

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on January 27, 2004, in Room 526-S of the Capitol.

All members were present except:

Representative Valdenia Winn- excused

Committee staff present:

Kathie Sparks, Office of Legislative Research
Susan Kannarr, Office of Legislative Research
Renae Jefferies, Office of Revisor of Statutes
Helen Pedigo, Office of Revisor of Statutes
Fulva Seufert, Secretary

Conferees appearing before the committee: John Moore, Lt. Governor and Secretary, Kansas
Department of Commerce
Steve Kelly, Deputy Secretary, Business Development
Division, Dept. Of Commerce
Patty Clark, Agriculture Marketing Division, Dept. Of
Commerce
Matt Jordan, Director, Community Development Division,
Dept. Of Commerce

Others attending:

See Attached List.

Chairman Wilk opened the meeting at 3:30 p.m., January 27, 2004, by making several announcements. He explained to the committee that all activity in the room was being sent out over the internet. He invited members to attend the Senate Commerce Committee meeting on Monday, Feb. 2nd at 8:30 a.m. in Room 134-N where U.S. Senator Roberts will speak on rural economic development and life science issues.

Chairman Wilk welcomed Lt. Governor John Moore, who gave an overview of the State Revitalization Plan. He said their Mission Statement is to empower businesses and communities through bold leadership using strategic resources to realize prosperity in Kansas. The Kansas Department of Commerce is made up of the following divisions:

- Agriculture Marketing - Director, Patty Clark
- Business Development - Deputy Secretary, Steve Kelly
- Community Development - Director, Matt Jordan
- Trade Development - Director, John Watson
- Travel & Tourism - Director, Scott Allegrucci
- Administration - Key organizational change when Housing Division moved to Kansas
Development Finance Authority

Governor Moore said that the three key open positions are Director of Administration, Director of Business Development Division, and Star Bonds Analyst. Economic Development efforts are focused regionally on job retention and creation. His testimony included a listing of the regions, their chairs and coordinators. The regional priorities consisted of the following 12-point revitalization plan that was developed from the statewide prosperity summit in Wichita on October 1, 2003:

- Continued Commitment to Statewide Priorities
- Business Retention & Recruitment
- Energy Policy
- Value Added Agriculture
- Workforce Development

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on January 27, 2004, in Room 526-S of the Capitol.

- Seed Financing & New Business Assistance
- Life Sciences
- Rural Business Development
- Inventory of Support Programs
- Image & Marketing
- Tourism
- Ad Astra Strategy

Governor Moore said that as a result of the statewide economic revitalization plan, seven regional economic development plans are in place, and a Governor's economic policy council has been created. He also said that through legislation or proposals in the Governor's budget, all twelve points in the plan will be addressed. Statewide priorities include the Governor's educational plan and completion on time of all projects promised in the 1999 Comprehensive Transportation Plan. Legislation will be introduced to revise the following incentives:

1. Transferable Tax Credits
2. Differentiate between companies creating \$8.00/hour jobs and companies creating \$30.00/hour jobs.
3. Differentiate between jobs created in counties with declining populations and jobs created in growth areas.
4. Improve recruitment of corporate offices, research centers and professional firms.
5. Treat existing firms for retention.

Gov. Moore also said that legislation will be introduced to the Senate Commerce Committee to create tax credits for individuals or organizations who contribute to regional foundations chartered to foster rural economic development. This will encompass value added agriculture and other initiatives in agritourism and renewable energy sources. In addition, legislation will be introduced by Representative Wilk and Senator Jordan to do the following:

- Create a biosciences authority and an emerging industry investment act
- Create an Angel Investor Network
- Create a Center of Entrepreneurship with a statewide foundation for entrepreneurship

He said his great passion was the Workforce Development which included the following:

- Executive Reorganization Order No. 31 issued January 14, 2004
- Move education and training division and all related workforce development programs from Kansas Department of Human Resources to the Department of Commerce.
- Legislation creating "Kansasfirst" will be introduced in the Senate Commerce Committee. (This is modeled after Quickstart in Georgia and South Carolina programs.)

Gov. Moore said the Workforce Development program is made up of the Board of Regents, 19 Community Colleges, 10 Technical Colleges/Schools, 5 Local Workforce Investment Boards, Workforce Network of Kansas, Kansas Department of Human Resources and Kansas Department of Commerce, which all have responsibility for some facets. The long range objective is to move from a granting state to a state that invests in its educational infrastructure and guarantees qualified employees. This would result in paying companies to invest in the educational infrastructure. He also spoke about the Kansas Technical Training Initiative (KTTI) and Kansas Institute for Technical Excellence (KITE). He pointed out that the two points that received the most interest in the summit were Image and Marketing and Tourism because of their tremendous potential for economic growth in Kansas. Other important actions in 2004 include the following:

- Base realignment and closure (BRAC)
- Star bonds applications
- Cuban market opportunities
- Integration of KDHR functions

Anyone wishing to appear before the Committee on any of the above bills should contact the Committee Secretary at 296-7640. Please provide 30 copies of written testimony. Any individual with a disability may request accommodation in order to participate in Legislative committee meetings. Requests for accommodation should be made at least two working days in advance of the meeting by contacting Legislative Administrative Services at 785/296-2391 (TTY: 785/296-8430).

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on January 27, 2004, in Room 526-S of the Capitol.

- Commerce, Kansas Technical Enterprise Corporation (KTEC) and Kansas, Inc. Synergism
- The Collins Strategy
(Attachment 1)

Chairman Wilk thanked Lt. Gov. Moore for his thorough presentation and welcomed Steve Kelly, Deputy Secretary and Director of Business Development for the Department of Commerce. He said their mission is "To Stimulate the Kansas Economy Through the Creation/Retention of Jobs and Increased Capital Investment."

Mr. Kelly's testimony addressed Workforce training, business finance, and business recruitment and retention. He said that many good things are already in place, but current plans are to augment those currently productive efforts with new initiatives to increase Kansas' economic potential. These initiatives include a consolidation of the workforce training sections of the Kansas Department of Human Resources and the Kansas Department of Commerce. He mentioned the Star Bonds legislation that was passed last year which offers a vehicle to aid unique destination projects which will maximize the state's opportunities. (Attachment 2)

Chairman Wilk thanked Mr. Kelly and welcomed Ms. Patty Clark, Director of the Marketing Division of the Department of Commerce, who provided the committee with interesting "goodie bags." The Chair told the members they could look into their bags and view the Kansas treats inside. Inside the bags were the following: Cheese from Jason Wiebe Dairy in Durham, Kansas; tea from Cloud County Tea Company; Jalapeno microwave popcorn from Original Juan Specialty Foods in Kansas City, Kansas; chocolate sunflower nuts from Sunflower Food Company in Lenexa, KS; and raspberry jalapeno fiesta sauce from Original Juan Specialty Foods, K.C. Ms. Clark provided an overview of current value added projects, initiatives for the Trademark Program, international trade activities, a review of the Ag Innovation Center Grant, the joint agri-tourism strategy, and an overview of how the Economic Revitalization Plan positively impacts agriculture and rural communities. She said that in Kansas, agriculture is commerce, agriculture is business, and agriculture is industry. Ms. Clark's remarks included information on the following:

