

MINUTES OF THE HOUSE COMMITTEE ON NEW ECONOMY.

The meeting was called to order by Chairperson Representative William Mason at 3:30 p.m. on January 18, 2001 in Room 522-S of the Capitol.

All members were present except:      Representative Mary Compton - E  
   Representative Steve Huebert - E

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

Conferees appearing before the committee:      LeAnn Schmitt, Auditor  
   David Strohm, Pres/CEO TrueNorth, Inc.

Others attending:              See Attached List

Representative Aday moved, seconded by Representative Beggs that the minutes from the January 16 meeting be approved. The motion carried.

The Chairman introduced LeAnn Schmitt, Auditor of the Performance Audit Report on Economic Development in Kansas: A K-Goal Audit Reviewing Coordination and Effectiveness of Programs, copy on file in Legislative Division of Post Audit. Ms. Schmitt reviewed the post audit report including the findings, conclusions and recommendations (Attachment 1). The report contains appendices showing return on its seed capital investments and the results of the KDOCH and KTEC reports on their programs. The Audit focused on three questions: (1) Are Kansas' Economic Development Agencies fulfilling the roles for which they were created, and are they coordinating their Economic Development Efforts, (2) What benefit has the state received as a result of loans, grants and investments made under Economic Development Programs, and is there sufficient accountability over these moneys, (3) How do funding for Economic Development Activities and salaries for Economic Development officials in Kansas compare to other states?

Discussions followed regarding the source of funding for the three agencies, importance of getting the Economic Development message out to the Legislators, accountability of the agencies to the Legislature and public, the process of appropriations of the EDIF funds, appropriate agency for tourism, criteria for salary compensations and comparisons, original role of Kansas, Inc. and their lack of statutory authorization, problems ensuing from conflict of personalities and the need to protect and expand funds for Economic Development. The Chairman urged the committee members to review the post audit report in order to understand the history and current problems the committee is facing.

The Chairman introduced David Strohm, President/CEO, TrueNorth, Inc. and thanked him and the task force for their work. Mr. Strohm stated that their task was not an audit, but more of a business management overview. He said they made three recommendations regarding structure and two recommendations regarding opportunities (Attachment 2). The first recommendation was that the state consider placing all funding for Economic Development on the general fund due to the attrition in available funds and lack of growth in the EDIF.. Their second and third recommendations dealt with the restructuring of the three agencies including rolling it up under the Secretary of Commerce.

They found there were conflicts within the agencies, not due to personalities but to the structure itself, that created internal competitions and prevented coordination of efforts. As they reviewed the Redwood-Krider report they understood the mission of Kansas, Inc. as being that of taking an internal look at the state of Kansas, and external look at the US economy to determine how best to position Kansas. Based on that information they were to create a strategic plan for the other two agencies and then measure the successes and failures of those plans.

They do not see that mission being accomplished.

The other two recommendations were regarding opportunities: First the state should become very active in developing a statewide broad band communication network with internet access for all Kansas, without LD telephone charges for some, Secondly, the state should appropriate more money for Tourism to boost the efforts currently going on statewide.

He closed by saying that the task force recommended the Governor use his power of executive reorganization order to make those changes, not to circumvent the Legislature but to add emphasis to the urgency of the report. The Governor declined stating that he wanted the Legislature involved.

Discussions followed relating to the structure of compensation of agency officers, the concept and need of Kansas, Inc. as a "think tank", the background of David Strohm and task force members, implications of the Kan-Ed bill and issues facing the Tourism industry. Mr. Strohm agreed to send the committee detailed information gathered by the committee for use in promotion for increased funding for Tourism.

Mr. Strohm gave the background and qualifications of the Task Force members. *Considerable* discussion followed regarding the selection process and appearance of bias of the task force members, continuity and board meeting attendance records, history of the Venture Capital Bill defeated in the Senate in 2000, personality conflict issues verses coordination efforts, conflict over salary differences and impact of globalization on Kansas Businesses and Tourism.

The Chairman spoke of the importance of the Interim Economic Development Committee and the need for a strategic plan that will provide changes that will create more opportunities for economic growth for Kansas.

The next meeting is January 23.

The Chairman adjourned the meeting at 4:55 p.m.



CONTINUATION SHEET