

Approved: 2 - 14 - 94
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Bob Mead at 3:30 p.m.. on February 10, 1994 in Room 423-S of the Capitol.

All members were present except:

Representative Greg Packer, excused
Representative Forrest Swall, excused

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:

Charles Warren, Kansas, Inc.
Jeff Willis, Department of Commerce and Housing
D. Grant MacKinnon, Department of Commerce and Housing

Others attending: See attached list

Chairman Mead called attention to two handouts that had been requested by the committee from the Department of Commerce and Housing regarding the revolving loan fund and the outcomes and accomplishments of the Division of Housing. (Attachments 1 and 2)

The Chair opened hearings on HB 2972, concerning trade show promotion.

Charles Warren, Kansas, Inc. provided testimony in support of both HB 2972 and HB 2971, the Kansas export finance act. (Attachment 3)

John Watson, Acting Director of the Trade Development Division of the Department of Commerce and Housing, introduced Jeff Willis, the Director of International Marketing, to present testimony to the committee.

Mr. Willis distributed copies of the FY 93 Annual Report and a brochure on the Kansas Trade Show Assistance program. (Attachments 4 and 5) He told the committee that expanding the program to include trade shows held within the boundaries of the United States, but are international in scope, would allow for much greater flexibility in assisting Kansas companies to expand their markets and increase sales. (Attachment 6)

The Chair then opened the floor for discussion. It was suggested by Chairman Mead, in referring to page 3 of Mr. Watson's report, it would be more helpful to provide numbers instead of percentages so the committee would have a clearer picture of the participation in the program. Following questions by the committee, Chairman Mead closed hearings on HB 2972.

The Chair opened hearings on HB 2971, the Kansas export finance act.

D. Grant MacKinnon, Export Finance Director, Department of Commerce and Housing, presented testimony in favor of HB 2971. He stated HB 2971 would amend the Kansas Export Finance Act to increase the loan guarantee maximum from 30% to 50% of the Guarantee Fund balance and would fine tune and improve the loan guarantee program and increase its usage. This in turn would lead to additional Kansas exports and job creation/retention. He asked the committee to further amend the bill to expand the export loan guarantee review committee from three members to five members. (Attachment 7)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, Room 423-S
Statehouse, at 3:30 p.m. on February 10, 1994.

There being no further testimony, Chairman Mead closed hearings on HB 2971 and opened the floor for discussion.

Following committee discussion, Representative Wempe made a conceptual motion to pass HB 2971 favorably, with an amendment to reflect the expansion of the Export Loan Guarantee Review Committee to five members from the present three. Seconded by Representative Farmer and the motion carried.

The Chair then presented HB 2972 for final action. Representative Haulmark made a motion to pass HB 2972 favorably, seconded by Representative Wempe and the motion carried.

Chairman Mead adjourned the meeting at 4:45 p.m.

The next meeting is scheduled for February 14, 1994.

GUEST LIST

COMMITTEE: Economic Development

DATE:

2-10-94

[illegible]

Kansas State Economic Development Revolving Loan Fund

Creation of a State funded revolving loan fund for financial assistance to city/county sponsored economic development projects throughout entire State.

A one time injection of \$10 million from the Economic Development Initiative Fund enabling the State to create a self-sustaining resource of financial assistance for economic development projects ineligible for such assistance from the federally funded and regulated block grant program.

The State has administered the federally funded Community Development Block Grant program since October, 1983. Due to federal regulatory restrictions, i.e. primary benefit to low-and-moderate income, non-participation for entitlement cities and counties (the Cities of Kansas City, Wichita, Topeka, Lawrence, Leavenworth and Johnson County), Civil Rights and Davis-Bacon Wage requirements, many projects that would stimulate economic growth and higher wage employment opportunities have been denied financial assistance from the State.

In order to enable Kansas to reach the goals and meet the objectives described in the Kansas, Inc. 1993 economic development strategy, "A Kansas Vision," it is essential to provide adequate and accessible financial capital. The proposed revolving loan fund would provide an essential, now unfilled, piece of the economic development delivery system.

The State Revolving Loan Fund would be utilized to encourage and sustain expansion of existing companies and assist in the recruitment of start-up companies in Kansas which would strengthen and expand the State's economic base. The primary objective of the fund would be in the recruitment and expansion of businesses that would create high quality, high wage jobs able to compete in the global marketplace.

It is not believed that other agencies would be affected by this program, other than limiting the availability of Economic Development Initiative funds for the first year of implementation.