- KSU Meat Science and Food Science Pilot Plants
- Jason Wiebe Dairy - Marion County
- Prairie Pride, Inc. - Butler County
- Davenport Orchards & Vineyard - Douglas County
- Smoky Hill Vineyard & Winery - Saline County
- Dinah's Noodles - Cloud County
- Rainbow Organic Farms - Franklin, Johnson & Bourbon Counties
- Cooperative Agricultural Services, Inc. - Gove County
- "From the Land of Kansas Trademark Program"

Ms. Clark also addressed the agri-tourism initiative, Ag Innovation Center, International Trade, and the Economic Revitalization Plan. (Attachment 3)

Chairman Wilk thanked Ms. Clark for her presentation and the fun "goodie bags." He next welcomed Mr. Matt Jordan, Director of Community Development, Kansas Department of Commerce, who said their mission is to partner with Kansas communities to help enhance their livability by providing financial, technical, and business assistance. He said their "Division employs 20 community development professionals who over the past five years have allocated 141-million dollars in grants for small and rural communities across Kansas." These grants, matched with local resources, accounted for 465-million dollars for community development programs which included the following:

- Entrepreneurship and small business assistance
- Funding for improvements to community facilities
- Leadership development training for small communities
- Strategic planning resources for community betterment
- Downtown revitalization strategies

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on January 27, 2004, in Room 526-S of the Capitol.

Mr. Jordan's testimony included reference to financial assistance to the following programs:

- Small Cities Community Development Block Grant (CDBG)
- Community Service Tax Credits
- Flood Mitigation Assistance (FMA) Grants
- Community Capacity Building (CCB) Grants

He also referred to the following Technical Assistance to small communities:

- Professional development and technical training sessions
- The PRIDE program (volunteer grassroots effort to improve quality of life)

The following Business Assistance to entrepreneurs was explained:

- Economic Development grants
- The Main Street program
- IWW program
- The Micro-loan program
- Enterprise Facilitation

Mr. Jordan said that the importance of entrepreneurs to the Kansas economy cannot be overlooked or overstated. Over the past 20 years, job creation and innovation have been the driving force behind the overall US economy. This is especially true in Kansas in the small communities and rural areas. He stated that Community Development programs truly strengthen rural communities and promote economic growth and prosperity in Kansas. (Attachment 4)

Chairman Wilk thanked Mr. Jordan for sharing this information with the committee and for organizing the Department of Commerce's presentations.

Representative Wilk made a motion to introduce the Bio Science bill, and Representative O'Malley seconded. Motion passed.

Representative Burroughs made a motion to approve the minutes of the January 22, 2004, meeting, and Representative Boyer seconded. Motion passed.

The meeting adjourned at 5:05 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
GUEST LIST

DATE: Tuesday, January 27, 2004

NAME	REPRESENTING
Steve Kelly	Commerce
Jesse McCurry	Commerce
Mary Hillebrandt	Alan Abb & Associates
DAVID OWEN	Homeless Come Home
Stephanie Buchanan	DOB

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KANSAS DEPARTMENT
OF COMMERCE
OVERVIEW
FOR
HOUSE ECONOMIC
DEVELOPMENT
COMMITTEE

House Economic Development
1-27-2004
Attachment 1

House

JANUARY 27, 2004

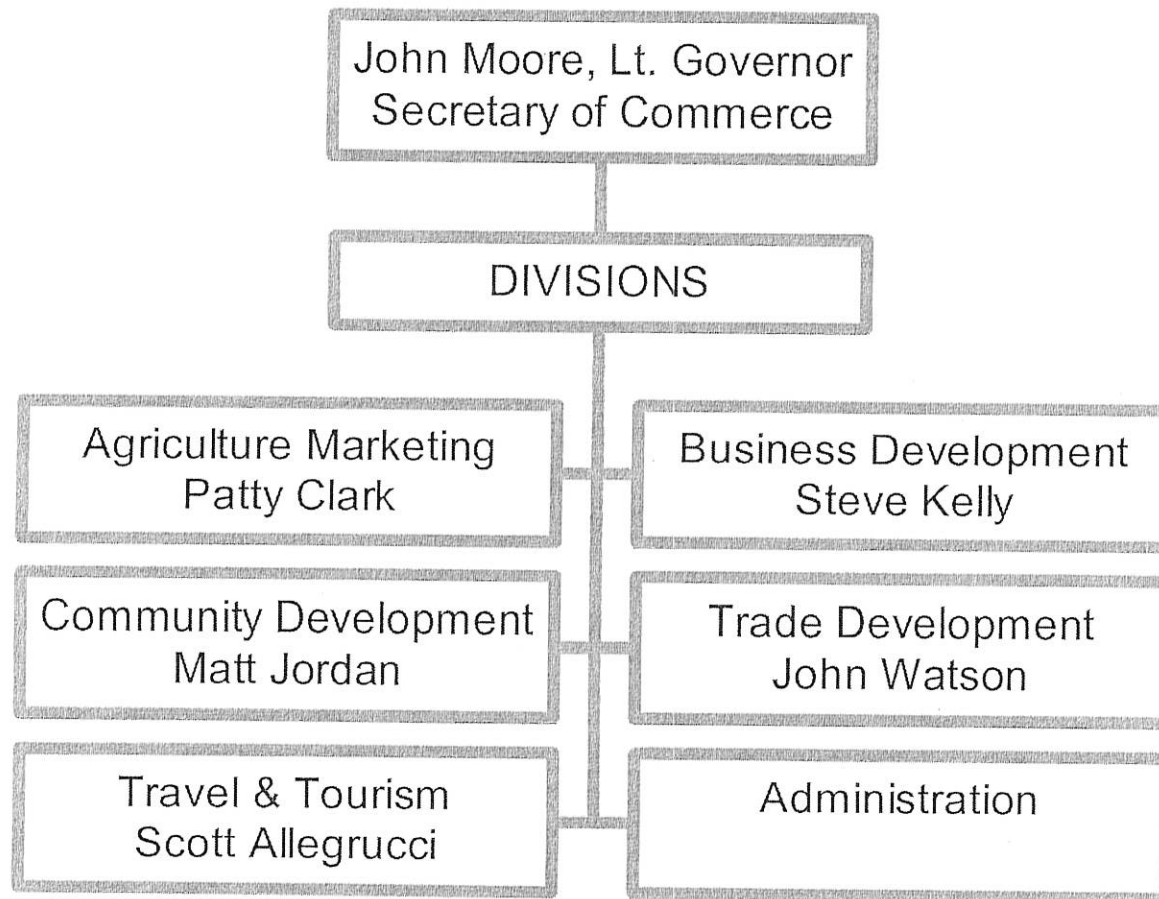
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MISSION STATEMENT

TO EMPOWER BUSINESSES AND
COMMUNITIES THROUGH BOLD LEADERSHIP
USING STRATEGIC RESOURCES TO REALIZE
PROSPERITY IN KANSAS.

