

Approved: 1-17-98
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Bill Mason at 3:30 p.m. on February 5, 1998 in Room 423-S of the Capitol.

All members were present except: Broderick Henderson (E)
Barbara Allen (A)
Lisa Benlon (E)
Mary Compton (E)

Committee staff present: Lynne Holt, Legislative Research Department
Rose Marie Glatt, Committee Secretary

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

Others attending: See attached list

Representative Beggs moved that the minutes for February 3 and 4 meetings be approved. Representative Showalter seconded the motion and the motion carried.

Secretary Gary Sherrer gave the committee a briefing on the Department of Commerce & Housing (Attachment 1). He defined the Department Mission and Achievements. He outlined the Services and Results for the following areas: Ag Products Development, Business Development, Community Development, Housing, Trade and Travel & Tourism.

He described a new eighteen month campaign that will be launched in a couple of months. The theme is *Kansas "Built on Character."*

A copy of the 1997 annual report, for the Department of Commerce and Housing was given to the committee. (A copy of the annual report is on file in the office of the Kansas Legislative Research department).

General discussion followed regarding: KS Web page access, International offices, Budget figures/allocation of funds, and the importance of training programs to attract and supply the skilled labor for industries. Secretary Sherrer said that untrained staff will be the biggest problem we face in the next century.

A copy of the Kansas Travel & Event Guide was given to each member. (A copy of the guide is on file in the Department of Commerce & Housing). A copy of "Which incentives are most important to industry Executives?" was given to the committee (Attachment 2).

Meeting adjourned at 4:40 p.m.

The next meeting is scheduled for February 12, 1998.

KANSAS

DEPARTMENT OF COMMERCE & HOUSING

House Economic Development
2/5/98
Attachment 1

What is economic development?

Building a healthy, prosperous
economy for the people of Kansas

It is the business of:

- ◆ fostering growth and entrepreneurship
- ◆ adding value
- ◆ providing appropriate housing opportunities
- ◆ building stronger communities
- ◆ expanding international commerce
- ◆ attracting visitors and film productions

KDOC&H Role

- ◆ Providing leadership and resources
- ◆ Delivering quality customer service
- ◆ Operating like business

Agency Achievements

- ◆ BD directly impacted addition of 18,000 jobs
- ◆ CD served 80,275 Kansans of which 56,665 (nearly 71 percent) met LMI guidelines
- ◆ Trade provided funding to 50 companies (52 percent with fewer than 50 employees) generating \$40m in sales
- ◆ 14,000 people at 101 KS companies received job skills training
- ◆ HACCP Implementation program through Ag Products Development Division
- ◆ More than 417,000 visitors received travel information at the TICs
- ◆ \$138 million in new activity as result of Housing Division programs
- ◆ 400 companies participating in *From the Land of Kansas* marketing program
- ◆ 700 Kansans in 50 counties became first-time homeowners through HOME
- ◆ Trade Division brought \$51 million in foreign investment creating 505 new jobs

Ag Products Development Division

Goal: To promote the development of value-added agricultural products, processed food products, and agricultural commodities

Ag Products Development Services

- Value Added
- Commercialization
- Trademark
- Domestic and International Marketing
- Strategic Alliances

Ag Products Development Results

- \$277,140 in commercialization loans
- HACCP Implementation Program
- \$312,000 in export sales
- Foreign trade assistance to 155 companies
- \$423,044 in sales/QVC's Quest for "America's Best" Promotion

Business Development

Goal: To stimulate the Kansas economy through the creation/retention of jobs and increased capital investment

Business Development Services

- Business Assistance
- Business Finance
- National Marketing
- Workforce Training

Business Development Results

- Located and/or expanded 24 companies representing 5,100 jobs and \$70 million in capital investment
- Trained nearly 14,000 Kansans in 101 companies
- KEOIF and KEIEP influenced employment opportunities for 6,600 Kansans
- Field representatives assisted more than 1,100 businesses on-site in communities
- Served 2,600 Kansans through First Stop Clearinghouse
- Issued 9 Export Loan Guarantees totaling \$1.7 million supporting \$8.1 million in sales

Community Development

Goal: To preserve and enhance the livability of Kansas communities by increasing their capacity to meet their needs

Community Development Services

- U.S Small Cities Community Development Block Grant (CDBG)
- Community Assistance Services

Community Development Results

- Main Street brought 9 new businesses and expanded 88 in commercial districts creating 183.5 jobs
- More than \$23 million in CDBG projects leveraged \$88.5 million to support community projects
- 88 PRIDE communities worked to develop their self-help community development programs
- Community Service Tax Credits leveraged \$1.85 million in private sector contributions to private nonprofit organizations
- Strategic Planning supported local plan development in 90 percent of Kansas counties

Housing

Goal: To provide housing opportunities to Kansans through the development of resources, partnerships, and technical assistance

Housing Services

- Homeownership
- Rental Housing
- Housing with Supportive Services
- Asset Management
- Information Services

Housing Results

- Generated more than \$138 million of new economic housing activity in communities
- More than 700 Kansans in 50 counties became first-time homebuyers
- More than 1,000 single-family homes were rehabilitated or weatherized in 91 counties
- Financed new construction or acquisition and rehabilitation of 1,544 rental units
- Assisted 8,551 homeless families in 42 counties
- Guaranteed quality housing for low-and-moderate income households in 14,878 rental units