*Economic Development
February 10, 1994
Attachment 1*

KANSAS DEPARTMENT OF COMMERCE & HOUSING
DIVISION OF HOUSING

M E M O R A N D U M

TO: House Economic Development Committee
FROM: Dennis M. Shockley *DMS*
DATE: February 10, 1994
SUBJECT: Outcomes and Accomplishments of Division of Housing

Attached please find a list of accomplishments of the Division of Housing since July 1, 1992 (when the division was created), per the committees' request of February 9, 1994.

If you have any questions regarding this information please contact me at (913) 296-2686.

Economic Development
February 10, 1994
Attachment 2

OUTCOMES AND ACCOMPLISHMENTS IN DIVISION OF HOUSING SINCE JULY 1, 1992

- Completed hiring of full-staff complement for the Division.
- Completed statewide housing needs assessment per legislative directive and reported back to 1993 legislature.
- Received approval from HUD for the 1993 and 1994 Comprehensive Housing Affordability Strategy (CHAS).
- Established a Housing Clearinghouse function per recommendation of a 1991 Legislative Post Audit Report (Housing Hotline, Quarterly newsletter, video, brochure, and other publications; started work on a statewide housing services directory.
- Secured funding for the statewide Housing Hotline from Farmers Home Administration.
- Established working relationships with RTC, FmHA, FHLB, and HUD.
- Forged partnership with and staffed the Governor's Commission on Housing and Homelessness.
- Refunded 11-B bonds with KDFA generating \$3.8 million over 10 years to the State Housing Trust Fund.
- Received \$67,000 grant from the Robert Wood Johnson Foundation for an elderly supportive services grant for five Kansas communities.
- Restructured (with the Division of Existing Industry) Private Activity Bond allocations to generate additional revenues to the State Housing Trust Fund.
- Helped Topeka become a participating jurisdiction under the HOME program by infusing \$143,000 of State HOME monies. This leveraged an additional \$607,000 of housing money into the state and qualified Topeka as an entitlement city in HOME for the remainder of the federal program
- Commenced with the Johnson County Housing Authority the Rural Operation Homeless Program in Franklin, Douglas, and Miami counties.
- Granted \$100,000 in CSBG discretionary funding to Hutchinson, Salina, and Lawrence for a demonstration program to provide transitional housing for homeless families and children.

- Worked with Habitat for Humanity in the construction of three homes (volunteer time) and worked with Habitat conducting energy tests on their homes utilizing technical assistance provided by Western Resources.
- Developed a procedural manual to provide standards and procedures for evaluating Low Income Housing Tax Credit projects and developed a compliance monitoring manual for that same program.
- Brought the new federal HOME Program on line; as of September 1, 1993 Kansas had committed more of its first year allocation than thirty-eight other states.
- Conducted HOME Program delivery workshops statewide.
- Received National Council of State Housing Agencies Award for our efforts in creating the new division and our ongoing housing endeavors.
- Established statewide consortium of sixty-four lenders to participate in the First Time Homebuyer Program of HOME.
- Initiated the application process for special flood monies in the HOME Program.
- Received grant from Kansas Corporation Commission to develop a state plan for home energy ratings.
- Conducted the 1st Governor's Conference on Housing and Homelessness, 400 attended the three-day event.
- In the process of preparing the 1994 CHAS for submission to HUD.
- Assisted seventy-six families (230 persons) in the purchase of their first home with grants of \$672,000, leveraging an additional \$2.2 million in mortgage funding (1st year of Program).
- Awarded \$5.7 million in CSBG grants benefitting over 33,000 Kansans.
- Weatherized 2,600 homes (assisting 7,600 persons/with a 22% energy savings).
- Awarded \$282,000 to twenty local governments for thirty-six homeless shelters.
- Granted \$1.6 million in rent assistance to seven local housing authorities, benefitting 628 persons.
- Granted \$2.2 million to ten communities for homeowner rehabilitation, improving 248 homes and benefitting 748 persons.

- Certified ten Community Housing Development Organizations (CHDOs).
- Allocated \$6.5 million in federal tax credits for a ten year amount of \$65.3 million; this raised or leveraged \$60.9 million of permanent financing for 2,300 units of rental housing.
- Supported 410 Section 8 units.

KANSAS INC. TESTIMONY
House Bill 2971 and 2972
February 10, 1994

Soon after the release of "A Kansas Vision", the state's economic development strategy, Bob Knight requested that Kansas Inc. conduct a review of the Department of Commerce & Housing and make recommendations to ensure that the efforts of department staff and programs were consistent with reaching goals and objectives of the state's new strategy.

Over the next few months, Kansas Inc. met with the staff of five divisions of the Department, to share information and ideas. The insight gained through these meetings was used to develop a report containing 35 recommendations. House Bills 2971 and 2972 are a direct result of two recommendations made in that report. These two initiatives were presented to the Kansas Inc. Board of Directors in December and were approved for inclusion in our 1994 Legislative Agenda.

