

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on January 26, 2005 in Room 241-N of the Capitol.

All committee members were present

Committee staff present: Jerry Ann Donaldson, Kansas Legislative Research Department
Renae Jefferies, Office of Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee: Howard Fricke, Secretary, Kansas Department of Commerce

Chairman Dahl thanked Howard Fricke, Secretary, Kansas Department of Commerce, for coming before the Committee to give an update on the activities of the Department.

Secretary Fricke gave an overview of the agency's activities, stating the mission was to empower businesses and communities through bold leadership using strategic resources to realize prosperity in Kansas. The strategic priorities are: 1. Biosciences; 2. Business Recruitment & Retention; 3. Enhanced State Image; 4. Entrepreneurship; 5. Rural Development and 6. Workforce Development (Kansas 1st).

Commerce EDIF programs created or retained 67,800 jobs from 2001 to 2004, which equates to 16,950 jobs per year. There has been an expanded payroll in Kansas by \$1.1 billion over the last four years (worth more than \$290 million annually). \$2.8 billion in capital investment was generated which equates to \$705 million each year. Workforce development incentives funded by EDIF help train 11,400 workers annually (between 2001 and 2004). Tourism visitation increased by 1.3 million people between 2001 and 2004 (average of 335,000 visitors per year). Over 300 cities per year have been helped to strengthen their downtown districts and complete major community improvement projects.

Commerce received \$19.2 million from EDIF funds in FY 2005.

Commerce experienced major restructuring of the agency as a result of ERO 31. To support the increase, staffing has increased from 108 FTE's to 390 FTE's and field operations have increased from 5 offices to 30 offices. Efforts are underway to find more efficient ways to deliver services through this larger organization.

Downtown redevelopment is encouraged in rural and distressed urban communities. The governing body of a city or a county, proposing to establish a redevelopment area, applies to the Department of Commerce to put this tool into action. Individuals and small businesses receive a rebate over a 10-year period for property taxes collected on properties that have undergone improvements. The community has to put out real hard dollars and have a plan.

Approximately \$1.7 million has been assembled by Commerce to fund an enhanced Brand Image Campaign. This is a state campaign, not the Governor's campaign, supported by local and regional partners.

Nearly \$50 million in tax credits will be available over the next ten years to help grow existing and start-up companies that create new, high-quality jobs and expand our tax base.

The Kansas 1st: A modernization of Workforce Development is a once-in-a-generation restructuring of training programs to create a seamless, market-driven system that is fully integrated and maximizes state resources. Commerce is working closely with the Board of Regents, Local Workforce Investment boards, and other interested parties to create this new system. Employers are being contacted to see what job skills are needed. A major change is to work with the junior colleges and vocational schools to have a curriculum that fits the job market. This is a cultural change that will develop long term jobs. State and federal workforce training programs merged within Commerce to create a seamless, market-driven system that provides \$62 million (mostly federal dollars) in annual resources to job seekers and employers.

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on January 26, 2005 in Room 241-N of the Capitol.

There are five projects designated as eligible projects for Star Bonds. Two of the projects have contingent approval (Attachment 1).

The meeting adjourned at 10:30 a.m. and the next meeting will be January 27, 2005.

COMMERCE AND LABOR COMMITTEE

Date January 26, 2005

NAME	AGENCY
Jenny Davis	Conke Consulting
HOWARD FRICKE	COMMERCE
Matt Jordan	Commerce
Wil Leike	Ks. AFL-CIO
Michael White	Kearney & Assoc.
Julie Hein	Hein Law Firm
Regina Hutcheson	Parent of daughter that is Page today
Janalyn Werth	niece to Regina Hutcheson
Haley Harrison	intern Rep. Yoder.
Jim McHaff	KS AFL-CIO
Andy Samly	KAPE

Comm & Labor
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Atch # 1

Kansas Department of Commerce Overview of Agency Activities

House Commerce and Labor Committee

January 26, 2005



Mission

To empower businesses and communities through bold leadership using strategic resources to realize prosperity in Kansas.

Strategic Priorities

Biosciences

Business Recruitment & Retention

Enhanced State Image

Entrepreneurship

Rural Development

Workforce Development (*Kansas 1st*)

EDIF Performance Indicators

- Commerce EDIF programs created or retained 67,800 jobs from 2001 to 2004, which equates to 16,950 jobs per year.
- Expanded payroll in Kansas by \$1.1 billion over the last four years (worth more than \$290 million annually).
- Generated \$2.8 billion in capital investment, which equates to \$705 million each year.

