

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:30 a.m. on March 05, 2002 in Room 123-S of the Capitol.

All members were present except: Senator Barone (Excused)

Committee staff present: April Holman, Legislative Research  
Debra Hollon, Legislative Research  
Sherman Parks, Revisor of Statues  
Lea Gerard, Committee Secretary

Conferees appearing before the committee: LeAnn Schmidt, Legislative Post Audit

Others attending: See attached list

Committee members were provided testimony regarding **SB 606** heard on February 26, 2002 from Dennis L. Weisman, Professor of Economics, Kansas State University (Attachment 1).

In accordance with KSA 75-3715a, the fiscal note for **SB 615** was submitted to committee members.

Senator Steineger moved, seconded by Senator Jenkins that the minutes of February 12, 13, 14, 15, 18, 19, 20, and 22, 2002 be approved. Motion carried.

LeAnn Schmitt, Auditor, Legislative Post Audit gave an overview of the State Economic Development agencies audit. The first part of the audit was how well the three major economic development agencies were fulfilling the roles, how well they were coordinating their efforts, what benefits the state has received as a result of the agencies programs and whether or not the agencies were adequately accounting for the monies they had. Kansas Inc. had not become the strong coordinator and evaluator of economic development programs. The problem was statutory authority to direct the other agencies, a small staff budget that limited the amount of evaluation work it could do and the potential for conflict between it's role as evaluator and coordinator.

The Post Audit recommended that the legislature consider reexamining the structure of the state's economic development system. Several factors should be considered on how coordination, oversight and evaluation can best be provided and the impact they would have on each agencies ability to fulfil its mission.

The second part of the audit was what benefits the State of Kansas had received through economic development programs and how accountable each agency is for the money they invest. Measuring the results of economic development programs is difficult and there is still not a proven way to show a direct cause and affect relationship between the money and end results. In more than a decade \$9.3M of KTEC's investments have generated more than \$1M in cash returns and helped finance companies that employed about 600 people in Kansas. At the time of the audit, the investments were valued around \$5.6 M which was less than originally invested because investments in early stage technology companies tend to loose value before they actually become profitable and some companies have gone out of business. The Department of Commerce & Housing's records show the state received economic benefits of about \$1.2B which included capitol improvements in businesses. The department reported there were over 10,000 jobs created as a result of its programs for fiscal year 2000. The department spends about \$61M through its five economic development divisions in fiscal year 2000.

**SB 615** would potentially simplify the economic development system in the state by consolidating Kansas Inc. functions with the Department of Commerce & Housing. The bill did not address some of the statutory changes Post Audit recommended that would effect the Department of Commerce & Housing and KTEC. **SB 615** also did not address who would independently evaluate the performance of the Department of Commerce & Housing and KTEC and the statutes that govern all three economic agencies were unclear and confusing.

Meeting adjourned at 9:10 a.m.  
The next meeting is scheduled for March 6, 2002 at 8:30 a.m.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE at on March 05, 2002 in Room 123-S of the Capitol.