I urge the Committee to report favorably on H.B. 2971 and 2972.

Economic Development
February 10, 1994
Attachment 3

**KANSAS TRADE SHOW ASSISTANCE PROGRAM
(KTSAP)**

FY 93 ANNUAL REPORT
prepared for the
Joint Committee On Economic Development

Kansas Department of Commerce & Housing
Bob Knight
Secretary
January 11, 1994

Economic Development
February 10, 1994
Attachment 4

Since its inception, the Kansas Trade Show Assistance Program (KTSAP) has proven itself to be one of the most effective programs to promote Kansas exports by encouraging Kansas companies to exhibit their products and services at foreign trade shows. Given the great diversity of Kansas products and services, the Kansas Trade Show Assistance Program benefits individual firms by allowing each to select and attend the foreign trade show that is best suited for their product or service, as well as their individual market development strategies. The program is designed to help offset some of the company's direct foreign exhibition related expenses, in addition; the program facilitates face-to-face contact with foreign buyers.

Administered by the Trade Development Division of the Kansas Department of Commerce & Housing, the program will reimburse a successful applicant up to one-half of their direct exhibition related expenses not to exceed \$3,500 per show or \$7,000 in total financial assistance during a state fiscal year. Examples of eligible exhibition related expenses include:

- * space rental
- * booth design and construction
- * participation fees
- * booth furniture/equipment rental
- * interpreter fees
- * freight costs for equipment/materials
- * booth utility costs
- to and from the show

With a funding level of \$100,000.00 in FY90, the program supported 36 companies generating nearly \$5.1 million in export sales of Kansas products and services. With a funding level of \$220,894.00 in FY93, the program supported 61 companies generating almost \$14 million in exports. This equals a dollar return ratio of 104:86 to 1.

That is to say that Kansas companies exported \$104.86 of products or services for every \$1 the Kansas Trade Show Assistance Program disbursed in support of those companies attending foreign trade shows.

The attached Summary of program activity indicates that KTSAP is primarily utilized by small and medium-sized companies and that program participation is widely distributed across the state.

The KTSAP has become an integral part of the Trade Development Division's programming. The program is most beneficial for those companies attending foreign trade shows to introduce products or services to a specific market. In addition, it is highly praised by those who identify and establish an international distribution network while exhibiting overseas. As more Kansas companies accept the challenge of the global marketplace, the state's investment in the KTSAP will continue to reward Kansas with diversified export markets, expanding tax base, and increased employment throughout the state.

KANSAS TRADE SHOW ASSISTANCE PROGRAM (KTSAP)

PROGRAM OVERVIEW

The Kansas Trade Show Assistance Program (KTSAP) is managed by the Trade Development Division of the Kansas Department of Commerce & Housing. The program will reimburse successful applicants up to one-half (1/2) of their preapproved expenses directly attributable to the company's participation in a foreign trade show. Eligible companies are those Kansas businesses whose products are manufactured or receive substantial value added processing in Kansas, or those businesses with services originating in the state (excluding banks, freight forwarders, export management companies, and distributors). Company reimbursement shall not exceed \$3,500 per show or more than \$7,000 in total financial assistance during the fiscal year (July 1-June 30). To apply for KTSAP funding, applicants must first submit an application to be reviewed by the KTSAP Overview Committee. Reimbursement of preapproved expenses occurs after the company returns from the trade show and submits their company's invoices/receipts and their post show evaluation report. Additionally, the company's participation in a funded trade show must meet one of the following business objectives:

- target a new market for the company's product or services
- locate an agent, representative, or distributor
- introduce a new product

PROGRAM SUMMARY

	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>
Funding level	\$100,000.00	\$150,000.00	\$200,000.00	\$220,894.00
Disbursements	\$ 88,916.61	\$145,050.01	\$182,783.05	\$132,568.29
Sales *	\$5,092,352.00	\$6,039,489.61	\$16,736,423.00	\$13,900,800.00
\$ Return Ratio	57.27:1	41.64:1	91.56:1	104.86:1
# of Allocations	36	62	85	61

Percent (%) of Company Participation by Size

# of Employees	1-9	10-49	50-99	100-249	250-499	500+
FY90	16.67	27.78	19.44	25.00	0	11.11
FY91	16.13	30.65	22.58	20.97	4.84	4.84
FY92	14.12	29.41	20.00	30.59	2.35	1.18
FY93	3.45	25.86	25.86	32.76	10.34	1.72

Percent (%) of Funding by Congressional District

	#1	#2	#3	#4	#5
FY90	13.8	19.7	28.3	18.0	20.2
FY91	11.5	10.8	33.1	31.8	12.7
FY92	6.9	14.3	39.7	13.4	25.7
FY93**	25.5	20.9	24.3	29.3	**

* - Export sales reported (based on company post show/six month evaluation reports)

** - Represents congressional districts effective 7/1/92

KANSAS FOREIGN OFFICES AND TRADE SERVICE REPRESENTATIVES

Kansas maintains representatives in several foreign countries to assist in marketing Kansas goods abroad. These representatives can prearrange business appointments with interested potential agents, representatives, or end users, and can even accompany you during your business meetings.



