The training board is an attempt to coordinate the efforts of local providers in assisting in the training and retraining of laid off workers and helping other area employers expand and hire skilled workers. The micro-loan is designed to assist laid off workers and others in the Wichita area start new businesses as an alternative to employment.

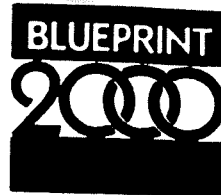
A vote was taken and each of the four members of the committee voted to recommend the three projects and the total amount of \$372,000 to the State Finance Council for funding. It is noted that the position of President of the Kansas Technology Enterprise Corporation is vacant and there are only four voting members of the committee at the present time.



Recorded by Charles R. Warren, President, Kansas Inc.
December 10, 1993

ATTACHMENT 1a

November 24, 1993



AN ACTION PLAN
FOR THE FUTURE OF
WICHITA/SEDGWICK COUNTY

Mr. Bob Knight
Secretary
Kansas Department of Commerce and Housing
700 S. W. Harrison St., Ste. 1300
Topeka, KS 66603-3712

RECEIVED

NOV 29 1993

Kansas, Inc.

Dr. Charles Warren
President
Kansas Inc.
632 S. W. Van Buren, Ste. 100
Topeka, KS 66603

Mr. Lloyd T. Silver, Jr.
Chairman
Kansas Technology Enterprise Corp.
112 W. Sixth St., Ste. 400
Topeka, KS 66603

Reference: August 30, 1993 Application
Kansas Economic Opportunity Fund
\$472,000

Gentlemen:

This is to advise you that Congressman Glickman's office has notified Kansas Manufacturers Association that it will receive a \$1.7 million NIST grant as outlined in our application. Details are to be announced in Washington within the next few days.

We would like to withdraw Item #4 from the application requesting \$100,000 in matching funds for the WI/SE Partnership to match an EDA grant to purchase the Enterprise Place facilities at 1330 E. 1st Street, Wichita, Kansas. This facility has been sold and WI/SE has renewed its lease until such time as a substitute building can be located.

We would appreciate your favorable action on the remainder of the grant application totaling \$372,000.

If you need additional information, please advise.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Marvin L. Wynn', is written over a horizontal line.

Marvin L. Wynn
Chief Operating Officer

MLW/kp

W I / S E
PARTNERSHIP
FOR GROWTH, INC.

CITY OF WICHITA
SEDGWICK COUNTY
THE WICHITA STATE UNIVERSITY
ASSOCIATION OF LEGISLATIVE ACTION
FOR RURAL MAYORS
USD 259
ORGANIZED LABOR
WICHITA AREA CHAMBER OF COMMERCE

350 W. DOUGLAS AVENUE
WICHITA, KS 67202-2970

316-265-2095
FAX: 316-265-7502

19-2



AN ACTION PLAN
FOR THE FUTURE OF
WICHITA/SEDGWICK COUNTY

August 30, 1993

Mr. Bob Knight
Secretary
Kansas Department of Commerce and Housing
700 S.W. Harrison St., Ste. 1300
Topeka, KS 66603-3712

Dr. Charles Warren
President
Kansas Inc.
632 S.W. Van Buren, Ste. 100
Topeka, KS 66603

Dr. Bill Brundage
President
Kansas Technology Enterprise Corp.
112 W. Sixth St., Ste. 400
Topeka, KS 66603

Gentlemen:

The Board of Directors of the Wichita/Sedgwick County Partnership for Growth, Inc. (WI/SE) has authorized me to file, on behalf of the Wichita and Sedgwick County community, applications for grants from the Kansas Economic Opportunity Fund totaling \$472,000 to be used as partial funding for four projects totaling \$2,450,000. The remainder of the funds will come from Federal grants (\$1,637,500) and local match (\$340,500).