KANSAS DEPARTMENT OF COMMERCE

1-3



KANSAS DEPARTMENT OF COMMERCE

- KEY PERSONNEL ADDED IN 2003
 - STEVE KELLY, DEPUTY SECRETARY, COMMERCE
 - SCOTT ALLEGRUCCI, DIRECTOR OF TRAVEL & TOURISM, APRIL 14, 2003
 - PATTY CLARK, DIRECTOR OF AGRICULTURE MARKETING, APRIL 1, 2003
 - MATT JORDAN, DIRECTOR OF COMMUNITY DEVELOPMENT, APRIL 28, 2003

- KEY ORGANIZATIONAL CHANGES
 - HOUSING DIVISION MOVED TO KANSAS DEVELOPMENT FINANCE AUTHORITY

- KEY OPEN POSITIONS
 - DIRECTOR OF ADMINISTRATION
 - DIRECTOR OF BUSINESS DEVELOPMENT DIVISION
 - STAR BONDS ANALYST



KANSAS DEPARTMENT OF COMMERCE

**KANSAS' STRATEGY FOR JOB RETENTION
AND CREATION IS TO HAVE ECONOMIC
DEVELOPMENT EFFORTS REGIONALLY
FOCUSED AND LED WITH THE STATE'S
RESOURCES AVAILABLE TO
COMPLEMENT AND STRENGTHEN
THOSE EFFORTS**

KANSAS DEPARTMENT OF COMMERCE

1-6

REGIONS

CHAIRS

COORDINATORS

SOUTHEAST

GENE BICKNELL

LYNDA WILKINSON

EAST CENTRAL

JIM COLE

DAN KOENIG

MAL WARRICK

CINDY CASH

NORTHEAST

KRIS ROBBINS

DOUG KINSINGER

NORTH CENTRAL

DALE DAVIS

KENT HEERMANN

NORTHWEST

LARRY McCANTS

CAROLYN APPLGATE

SOUTHWEST

STEVE IRSIK

JACK TAYLOR

DONNA SHANK

SOUTH CENTRAL

CHARLIE JOHNSON

MIKE GERMANN

STEVE ROONEY

• APPROXIMATELY 1,500 KANSANS ATTENDED THE SEVEN REGIONAL
MINI-SUMMITS



KANSAS DEPARTMENT OF COMMERCE

6-7

- A STATEWIDE PROSPERITY SUMMIT WAS HELD IN WICHITA ON OCTOBER 1
- OVER 500 KANSANS ATTENDED
- A 12-POINT ECONOMIC REVITALIZATION PLAN WAS UNVEILED
- CREATED FROM REGIONAL PRIORITIES
 - CONTINUED COMMITMENT TO STATEWIDE PRIORITIES
 - BUSINESS RETENTION & RECRUITMENT
 - ENERGY POLICY
 - VALUE ADDED AGRICULTURE
 - WORKFORCE DEVELOPMENT
 - SEED FINANCING & NEW BUSINESS ASSISTANCE
 - LIFE SCIENCES
 - RURAL BUSINESS DEVELOPMENT
 - INVENTORY OF SUPPORT PROGRAMS
 - IMAGE & MARKETING
 - TOURISM
 - AD ASTRA STRATEGY



KANSAS DEPARTMENT OF COMMERCE

8-1

REGIONAL PRIORITIES IN THE REVITALIZATION PLAN

<i>State Revitalization Plan</i>	Region I	Region II	Region III	Region IV	Region V	Region VI	Region VII
Business Retention & Recruitment	×	×	×		×	×	×
Energy Policy				×	×	×	
Value Added Agriculture	×			×	×		×
Workforce Development	×	×	×	×	×		×
Seed Financing & New Business Assistance	×	×	×		×	×	×
Life Sciences		×	×				
Rural Business Development			×			×	×
Inventory of Support Programs	×			×	×		×
Image & Marketing	×	×	×	×	×	×	×
Tourism	×	×		×	×	×	
The Ad Astra Strategy							
Education, Transportation, Cooperation/Efficiencies	×	×	×	×	×	×	

KANSAS DEPARTMENT OF COMMERCE

- AS PART OF THE STATEWIDE ECONOMIC REVITALIZATION PLAN
 - SEVEN REGIONAL ECONOMIC DEVELOPMENT PLANS ARE IN PLACE
 - A GOVERNOR'S ECONOMIC POLICY COUNCIL HAS BEEN CREATED

KANSAS DEPARTMENT OF COMMERCE

1-10

- EITHER THROUGH LEGISLATION THAT WILL BE INTRODUCED, PROPOSALS IN THE GOVERNOR'S BUDGET OR ACTIONS ALREADY UNDERWAY, ALL TWELVE POINTS IN THE ECONOMIC REVITALIZATION PLAN WILL BE ADDRESSED

KANSAS DEPARTMENT OF COMMERCE

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
 - CONTINUED COMMITMENT TO STATEWIDE PRIORITIES
 - GOVERNOR'S EDUCATIONAL PLAN
 - ALL PROJECTS PROMISED IN THE 1999 COMPREHENSIVE TRANSPORTATION PLAN COMPLETED ON TIME

KANSAS DEPARTMENT OF COMMERCE

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
 - BUSINESS RETENTION AND RECRUITMENT
 - LEGISLATION WILL BE INTRODUCED TO DRAMATICALLY REVISE INCENTIVES
 - TRANSFERABLE TAX CREDITS
 - DIFFERENTIATE BETWEEN COMPANIES CREATING \$8.00/HOUR JOBS AND COMPANIES CREATING \$30.00/HOUR JOBS
 - DIFFERENTIATE BETWEEN JOBS CREATED IN COUNTIES WITH DECLINING POPULATIONS AND JOBS CREATED IN GROWTH AREAS
 - IMPROVE TO RECRUITMENT OF CORPORATE OFFICES, RESEARCH CENTERS AND PROFESSIONAL FIRMS
 - TREAT EXISTING FIRMS FOR RETENTION
 - COUNCIL CREATED WITH TWO MEMBERS OF SENATE COMMERCE AND HOUSE ECONOMIC DEVELOPMENT COMMITTEES

whole pg.



