

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on March 5, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. Packer  
Rep. Long  
Rep. Pottorff  
Rep. King  
Rep. Empson

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

Conferees appearing before the committee: Gary Sherrer, Secretary, Kansas Department of Commerce and Housing

Others attending: See attached list

Chairperson Allen brought the committee's attention to the hearings on **SB458** - reorganizing KEOIF and **SB460** - consolidation of reporting requirements.

Secretary of KDOCH, Gary Sherrer, was recognized by Chairperson Allen to report on **SB460**. Secretary Sherrer stated KDOCH has ten different statutes with ten different reports. The bill is to consolidate these into a singular report, and give it to the legislature on an annual basis. Secretary Sherrer suggested making the reporting date on or before October 1, following closure of the fiscal year, within 90-120 days.

Secretary Sherrer reported on **SB458**, regarding the functional change to the KEOIF review panel. He stated that KEIOF is not only a tremendous marketing tool to recruit new business, but also in retaining businesses (Attachment 1).

Rep. Lane asked for a summary of the KEOIF programs from the KDOCH (Attachment 2).

Charles Warren, President, Kansas Inc spoke in support of **SB458**, no written testimony.

Chairperson Allen concluded the hearing on **SB458** and **SB460**.

Announcements were made by Chairperson Allen that the committee would meet on Thursday, March 7, to work these bills.

Chairperson Allen adjourned the meeting at 4:10 p.m.

The next meeting is scheduled for March 7, 1996.



HEARING BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
THE KANSAS DEPARTMENT OF COMMERCE AND HOUSING  
GARY SHERRER, SECRETARY  
MARCH 5, 1996

Madam Chairperson and members of the Committee, I appreciate the opportunity to seek your support for Senate Bill 458. After a brief explanation of this legislation, I would welcome any questions and comments.

**Senate Bill 458 - Functional Changes to the KEOIF Review Panel.**

The Kansas Economic Opportunity Initiatives Fund (KEOIF) is a tremendous marketing tool in the State's efforts to recruit new business. It fortifies any incentive package we offer. KEOIF has been a key factor in strengthening the Kansas economy, largely responsible for bringing new business to our state, as well as helping existing businesses expand.

Unfortunately, the process by which these funds are approved is cumbersome. Under current law, a five member panel must meet and vote for approval or disapproval on all projects. This requirement severely limits the program's effectiveness, as many business relocation decisions are made in an atmosphere of extremely short, but critical, deadlines. As Secretary of Commerce and Housing, I must be prepared to negotiate with business executives on rather short notice. It is extremely burdensome to convene the panel, discuss the project, and finally vote on it. There is also the issue of confidentiality. During the KEOIF negotiation process, this becomes difficult as four additional persons (two from the private sector) are involved.

There are two more issues that must be addressed. First, I have some concern as to why these funds require such special treatment. Last year this agency awarded the following:

- More than \$3 million in KIT/KIR workforce training funds.
- More than \$3 million in Low Income Housing Tax Credits.
- More than \$3 million in CDBG grants.
- More than \$300,000 in Travel and Tourism grants.
- More than \$300,000 in Kansas Trade Show Assistance grants.

None of these programs require approval outside of Commerce and Housing. What makes KEOIF so unique? Other agencies administer large grant programs as well. Why aren't they controlled by outside committees? For example, KTEC has given (and continues to give) millions in grants, yet there is no statute that allows me to participate in their decision-making process. Commerce and Housing clearly has the responsibility for KEOIF, but our agency is being denied authority to administer these funds.

Second, there are adequate monitoring systems built into this proposal. The five member panel will serve to regularly review KEOIF decisions and report to the Governor. More importantly, the Legislature will maintain accountability through the budget process and performance measures.

The bottom line to this bill is that it expedites the negotiating process, and enhances economic development opportunities. We have to move fast when these opportunities arise, and having KEOIF available as an immediate incentive would make the process significantly more responsive and effective.

*Economic Development  
March 5, 1996  
Attachment 1*

## KEOIF FY96 SUMMARY

### **NCM Foods (McPherson)**

\$500,000 committed for venture to provide escrow account to secure equipment financing. These funds would remain in escrow, drawing interest. KEOIF monies, plus interest, would be returned to KEOIF by the end of the third year of the agreement. One hundred and ten employees, with an annualized payroll of \$4.5 million are expected to be hired over a 5 year period.

### **\*Mid-America Fittings (Overland Park)**

\$40,000 provided to assist company in relocation to Kansas from Missouri. Contract in place, project fully funded. This project is projected to add 18 manufacturing jobs with an annualized payroll of \$500K within the next 3 years.

### **\*Armour, Swift-Eckrich (Junction City)**

\$200,000 provided as part of package to locate new meats processing facility to Junction City. Negotiations on contract are ongoing. Company has broken ground on this project which will employ 375 people with an annualized payroll of \$5.5 million, and involves an investment in excess of \$40 million.

