

Approved: January 19, 1996
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 18, 1996, in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Gooch, Harris, Hensley, Jordon, Petty, Ranson, Reynolds, Steffes and Vidricksen.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

Gary Sherrer, Secretary, Department of Commerce and Housing
Robert J. Marcusse, President, Kansas City Area Development Council

Others attending: See attached list

SB 459: **Creating the IMPACT Act**

Secretary Sherrer, Secretary of Department of Commerce and Housing stated SB 459 creates the Kansas Investments in Major Projects And Comprehensive Training (IMPACT) program will be an invaluable program in the State's efforts to attract new business and expand those already in existence. SB 459 proposes to utilize the existing funding mechanism used for SKILL projects to assist businesses in meeting additional expenses. (i.e. relocation expenses, building and equipment purchases, labor recruitment and other expenses) This legislation provides the flexibility to increase the state's ability to expand existing business and attract new industry. It takes the pressure off of funding from other programs; it provides a competitive advantage over other competing states; it would provide the capacity to take on a major expansion of an existing business or attract a major new business; it maintains stringent restrictions and "claw back" provisions; and it provides significant new resources without creating any new demands on the State General fund or the existing financial capacity of the SKILL program. It is agreed by both industrial development and site selection experts that this legislation would be a major addition to the expansion of the economic development program in the State. Attachment 1

Robert J. Marcusse, President, Kansas City Area Development Council, stated passage of SB 459 is important to the State of Kansas remaining competitive in economic development.

The Committee deferred action on the bill in order for amendments to be written regarding the certification by the Secretary of Revenue on the estimate of the number and wages of all new jobs, and also to make the "claw back" provision apply to the expanded program.

SB 460: **Consolidation of reporting requirements**

Secretary Sherrer advised the Committee that SB 460 allows DOCH to consolidate its ten separate reports into the agency's annual report. The separate reporting requirement is the result of different programs being introduced into statute over the course of several years. Consolidating these reports into the agency's annual report would maintain the same level of accountability and analysis of programs. Attachment 2

Senator Ranson moved, seconded by Senator Jordon that SB 460 be amended by striking Section 9 in its entirety. The voice vote was in favor of the motion.

Senator Burke moved, seconded by Senator Steffes that SB 460 be reported favorably as amended. The recorded vote was unanimous in favor of the motion.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on January 18, 1996.

SB 461: **Reorganize department of commerce and housing**

Secretary Sherrer stated the proposed legislation repeals all statutory language specifying the internal organization of the agency. Presently, the agency is directed by statute to have five divisions. Commerce and Housing is the only agency whose internal organization is subjected to this degree of legislative control. The agency is requesting that management have the authority to change internal structures with equal rapidity and flexibility as other agencies. Attachment 3

Senator Feleciano moved, seconded by Senator Steffes that **SB 461** be amended on Page 2, line 41, conceptually to allow the Secretary of DOCH to appoint division heads in the unclassified service under the Kansas civil service act.

Senator Steffes moved, seconded by Senator Reynolds that **SB 461** be reported favorably as amended. The recorded vote was unanimous in favor of the motion.

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Upon motion by Senator Reynolds, seconded by Senator Burke the Minutes of the January 17, 1996 meeting were unanimously approved.

The next meeting is scheduled for January 19, 1996.

**HEARING BEFORE THE SENATE COMMERCE COMMITTEE
THE KANSAS DEPARTMENT OF COMMERCE AND HOUSING
GARY SHERRER, SECRETARY
JANUARY 18, 1996**

Madam Chairperson and members of the Committee, I appreciate the opportunity to seek your support for Senate Bill 459. After a brief explanation of this legislation, I would welcome any questions and comments.

Senate Bill 459 - The Kansas IMPACT Program.

The Kansas Investments in Major Projects (A)nd Comprehensive Training (IMPACT) program promises to serve an invaluable role in the State's efforts to attract new business and expand those already in existence. Derived from our highly successful State of Kansas Investments in Lifelong Learning (SKILL) workforce training program, IMPACT would provide several important functions for businesses (in addition to the workforce training component).

To better understand this bill, one must first understand the basic concept of the SKILL program. It is designed for new and expanding businesses, or consortiums of businesses, that are creating a large number of new jobs and/or new jobs paying above-average wages. (This program is customized to each company's needs.)

The SKILL process begins when participating companies and a Kansas public educational institution jointly submit a training proposal to Commerce and Housing. The agency then recommends a funding amount based on the level of training required, the overall efficiency of the project, the quality of jobs created, etc. This recommendation is then passed on to the Governor's Council on Workforce Training, which must approve all SKILL projects.

SKILL is funded through tax-exempt, public purpose bonds issued by the Kansas Development Finance Authority. Under current law, this program can never finance more than one percent of the total withholding taxes collected in the state. Individual project funding is limited to 90 percent of the withholding taxes collected from newly created jobs over ten years. These provisions would not change under Senate Bill 459.

This is important to know, as I explain the details of IMPACT.