KANSAS DEPARTMENT OF COMMERCE

1-13

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN

- RURAL BUSINESS DEVELOPMENT

- VALUE ADDED AGRICULTURE

- LEGISLATION WILL BE INTRODUCED TO *Senate Commerce Center*

- CREATE TAX CREDITS FOR INDIVIDUALS/ORGANIZATIONS WHO CONTRIBUTE TO REGIONAL FOUNDATIONS CHARTERED TO FOSTER RURAL ECONOMIC DEVELOPMENT

- THIS WILL ENCOMPASS VALUE ADDED AGRICULTURE

- OTHER INITIATIVES IN AGRITOURISM AND RENEWABLE ENERGY SOURCES

- SUPPORT OF ENTERPRISE FACILITATION CONTINUED



KANSAS DEPARTMENT OF COMMERCE

1-14

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN

- BIOSCIENCES

capital + entrepreneurship

- SEED FINANCING AND NEW BUSINESS START-UP

- LEGISLATION WILL BE INTRODUCED BY REPRESENTATIVE WILK AND SENATOR JORDAN TO:

- CREATE A BIOSCIENCES AUTHORITY AND AN EMERGING INDUSTRY INVESTMENT ACT

- CREATE AN ANGEL INVESTOR NETWORK

- CREATE A CENTER OF ENTREPRENEURSHIP WITH A STATEWIDE FOUNDATION FOR ENTREPRENEURSHIP



KANSAS DEPARTMENT OF COMMERCE

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN

- WORKFORCE DEVELOPMENT - *Great passion for this*

- EXECUTIVE REORGANIZATION ORDER No. 31 ISSUED JANUARY 14, 2004

- MOVES EDUCATION AND TRAINING DIVISION AND ALL RELATED WORKFORCE DEVELOPMENT PROGRAMS FROM KANSAS DEPARTMENT OF HUMAN RESOURCES TO THE DEPARTMENT OF COMMERCE

- LEGISLATION CREATING "KANSASFIRST" WILL BE INTRODUCED IN THE SENATE COMMERCE COMMITTEE

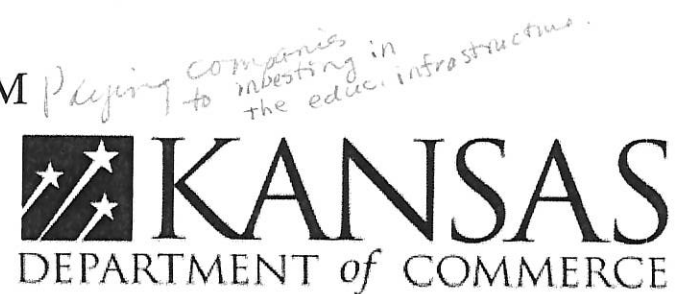
*modeled after
Quickstart in GA +
SC programs*



KANSAS DEPARTMENT OF COMMERCE

1-16

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
 - WORKFORCE DEVELOPMENT
 - BACKGROUND
 - THE BOARD OF REGENTS, 19 COMMUNITY COLLEGES, 10 TECHNICAL COLLEGES/SCHOOLS, FIVE LOCAL WORKFORCE INVESTMENT BOARDS, WORKFORCE NETWORK OF KANSAS, KANSAS DEPARTMENT OF HUMAN RESOURCES AND KANSAS DEPARTMENT OF COMMERCE HAVE RESPONSIBILITY FOR SOME FACETS OF WORKFORCE DEVELOPMENT
 - THESE PARTIES HAVE ALL MET TOGETHER ONE TIME TO DISCUSS WORKFORCE DEVELOPMENT – MAY 16, 2003
 - \$.96 OF EVERY \$1.00 PAID TO COMPANIES EXPANDING OR RELOCATING IN KANSAS ARE USED BY THE COMPANY OR VENDORS THEY SELECT
 - LONG RANGE OBJECTIVE IS TO MOVE FROM A GRANTING STATE TO A STATE THAT INVESTS IN ITS EDUCATIONAL INFRASTRUCTURE AND GUARANTEES QUALIFIED EMPLOYEES



KANSAS DEPARTMENT OF COMMERCE

1-1-1

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
 - WORKFORCE DEVELOPMENT
 - KANSAS TECHNICAL TRAINING INITIATIVE (KTTI)
 - A PARTNERSHIP OF FOUR WICHITA-BASED AVIATION COMPANIES, WICHITA, SEDGWICK COUNTY, USD 259 AND KANSAS
 - ORIGINALLY CREATED TO MEET THE NEED FOR AIRFRAME MECHANICS (A'S) AND AIRFRAME & POWER PLANT MECHANICS (A&P'S)



KANSAS DEPARTMENT OF COMMERCE

81-1

- THOUSANDS OF AVIATION EMPLOYEES LAID OFF AFTER KTTI FORMED
- THE NEED FOR BOTH TYPES OF MECHANIC CONTINUES
- AIRFRAME SCHOOL CURRICULUM IS NINE MONTHS; AIRFRAME & POWER PLANT SCHOOL CURRICULUM IS 18 MONTHS
- KTTI CREATED A PREPARATORY PROGRAM THAT PREPARES INDIVIDUALS TO TAKE THE FAA'S AIRFRAME EXAMS FOR CERTIFICATION IN THREE TO SIX MONTHS
 - RECEIVED A FEDERAL EXEMPTION (FA #65); ONE OF TWO LOCATIONS IN THE COUNTRY
 - 20 GRADUATES – ALL PASSED FAA TEST AND ARE EMPLOYED; OTHERS MAINTAINED STATUS QUO; KTTI IDENTIFIED THE PROBLEM AND ADDRESSED IT
 - 50 CURRENT STUDENTS
- 70 INDIVIDUALS BEGAN REGULAR AIRFRAME MECHANICS COURSES ON JANUARY 26
 - OPEN ENTRY AND OPEN EXIT; IN OPERATION 12 MONTHS A YEAR; DAY AND NIGHT



KANSAS DEPARTMENT OF COMMERCE

• TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN

• WORKFORCE DEVELOPMENT

• KANSAS INSTITUTE FOR TECHNICAL EXCELLENCE (KITE)

- PARTNERSHIP OF WICHITA AREA TECHNICAL COLLEGE, COWLEY COUNTY COMMUNITY COLLEGE, HUTCHINSON COMMUNITY COLLEGE AND BUTLER COUNTY COMMUNITY COLLEGE

- SERVICE AREA BOUNDARIES FOR WORKFORCE DEVELOPMENT DROPPED

- CENTERS OF EXCELLENCE BEING CREATED

MANUFACTURING – HCC	INFORMATION TECHNOLOGY – BCCC
AVIATION – CCCC	HEALTH PROFESSIONALS – WATC

- PROCESS FOR DEVELOPING FUTURE CENTERS OF EXCELLENCE

- DEMAND DRIVEN

- KITE BOARD APPROVES ALL NEW CLASSES

- DIFFERENTIAL TUITION WILL BE CHARGED

- MOVING TOWARD ONE APPLICATION, ONE FINANCIAL AID PROGRAM AND ONE ASSESSMENT CENTER

Today there are SEVEN CURRENT ASSESSMENT CENTERS



KANSAS DEPARTMENT OF COMMERCE

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
 - ENERGY POLICY
 - STATE'S ENERGY RESOURCE COORDINATING COUNCIL (KERCC) BEING REORGANIZED
 - TO RECOGNIZE TRADITIONAL SOURCES OF ENERGY AND EMERGING RENEWAL SOURCES – WIND, ETHANOL, BIOMASS, BIODIESEL

KANSAS DEPARTMENT OF COMMERCE

• TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN

- IMAGE & MARKETING

*Substantial amount of money
will promote aggressively.*

- TOURISM

*will benefit
from image
marketing.*

*need to figure out how to tell the story
to publicize our image.*

- AD ASTRA

*- can bring all these
together*

- STATE IMAGE
- TOURISM
- SMALL BUSINESSES
- RURAL KANSAS
- KANSAS ARTISANS
- RETAIL
- THE IMPACT OF INTERSTATE TRAFFIC



KANSAS DEPARTMENT OF COMMERCE

- OTHER IMPORTANT ACTIONS IN 2004

- BASE REALIGNMENT AND CLOSURE (BRAC) *May '05 first*

- STAR BONDS APPLICATIONS *- In Wichita 1st public hearing was held. only city in state to have had a public hearing.*