EDIF Performance Indicators

- Workforce development incentives funded by EDIF help train 11,400 workers annually (between 2001 and 2004).
- Increased tourism visitation by 1.3 million people between 2001 and 2004 (average of 335,000 visitors per year).
- Helped over 300 cities per year to strengthen their downtown districts and complete major community improvement projects.

EDIF Resources

- In FY 2005, Commerce received \$19.2 million from EDIF.
- Incentives and services for businesses and communities account for 70% of EDIF expenditures.
- Personnel and internal operational expenses account for the remaining 30%.

EDIF Resources

- Over the past five years, funding to Commerce programs reduced by \$3.2 million (a 14% decline).
- Since FY 2003, Commerce reduced the number of staff by 13% in traditional programs (Ag Marketing, Community Development, Trade Development, and Travel & Tourism).
- Direct financial assistance provided by the agency from EDIF reduced by \$997,000 (16%) since FY 2003 and \$1.7 million (26%) since FY 2001.

Key Issues

- Changes associated with Economic Growth Act and Workforce Development Merger (ERO 31) comprise the most significant restructuring of economic development programs since 1986.
- Over the next decade, these initiatives will provide over \$550 million in new economic development incentives.
- As a result of ERO 31, Commerce experienced major restructuring of the agency, since July 2004, to support an increase of staffing from 108 FTE to 390 FTE and expansion of field operations from 5 offices to 30 offices.
- Efforts are underway to find more efficient ways to deliver services through this larger organization.

Agritourism

- First-ever statewide conference was held in Great Bend involving nearly 400 attendees.
- Conference participants received “Growing Agritourism in Kansas: A Starter Manual for Farmers and Ranchers,” a comprehensive book written by a successful agritourism operator.
- The Agritourism Promotion Act encourages this industry by creating a registration process through which Commerce can assist in the promotion of agritourism operations and limit liability through signage.

Biosciences

- Will create over 20,000 bioscience-related jobs and 23,000 indirect jobs, increase federal research expenditures by more than \$1 billion annually, reduce the out migration of our highly educated students, and enhance economic prosperity in the state with the creation of higher-paying jobs.
- Commerce is working with local economic development agencies, KTEC, and the new Bioscience Authority.
- Several prospects are already working through this new recruitment and expansion process.

Biosciences

- Commerce is a partner with KTEC, Kansas Bio, and NISTAC in the Regional Bioscience Summits and the forthcoming Strategic Roadmap.
- Commerce is exploring ways to develop a comprehensive workforce development system that supports bioscience commercialization and research in urban and rural areas through its partnership with local workforce centers, community colleges, and technical schools.

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Downtown Redevelopment

- Encourage the redevelopment of downtown areas in rural and distressed urban communities.
- Governing body of a city or a county proposing to establish a redevelopment area will apply to the Department of Commerce to put this tool into action. Individuals and small businesses will receive a rebate over a 10-year period for property taxes collected on properties that have undergone improvements.
- Commerce is working through the rules and regulations process. Rules have been approved by the Department of Administration and are under review by the Office of Attorney General.

Enhanced State Image

- Approximately \$1.7 million has been assembled by Commerce to fund an enhanced Brand Image Campaign.
- New campaign began on January 7 with a series of television, radio, and print ads via in-state media outlets to introduce the branding concept and foster pride among Kansans. The initial image campaign relies upon significant historical figures to support the overall theme that Kansans strive for big goals.
- Tourism ads will run in regional and national publications as well as selected regional target markets. Business development activities will relate to and build upon the new image campaign.
- A cooperative marketing program is being developed so regional and local partners may utilize brand image concepts and funding with their own tourism and business recruitment marketing efforts.

Enterprise Facilitation

- Commerce staff convenes quarterly meetings with the five rural entrepreneurship development projects to foster ongoing communication and collaboration. The Quad County project added Wilson County and the Sunflower project plans to add Kingman and Comanche Counties. As of today, there are 27 counties served by the five projects.
- The five project areas serve a collective population of more than 175,000 Kansans. As of September 2004, the projects assisted 663 clients, created 64 businesses, retained 34 businesses, expanded 20 businesses.
- Leveraged \$312,043 in local investment with \$1.2 million in state investment to create or retain 302 jobs, at a cost of \$4,172 per job.