We request immediate funding for two of the projects:

1. **\$72,000 to South Central Kansas Economic Development District (SCKEDD)** to fund a loan loss reserve for a Micro Loan Demonstration Program funded by a \$750,000 SBA loan to SCKEDD. This loan has been approved by SBA and loan documents executed. The \$72,000, along with \$40,000 from Wichita Area Development (WAD), is required in order to draw down proceeds from the SBA loan.
2. **\$50,000 to WI/SE** for use in establishing and Employment and Training Board in Sedgwick County.

W I / S E
PARTNERSHIP
FOR GROWTH, INC.

CITY OF WICHITA
SEDGWICK COUNTY
THE WICHITA STATE UNIVERSITY
ASSOCIATION OF LEGISLATIVE ACTION
FOR RURAL MAYORS
USD 259
ORGANIZED LABOR
WICHITA AREA CHAMBER OF COMMERCE

350 W DOUGLAS AVENUE
WICHITA, KS 67202-2970

316-265-2095
FAX: 316-265-7502

19-3

112,0
250,900
362,000

Mr. Bob Knight/Dr. Charles Warren/Dr. Bill Brundage
August 30, 1993
Page 2

We request approval of the additional \$350,000 for two projects which are pending approval of Federal funding:

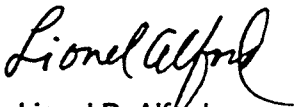
3. **\$250,000 to the Kansas Manufacturers Association (KMA)** as part of the first-year match for a \$2,000,000 program to strengthen 21 sub-tier supplier firms in the Wichita area which are being impacted by the layoffs at Boeing and Beech Aircraft and the downsizing and re-engineering of other prime aerospace contractors. A grant application to the National Institute of Standards and Technology (NIST) for \$1 million in Federal funding is pending. Approval of the Federal grant is anticipated prior to October 1, 1993.
4. **\$100,000 to WI/SE** for purchase of the building located at 1330 East First Street and currently leased by WI/SE from INTRUST Bank. WI/SE operates a small business assistance center called Enterprise Place in this facility. An application is being prepared to the Economic Development Administration (EDA) for a \$300,000 grant to be applied toward the \$400,000 purchase price. WI/SE has been and will continue to fund operation of the facility, including staffing. The Federal funding will be available in FY1994 beginning October 1, 1993.

Enclosed is an executive summary of the four projects along with backup material to support the applications for State of Kansas funding of the projects. As you are aware, the Wichita area has lost or will lose approximately 10,000 jobs between January 1, 1993 and July 1, 1994. The impact of these job losses is already reflected in the Wichita MSA unemployment rate which has increased from 4.4% in July 1992 to 5.6% in July 1993 after a temporary rising to 6.7% in June 1993, the highest rate in 10 years.

The layoffs were being announced earlier this year when the Kansas Legislature voted to create the Kansas Economic Opportunity Fund. We believe the four projects outlined in this application will enable the community to create new programs and expand existing programs designed to assist local businesses which will retain and create much needed local jobs to offset the jobs being lost through layoffs.

If you have questions, please contact me at (316) 683-7755 or Marvin Wynn, chief operating officer of WI/SE, at (316) 268-1132. Thank you very much.

Yours very truly,



Lionel D. Alferd
Chairman

TESTIMONY ON SB 456
BERNIE KOCH
WICHITA AREA CHAMBER OF COMMERCE
February 10, 1994
House Appropriations Committee

Representative Chronister, members of the committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce, appearing in support of Senate Bill 456. Thank you for the opportunity to testify today.

I'm appearing today not only on behalf of The Chamber, but on behalf of the Wichita/Sedgwick County Partnership for Growth, the unified economic development agency in Wichita and Sedgwick County.

Senate Bill 456 would fund \$372 thousand dollars in funding from the Kansas Economic Opportunities Initiatives Fund for three projects in Sedgwick County and South Central Kansas. A summary of the three projects is attached to my testimony.

These projects will assist our community in adjusting to the substantial loss of jobs last year at Boeing, Sears Telecatalogue Center, Coastal Refinery and Beech Aircraft. These funds are also needed to match Federal grants and local funds which have already committed to the three projects.

