

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 p.m. on January 26, 2009, in Room 711 of the Docking State Office Building.

All members were present except:

Representative Joe Seiwert- excused

Committee staff present:

Ann Deitcher, Committee Assistant

Reed Holwegner, Kansas Legislative Research Department

Jason Long, Office of the Revisor of Statutes

Doug Taylor, Office of the Revisor of Statutes

Conferees appearing before the committee:

Barb Hinton, Legislative Post Auditor

The Chair introduced Barb Hinton, who addressed the Committee regarding the :Legislative Post Audit Performance Report. (Copy of report on file at the Legislative Division of Post Audit).

Ms Hinton told the Committee that a 2007 report by Kansas, Inc. showed that Kansas' spending for economic development generally fell in the middle when compared to five neighboring states. That study focused on economic development expenditure data for the period from 1989 through 2007. Since this report didn't fully address the questions for this audit, they didn't use that report's information but instead they established a definition of economic development and set limits on the date they could collect.

Of the estimated \$860 million of forgone revenue, they found that most has been local property tax revenues related to industrial revenue bond exemptions. She said that based on their reviews they saw recurring themes regarding the difficulties in assessing the effectiveness of states' economic development efforts. Depending on the types of programs or activities being evaluated, those difficulties can include:

economic development data are costly to acquire, generally inaccessible, or largely unavailable.

economic development data that are available may not be reliable.

nearly all economic growth measures are in some way problematic.

some economic development efforts are too new to evaluate, or can take years before any results can be seen or measured.

it's often difficult to prove that any particular results were caused by the economic development assistance offered.

A chart was shown (page 28 of the report) of the reported findings on the effectiveness of incentives as summarized in an article entitled "The Failures of Economic Development Incentives" written by Peters and Fisher and published in the Journal of American Planning Association, 2004.

Questions and answers followed.

Next, Ms. Hinton spoke of the Performance Audit Report on the Department of Commerce: Kansas Governmental Operations Accountability Law (K-GOAL) reviewing the Department's management staffing levels. (Copy of report on file at the Legislative Divison of Post Audit).

CONTINUATION SHEET

Minutes of the House Economic Development And Tourism Committee at 3:30 p.m. on January 26, 2009, in Room 711 of the Docking State Office Building.

Pointing out that the Department of Commerce' overall mission was to assist in the efficient use of the State's labor, capital and land resources, she said that to accomplish this, they have established the following nine divisions:

- Operations and Legal Services
- Agricultural Marketing
- Trade Development
- Business Development
- Workforce Development
- Travel and Tourism Development
- Community Development
- The Kansas Commission on Disability Concerns
- Debt Service and Capital Improvements.

Ms Hinton told the Committee that the Department receives a small portion of funds from the Economic Development Initiates Fund and from the State General Fund. The majority of its funding (85%) comes from other sources such as federal funding for the Workforce Investment Act and the Wagner Peyser Act.

Questions and answers followed.

Representative George asked if the Department of Administration had embraced the recommendation to prepare an organizational chart. He also questioned as to whether the Office of the Budget had begun requiring agencies to accurately reflect the number of FTE's currently occupied.. It was decided that the Research Department staff person would look into these matters.

Representative Hill moved to introduce a bill regarding the Tourism Initiative. The motion was seconded by Representative George and passed on a voice vote.

The meeting was adjourned at 4:35 p.m. The next meeting is scheduled for Wednesday, January 28.