Trade

Goal: To provide leadership and expertise to small and medium Kansas companies developing or expanding export markets, and to Kansas communities recruiting foreign investment

Trade Development Services

- Export Counseling
- Market Research
- Trade Show Assistance
- International Investment Recruitment

Trade Results

- Brought foreign investment into the state creating \$51 million in capital investment and 505 new jobs
- Top five markets: Canada, Japan, Korea, Mexico, and Australia
- Trade show assistance to 50 companies, 52 percent with less than 50 employees, supporting sales of more than \$40 million
- Provided export assistance to 377 with 44 percent being new to export
- Published the *Kansas Agribusiness Directory* and *Kansas Aerospace Directory*
- *International Trade Resource Directory* developed to guide companies to additional sources of assistance and services

Travel and Tourism

Goal: To increase travel, tourism, and film expenditures in Kansas.

Travel and Tourism Services

- Leisure Marketing
- Travel Trade Promotions
- Attraction Development Grants
- Travel Information Centers
- Film Commission

Travel & Tourism Results

- More than 146,000 people responded to the “Kansas...Simply Wonderful” campaign
- 42 percent of those who requested and received the *Kansas Travel and Event Guide* traveled to Kansas spending more than \$25 million
- Attractions featured in *KANSAS!* magazine experienced a 15% increase in visitation
- At least 417,000 visitors received travel information at the TICs and 40 percent increased their stay in Kansas as a result
- More than \$2 million was spent on film productions
- Attraction Development Grants leveraged nearly 10:1 return in the development of new tourism opportunities for Kansas

KDOC&H

- Strong economic partner with communities and business
- Commitment to customer service
- Measurable results

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Which Incentives Are Most Important to Industry Executives?

(In order of priority)

- 1. Cash Grant:** Reduces up-front investment cost — Although funding is sometimes difficult, this incentive can have a significant impact on a project's ROI.
- 2. Land-Cost Reduction:** Reduces start-up investment costs — Reductions in land cost usually depend on the number of jobs created, project investment, and most importantly on the ownership of the land.
- 3. Customized Training:** Reduces production learning curve and improves productivity — Training should apply to all skill levels and provide for long-term apprenticeships. Coverage should include third-party instructors, temporary facilities, program development, learning materials, and rent or purchase of special equipment.
- 4. Facility Financing:** Reduces annual operating costs through interest-rate reduction — Loans are frequently discounted or interest-free. Amounts can be all or a portion of facility costs. Funds sometimes are provided from a state or local pool targeted for economic development projects.
- 5. Equipment Ad Valorem Tax Abatement:** Typically applies to all manufacturing equipment and can be structured in a number of different ways — Frequently the school portion of the tax is not abated. This incentive has the advantage of being self-funded.
- 6. Facility Ad Valorem Tax Abatement:** Reduces annual operating costs through no or reduced real estate tax payments — This incentive is self-funding.
- 7. Equipment Sales & Use Tax Exemptions:** Reduce equipment investment costs by the amount of the state sales tax — This incentive is self-funding.
- 8. Other Sales Tax Exemptions:** Reduce investment costs by exempting sales tax on construction materials (typically 1%–2% of construction costs) — These exemptions reduce annual operating costs by lowering sales tax on utility consumption and other in-state purchases.
- 9. Job Creation/Investment Income Tax Credits:** Reduce annual costs through a reduction of state income tax based on the number of jobs created and/or the investment — Credits vary by state and county, and can usually be carried forward for up to five years.
- 10. Start-up Assistance:** State and local assistance with relocation and operation start-up that applies mainly to personnel and equipment
- 11. Infrastructure Assistance:** Federal, state, or local funds provided to develop on-site infrastructure, or the infrastructure supporting the site, e.g., utility and road extension — In the latter case, the community is often just "leveling the playing field" with other competing communities that have fully developed sites.
- 12. Hiring Assistance:** Reduces start-up costs through third-party hiring of professionals, hourly recruiting, screening, and testing — Some programs may also provide for placement of transferred spouses.
- 13. Utility Reductions (electric, natural gas, water, and sewer):** Reduce annual operating costs through reduction of utility rates — Electric power costs can frequently be reduced through economic development riders. Further reduction usually requires approval by the respective state regulatory authority. Water and sewer rates are best negotiated for large users and in areas with significant excess capacity.
- 14. Child-Care Tax Credits:** Improve employee recruiting and retention while reducing annual state income taxes — Credit typically applies to companies that construct, operate, or subsidize a day care facility.
- 15. Payroll Cost Rebate:** Reduces annual operating costs — Some states have begun to rebate a percentage of payroll costs back to the employer for a specified number of years. The amount varies with the number of jobs and average wage. A minimum number of jobs is required to qualify. This incentive also has the advantage of being self-funded.
- 16. Transferee In-State Tuition Program:** Waiver of one-year residency requirement to qualify for in-state tuition for state colleges and universities — This encourages greater employee retention in the event of a group move.
- 17. Country Club Membership:** Integrates the new plant manager into the community executive group at no cost to the company

Source: Semradek & Company, Inc., 1997

House Economic Development
2/5/98
ATTACHMENT 2