

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on January 27, 2004 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Legislative Research  
Susan Kanarr, Legislative Research  
Helen Pedigo, Revisor of Statutes  
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:

Lieutenant Governor/Commerce Secretary John Moore  
Steve Kelly, Deputy Secretary, Director of Business Development, Department of Commerce

Others attending:

See Attached List.

Chairperson Brownlee introduced Lt. Governor Moore to the committee. The Lieutenant Governor presented the committee with an overview of the Kansas Department of Commerce. (Attachment 1) The presentation included a mission statement "To empower businesses and communities through bold leadership using strategic resources to realize prosperity in Kansas." It went on to outline the organization of the department and of economic revitalization plans for the state. The committee was also provided with several brochures from the Department of Commerce including *Available Assistance from the Kansas Department of Commerce*, *Workforce Training*, *Developing Kansas Winter 2003 Vol. 6 No. 2*, the *Kansas Department of Commerce & Housing: Fiscal Year 2003 Executive Summary*, and *Putting Kansas Values to Work: Resource Directory*.

Mr. Kelly presented testimony to the committee more specifically addressing workforce training and business finance, as well as both business recruitment and retention. (Attachment 2)

Following committee discussion, Chairperson Brownlee adjourned the meeting. The next meeting will be held at 8:30 a.m. on January 28, 2004 in Room 123-S of the Capitol.