- CUBAN MARKET OPPORTUNITIES
 - FEBRUARY 3 SEMINAR *have a preferred status with the Cuban govt*

- INTEGRATION OF KDHR FUNCTIONS *good transition.*

- COMMERCE, KANSAS TECHNICAL ENTERPRISE CORPORATION (KTEC) AND KANSAS, INC. SYNERGISM

- THE COLLINS STRATEGY *An excellent working relationship between KS Inc, KTEC + Dept. of Commerce.*

professionals with outsource experience
initiative to create outsourcing in rural KS for KS manufacturers + businesses



Mission: To partner with Kansas communities to help enhance their livability by providing financial, technical, and business assistance. Community Development programs are geared to provide:

- Entrepreneurship and small business assistance.
- Funding for improvements to community facilities.
- Leadership development training for small communities.
- Strategic planning resources for community betterment.
- Downtown revitalization strategies.

The Division employs 20 community development professionals who between state fiscal years 1999 and 2003 **allocated \$141-million in grants for small and rural communities across Kansas.** These grants were matched with local resources to account for \$465-million in community betterment activities.

Since 1999, **CDBG funding provided community improvements that serve 471,000 people of which 258,000 were classified as low- and moderate-income.** These projects helped strengthen neighborhoods and communities by making improvements to more than 1,000 houses, 50 public facilities, and 440 miles of water or sewer lines.

Over the past five years, **CDBG resources matched \$121-million in federal funds with \$288-million in local funds through more than 400 projects collectively worth \$409-million,** which equates to a return of \$2.37 in local funding to every \$1.00 in federal funding as well as a significant investment in community development across the state.

Between 1995 and 2002, **the Community Service Program generated \$47-million in donations to organizations receiving tax credits,** which represents a return of \$1.65 in charitable donations for every \$1.00 in tax credits issued. It has helped fund a wide array of community betterment projects conducted by 322 organizations in 76 counties.

In FY03, **Community Development staff provided professional development and technical training sessions to 1,900 local government and nonprofit professionals** representing 454 organizations in Kansas. Staff also conducted 383 site visits, consisting of approximately 1,600 hours, to help communities meet federal grant guidelines and implement economic development plans.

Main Street communities received approximately \$1.3-million through IWW Grants funded by EDIF revenues since 1999. These grants generated \$10.8-million in private investment to small businesses in downtown districts. This represents a return of \$8.48 in private investment for every \$1.00 in grant funds issued.

Since 1999, **Economic Development Loans and Main Street Grants provided \$24-million in direct financial assistance to businesses in Kansas.** This financial support created 3,585 jobs, which equates to more than 700 new or retained jobs per year.

Kansas is a leader nationally in the grassroots approach to entrepreneurship development called "**Enterprise Facilitation.**" There are 17 projects underway across the United States. Thus, the five projects in Kansas that cover 24 rural counties are gaining increasing attention as models for implementation of this person-centered method to community and economic development consisting of free and confidential small business assistance. In less than one full year of operation, the five Kansas projects: Introduced more than 3,000 potential entrepreneurs to the Enterprise Facilitation process; Served more than 400 clients to help them develop plans to open or expand a business; Created 37 new businesses and retained or expanded 28 existing businesses; and, Created more than 130 jobs through expansion or creation of businesses.

PLEASE CONTACT US AT www.kansascommerce.com or 785-296-3485
FOR MORE INFORMATION ABOUT PROGRAMS AND SERVICES

**Testimony on Overview of the Business Development Division
to
The House Committee on Economic Development**

**by Steve Kelly
Deputy Secretary, Director of Business Development
Kansas Department of Commerce**

January 27, 2004

Chairman Wilk, members of the Committee, I am Steve Kelly, Director of Business Development for the Kansas Department of Commerce, a position I have held since 1995. I also serve in the capacity of Deputy Secretary of the Department. My purpose today is to give you an overview of existing Business Development programs, and some perspective of our performance over the past several years. I will then take the opportunity to briefly discuss ways how initiatives we are introducing will positively impact the way we do business and enhance the positive impacts we can have on the Kansas economy.

Our mission in the Business Development Division is "To Stimulate the Kansas Economy Through the Creation/Retention of Jobs and Increased Capital Investment". This division pursues those objectives in a variety of ways using the tools provided by legislative initiatives of early years and funded for the most part by resources from the Economic Development Initiatives Fund.

Workforce Training and Business Finance

Workforce Training

One of the most critical aspects of economic development in today's world is workforce development and training. The ability to provide the trained, qualified workforce desired by today's companies is critical to the expansion/recruitment and retention of Kansas jobs. There are some exciting new opportunities before us that the Lt. Governor has addressed in his comments, but we today in Commerce do have some excellent tools that continue to provide positive benefits for employers and employees in Kansas. In Commerce our existing training programs are geared to support company-specific training for Kansas workers employed in a company's Kansas operations. These programs; Kansas Industrial Training (KIT), Kansas Industrial Retraining (KIR) and Investments in Major Project Investment and Comprehensive Training (IMPACT) are nationally recognized and provide real opportunities for companies seeking, flexible, cost-effective training for their workforce.

KIT and KIR are funded through annual appropriation which in FY04 was at a combined level of \$3.2 million for the two programs. KIT is available to companies seeking training for newly created positions, while KIR is used to assist companies with the training of incumbent workers in situations where company or industry change necessitates additional training for the employees to remain competitive. These two programs in a typical year will fund from 110 to 125 training projects statewide, and in FY03, training for over 7,100 workers was provided with program assistance. These

House Economic Development
1-27-2004
Attachment 2

programs offer qualifying companies considerable flexibility in the use of these funds for a company's training-related expenditures. These are negotiated awards, linked to wage rate and training complexity with the average award being somewhere near the \$800 per trainee level. A KIT or KIR project typically supports training for up to 100 to 125 workers depending on wage rate. Projects with larger numbers of trainees have the option to use the Investments in Major Projects and Comprehensive Training (IMPACT) program.

IMPACT is funded through bonds issued by the Kansas Development Finance Authority (KDFA). Bonds are retired through the application of withholding taxes paid by the new positions assisted by the program. Like KIT and KIR there is considerable flexibility in the types of training costs that can be covered. In most years from five to ten IMPACT projects are finalized and approved. Last year ten IMPACT Projects assisted in the training of over 2,500 employees. Program capacity and flexibility are primary benefits to the client company. There is also a capability within the IMPACT program to provide support for non-training related expenses in a cumulative amount not to exceed 10% of the program's overall capacity.