I will briefly summarize these projects:

The first proposal is to provide \$72,000 for a loan loss reserve to enable the South Central Kansas Economic Development District to receive full funding of a \$750 thousand dollar Small Business Administration grant. This would establish a micro-loan program which would make loans up to \$20,000 each to individual entrepreneurs to start a business. This size business loan is not generally available from traditional banking sources. Research shows that in past layoffs, many skilled workers started new businesses.

The SBA grant requires a local/state match of \$112 thousand dollars and \$40,000 of that has been raised, leaving the \$72,000 unfunded.

The second project would provide \$50,000 from the state to match \$50,000 in federal funds to help the WI/SE Partnership establish an Employment and Training Board to develop strategies and programs to train and retrain unemployed workers and others.

The third program will establish a Technology Reinvestment Program under the Kansas Manufacturers Association. KMA is a consortium of 24 companies, most of which are aviation contractors. KMA has obtained a one million dollar federal grant for a three year program to develop new strategies, new markets, new products and diversify their business opportunities. The federal grant must be matched by local and state funds.

ATTACHMENT 2

The \$250 thousand from the state, along with funds generated by KMA will be used for the first year match of the federal funding. Without these state funds, it is doubtful these small companies will be able to raise the match.

The total of the requested state allocation is \$372 thousand. This will be leveraged with more than \$1.6 million in federal and local funding to help us continue to recover from the severe setbacks experience this time last year.

Thank you for the opportunity to testify.

PROJECT SUMMARY

I. SOUTH CENTRAL KANSAS ECONOMIC DEVELOPMENT DISTRICT (SCKEDD)'S \$750,000 MICRO-LOAN PROGRAM

The Small Business Administration (SBA) has approved a \$750,000 loan to the South Central Kansas Economic Development District (SCKEDD) to be used to establish a Micro-Loan program. The SBA program requires that a 15% loan loss reserve (\$112,000) be established to guarantee SCKEDD's ability to repay the 10-year loan to SBA. Wichita Area Development (WAD) has approved a \$40,000 grant to SCKEDD to cover the first draw from SBA. An additional \$72,000 is required to match the entire SBA loan.

In addition to the loan, SBA will make a grant to SCKEDD of up to 25% (\$187,500) of the loan for administration costs to market, screen, package, close and service the loan. SCKEDD will provide the required 25% (\$47,000) match for the administrative grant.

The loans cannot exceed a maximum \$25,000 for each borrower; SBA estimates that the average loan will be approximately \$10,000. It is estimated that up to 75 loans will be funded under the program.

Research by the Center for Economic Development and Business Research (CEDBR) at The Wichita State University for Kansas Inc. on behalf of the Governor's Task Force on Lay-Offs suggests that as many as 15-20% of laid-off workers in the Wichita area will attempt to start their own businesses. This estimate is based on historical data from the 1982-83 downturn and on information from St. Louis (which has experienced similar layoffs) at McDonnell Douglas in recent years.

SBA has already approved the \$750,000 loan to SCKEDD. State funding is needed immediately for the remainder of the 15% loan loss reserve.

2/1/94

PROJECT SUMMARY

II. *ESTABLISHMENT OF AN EMPLOYMENT AND TRAINING BOARD FOR WICHITA/SEDGWICK COUNTY.*

On August 5, 1993 the WI/SE Board of Directors approved a recommendation from its Task Force on Training Wichita's Work Force to create a community-wide Employment and Training Board. The Board's primary task is to set clear goals (expectations) associated with the preparation of post-secondary students for work place requirements and to evaluate progress toward those goals. Related tasks would include developing a coordinated employment and education network and coordinated program development associated with work place competency requirements. The Task Force's recommendation was approved and funding development for a staff and related support for the Board is under way.

The Task Force's recommendation comes after 18 months of careful research and deliberation by local education/training leaders from education, business and labor, and reflects the rapidly changing demands of the work place brought about by global competition. Employers in Sedgwick County clearly predict the need for more competent workers with the flexibility to continuously improve production and/or service delivery processes. This translates to the need for a closer, more dynamic relationship between employers and post-secondary educators and trainers (while at the same time not taking away from the importance of K- 12 reform).