### **\*Military Payroll Center (Junction City)**

\$200,000 provided to assist in the relocation of the Southwest Region payroll center. No agreement in place. Military has announced that the project will be coming to Junction City bringing approximately 200 jobs with a \$6 million payroll.

### **\*Culver Fish Farms (Hutchinson)**

\$77,500 approved for the purchase of site for the construction of aquaculture operation. This project would involve the raising and processing of fish for human consumption and could result in up to 250 jobs and a \$4.5 million payroll over the next few years. Negotiations are underway on the KEOIF contract. This loan would be secured by a first mortgage on the property.

### **\*Biofoam Corporation (Smith Center)**

A commitment of \$80,000 has been made to assist Smith Center on roof repairs to allow the community to locate a new company, Biofoam Corporation, into the old Fleming facility. This project will bring approximately 30 direct employees (with salaries of \$20,000 each), along with a number of transportation jobs to the area. Combined, these jobs would bring \$1.2 million in payroll to the community. They produce a value-added agricultural packaging product.

*Economic Development  
March 5, 1996  
Attachment 2*

Page #2, KEOIF FY96 SUMMARY  
**Naturall Fibre Board (Minneapolis)**

\$150,000 has been committed to Naturall Fibre Board to allow for financing to purchase additional equipment and meet other needs associated with bringing an additional production line into operation. The company currently employs 19 people and this first additional line will add 20 employees. Employment is expected to reach a total of 60, with a payroll of \$1.4 million, as additional lines come into production. The primary input for this company is wheat straw, which is turned into fiber board and similar products.

**\*Russell Stover Candies (Abilene)**

\$100,000 has been pledged to match a combination of federal, county and city funds to aid in the reconstruction of an intersection, storm drainage improvements and reconstruction of roadway to facilitate the addition of a box making operation to the Russell Stover facility in Abilene. This addition will create a minimum of 40 jobs with a payroll of \$500K and will complement the activities of the existing plant which currently employs in excess of 500 people.

**\*Troy Design & Manufacturing (Manhattan)**

\$150,000 of FY96 KEOIF funding has been pledge to TDM as a portion of the funding required to establish a research and testing facility for the development of alternative fueled vehicles. An additional \$150,000 of funding from FY97 has been committed subject to certain conditions. This facility is a portion of a larger project which involves the construction and operation of a manufacturing facility that will product both electric and natural gas vehicles. This combined manufacturing facility is scheduled to have 50 employees in its first year. with employment expected to grow to approximately 200 by the 5th year. Average salaries are projected to be in the \$30,000+ range.

**\*Thermo Plastics Display (El Dorado)**

A Commitment of \$100,000 has been made to Thermo Plastics Display for costs related to the establishment of their new manufacturing facility in El Dorado. Thermo Plastics, a manufacturer of in-store displays, plans to operate a 120,000 square foot facility employing up to 300 people with an annual payroll of \$3.5 million, at capacity. This project will involve a total capital investment of \$7 million.

**\*Philips Lighting (Salina)**

\$100,000 has been committed to aid in a \$50 million expansion of the Philips Lighting Plant in Salina. This expansion involved competition from Philips facilities around the world and represents a major accomplishment for the Salina operation. This expansion will add approximately 50 new jobs with an annual payroll of \$1.6 million to the existing workforce of 600 employees. The Philips-Salina facility is the largest manufacturer of fluorescent lighting in the world.

**\*Bayer Corporation (Shawnee)**

Up to \$250,000 in FY96, has been committed to assist in the construction of a new facility, slated as the site for Bayer's regional animal health operations. During the site selection process, sites in Missouri, Ohio and other locations were seriously considered. This project will involve the retention of 400 employees, and the addition of 90 new employees, with an initial capital investment of approximately \$40 million. Jobs impacted will be in the \$30,000 plus annual salary range.

**Winfield Hospital Closure (Winfield)**

\$100,000 of KEOIF has been committed to assist local officials in identifying and pursuing strategies to overcome the impact of the planned closure of the Winfield State Hospital.

**Topeka State Hospital Closure (Topeka)**

\$100,000 of KEOIF has been committed to assist local officials in identifying and pursuing strategies to overcome the impact of the planned closure of the Topeka State Hospital.

**\* DESIGNATES FORGIVABLE LOAN**

## KEOIF FY94 SUMMARY

### **South Central Kansas Economic Development District, Inc. (SCKEDD)**

Grant KEOI.94-002 was awarded to SCKEDD on March 31, 1994. The grant amount of \$72,000 was awarded to leverage \$750,000 in funds from the Small Business Administration, matched by \$40,000 in funds from Wichita Area Development. The funds were to be allocated to a Micro-Loan Demonstration Program.

To date, SCKEDD has reported micro-loans to 40 firms totalling \$429,000. The loans are responsible for the creation of 31 new jobs and retaining 47 existing jobs. Loans have been made to firms for equipment purchases, working capital, and inventory.