KANSAS EXPORT FINANCE

A full-time export finance specialist can meet privately with you to discuss such items as international payment terms, currency fluctuations, collections, tariffs, etc. In addition, the Export Loan Guarantee Program is available to assist exports of Kansas products to obtain pre- and post-export working capital loan funds from Kansas banks.



DIRECTORIES

A variety of printed materials are available to assist your trade development needs. These include the International Trade Resource Directory and the Kansas Export Directory.

For further information contact the Kansas Department of Commerce & Housing.



Kansas Department of Commerce & Housing
Trade Development Division
700 S.W. Harrison, Suite 1300
Topeka, Kansas 66603-3712
Telephone: (913) 296-4027
Fax: (913) 296-5263
TTY: (913) 296-3487

Joan Finney, Governor

Bob Knight, Secretary



Economic Development
February 10, 1994
Attachment 5

A FINANCIAL ASSISTANCE
PROGRAM DESIGNED TO HELP
KANSAS COMPANIES
PARTICIPATE IN FOREIGN
TRADE SHOWS
(KTSAP)

*Financial assistance up to
\$3,500 per show,
\$7,000 per fiscal year*

Kansas Department of Commerce & Housing
Trade Development Division

We've got some
good news for you!



What is the Kansas Trade Show Assistance Program? Exhibiting at a foreign trade show can be an excellent way for your business to develop international trade opportunities, promote your products and services, and make face-to-face contact with foreign buyers. However, the costs associated with foreign trade shows are often prohibitive, particularly for smaller businesses.

To help your participation in the international market, the Kansas Trade Show Assistance Program (KTSAP) offers financial support to Kansas firms exhibiting at foreign trade shows. The program will reimburse up to one-half of a company's eligible direct expenses not to exceed \$3,500 per show or \$7,000 in total financial assistance during a state fiscal year (July 1 to June 30). To receive consideration for limited funding, applications should be submitted at the earliest possible date.

Examples of eligible direct expenses that the Department would consider for reimbursement include:

- * space rental
- * freight
- * booth design and construction
- * interpreter fees at show
- * booth utility costs

WHO MAY APPLY

Kansas companies with products or services originating within the state or products receiving value-added processing in Kansas are eligible.



WHAT YOU MUST DO

First, select an appropriate international trade show and apply well in advance of the date of the show in order for the review committee to evaluate the suitability of the trade show. At least one full-time company employee/sales agent must attend.

Second, complete an application form provided by the Trade Development Division and, after approval is received, execute a contractual agreement.

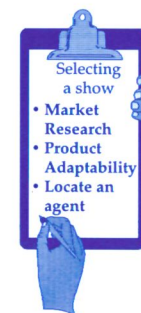
Third, attend the international trade show.

All expenses are to be paid initially by your company.

Fourth, after the show, document all approved direct expenses, attach original receipts and forward them to the KDOC&H. The KDOC&H will then reimburse your company for one-half of all the allowable expenses up to a maximum of \$3,500 per show.

Your company is also required to complete post-show reports indicating the results of your participation, including sales or export opportunities. Paperwork will be kept to a minimum.

SELECTING A SHOW



The Kansas Trade Show Assistance Program allows you to select the trade show best suited for your products and/or services.

However, under program guidelines, the show and/or show location must be approved by a review committee in order to receive reimbursement. The proposed show can target a new market for your firm's products or services, locate an agent/representative/distributor, or introduce a new product or service into an established market. Only international shows held outside the U.S. are eligible for consideration in this program.

Kansas firms may participate in a foreign trade show individually or as part of an official state trade mission. Participation in an official trade mission does not necessarily guarantee acceptance under the Kansas Trade Show Assistance Program.

POSITIVE RESULTS

Since the inception of KTSAP in 1989, two hundred forty eight allocations have been made to Kansas companies, resulting in \$52,396,349 in sales.

You can join this elite group. Sign up today!