Business Finance

Another important factor in business expansion/recruitment/retention is the ability to favorably impact a company's project costs. Kansas like most other states offers tax credits to provide such assistance and also has some limited capability to provide direct funding to meet specific needs of certain projects. Tax credits through our Enterprise Zone Program (E-Zone) and the High Performance Incentive Program (HPIP) offer firms that are adding new jobs and investment the ability to gain income tax credits to offset a portion of their project costs. These credits exist for both new job creation and capital investment and are established at either \$1,500 or \$2,500 per job depending on locale and industry, while investment tax credits are available at a rate of 1% of capital investment through the E-Zone program and at 10% for a company meeting the higher qualifying criteria of HPIP. Sales tax exemptions for qualifying project inputs are also available to make Kansas cost-competitive. A revamp of the existing tax credit structure is being proposed for legislative action this session. The changes proposed would make Kansas more competitive, while at the same time allowing us to encourage desired outcomes by linking incentives more directly to job quality and performance.

The Kansas Economic Initiatives Fund (KEOIF) and the Kansas Existing Industry Expansion program (KEIEP) provide the state with an ability to directly support company expansion/recruitment/retention projects. KEOIF and KEIEP awards are normally structured as five-year term forgivable loans with forgiveness based on the company's attainment of contracted levels of job and payroll performance. KEIEP operates in much the same manner but is targeted specifically for existing Kansas industries. The KEOIF program was allocated a little under \$3 million in FY04 while KEIEP received approximately \$400,000. In a typical year, 25 to 35 companies will receive KEOIF/KEIEP awards.

Business Recruitment

The programs that we have just discussed, our workforce training and business finance programs, are essential to our success in business expansion/recruitment/retention. These programs and the professional staff that work with companies (our clients) are key factors in the successful growth and placement of new jobs and investment in Kansas. Such programs are critical because they allow us to be competitive in a market that is extremely competitive. The quality of our staff is and the focus we place on responsiveness and customer service are vital because success in this area of business development depends greatly on the basic principles of customer service. We have I think distinguished ourselves on that score and have become known as a proactive state that is easy to work with and open for business, both characterizations that we are pleased to have. Our business recruitment reps, both in-house staff and contract reps, are work with a variety of companies, consultants and Kansas communities on a daily basis; marketing the state, identifying expansion and recruitment possibilities, assisting prospects with information, assembling incentive proposals, and working with prospects as the site selection process unwinds, to insure Kansas and Kansas communities are in the best position possible as the site selection process unfolds.

Our successes over the past several years have been fairly impressive. We had for several years, with last year's recession impacted economy being the exception, closed on average between 35 and 40 successful recruitment projects per year. Those years with 35 to 40 projects will typically add 5,000+ jobs to the Kansas economy, jobs that are placed in a relatively short time as facilities, are built, come on line and become ongoing producers in the Kansas economy, hopefully for years to come. As indicated, both the number of projects and the jobs impacted lagged in recession-burdened FY 2003 but we still managed to encourage 27 successful projects that will lead to over 3,000 new Kansas jobs.

Business Retention

The value and contribution that small companies and entrepreneurs make to the Kansas economy and their local communities is well known. The Business Development Division has a number of programs that seek to assist these small businesses with various types and forms of assistance. We operate field offices in all seven regions of the state that provide the businesses and the communities of those regions with technical support and referrals to programs that can help them solve the economic problems they face. Our field representatives are becoming more and more vital to our pro-active efforts to identify and pursue opportunities to foster and grow Kansas businesses throughout the state. We offer the First Stop Clearinghouse, which provides guidance for entrepreneurs and small businesses as they take those early steps towards business-ownership, or strive to grow their business enterprise. We provide assistance to minority and woman-owned businesses, assisting them in finding opportunities and counseling them along the way. We provide funding to the Small Business Development Centers and Certified Development Companies, organizations that work directly with entrepreneurs and small businesses as they work towards their dream of business success.

Our future plans to assist our economy are based on a continuation of those efforts that have successful in the past. We plan to augment those currently productive efforts with new initiatives that have the potential to raise and sustain the level of Kansas economic performance. These initiatives include a consolidation of the workforce training sections of the Kansas Department of Human Resources and the Kansas Department of Commerce, a response to a recognized need for a more effective, integrated way to develop and match our human capital with industry needs. We are proposing major modifications to our existing system of tax credits and exemptions in hopes that we can create a system that more equitably rewards business contribution and job quality, while providing business with the program flexibility necessary to make such programs a true benefit to their operations. The Star Bonds legislation passed last year by this body offers a vehicle to aid unique destination projects that can attract dollars from outside our border. These are difficult economic times but in that difficulty there are also opportunities, opportunities we plan to maximize.

**Testimony on Overview of the Ag Marketing Division
to
The House Economic Development Committee**

**By Patty Clark
Director of Ag Marketing
Kansas Department of Commerce
January 27, 2004**

Good morning, Chairman Wilk and members of the committee. I am Patty Clark, Director of the Ag Marketing Division of the Kansas Department of Commerce, and I want to thank you for the opportunity to brief you on the Division's activities and priorities.

Today I would like to provide an overview of our current value added projects, initiatives for the Trademark Program, international trade activities, a review of the Ag Innovation Center Grant we received from USDA, our joint agri-tourism strategy, and an overview of how the Economic Revitalization Plan can positively impact agriculture and rural communities.

Value Added Projects Funded in FY 03:

KSU Meat Science and Food Science Pilot Plants:

\$70,000 was provided to the K-State Research & Extension Value Added program to serve meat and poultry processors, food companies, and entrepreneurs. This program assists small businesses with nutritional analysis, improving safety and quality of processed foods, development of value added products, and commercialization of new products. This is the seventh consecutive year our Division has provided this grant to KSU, and this year that investment saved 925 clients a total of nearly \$500,000.

Jason Wiebe Dairy – Marion Co.

Our Division provided a \$30,000 equipment loan to Jason Wiebe to move from milk production (125 cow herd) to on-farm cheese processing in an inspected plant. We also have assisted Jason with market expansion, and his cheese varieties are now carried in 20 locations in central Kansas. He is presently working on expanding to the KC Metro area.

Prairie Pride, Inc – Butler Co.

Prairie Pride, by partnering with Silver Creek Dairy, was provided a \$60,000 loan, which has helped establish a mini-dairy plant and retail store utilizing new technology imported from Europe. This venture, which begins operation this week, will produce cheese, yogurt, sour cream, and other processed dairy products, with the hope of incorporating goat cheese manufacturing at some point in the future.

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Davenport Orchards & Vineyard – Douglas Co.

Our \$75,000 loan helped this family-owned winery increase its production capacity to meet a growing demand. Loan funds were used to upgrade the grape harvesting and wine production facility to increase production capacity from 2,500 gallons per year (12,500 bottles) to 10,000 gallons per year (50,000 bottles).

Smoky Hill Vineyard & Winery – Saline Co.

Smoky Hill utilized a \$102,900 loan to construct a grape harvesting and wine production building to increase their capacity from 8,500 gallons per year to 25,000 gallons per year. The expansion plans include a crush pad and an ozone processor to maintain quality control in a cost effective and environmentally friendly manner.

Dinah's Noodles – Cloud Co.