Setting goals and expectations related to work place competencies requires some type of guidelines or tools for that purpose. The Task Force has adopted (and WI/ SE has approved) the competency recommendations set forth in the Secretary's Commission of the Achievement of Necessary Skills (SCANS) report. This report outlines specific foundation skills which are necessary for entering and advancing in a competitive work place environment. The skills pertain to the following areas:

- Resource allocation
- Interpersonal abilities
- Information management
- Systems literacy
- Mastery of technology

The Employment and Training Board will include key decision-makers from higher education, business and labor, and one representative from area school districts. The Board and its objective will complement similar initiatives at the State level.

The proposed budget is \$100,000 for the first year to meet staffing requirements and research. The Task Force has been successful in securing \$50,000 in Carl Perkins funds available for grants through the Kansas State Board of Education. An additional \$50,000 is requested through this proposal. This will enable the Board to operate the first year while it establishes itself and secures permanent funding.

PROJECT SUMMARY

III. *EXPANSION OF KANSAS MANUFACTURERS ASSOCIATION (KMA)'S NONPROFIT CONSORTIUM.*

Twenty-one Wichita area sub-tier suppliers to the major defense/aerospace firms have established a nonprofit corporation to implement a collaborative network to improve their competitive capabilities. This consortium recognizes that major manufacturing firms (Boeing, Beech, Learjet, Cessna locally, as well as others such as McDonnell Douglas, Lockheed, etc.) have embarked on programs to reduce the number of vendors -- partially brought about by (1) the end of the Cold War and reductions in the US. defense budget, (2) the current recession in the United States and international airline industry which has severely impacted commercial aircraft sales, and (3) the necessity to reduce cost in order to compete internationally with firms which are subsidized by foreign governments.

The nonprofit consortium, Kansas Manufacturer's Association (KMA), was formed in August 1992 and is operating from an office in Enterprise Place provided by the WI/ SE Partnership for Growth. It is supported by the regional office of Mid-America Manufacturing Technology Center (MAMTC) at The Wichita State University. Operations are financed from members' dues and a small grant from MAMTC. It is anticipated that in the future KMA will earn commissions from its member firms for work contracted as a result of KMA marketing efforts. The primary thrust of KMA since its inception has been joint marketing efforts on behalf of its members.

KMA has applied to the National Institute of Standards and Technology (NIST), a division of the U.S. Department of Commerce, for funding under NIST's Technology Program (TRP) for a three-year pilot project which would provide management and employee training, assist with access to selected technologies and aid member firms in the development or acquisition of products to manufacture or distribute. The survival of many of these firms may well be at stake in this proposed project.

The three-year project has a budget of \$2 million with \$1 million to come from NIST and the remainder to come from local, state and private match, including membership dues to KMA and earned commissions. The first-year grant request to NIST is \$400,000, requiring a \$400,000 match.

KMA is requesting \$250,000 in matching funds from the Kansas Economic Opportunity Fund. \$150,000 will be provided locally from KMA members (dues and commissions) and WI/SE (office space and services).

NIST funds are available in the current Federal fiscal budget. KMA was notified on November 23, 1993 that it had been awarded the \$1 million Federal grant. Negotiations are underway to finalize administration of the program.

2-1-94

**Office of the President**

Anderson Hall
Manhattan, Kansas 66506-0112
913-532-6221

Testimony on HB 2806

Presented to Chair, Rochelle Chronister
House Appropriations Committee
February 10, 1994

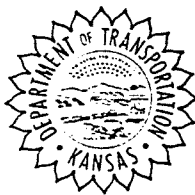
Presented by Sue Peterson
Kansas State University

Madame Chair and members of the Appropriations Committee:
HB 2806 makes three changes to the Extension District law
passed by this Legislature as HB 2020 in 1991.