WHERE TO APPLY

If you are interested in applying for participation in the Kansas Trade Show Assistance Program or require further information or clarification, please contact:

Kansas Department of Commerce & Housing
Trade Development Division
700 S.W. Harrison, Suite 1300
Topeka, Kansas 66603-3712
Telephone: (913) 296-4027
Fax: (913) 296-5263

Testimony on HB 2972
before the
House Economic Development Committee
February 10, 1994

Jeff Willis
Director, International Marketing
Trade Development Division
Kansas Department of Commerce & Housing

*Economic Development
February 10, 1994
Attachment 6*

Kansas Trade Show Assistance Program

Chairperson Meade, members of the committee, I appreciate the opportunity to appear here today before you in support of H.B. 2972. You are being given three handouts on the Kansas Trade Show Assistance Program: The first is a copy of our newest brochure advertising the program; the second is a copy of the FY '93 annual report on the program given earlier this calendar year to the Joint Committee on Economic Development by Secretary Knight; and the third is a copy of this testimony before you today.

H.B. 2972 would expand the Kansas Trade Show Assistance Program to include trade shows held within the boundaries of the United States but which are international in scope. The proposed statutory amendment would allow up to 30% of the budgeted allocation to be used for these shows, with a maximum of \$1,500 per show and \$3,000 per company per fiscal year. The statute currently is for foreign trade shows only.

Since its inception, the Kansas Trade Show Assistance Program (KTSAP) has proven itself to be one of the most effective programs to promote Kansas exports by encouraging Kansas companies to exhibit their products and services at foreign trade shows. Given the great diversity of Kansas products and services, the Kansas Trade Show Assistance Program benefits individual firms by allowing each to select and attend the foreign trade show that is best suited for their product or service, as well as their individual market development strategies. The program is designed to help offset some of the company's direct foreign exhibition related expenses, thereby facilitating face-to-face contact with foreign buyers.

Attached is the Kansas Trade Show Assistance Program Overview showing the activity and diversity that the Program affords to Kansas companies. One of the ways we monitor program effectiveness is by soliciting anecdotal testimony from program participants concerning their satisfaction with the program. We also try to quantify the dollar return to the State on monies spent on the program by comparing that figure to sales generated by the company six months after the funded show. A quick review of this dollar return ratio on the attached program summary shows that the program has consistently yielded returns many times in excess of the amount spent.

Now that the program has matured, we are also working to identify other ways in which we can improve its effectiveness. One step we have already taken is to redesign the promotional brochure and mail it out to all companies on our mailing list. This has already produced a marked increase in interest in the program on

the part of companies that have never before participated as well as a renewed interest from others that have only made limited use of the program in the past. This bill, if passed, would allow us to build upon this effort and reach even greater numbers of small companies ready to begin exporting but still constrained by the cost of foreign show participation.

One of the greatest challenges to the Trade Development Division is to help a Kansas company that is selling only domestically to accept the opportunities of the international market. The commitment to travel abroad is both time consuming and costly, two commodities in short supply to small growing companies. But, we know that in order to survive and thrive in today's global marketplace they must search out the foreign customer.

Most booth space at major U.S. shows is comparable in price to the major shows abroad, making the costs of most of these shows, out of the reach of a small company. If we were to expand the "base of shows" that are eligible for KTSAP funding, a larger percent of Kansas companies would take advantage of the program and, in turn, move more Kansas companies closer to the international market.

At the present funding level of \$272,420, up to \$81,726 could be set aside for "domestic" international shows and still have \$190,694 available for international shows. The highest usage of \$182,783 was in FY92. The recommended level for FY95 is \$247,420.

In summary, this proposed change would allow for much greater flexibility in assisting Kansas companies to expand their markets and increase sales. While many companies have an interest in marketing abroad, most do not have the resources. If this program could be adjusted to allow for growing Kansas companies to take part in "domestic" international trade shows, costs that seemed insurmountable overseas, would become more manageable within the U.S. We, therefore, request your favorable consideration of H.B. 2972.

Thank you for your time. If you have any questions, I would be happy to answer them.

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** - Represents congressional districts effective 7/1/92

Testimony on HB 2971
before the
House Committee on Economic Development
February 10, 1994

D. Grant MacKinnon
Export Finance Director
Kansas Department of Commerce & Housing

*Economic Development
February 10, 1994
Attachment 7*

House Bill No. 2971

HB 2971 amends the Kansas Export Finance Act, to increase the loan guarantee maximum from 30% to 50% of the Guarantee Fund balance.

MISSION: The Kansas Export Finance Act provided the basis for the KDOC&H to establish the Office of the Export Finance Director. Its purpose is a) to provide Kansas companies with export finance technical support and b) direct financial assistance by means of loan repayment guarantees.