### **Wichita/Sedgwick County Partnership for Growth, Inc. (WI/SE)**

Grant KEIO.94-003 was awarded to WI/SE on May 1, 1994. The grant amount awarded was \$50,000 to be used for the purpose of providing employment training and assistance to dislocated workers. The funds were used to match \$50,000 in funds from the Carl Perkins Vocational Training Fund.

Economic benefit will be derived from an increased understanding of the training needs of the business community, and the development of a training network centered around industry clusters.

### **Kings Avionics, Inc.**

Grant KEIO.94-004 has been approved and final contract documents are awaiting signature by grantee at this date. The grant award of \$100,000 is intended to aid in the retention and expansion of the production facility at the Johnson County Airport.

The retention of the facility is certified by the grantee and further expansion and the creation of new jobs is specified in the grant agreement. The grantee has committed to creating a minimum of 20 new jobs within 5 years of the completion of the new facility.

### **Sealright Packaging Company**

Grant KEIO.93-001 was assigned on December 21, 1993. To date, the grantee has been completing the site preparation and actual construction of a rail extension to a new production facility located in DeSoto, Kansas. The grant of \$500,000 was awarded to avoid the departure from Kansas of the production facility.

**A & M Products, Inc.**

Grant KEIO.93-002 was awarded to A & M Brands on December 28, 1993. The KEIO Fund Committee recommended approval of the award to assist in the location of a new production facility in the Spring Hill Industrial Park, Spring Hill, Kansas.

Grant funds were used to defray the costs of extending a rail spur to the new facility. The spur was completed and payment forwarded to A & M Products in the amount of \$80,000. The new facility has been completed and 100 new jobs are projected once the facility reaches full production.

**Kansas Manufacturing Association**

Grant KEIO.94-001 was awarded on March 31, 1994 in the amount of \$250,000. Grant funds were awarded to leverage an additional \$1,750,000 in local and federal funds in the Technology Reinvestment Program. The application is a cooperative effort between the Kansas Manufacturers Association and the Employment & Training Board of Wichita.

The economic benefits of the three year project are the development of employee training networks, actual training of 950 employees, development of ISO 9000 qualification criteria for participating firms, improvement of strategic planning methodologies for participating firms, and the development of an Electronic Data Interchange network.



KEOIF FY95 SUMMARY

**CPAC/Fuller Brush (Great Bend)**

\$100,000 provided to support the purchase and operation of the Fuller Brush facility. Project is fully funded. CPAC had expanded the workforce from 250 to 425 employees as mid-year. Additional expansion anticipated by year end.

**Plastics Packaging (KCKS)**

\$125,000 provided to company to allow for site modifications to correct flooding problems and retain company in Kansas. Project is fully funded. Additional expansion of both facility and workforce have occurred since the funding.

**Cessna (Independence)**

\$800,000 provided for costs associated with the construction of new facility. Project fully funded. Substantial construction on the new facility has been completed.

**Fort Riley Task Force (Junction City)**

\$203,000 provided to support efforts to maintain viability of the installation at Fort Riley. Project completed, \$68,000 returned to KEOIF fund from initial allocation.

**Treasures of the Czars (Topeka)**

\$250,000 loan provided as assistance to the exhibit. Funds provided as a 0% interest loan with repayment to occur following close of exhibit. Visitor numbers have far exceeded earlier projections.

**Frito-Lay (Topeka)**

\$490,000 committed to Frito-Lay for a 2-phased project which would provide a total of \$60 million in investment and 250 jobs. KEOIF agreement is being negotiated.

Construction on first phase is under way, an additional line has been added that was not included in the original proposal which will add another approximately 30 jobs and \$20+ million in investment.

**ALCOA (Hutchinson)**

\$300,000 commitment made to attract aircraft part polishing/finishing operation to Kansas. Contract is in place, but no draws have been made. Construction of the facility is underway. Projections provided for 100 jobs over the next 5 years at this \$7 million facility.

**Dayton Superior (Parsons)**

\$100,000 committed to assist with rail and utility relocation at the Parsons facility. Contract is in place and a request for funds received this week. Project is to have slight job creation benefits, but it retains approximately 50 jobs that would have left had new production not been brought to Parsons.

**Marley Company (Overland Park)**

\$70,000 committed to assist with site related costs. Contract awaiting signature from Marley officials. Relocation to Missouri was avoided and 325 existing jobs retained in Kansas. An additional 40 to 50 jobs are anticipated over the next 5 years.

**Fort Dodge Animal Health (Overland Park)**

\$400,000 committed to animal pharmaceutical firm to locate corporate headquarters in Overland Park. No contract in place at this time. Company announced decision to locate in Overland Park in July.

**Great Bend Industries (Great Bend)**

\$100,000 commitment made to assist with new expansion. Contract not in place but negotiations to accomplish final agreement are underway.

**Panel Prints (Lawrence)**

\$100,000 committed to offset differential in Kansas and Missouri sites. Company decision has been delayed due to poor financial performance. Lawrence has requested that funding offer be unencumbered and funds released. This request has been accommodated.