The first date change is on page two lines 1, 22, and 36
and page three line 4. Because the election is held in
April, the January dates are not in sync with the election.
The requested changes would allow the governing body
members to serve the first meeting after the April
election.

The next change is on page five line 13 which in the
printed bill is from January to ~~May~~, but since the first
meeting will not take place until July we need to amend May
to July.

The last requested change is on page five in section 3.
The request is to include the director of extension or the
director's authorized representative as one who ~~may~~ agree
to withdraw a county from a district. They are included in
the up-front decision to create the multiple county
district this simply makes the players authorized to
withdraw consistent. The language beginning on line 32
through line 39 outlines the process to be used to withdraw
from a district.



Michael L. Johnston
Secretary of Transportation

KANSAS DEPARTMENT OF TRANSPORTATION

Docking State Office Building
Topeka 66612-1568
(913) 296-3566
FAX - (913) 296-1095

Joan Finney
Governor of Kansas

Testimony on Senate Bill No. 557
House Appropriations Committee

By John R. Scheirman
Chief, Bureau of Rail Affairs
Kansas Department of Transportation

February 10, 1994

Mr. Chairman and members of the Committee,

My name is John Scheirman. I am the Chief of the Bureau of Rail Affairs in the Kansas Department of Transportation. I am here today to testify on behalf of KDOT in support of Senate Bill No. 557.

This appropriations bill relates to the legal and financial relationship which exists between the Secretary of Transportation and the Mid States Port Authority. I will try to briefly summarize that relationship and the events that brought us to where we are today. Mid States is a quasi-public body which was formed in 1980 by fourteen counties in northern and western Kansas pursuant to K.S.A. 12-3401 et seq. With the help of a federal loan, Mid States was able to buy over 400 miles of rail lines from the trustee of the bankrupt Chicago, Rock Island and Pacific railroad in 1984. The federal government asked the Secretary of Transportation to guarantee that loan, and with authorization from the Legislature

and the State Finance Council, he did so. In 1989, due to changes in federal policy, Mid States had the opportunity to pay off the federal loan balance at a discount and reduce its debt from \$18 million dollars to less than \$7 million. This was accomplished by taking out a new bank loan. Again, the lender asked for KDOT's guarantee, and again, the Legislature authorized such action.

At the present time, Mid States is preparing to issue revenue refunding bonds which will allow it to pay off the bank loan, which has a fixed interest rate of eleven percent. KDOT has analyzed the various financing options, and we have concluded that such a bond issue would offer Mid States the lowest interest costs available in today's financial markets, possibly less than six percent. Mid States began to consider the feasibility of a bond issue at KDOT's request. We believe this type of refinancing offers the most advantageous terms to the state of Kansas, if KDOT is to continue as guarantor of the debt remaining from the 1984 acquisition of the former Rock Island lines. As a matter of policy, for the past ten years KDOT has tried to balance the needs for financial assistance to maintain rail service in northwestern Kansas with the necessity for prudence and fiscal integrity with respect to KDOT's contingent liabilities as guarantor of that financing. We believe the arrangements in place up until now have been very successful in meeting these goals. At this time, we have an opportunity to make additional progress.

On a more technical note, I would like to explain the need for this bill. It is the determination of KDOT's special counsel on

bond matters that the Secretary has the statutory authority to guarantee the bond issue. However, to make such a guarantee effective in the eyes of the bond underwriters, insurers and buyers, KDOT needs to have annual appropriations authority in place to make good on the guarantee in the event of a default. The Legislature has granted such authority to the agency annually since 1984, but the current language in our 1994 appropriations bill specifically relates to the existing bank loan and is not broad enough to cover a bond issue. Senate Bill 557 would simply add new language to KDOT's appropriations for FY 94 and 95 which would demonstrate to the bond market that the Kansas Legislature concurs in the Secretary's commitment to honor the guarantee.