Technical support consists of consultative assistance to exporters on the various financial aspects of exporting, ie., formulating and negotiating acceptable international payment terms, especially those relating to letters of credit; evaluating and managing the new risks associated with the extension of credit to overseas companies; managing foreign exchange risk; accessing the financing programs of federal agencies such as EXIMBANK, SBA, OPIC; and, accessing EXIM's political and commercial risk insurance programs, which protect exporters against nonpayment of their foreign accounts receivable.

Additionally, the Export Finance Act provides an effective tool to assist Kansas exporters when they experience difficulty in borrowing money needed to produce and ship their products and services to foreign markets. The Kansas Working Capital Loan Guarantee facility enables the KDOC&H to encourage Kansas banks to lend needed working capital funds to Kansas exporters in support of their export transactions. The

guarantee of loan repayment for ninety percent of such loans, up to a maximum of \$180,000., is provided to Kansas banks with this facility.

Attached is an activity report for the Kansas Export Loan Guarantee Program. The Program goal anticipated receiving 6 applications per year, and we are right on target. It looks like the Program is gaining in acceptance with banks and exporting companies.

The Bill is an effort to fine tune and improve the loan guarantee program and increase its usage. This will lead to additional Kansas exports and job creation/retention.

K.S.A. 74-5072 currently limits loan guarantees for export transactions to 30 percent of the Kansas Export Loan Guarantee Fund (FUND), the backup reserve maintained in support of guarantees issued by the KDOC&H. The FUND was initially appropriated at the level of \$500,000. Since its creation, the FUND has grown due primarily to interest earnings (the FUND is kept invested by the Pooled Money Invest Board) and modest guarantee and application fees collected. Currently at the level of \$599,000. the FUND supports a guarantee of \$180,000. for an export transaction.

The loan guarantee program is not able to address the trade financing needs of companies with export transactions ranging in size from \$200,000 to \$350,000. Several companies during the past years would have utilized the Kansas Export Loan Guarantee Program had it been able to issue a guarantee of sufficient size.

Increasing the percent limitation from 30% to 50% of the FUND would permit loan guarantees up to \$300,000. This significant increase

would not require additional funding, would permit the Kansas Export Loan Guarantee Program to support larger export transactions thus reaching a broader range of exporting companies, and would not represent an undo leveraging of the FUND.

We also request an amendment to HB 2971 as it defines the makeup of the Export Loan Guarantee Review Committee (ELGRC). The ELGRC primary function is to review loan guarantee applications and to approve only those transactions which it deems to represent reasonable risks and to have a sufficient likelihood of repayment. The genesis of this amendment originated with the current Committee which sees a need to expand the Committee from three members to five.

The Committee is currently composed of three members appointed by the Governor for terms of four years. Other legislative requirements are:

1. all members must have appropriate experience in areas of commercial finance,
2. one member must have experience in international finance
3. not more than two members shall be of the same political party
4. two members constitute a quorum for the transaction of business

***** We would propose that the ELGRC membership be increased from three to five members, adjusting the related criteria as follows:

1. provide that two members have experience in international finance

2. provide that not more than three members be of the same political party

3. provide that three members constitute a quorum

4. provide that at least two members have derived their experience in commercial finance from a borrowers perspective.

We have provided a "balloon" format of this amendment. It would require only minimal additional cost which can be covered by our current budget and would accomplish the following:

1. Provide a broader base of expertise to review and approve loan guarantee applications.

2. Enhance the marketing of the loan guarantee program.

3. Provide flexibility to accommodate situations where ELGRC members are unavailable (business travel / vacations) or need to abstain from voting on a proposal because their employer is the proposed recipient of the loan guarantee.

Based upon the above, we request the House Committee on Economic Development to adopt the amendment and to give the bill favorable consideration.

Thank you for hearing our testimony.

Kansas Export Loan Guarantee Program Activity

Trans. No.	Application Date	Export Sale \$	Guarantee \$	Term # days
A	2/15/91	\$100,564	\$90,000	180
B	4/15/91	\$82,000	\$73,500	60
C	6/15/91	\$127,380	\$95,850	94
D	8/15/91	\$68,370	\$62,180	99
001	11/15/91	\$200,000		180
002	12/15/91	\$160,000		150
003	1/15/92	\$150,000		90
004	2/15/92	\$3,000,000		120
005	7/15/92	\$85,000	\$50,000	60
006	12/11/92	\$171,271	\$134,074	60
007	4/19/93	\$59,809	\$47,940	40
008	5/12/93	\$93,933	\$79,500	60
009	6/10/93	\$245,068	\$168,750	60
010	6/10/93	\$125,927	\$103,361	60
011	8/18/93	\$202,631	\$108,450	122
012	8/25/93	\$84,594	\$69,300	45
013	9/20/93	\$103,004	\$84,342	49
014	9/29/93	\$66,585	\$54,720	60
015	9/30/93	\$51,246	\$42,165	60
016	10/21/93	\$124,536	\$86,670	60
10A	12/29/93	\$144,046	\$118,370	60
10B	12/29/93	\$66,284	\$54,406	60