Entrepreneurship

- Nearly \$50 million in tax credits will be available over the next ten years to help grow existing and start-up companies, which create new, high-quality jobs and expand our tax base.
- A new State Center and the Community Entrepreneurship Fund have been established to ensure collaboration of resources for entrepreneurial assistance as well as accessibility to capital through a world-class system to support and grow entrepreneurs in Kansas.
- It is estimated that this Center will generate \$17 million in business development resources within its first five (5) years of operations.

Entrepreneurship

- Board of Directors held its first meeting at Wichita State University on December 16. A partnership with KC Source Link will allow the Center to save considerable time and money in development of new services.
- A strong relationship with the WSU Center for Entrepreneurship is being developed to serve as the basis for a statewide entrepreneurship-training network.
- Several efforts have been put forward to secure additional financial support for the Community Entrepreneurship Fund. The Kauffman and INK grant requests are still open.
- “Rural Entrepreneurship Committee” of more than 20 agencies is working collectively to support new programs, coordinate resources, and pursue joint grant applications.

Kansas 1st

- Modernization of Workforce Development is a once-in-a-generation restructuring of training programs to create a seamless, market-driven system that is fully integrated and maximizes state resources.
- Commerce is working closely with the Board of Regents, Local Workforce Investment Boards, and other interested parties to create this new system.
- This initiative also develops a new trust fund to enable existing educational institutions to deliver coordinated programs and services addressing the needs of employers in Kansas.

Kansas 1st

- As of July 1, 2004, state and federal workforce training programs merged within Commerce to create a seamless, market-driven system that provides \$62 million in annual resources to job seekers and employers.
- It is important to note that efforts are underway to ensure this new workforce development system provides the greatest benefit to employers and job seekers in the most efficient manner.



Rural Business Tax Credits

- Makes \$7 million available over 3 years to encourage individuals and businesses to invest in regional foundations in all seven economic development regions in Kansas.
- This investment, worth \$14 million in cash donations, will provide capital for entrepreneurial efforts in rural communities, ensure regional determination for use of the funds, and encourage local investment in the region's economic future.
- Agreements to operate the regional business development foundations have been secured in all seven regions. Six of the seven agreements consist of partnerships among existing regional agencies and the seventh agreement, East Central/Kansas City area, consists of a new organizational structure led by the Ottawa Chamber of Commerce.

Rural Business Tax Credits

- Quarterly meetings will be held with all foundations to ensure collaboration and cooperation among service providers. The first meeting was held in November and focused on the marketing and use of the tax credits for Board members of the regional foundations.
- The Kansas Health Foundation will serve as co-host of the second meeting in March for the regional foundations.
- Consultants from BoardSource (based in Washington, DC) will conduct an all-day interactive best practice workshop related to oversight, operational, and tax credit-marketing responsibilities. Each Board member will receive a Board Tool Kit resource guide as a part of their participation as well.

STAR Bonds

- Draft rules and regulations have been approved by the Department of Administration and are currently under review by the Office of Attorney General.
- Current version covers proposed statutory changes adopted by the Joint Committee on Economic Development.
- Six communities have officially submitted requests to use STAR Bonds. Five have been deemed eligible projects. Manhattan's request for a Prairie Discovery Center is under review for eligibility.

STAR Bonds

- The five projects designated as an eligible projects, which is the first of two phases required for approval, are:
 - Abilene, Redevelopment of Old Town Abilene
 - Edwardsville, Athletic Theme Tourism Attraction
 - Olathe, Arena and Retail District at 119th Street and Renner
 - Overland Park, High Pointe Destination Entertainment District and Event Center
 - Wichita, WaterWalk Redevelopment Area

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STAR Bonds

- Olathe received contingent approval for the use of \$50,000,000 in STAR Bonds on September 15 for the Arena and Retail District at 119th Street and Renner. The Secretary established a deadline of January 15 to confirm compliance with the specified conditions for approval.
- Overland Park received contingent approval for the use of \$49,400,000 in STAR Bonds on December 29 for the High Pointe Destination Entertainment District and Event Center. The Secretary established a deadline of April 28 to confirm compliance with the specified conditions for approval.