It is certainly our expectation that the budgetary authority to assume the obligations of Mid States to its bondholders will never need to be exercised. We have estimated the net value of the rail properties which will be pledged as security to be three to four times the value of the bond issue. We have worked closely with Mid States and its operator, Kyle Railroad, for over ten years now and are confident in their ability to pay their debts in a timely manner and to continue providing high quality local rail freight service to the public. KDOT has estimated that the bond financing would save Mid States about three quarters of a million dollars at today's present value. We believe these adjustments would further minimize any risk of default, by providing Mid States and Kyle with more flexibility and working capital to respond to changing conditions.

Due to the timing of the proposed bond issue, this matter was not included in KDOT's main appropriations bill. Favorable action by the committee at this time will assist all parties concerned in moving quickly to take advantage of current financial conditions. Thank you for your consideration. I will try to answer any questions that members of the Committee may have at this time.

SUBCOMMITTEE REPORT

Agency: Board of Indigents'
Defense Services

Bill No. 2752

Bill Sec. 5

Analyst: Rothe

Analysis Pg. No. 87

Budget Page No. 332

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>House Sub. Adjustments</u>
State Operations:			
State General Fund	\$ 9,029,833	\$ 8,682,571	\$ --
Special Revenue Funds	185,818	185,818	--
Subtotal	\$ 9,215,651	\$ 8,868,389	\$ --
Other Assistance			
State General Fund:	404,075	404,075	--
TOTAL	<u>\$ 9,619,726</u>	<u>\$ 9,272,464</u>	<u>\$ --</u>
FTE Positions	89.5	89.5	--

Agency Estimate/Governor's Recommendation

The Legislature approved total expenditures of \$8,001,243 for FY 1994 to provide legal services to indigent criminal felony defendants by public defenders, assigned counsel, and Legal Services for Prisoners, Inc. Of the total approved, \$7,831,243 is from the State General Fund and \$170,000 is from the Indigents' Defense Services Fund. The Board's revised estimate of expenditures for FY 1994 of \$9,619,726 includes \$9,433,908 from the State General Fund, an increase of \$1,602,665 above the amount approved (\$1,396,367 for assigned counsel, and \$206,298 for the salaries and OOE of 10.0 FTE new positions). The revised estimate also includes \$170,000 from the Indigents' Defense Services Fund as approved and a request to spend the remaining balance of \$15,818 from a federal drug defense grant for assigned counsel.

The Governor recommends total expenditures of \$9,272,464 for FY 1994, a reduction of \$347,262 from the Board's revised estimate. A supplemental appropriation from the State General Fund totaling \$1,255,403 is recommended, and includes financing for the 10.0 FTE requested new positions and for approximately 94 percent of the assigned counsel request. The Governor concurs with the request for 10.0 FTE new positions in FY 1994. The Governor recommends assigned counsel expenditures of \$5,349,759 in FY 1994 (a reduction of \$328,843).

House Subcommittee Recommendation

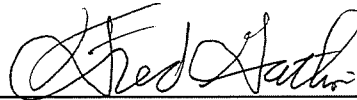
FY 1994. The Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. The Board of Indigents' Defense Services has chosen to utilize the flexibility provided by the 1993 Legislature by adopting and initiating a Regional Defense Delivery System. The single line item appropriation and the elimination of the

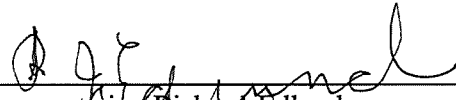
ATTACHMENT 5

position limitation has enabled the agency to utilize assigned counsel funds to hire six additional public defenders and four new support staff in the current year to extend public defense services to high-cost cases throughout Kansas while beginning to focus the use of assigned counsel expenditures to less costly cases. The Subcommittee believes the Board has taken a very positive step forward in the implementation of a much more cost effective and efficient manner of providing public defense and encourages the Board to move forward.