SUMMARY DATA

Total Applications Received:	22
Total Export Sales for all applications received:	\$5,512,248

For Applications Approved by ELGRC:

Total Export Sales	\$2,002,248
Average Export Sale	\$111,236

Total Guarantees Approved	\$1,523,578
Average Guarantee	\$84,643
Number of Guarantees	18

Guarantee Term:

Fewest # Days	40
Most # Days	180
Average # Days	83

NOTES TO THE
KANSAS EXPORT LOAN GUARANTEE PROGRAM ACTIVITY
report dated 1/31/94

1. Guarantees were not issued or approved for transactions 001, 002, and 003 due to a variety of reasons. The primary reason on two transactions was that the export order was never concluded between the Kansas company and the foreign buyer. On another, the financial condition of the exporter, coupled with the resistance of an out of state bank to release export related inventory and receivables precluded the use of the guarantee program.

2. On transaction No. 004, relative to an export of \$3.0 million, the office of the Export Finance Director introduced the exporter to a guarantee program of the SBA called the ERLC, (Export Revolving Line of Credit), brought in the SBA representative to meet with the exporter, thus initiating and facilitating the exporter's successful application for an SBA guarantee. The involvement of the SBA was sought due to the size of the borrowing needs of the exporter for this order, estimated at approx. \$900,000. This was considerably more than the Kansas program could accommodate with a guarantee transaction limit of \$150,000. The SBA can and did, in the instance, issue a loan guarantee of \$750,000. in support of the exporter and the transaction of \$3.0 was successfully concluded.

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postexport means the period of time between a shipment of products or performance of services for a Kansas export transaction and the receipt of final payment therefor.
History: L. 1989, ch. 251, § 2; July 1.

74-5071. Export transactions, agreements to guarantee against commercial credit risks; memoranda of understanding; administration of act, rules and regulations. (a) Subject to the provisions of appropriations acts, the secretary of commerce is hereby authorized to enter into agreements with Kansas exporters and financial institutions, and with other public or private entities including agencies of the United States government or foreign governments, to provide insurance, coinsurance, reinsurance and guarantees against commercial preexport and postexport credit risks for Kansas export transactions in accordance with this act. In addition, the secretary of commerce is hereby authorized to enter into such memoranda of understanding with the small business administration as may be necessary in the administration of the provisions of this act.

(b) The secretary of commerce shall administer the provisions of this act and may adopt rules and regulations which are deemed necessary by the secretary for such administration.
History: L. 1989, ch. 251, § 3; July 1.

74-5072. Guarantees against commercial credit risks; approval of agreements; amount; limitations; effective period; conditions; priorities; application fee. (a) Each agreement entered into by the secretary of commerce to guarantee against commercial preexport and postexport commercial credit risks for a Kansas export transaction shall be backed by moneys credited to the Kansas export loan guarantee fund and shall receive prior approval by the Kansas export loan guarantee review committee. No agreement shall be executed guaranteeing any amount for a Kansas export transaction which together with all other such agreements in effect would guarantee an aggregate amount exceeding 400% of the moneys in the Kansas export loan guarantee fund on the date such agreement would otherwise become effective. No such agreement shall provide a guarantee for more than 90% of the loan financing of the Kansas export transaction, including the principal and any interest thereon, or shall cover the loan financing in an amount

guarantee is approved, including the principal and any interest thereon, for any individual Kansas export transaction. The remaining credit risk for any such loan financing may be covered by a financial institution providing the loan or by other appropriate entities.

(b) No guarantee may be provided under this section for a period of more than one calendar year. No guarantee may be provided under this section for a Kansas export transaction unless the loan financing therefor is provided entirely by one or more Kansas financial institutions, except that the loan financing or any part thereof may be provided by other financial institutions upon a finding by the Kansas export loan guarantee review committee that funding by one or more Kansas financial institutions cannot reasonably be obtained. Priority shall be accorded for guarantees of Kansas export transactions of companies which have not previously engaged in exporting activities or companies which intend to substantially expand exporting activities.