The Division provided \$131,500 for frozen noodle production equipment and a CO2 tank to allow for expansion of this plant in Clyde, and to begin production and marketing of a line of salad dressings to augment the seasonality of egg noodle sales.

Our interaction with the small rural business continues in the form of technical assistance with market and business development.

Rainbow Organic Farms – Franklin, Johnson & Bourbon Co's.

In FY 01, our Division helped launch Newhouse Dairy Processing, LLC in Wellsville. Our \$12,500 loan to Rainbow Organic Farms funded the purchase of glass milk bottles and a collaborative marketing effort between the two small business entities to expand Newhouse bottled milk sales through Hen House and Price Chopper stores in the Kansas City region.

Cooperative Agricultural Services, Inc. – Gove Co.

CO-AG is a 2,400-farmer member cooperative covering five counties in northwest Kansas. The \$90,986 value added loan helped fund the construction of a soybean crush facility. Previously, CO-AG was transporting soybeans a considerable distance for further processing and then returning the processed beans for use in feed rations. The new facility cuts out the transportation cost, allows greater flexibility in use of locally grown beans, and greater quality control of rations produced. KIT and KIR funds through our Business Development Division were also made available to CO-AG.

“From the Land of Kansas Trademark Program”

Our initiatives for this fiscal year include updating the database of FLOK members and making it available and cross-referenced on our website. We will also initiate a system whereby government agencies, Kansas organizations and associations, hotels, restaurants and convention facilities have current listings of qualified FLOK companies from which they may more easily procure Kansas food products for banquets, receptions and meals. We will specifically work with farmers markets, wineries, nurseries, fruit and vegetable growers, and Christmas tree

growers to effectively market their products using the FLOK logo and program, while continuing to reinvigorate the program and consumer awareness of Kansas grown and produced products.

Agri-tourism Initiative:

Our Division is collaborating staff and resources with the Division of Travel and Tourism to help develop a coordinated, strategic and sustainable agritourism plan. Our approach breaks down into three primary phases. The first phase is Education, Assessment, and Inventory, and will include the creation of a multi-agency, public-private steering committee, which will develop and implement the agritourism plan. The culmination of phase one will be a statewide agritourism conference planned for November 2004, and the production of a Kansas-specific agritourism resource manual. In phase two, Product Development, Commerce will provide limited financial assistance and organizations consulting in line with current programming. In phase three, Marketing Experiences, the State of Kansas will market agritourism destinations to the public and to tour operation.

Ag Innovation Center:

Last fall, USDA announced that our Division was the recipient of one of ten Ag Innovation Center Grants in the amount of \$1,000,000. We are working with our partners, Kansas State University, Pittsburg State University, 21st Century Producers, and Advanced Manufacturing Institute to provide business development services for value added ventures, both new and existing, to help ensure their success and sustainability.

International Trade:

Our Division has worked in partnership with the Trade Development Division on a number of initiatives, which include reconstruction efforts in Iraq, trade with Cuba, a joint Communiqué with Taiwan, and bolstering the confidence of Japan in the safety of our beef industry. We facilitate requests for information regarding trade regulations and shipping to export markets for small, mid-size, and large Kansas companies and assist food processors with introduction to export markets through tradeshow assistance programs within the Department and through MIATCO.

Economic Revitalization Plan:

Given recent and sustained droughts and periods of low commodity prices, farmers in Kansas have been forced to eat away at their personal equity to sustain their family farming operations, and hence, their liquidity has been lowered. This has resulted in difficulty raising investment capital for value added ventures of all types. Some of the tools proposed in the Economic Revitalization Plan may be helpful in dealing with this equity drain. New pools of capital, be they regional or "angel investor" based, will be useful for capitalization of new value added ventures and will help augment the equity capital currently lacking the production agriculture economy. Also, the transferability of tax credits potentially can bring in cash flow in the early years of new value added ventures, which may mean the difference between success and failure. Therefore, just because these tools do not specifically contain the word agriculture, they will nonetheless be advantageous to the agriculture business sector as new ventures arise.

**Testimony on Overview of the Community Development Division
to
The House Committee on Economic Development**

**by Matt Jordan
Director of Community Development
Kansas Department of Commerce**

January 27, 2004

Chairman Wilk and members of the Economic Development Committee, my name is Matt Jordan, and I serve as the Director of the Community Development Division in the Kansas Department of Commerce. It is a pleasure to have an opportunity to provide you an overview of activities conducted by the Community Development Division and to explain how those activities fit into the overall efforts to realize prosperity in Kansas.

The mission of the Community Development Division is to partner with Kansas communities to help enhance their livability by providing financial, technical, and business assistance. This mission is built upon the belief that vibrant and healthy communities are vital to economic development. In other words, excellent quality of life is an important attribute that impacts how a state is able to fulfill its economic development initiatives.

The Division employs 20 community development professionals who over the past five years have **allocated 141-million dollars in grants for small and rural communities across Kansas.** These grants were matched with local resources to account for 465-million dollars in community betterment activities. Community Development programs are geared to provide:

- Entrepreneurship and small business assistance
- Funding for improvements to community facilities
- Leadership development training for small communities
- Strategic planning resources for community betterment
- Downtown revitalization strategies

The first category of programs is **Financial Assistance** of which account for approximately 25-million dollars in annual funding for local governments and nonprofit organizations.

1) The State of Kansas receives 20-million dollars annually from the US Department of Housing and Urban Development for the **Small Cities Community Development Block Grant (CDBG)** program to address the following important needs: improvements to community facilities, downtown revitalization, water and sewer infrastructure, emergency needs affecting health and safety, and neighborhood redevelopment. One of three national objectives must be met. The national objectives, as defined by Federal Law, involve:

- benefit to low- and moderate-income individuals;
- removal or prevention of slum or blighted conditions;
- or resolution of an immediate threat to health or safety where local funds are not available.

These funds are designated for cities with a population under 50,000 and counties with a population under 200,000, which covers approximately 1.5 million Kansas residents. A recent study by Kansas, Inc. notes

that Rural counties (population less than 10,000) are the primary recipients of these funds at a level of \$47.33 per capita. Mid-Size counties (non-Metro counties with populations over 10,000) receive \$16.88 per capita followed by Metropolitan counties at \$3.05 per capita.

Since FY 1999, CDBG funding provided community improvements that serve 471,000 people of which 258,000 were classified as low- and moderate-income. These projects helped strengthen neighborhoods and communities by making improvements to more than 1,000 houses, 50 public facilities, and 440 miles of water or sewer lines.

2) Community Service Tax Credits worth 4.13-million dollars are awarded once per year on a competitive basis to nonprofit and healthcare organizations to encourage individuals and businesses to financially support projects that meet vital community needs. Nonprofit recipients must provide services for children, health care, or nongovernmental crime prevention to be eligible. An income tax credit of 70 percent is allowed in communities of less than 15,000, and 50 percent in communities greater than 15,000. The minimum donation is \$250.

Between 1995 and 2002, the Community Service Program generated 47-million dollars in donations to organizations receiving tax credits, which represents a return of \$1.65 in charitable donations for every \$1.00 in tax credits issued. It has helped fund a wide array of community betterment projects conducted by 322 organizations in 76 counties.

