

MINUTES

Legislative Post Audit Committee February 20, 2008

The meeting was called to order by Chair Schmidt at 12:11 p.m. in Room 313-S of the Statehouse. Committee members present:

Senator Derek Schmidt, Chair	Representative Virgil Peck, Jr., Vice-Chair
Senator Les Donovan	Representative Tom Burroughs
Senator Nick Jordan	Representative John Grange
Senator Chris Steineger	Representative Tom Sawyer

Approval of Minutes

Senator Steineger moved approval of the February 13, 2008, minutes. Senator Donovan seconded the motion; motion carried.

Completed Performance Audits

Community Colleges: Examining Whether There Are Ways To Share Resources To Reduce Costs. This audit was presented by Laurel Murdie, Principal Auditor. The Higher Education Coordination Act provided for increased State funding so that community colleges could reduce their reliance on local property tax revenues. The anticipated reductions in local property tax revenues didn't happen largely because about 21% of the promised funding wasn't provided and because 10 community colleges didn't fully comply with the law, even when additional funding was provided. Even so, nine community colleges did reduce their reliance on property tax revenues from 2000 to 2007. Factors such as increased enrollments and tuition rates and growth in assessed valuations where those colleges are located likely had as much to do with the property tax reductions as provisions in the Act. Community colleges like Independence and Coffeyville could do a lot more than they currently do to share resources. In the area of academics they could eliminate duplicate programs with small enrollment and look at sharing faculty, particularly through the use of interactive video conferencing or online courses. Many items could be jointly purchased. For example, simply joining a consortium to purchase natural gas could save the two colleges an estimated \$64,000. Sharing support services such as financial aid and registrar functions is more difficult with separate institutions because of factors like competition for students, the lack of standardized

procedures and the fact that there are two separate boards of trustees making decisions.

Dr. Don Woodburn, President, Coffeyville Community College, and Dr. Larry Tyree, Interim President, Independence Community College, made brief remarks and answered members' questions. Kip Peterson, Kansas Board of Regents, was available for questions. Senator Schmidt requested that Mr. Peterson find out if any member community colleges or universities are involved in the class action lawsuit regarding the purchasing of natural gas.

Senator Steineger moved to accept the audit and Senator Jordan seconded the motion. Motion carried. This audit will be sent to the House and Senate Education Committees, the House Education Budget Committee, the House Taxation Committee and Senate Assessment and Taxation Committees, as well as the Joint Information Technology Committee, the Senate Ways and Means and the House Appropriations Committees.

Economic Development: Determining the Amounts the State Has Spent on Economic Development Programs and the Economic Impacts on Kansas Counties, Part I. This audit was presented by Chris Clarke, Audit Manager. The estimated cost of economic development in Kansas for the past five years has been at least \$1.4 billion. That amount is made up of two parts—State agency expenditures and forgone tax revenues. Of the \$630 million State agencies reported spending, most was federal money, and most was spent by the Department of Commerce. Of the estimated \$804 million forgone revenue, most has been local property tax revenues related to industrial revenue bond exemptions. The auditors' review of literature showed researchers have problems trying to assess the effectiveness of economic development programs and activities mostly due to a lack of reliable data. Further, proving that any particular results were caused by the economic development assistance is difficult. Most studies of traditional economic development find that when data are available, programs or incentives more often show negative or inconclusive results, such as promised jobs haven't been created, or little to no return on investment. Nevertheless, there are some success stories. The literature also suggests that governments must continue to offer economic development assistance to remain competitive, regardless of the cost or overall effectiveness of that assistance.

Present to answer questions were Rae Anne Davis, Deputy Secretary, Department of Commerce, and Steve Kelly, Deputy Secretary for Business Development. From K-TEC: Tracy Taylor, President & CEO, and Doug Brush, Vice-Chairman, Board of Directors. Also present were Debbie Fitzhugh, Director of Operations from Kansas Inc. and Jan Ketterhenry, CFO and COO, from Kansas Biosciences Authority, as well as Stan Compton, Associate State Director from The

Kansas Small Business Development Center and Nick Kramer, Manager of Internal Audit from the Department of Revenue.

Senator Steineger moved to accept the audit and Senator Donovan seconded the motion. Motion carried. The audit will be distributed to the Senate Commerce and House Economic Development and Tourism Committees, the Joint Committee on Economic Development, the House Appropriations and Senate Ways & Means Committees, and the House Taxation and Senate Assessment and Taxation Committees.

Legislative Post Audit Operations

Discussion of the Chair's letter on refocusing LPA's audit work on efficiency and cost savings issues. At the Chair's request, Barb Hinton, Legislative Post Auditor, outlined the preliminary staff proposal on the basic policy and process changes that might be needed to accomplish the Chair's goal of re-focusing the Division's audit work toward more aggressive cost-saving and government-efficiency audits.

Senator Schmidt asked the Committee if there were objections to proceeding with this process. There were no objections. Senator Schmidt directed Ms. Hinton to proceed with setting up a meeting in early to mid-March to continue Committee discussion of this topic.

The meeting adjourned at 1:18 p.m.

(All handouts and other documents referred to in these minutes are on file with Legislative Post Audit.)