(c) The secretary of commerce shall charge and collect a Kansas export loan financing guarantee application fee in an amount not less than \$100 in addition to a fee in an amount equal to $\frac{1}{2}$ of 1% per annum of the amount guaranteed for each guarantee provided under this section.

History: L. 1989, ch. 251, § 4; July 1.

74-5073. Export loan guarantee review committee; establishment; composition; qualifications; appointment; terms; powers and duties; officers; meetings; quorum; compensation and expenses. (a) There is hereby established the Kansas export loan guarantee review committee within the department of commerce. ~~The committee shall consist of three members, all of whom have appropriate experience and expertise in areas of commercial finance and at least one of whom has experience and expertise in international finance.~~ The members of the committee shall be appointed by the governor for a term of four years, subject to confirmation by the senate as provided in K.S.A. 75-4315b and amendments thereto, and shall serve until a successor is appointed and qualified, except that of the members first appointed to the committee, one shall be appointed for a term of two years, one shall be appointed for a term of three years and one shall be appointed for a term of four years.

The committee shall consist of five members, all of whom have appropriate experience and expertise in areas of commercial finance. At least two members shall have derived their experience in commercial finance from the perspective of a borrower and at least two members shall have experience and expertise in international finance.

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74-5074

STATE BOARDS, COMMISSIONS AND AUTHORITIES

ot more than ~~two~~ members of the committee shall be of the same political party.

(b) The committee shall review all proposals for Kansas export loan financing guarantees under K.S.A. 74-5072 and shall approve those proposals that the committee deems to represent reasonable risks and to have a sufficient likelihood of repayment. The committee shall advise the secretary of commerce on matters under this act when requested by the secretary and may provide such advice when deemed appropriate by the committee. The committee shall submit an annual report of its activities on or before the first day of February of each year to the governor and the chairperson of the joint committee on economic development.

(c) The secretary of commerce shall serve as a nonvoting chairperson of the committee, and the committee shall annually elect a vice-chairperson from among its members. The committee shall meet upon call of the chairperson or upon call of any two of its members. ~~Two~~ voting members shall constitute a quorum for the transaction of business.

(d) Members of the Kansas export loan guarantee review committee attending meetings of the committee, or attending a subcommittee meeting thereof authorized by the committee, shall be paid compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223 and amendments thereto.

History: L. 1989, ch. 251, § 5; July 1.

74-5074. Export loan guarantee fund; establishment; administration; uses; interest earned transferred from general fund. (a) There is hereby established the Kansas export loan guarantee fund in the state treasury. The Kansas export loan guarantee fund shall be administered by the secretary of commerce. All moneys in the Kansas export loan guarantee fund shall be used to provide guarantees against commercial preexport and postexport credit risks in accordance with this act.

(b) All moneys received for Kansas export loan financing guarantee fees under K.S.A. 74-5072, and amendments thereto, shall be remitted to the state treasurer at least monthly and deposited in the state treasury to the credit of the Kansas export loan guarantee fund.

(c) On the 10th of each month, the director of accounts and reports shall transfer from the

cordance with this subsection. Prior to the 10th of each month, the pooled money investment board shall certify to the director of accounts and reports the amount of money equal to the proportionate amount of all the interest credited to the state general fund for the preceding period of time specified under this subsection, pursuant to K.S.A. 75-4210a, and amendments thereto, that is attributable to money in the Kansas export loan guarantee fund. Such amount of money shall be determined by the pooled money investment board based on:

(1) The average daily balance of moneys in the Kansas export loan guarantee fund during the period of time specified under this subsection as certified to the board by the director of accounts and reports; and

(2) the average interest rate on repurchase agreements of less than 30 days duration entered into by the pooled money investment board for that period of time. On or before the fifth day of the month for the preceding month, the director of accounts and reports shall certify to the pooled money investment board the average daily balance of moneys in the Kansas export loan guarantee fund for the period of time specified under this subsection.

History: L. 1989, ch. 251, § 6; L. 1992, ch. 272, § 9; July 1

TRADE SHOW PROMOTION ACT

74-5075. Citation of act; expiration date.

(a) This act shall be known and may be cited as the trade show promotion act.

(b) The provisions of this act shall expire on July 1, 1991.

History: L. 1989, ch. 254, § 1; April 27.

74-5076. Definitions. As used in this act:

(a) "Secretary" means the secretary of commerce of the department of commerce of Kansas.

(b) "Kansas small business concern" means a concern which has its principal office located in Kansas and which is determined by the secretary to be particularly appropriate to receive financial assistance under this act with regard to maximizing the promotion of export opportunities for services originating or products produced in Kansas.

(c) "Trade show" means an exhibition, exposition or fair:

(1) Located outside the boundaries of the

→ Three

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