KANSAS DEPARTMENT  
OF COMMERCE  
OVERVIEW  
FOR  
SENATE COMMERCE  
COMMITTEE

Senate Commerce  
01/27/04  
Attach #1

Lt. Gov. John Moore

JANUARY 27, 2004

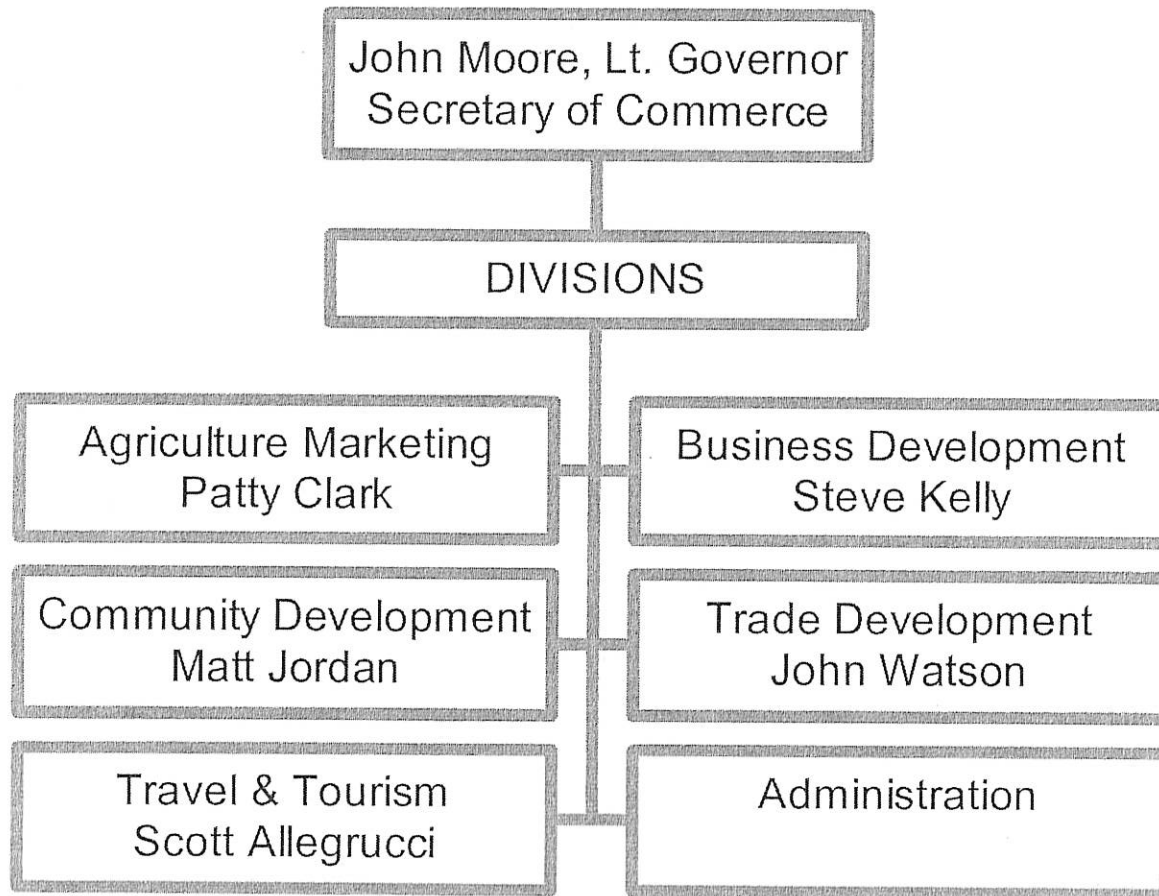
Senate Commerce  
01/27/04  
Attach #1

# MISSION STATEMENT

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

# KANSAS DEPARTMENT OF COMMERCE

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# KANSAS DEPARTMENT OF COMMERCE

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- 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**