Specifically, Commerce and Housing proposes to utilize the existing funding mechanism used for SKILL projects to assist businesses in meeting other expenses. Currently, many inviting prospects cannot be assisted with vital costs associated with either a relocation or an expansion. While workforce training is important, additional costs are typically incurred, and may be equally important in the company's decision to expand or relocate. For example, some prospects need assistance in transporting equipment, purchasing state-of-the-art machinery, or meeting infrastructure needs. Under IMPACT, such needs would be met.

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Attachment 1 thru 1-3

In administering IMPACT, Commerce and Housing would continue its partnerships with the Kansas Development Finance Authority, private bond placement firms, and the Governor's Council on Workforce Training and Investment. Further, there would be no need for additional staffing. Personnel already familiar with the funding and investment criteria under SKILL would operate the new program, enabling Commerce and Housing to implement IMPACT immediately.

Senate Bill 459 delivers flexibility, as it assumes "the cafeteria approach," offering more than just one item from which to choose. It takes the pressure off of other programs (namely KEOIF) as the only other significant sources of non-training funds. It provides a powerful competitive advantage over other competing states. With the passage of this bill, we would have, for the first time, the capacity to take on a major expansion of an existing business or attract a major new business. SB 459 maintains stringent restrictions and "claw back" provisions. ("Claw back" means we have the ability to demand repayment to compensate for non-performance for ten years, which is the life of the bond.) Finally, it provides significant new resources without creating any new demands on the State General Fund or the existing financial capacity of the SKILL program.

Both industrial development and site selection experts agree that this would be a major addition to the State's economic development program, dramatically increasing our ability to expand existing business and attract new industry.

PHH Fantus ConsultingOne North Franklin
Chicago, IL 60606Tel 312 460 0234
Fax 312 460 0235**PHH**

January 17, 1996

Mr. Bill Thompson
National Marketing Manager
Kansas Department of Commerce & Housing
700 SW Harrison St., Suite 1300
Topeka, KS 66603-3712

Dear Bill:

I was very pleased to learn that the Kansas legislature is considering broadening the use of funds under the SKILL Program to include certain non-training costs. I also support changing the definition of eligible businesses under the Enterprise Zone Act to include companies involved in credit card issuance and processing.

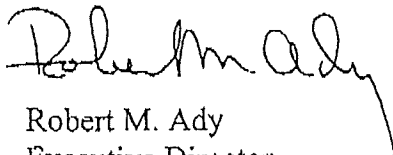
As you know, PHH Fantus Consulting is currently representing a major, high growth credit card processing company that is very strongly considering Kansas as a location for a national operating center which will employ over one thousand people.

Without the change in the Enterprise Zone Act, it is truly doubtful that this company will locate in Kansas. The broadening of the SKILL Program will allow the company much greater flexibility in the use of these funds and will allow it, to tailor-make a start up program to fit its needs.

I whole heartedly urge the legislature to approve both of these changes to the existing economic development statutes.

Sincerely,

PHH FANTUS CONSULTING



Robert M. Ady
Executive Director

RMA:bs

**HEARING BEFORE THE SENATE COMMERCE COMMITTEE
THE KANSAS DEPARTMENT OF COMMERCE AND HOUSING
GARY SHERRER, SECRETARY
JANUARY 18, 1996**

Madam Chairperson and members of the Committee, I appreciate the opportunity to seek your support for Senate Bill 460. After a brief explanation of this legislation, I would welcome any questions and comments.

Senate Bill 460 - Consolidation of KDOC&H Reports.

Commerce and Housing asks that the Legislature consolidate ten separate reports into the agency's annual report. These reports are attached to different programs, having been introduced into statute over the course of several years and legislative sessions.

Consolidating these reports into the agency's annual report would maintain the same level of accountability and analysis originally envisioned in these statutes. Additionally, internal management of these reports would be much easier, and comparative examinations of programs enhanced.

Significant cost savings in both human and financial resources would be achieved with the passage of this bill.

*Senate Commerce Committee
January 18, 1996
Attachment 2*

**HEARING BEFORE THE SENATE COMMERCE COMMITTEE
THE KANSAS DEPARTMENT OF COMMERCE AND HOUSING
GARY SHERRER, SECRETARY
JANUARY 18, 1996**

Madam Chairperson and members of the Committee, I appreciate the opportunity to seek your support for Senate Bill 461. After a brief explanation of this legislation, I would welcome any questions and comments.

Senate Bill 461 - A Reorganization of KDOC&H.

Commerce and Housing is asking that all statutory language specifying the internal organization of the agency be repealed. As it now stands, the agency is directed by statute to have five divisions. To our knowledge, Commerce and Housing is the only agency whose internal organization is subjected to this degree of legislative control.

Certainly, the Legislature has the duty to direct this agency toward specific goals and outcomes. However, legally holding the department to one form of internal organization may actually decrease our effectiveness in achieving these goals. As the environment in which Commerce and Housing operates changes, management should have the authority to change internal structures with equal rapidity and flexibility.

*Senate Commerce Committee
January 18, 1996*

Attachment 3