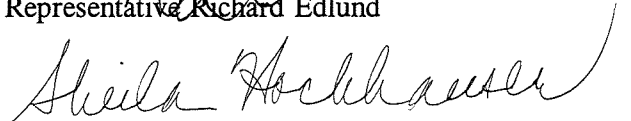
2. The 1993 Legislature recommended that "the agency open its doors wide for a complete post audit of agency operations and financing" to be performed by the Legislative Division of Post Audit. In addition the Legislature appropriated \$29,700 from the State General Fund to enable the agency to contract with a university or with a private consultant for an agencywide management analysis to be performed in cooperation with the Division of Post Audit. In light of the Legislative Post Audit Committee's interest in focusing the Division's attention on other even more recently requested audits rather than on a BIDS audit that was recommended by both the House and Senate Committees, the Subcommittee encourages the agency to go forward with the production of a strategic plan including a management analysis and the implementation of a Regional Public Defender System and to forward the results to the Legislature.
3. The Subcommittee notes that the agency's decision to hire an administrative counsel position in the Administrative Office has had a very positive effect in increasing communication between agency administrators and the field offices. The position has already developed statewide surveys of defense needs, promulgated rules and regulations, and initiated public defender office reviews resulting in reorganization and increased efficiency and accountability.
4. The Subcommittee learned that the agency has proceeded to fully implement a public defender office in Finney County in FY 1994 with the addition of 7 FTE positions. Although the agency's budget submission (and the Governor's recommendation) was based on phased implementation of 2 FTE positions in FY 1994 and the remaining 5 FTE in FY 1995, the agency has decided that an accelerated implementation would generate more immediate assigned counsel savings. As a result, the agency has reduced its appeal for an increase in FY 1994 to \$130,000 rather than the \$347,262 reduction recommended by the Governor.



Representative Fred Gatlin
Subcommittee Chair



Representative Richard Edlund



Representative Sheila Hochhauser

SUBCOMMITTEE REPORT

Agency: Board of Indigents'
Defense Services

Bill No. 2652

Bill Sec. 3

Analyst: Rothe

Analysis Pg. No. 87

Budget Page No. 332

Expenditure Summary	Agency Req. FY 95	Gov. Rec. FY 95	House Sub. Adjustments
State Operations:			
State General Fund	\$ 8,953,608	\$ 8,757,815	\$ --
Special Revenue Funds	173,000	173,000	--
Subtotal	\$ 9,126,608	\$ 8,930,815	\$ --
Other Assistance			
State General Fund:	605,183	428,564	--
TOTAL	\$ 9,731,791	\$ 9,359,379	\$ --
FTE Positions	122.75	94.5	--

Agency Request/Governor's Recommendation

The Board's request for FY 1995 totals \$9,731,791, including \$9,126,608 for agency operations and \$605,183 for a grant to Legal Services for Prisoners, Inc. Requested expenditures from the Indigents' Defense Services Fund of \$173,000 are \$3,000 more than the current year estimate. The FY 1995 request reflects a total increase of \$112,065 and 33.25 FTE positions above the revised FY 1994 estimate. The 10.0 FTE positions hired part-way through FY 1994 to augment the coverage of a burgeoning caseload in the public defender offices would be continued in FY 1995. The agency intends to proceed with the implementation of the Regional Defense Delivery System whereby new offices are established or services extended initially to the more urban counties while voucher review and the assumption of some high cost cases are offered in rural counties. An FY 1995 salary request of \$1,429,857 for 27 new attorneys and 16.25 support staff to implement the regional system would be met with a coinciding reduction in assigned counsel costs of \$1,654,127 in FY 1995.

The Governor recommends total expenditures of \$9,359,379 in FY 1995, including \$8,930,815 for agency operations and \$428,564 for the grant to Legal Services for Prisoners, Inc. The Governor recommends expenditures of \$173,000 from the Indigents' Defense Services Fund, as requested, and \$9,186,379 from the State General Fund, a reduction of \$372,412 from the amount requested. The recommendation include \$309,969 to finance the 10.0 FTE positions added part-way through FY 1994, and \$173,221 for 5.0 FTE new positions for the Finney County Office in FY 1995. The recommendation includes full financing for the new public defender office in Finney County (\$299,249 and 7.0 FTE positions) in addition to 5.0 FTE new attorneys and 3.0 FTE support staff for the remaining offices. Because the Governor's recommendation falls short of the request to establish a Regional Defense Delivery System, assigned counsel expenditures of \$5,079,000 are recommended (\$1,054,525 more than requested).