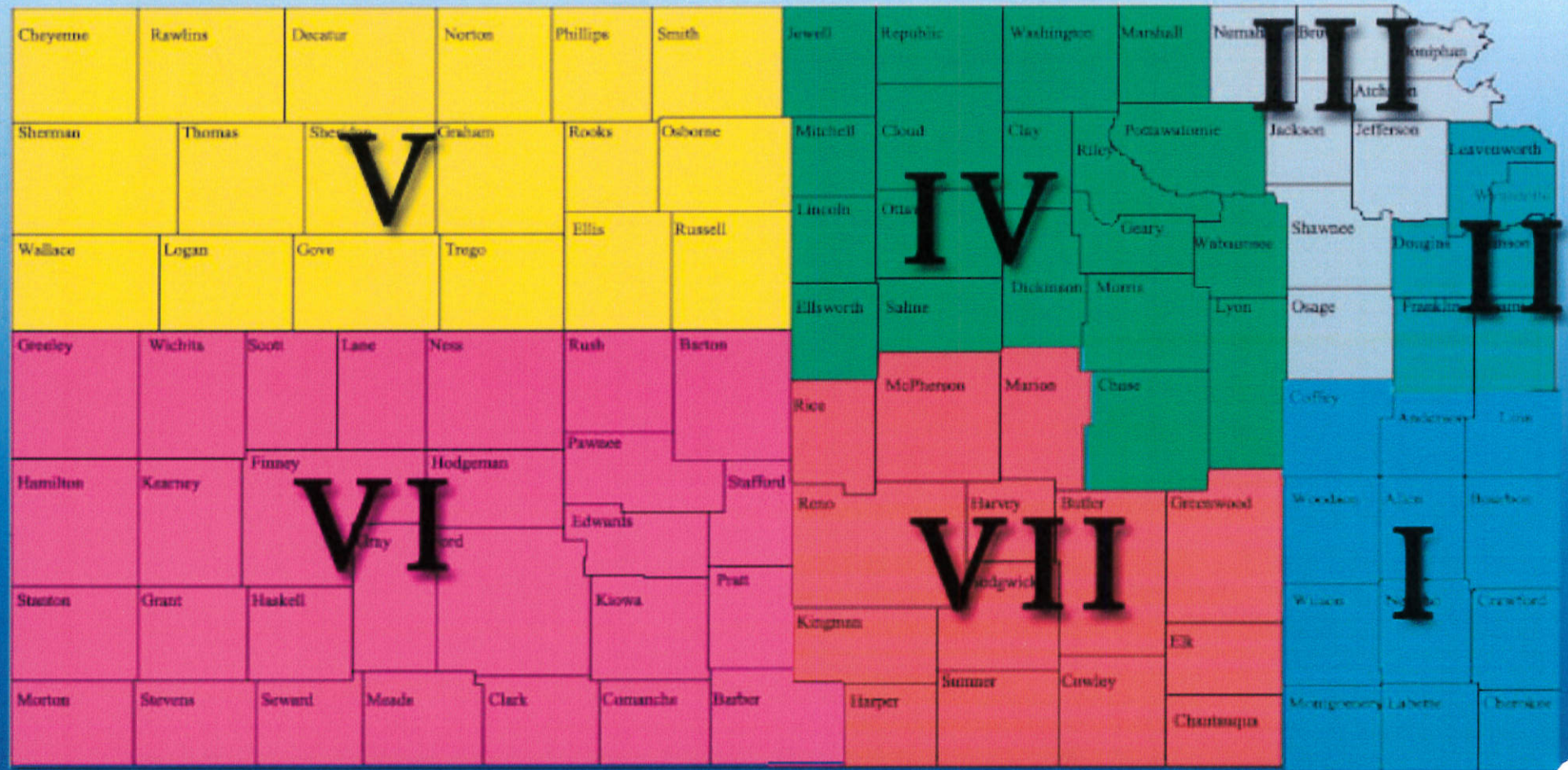
1-5

**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**

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# ECONOMIC DEVELOPMENT REGIONS





# KANSAS DEPARTMENT OF COMMERCE

1-7

## 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

- 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

## REGIONAL PRIORITIES IN THE REVITALIZATION PLAN

1-9

<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	×	×	×	×	×	×	

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# KANSAS DEPARTMENT OF COMMERCE

1-10

- 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

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- 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

1-12

- 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

1-13

- 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



# KANSAS DEPARTMENT OF COMMERCE

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
  - RURAL BUSINESS DEVELOPMENT
  - VALUE ADDED AGRICULTURE
    - LEGISLATION WILL BE INTRODUCED TO
      - 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

1-15

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
  - BIOSCIENCES
  - 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

1-14

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
  - WORKFORCE DEVELOPMENT
    - 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



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# KANSAS DEPARTMENT OF COMMERCE

- 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



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4.1

# KANSAS DEPARTMENT OF COMMERCE

1-18

- 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

- 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
- IN ORDER TO PREPARE DISLOCATED AVIATION WORKERS WHO HAVE 18 MONTHS OR MORE EXPERIENCE IN THE AIRFRAME INDUSTRY, 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
  - 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

- 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

- SEVEN CURRENT ASSESSMENT CENTERS

# KANSAS DEPARTMENT OF COMMERCE

1-2-1

- 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

22-1

- TWELVE POINTS OF THE ECONOMIC REVITALIZATION PLAN
  - IMAGE & MARKETING
  - TOURISM
  - AD ASTRA
    - STATE IMAGE
    - TOURISM
    - SMALL BUSINESSES
    - RURAL KANSAS
    - KANSAS ARTISANS
    - RETAIL
    - THE IMPACT OF INTERSTATE TRAFFIC

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# KANSAS DEPARTMENT OF COMMERCE

1-23

- OTHER IMPORTANT ACTIONS IN 2004
  - BASE REALIGNMENT AND CLOSURE (BRAC)
  - STAR BONDS APPLICATIONS
  - CUBAN MARKET OPPORTUNITIES
    - FEBRUARY 3 SEMINAR
  - INTEGRATION OF KDHR FUNCTIONS
  - COMMERCE, KANSAS TECHNICAL ENTERPRISE CORPORATION (KTEC) AND KANSAS, INC. SYNERGISM
  - THE COLLINS STRATEGY

1-23

**Testimony on Overview of the Business Development Division  
to  
The Senate Committee on Commerce**

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

**January 27, 2004**

Chairwoman Brownlee, 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 and 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

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Attach #2

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 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.