3) Flood Mitigation Assistance (FMA) Grants -- Three communities participated in this program during FY03 to conduct \$165,000 in flood mitigation activities.

4) Community Capacity Building (CCB) Grants -- During FY03, a total of \$157,000 helped 12 Kansas communities to complete strategic and comprehensive planning projects.

The second category of activities conducted by Community Development staff is **Technical Assistance** to small communities.

First, in FY03, Community Development staff provided **professional development and technical training** sessions to 1,900 local government and nonprofit professionals representing 454 organizations in Kansas. Staff also conducted 383 site visits, consisting of approximately 1,600 hours, to help communities meet federal grant guidelines and implement economic development plans.

Second, the **PRIDE program** is a volunteer grassroots effort to improve the quality of life in communities. Each Kansas community is unique yet they share common bonds, which are a rich heritage of self-reliance and community pride. Since 1970, the Kansas PRIDE program has assisted and encouraged communities to prepare for the future by building on their assets and forming a vision of the future. This is a joint effort between Commerce, KSU Research and Extension, and PRIDE Inc., a nonprofit organization consisting of companies and member communities.

Due to a strong emphasis on leadership development and community betterment, cities in the PRIDE program completed more than 1,500 projects that involved 50,000 hours of volunteer labor by citizens committed to strengthening their communities.

The final category of programs conducted by Community Development staff involves support for entrepreneurs in small businesses. The Kauffman Foundation defines entrepreneurship as "the ability to amass the necessary resources to capitalize on new business opportunities." The following five programs

demonstrate the commitment by the Community Development Division to provide **Business Assistance** to entrepreneurs.

1) **Economic Development grants** are made to cities or counties, which then use the monies to make gap-financing loans to qualified private businesses creating or retaining permanent jobs. Funding is also available under this category for infrastructure improvements directly tied to the creation or retention of jobs. Repayment is required for most Economic Development categories. These monies are awarded annually in six competitive rounds, and projects must meet federal requirements to qualify. Each year, approximately 3.5-million dollars are available through this revolving loan fund.

2) **The Main Street program** is the cornerstone to preserving and revitalizing downtown commercial districts in Kansas. This program is actively developing strategies for re-energizing central business districts in 22 designated Main Street cities and 25 Kansas Downtown Development Association (KDDA) cities. The main economic centers of many Kansas communities are the historic buildings located in downtown areas. Enhancing the viability of these commercial districts preserves the heritage of communities while boosting their economic vitality. The program offers management training, consulting, evaluation, design assistance, and financial resources from the Incentives Without Walls (IWW) program.

3) **IWW** is a flexible program that assists small businesses within the designated Main Street area to make improvements, expand, or otherwise enhance operations. The local Main Street organization applies for a low-interest loan or, in the case of historic preservation projects, a grant, in two competitive rounds per year. Main Street communities received approximately 1.3-million dollars through IWW grants funded by EDIF revenues since 1999. These grants generated 10.8-million dollars in private investment to small businesses in downtown districts. This represents a return of \$8.48 in private investment for every \$1.00 in grant funds issued. We believe this demonstrates a good use of state resources that helps support a vital economic development priority.

Since FY 1999, Economic Development Loans and Main Street Grants provided 24-million dollars in direct financial assistance to businesses in Kansas. This financial support created 3,585 jobs, which equates to more than new 700 jobs per year.

4) **The Micro-loan Program** provides grants of up to \$100,000 through a competitive process to rural counties that do not have a current CDBG revolving loan fund. The county or its designated authority may make loans up to \$25,000 to businesses with five or fewer employees at interest rates below the prime-lending rate. The county must demonstrate it has the capacity to provide business training to sub-recipients and document benefit to low- and moderate-income individuals through the creation or retention of jobs. One million dollars is allocated to this program per year to fund up to ten new revolving loan funds.

5) **Enterprise Facilitation** is a person-centered approach to community and economic development consisting of free and confidential small business assistance. This process is controlled and managed at the grassroots of a community by a local board of management comprised of civic leaders, community professionals, and economic development practitioners. In calendar year 2002, the Division funded five Enterprise Facilitation demonstration projects consisting of a 30-month start up period. These projects cover 24 rural counties in western, central, and eastern Kansas with a combined population of 175,000 residents.

Kansas is a leader nationally in this approach to entrepreneurship development. There are 17 projects underway across the United States. Thus, the five projects in Kansas are gaining increasing attention as models for implementation of Enterprise Facilitation. The following accomplishments have been realized by the five projects:

- Introduced more than 3,000 potential entrepreneurs to the Enterprise Facilitation process.
- Served more than 400 clients to help them develop plans to open or expand a business.
- Created 37 new businesses and retained or expanded 28 existing businesses.
- Created more than 130 jobs through expansion or creation of businesses.
- While not quantifiable, the impact of stronger regional cooperation and the value of local leadership exhibited by more than 100 active volunteers to the economic development potential of participating counties is very significant.

As you can see, the Department of Commerce views support for small businesses, especially in rural communities, as a very important means to realize prosperity in our state. I will now review briefly two new proposals generated from the Prosperity Summit process that are intended to further strengthen the department's ability to support entrepreneurship in our state.

The first proposal consists of a comprehensive **Kansas Rural Entrepreneurship Action Plan** to be implemented by a standing committee within the Kansas Rural Development Council. This committee, which currently includes 18 organizations, will coordinate the programs and resources of all of the state's rural economic development agencies (public and private, regional, state, and federal). The Kansas Small Business Development Centers and the Kansas Department of Commerce will act as co-chairs of this fully functional standing committee. **The Action Plan consists of four strategic priorities: 1) Formation of Capital Networks; 2) Seamless Network of Support Services; 3) Leadership Development Programs; and 4) Recruitment and Retention of Youth.**

The second proposal is the establishment of **Rural Business Development Tax Credits** modeled after the highly successful Community Service Program (but not as a substitute for). This concept, which is a major component of the Rural Entrepreneurship Action Plan, calls for allocation of tax credits worth one million dollars in each of the state's seven economic development regions over a three-year period. These tax credits would encourage cash contributions to establish regional business development funds to make seed capital investments in small, growing companies not able to secure traditional financial backing from banks and regional organizations. Individuals and businesses with a Kansas tax liability would receive a tax credit of 70% of their donation made to the regional business development funds. This program would provide capital for entrepreneurial efforts in rural communities, ensure regional determination of use of the funds, and begin to tap the potential \$350 billion transfer of wealth projected to occur in the next 50 years.

The importance of entrepreneurs to the economic development potential of rural counties cannot be overstated. Job creation and innovation have been almost entirely driven by small businesses over the past 20 years for the overall US economy. These trends are especially true in small and rural communities. Therefore, Community Development staff is focused on ways to improve the quality of life in rural Kansas so it is able to attract and retain entrepreneurs. Programs that promote strategic planning and leadership development further support this goal by ensuring communities are able to provide a suitable living environment and expand economic opportunities.

I wish to thank the committee again for the opportunity to share information about how Community Development programs strengthen communities and promote prosperity in Kansas.