House Subcommittee Recommendation

FY 1995. The Subcommittee concurs with the Governor's recommendation with the following adjustments:

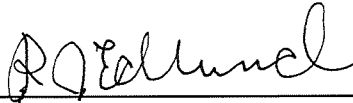
1. The Subcommittee reviewed the agency's efforts associated with performance-based budgeting and discussed how such measurements might be provided to the Legislature in 1995. The Subcommittee is satisfied with the agency's efforts.
2. The Subcommittee recommends that the Board monitor the workload of the Appellate Defenders Office and shift resources internally to provide for its needs. If the number of appellate cases shifted to assigned counsel continues increasing due to the impact of sentencing guidelines, it makes sense to shift attorney positions to this office, at least until the number of appeals on retroactivity levels off.
3. The Subcommittee is concerned that the Public Defender Office in Sedgwick County is being told to move from their offices across the street from the courthouse to the new state office building, one mile from the courthouse while at the same time they are being told to be more efficient. The very efficiency of the public defender's office depends on its ready accessibility to the courthouse. The same can be said for the district courts, for they too depend on the ready availability of the public defenders. Of the 22 state agencies located in Wichita, the BIDS Office is one of 11 slated to move to the state office building in September, 1994. The Subcommittee recommends further review of why the public defender office was chosen to move over the 11 remaining state agencies.
4. In addition to monitoring the significant restructuring taking place throughout the agency, a number of other issues should be addressed by the Subcommittees in future Sessions. For example, the salaries paid to the contracted attorneys and support staff employed by Legal Services for Prisoners, Inc. average \$4,000 to \$5,000 less per position than parallel state positions. Additionally the adequacy of the \$50 per hour assigned counsel fee should be reviewed. The urgency of this review may be lessened as more state public defenders are assigned to the more costly A, B and C felony cases.
5. The Subcommittee encourages the public defender offices to follow the example of the Sedgwick County Office in hiring a social worker position. The new position has been responsible for encouraging sentencing alternatives, especially boot camps, and facilitating the admission of defendants into various treatment programs. The Sedgwick County Office reclassified a legal assistant who performed some social work duties to a social worker position at a lower salary. This is an example of a cost-effective and innovative approach being utilized by the agency in its provision of public defense.
6. The Subcommittee notes that the agency has not had a good predictive history in submitting its assigned counsel requests for succeeding fiscal years. The Subcommittee discussed whether the formation of a "caseload estimating group" might be formed in the future to provide caseload estimates for the judicial branch and for BIDS, including representatives of the agencies as well as from Legislative Research and the Budget Division.

7. The Subcommittee strongly recommends that the Board of Indigents' Defense Services and the Judicial Branch be included with other public safety agencies as exceptions to any across-the-board budget cuts. The work of these agencies does not diminish in times of budget crisis. In fact a strong case could be made that the workload increases in hard times. Both of these agencies have tight budgets heavily reliant on salaries. Financially and philosophically there is ample justification for their exclusion from across-the-board cuts.

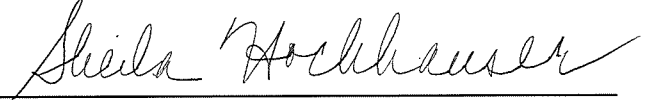
Additionally, anything and everything that may eventually pass of the many bills that propose to get tough on crime will increase the workload for both of these agencies. Across-the-board cuts in the face of at least some and maybe much new legislation adding to the workload seems fundamentally wrong. Passage of bills that get tough on crime will require review in the Omnibus Bill because current funding does not allow for significantly expanded duties that those measures would require.



Representative Fred Gatlin
Subcommittee Chair



Representative Richard Edlund



Representative Sheila Hochhauser