

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on January 17, 2006 in Room 526-S of the Capitol.

All members were present except:

John Grange- absent
Annie Kuether- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Rena Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Secretary Howard Fricke, Department of Commerce
Jeff Henry, Schlitterbahn Vacation Village

Others attending:

See attached list.

Chairperson Gordon welcomed the Committee and had the Committee members introduce themselves. Two new members to the Committee are Representatives Richard Proehl and Kay Wolf. The Committee was given a copy of the Rules for Conferees Appearing Before House Economic Development Committee (Attachment 1), Notice to Conferees, (Attachment 2) and Committee Rules (Attachment 3)

Kathie Sparks gave an overview of activity during the interim. The Committee worked with several local film producers in the state and sited **HB 2564** which provides tax credits for production cost of film in Kansas. A maximum of \$50,000 by one investor per year. Total tax credit would be \$1 million per year.

In **HB 2273**, the committee recommends the repeal of the Workers Compensation Fund Oversight Committee and recommends the Kansas Insurance Department assume the responsibilities for reporting the fund balance, working with the contracted actuarial services and assigning other duties as appropriate. This committee has not met since 1998.

Issues pertaining to the Ft. Riley area with the new housing developments going in with the increase of military personnel coming to Ft. Riley were discussed. It was noted that a provision in Kansas Housing Development (HUD) regulations which establishes income eligibility requires the House Tax Credit Program guidelines to unfairly discriminate against enlisted military personnel and their families who use the basic allowance for housing to obtain off-base housing in low income counties within our state.

The Committee, with the approval of the Legislative Coordinating Council, sent a letter to the Kansas Congressional Delegation supporting the efforts of the HUD program guidelines that unfairly discriminate against enlisted military personnel and their families.

Eminent domain was another topic discussed by the Joint Committee during the interim. The Committee decided not to present a bill, but did say it is hopeful that the Legislature will enact new eminent domain legislation during the 2006 Legislative Session that will provide a clear definition of a blighted area; allow for proper compensation for the property owner; and establish a threshold on local government that allows for the use of eminent domain.

The Committee expressed its desire that once eminent domain legislation is enacted, a private or public entity disseminate the legislation to the public in the best means possible.

Workforce Development was also discussed. The Committee is hopeful that senior citizens in some manner can be represented on both state and local boards. It is believed there are several programs providing excellent workforce training. However, there is lack of communication between the Kansas

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on in Room 526-S of the Capitol.

Department of Commerce and other stakeholders.

The Committee defines workforce development as a partnership between the State and business to develop employment opportunities with meaningful and sustainable income to Kansan and providing programs that assist business through specialized training. Goals were established and can be found in (Attachment 4).

The Committee requests that the House Committee on Commerce and Labor, House Committee on Economic Development and the Senate Committee on Commerce continue the exploration and discussion of workforce development during the 2006 Legislative Session.

The Committee requests that the Chairperson of the Joint Committee on Economic Development send a letter to the Secretary of Commerce, expressing the frustration the Committee has experienced over a number of years in trying to receive accurate and complete data on the workforce efforts in Kansas.

The Committee proposed two bills. **SB 319** - Disposal of excess real property of a redevelopment project where the property was obtained through eminent domain for a STAR bond project, and **SB 324** Abolishing the Kansas community entrepreneurship fund as part of the state treasury.

Committee was provided (Attachment 5) Statewide STAR Bond Authority.

Secretary Fricke from the Kansas Department of Commerce (KDOC) presented an overview of STAR Bonds. KDOC has a variety of tools to help grow the economy. STAR Bonds is a powerful financing tool intended to promote the development of major tourism projects in Kansas and stimulate the Kansas economy.

STAR Bonds can be used by any city in Kansas to finance the development of major commercial entertainment and tourism areas.

For projects proposed to be located within a Metropolitan Statistical Area, Kansas law requires a project must have \$50 million in capital investment and \$50 million of projected gross annual sales. For projects proposed to be located outside a Metropolitan Statistical Areas, the proposed project must be located in an eligible area and be of regional or statewide importance.

To date, STAR Bonds have been used to help finance the Kansas Speedway and Village West Tourism District in Wyandotte County, Kansas. The Schlitterbahn Vacation Village project located adjacent to the Village West project has been approved as a STAR Bond project. Abilene, Edwardsville, Hutchinson, Manhattan, Olathe, Overland Park, Topeka and Wichita have submitted proposed projects. (Attachment 6)

Jeff Henry from the Schlitterbahn Vacation Village project presented testimony pertaining to this project. In visiting the Kansas City Area, Mr. Henry learned there was a tremendous market for a park in this area. There was not a lot of substantial competition in Kansas.

The objective was to attract people with something that was outside the normal business region currently available. It is believed people will be attracted from the five state region around Kansas as well as other states.

Economic Development like this village is something that has not been done in Kansas before and is very unique.

Schlitterbahn Vacation Village is the next generation of integrated trend-setting retail, innovative attractions and experiential entertainment, creating a wholesome family destination to be enjoyed for generations to come. "Schlitterbahn Vacation Village" book is on file in the Chairpersons Office.

The Water park , which is part of Phase I is projected to open May 1, 2008. The entire Phase I is scheduled to be completed May 1, 2009.

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on in Room 526-S of the Capitol.

The meeting was adjourned at 4:30 pm. The next meeting is scheduled for 3:30 pm, January 19 at the Dillon House. This meeting will be a joint meeting with Senate Commerce and House Commerce and Labor.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE GUEST LIST

DATE: 1-17-06

NAME	REPRESENTING
BRIAN COOK	SCHLITZER BAHN
RICK WORNER	"
JOSH BAWMAN	"
GARY HENRY	"
JEFF HENRY	"
Derek Hein	Hein Law Firm
Mike Huttles	Huttles Gov't. Relations
Howard Fricke	KDOC
Patty Clark	KDOC
Bob North	"

**RULES FOR CONFEREES APPEARING BEFORE
HOUSE ECONOMIC DEVELOPMENT COMMITTEE**

1. The chair shall determine the committee agenda, including scheduling and the order of business.
2. Individuals wishing to appear and provide verbal testimony before the committee **must** notify the committee secretary **24 hours** in advance of the hearing.
3. Testimony **must** be in written form and 30 copies made available to staff prior to testifying.
4. Conferees shall **not** read their testimony. Rather, testimony should be presented in summary fashion. Conferees shall introduce themselves, identify on whose behalf they appear, identify whether they appear as an opponent, proponent or interested neutral party and shall, as briefly as possible, state the reasons for their position. If suggestions for amendment(s) are to be offered, a proposed draft of the amendment(s) should be included in the written testimony.
5. Where the conferee is, or represents, the sponsor of the measure under consideration, the conferee is responsible for briefing the committee on the specific provisions of the legislation, section by section, where necessary.
6. Conferees shall address their remarks during testimony to committee members and staff only.
7. Where the number of hearings and/or conferees scheduled warrant time limitations, the Chairman may limit testimony to a specific number of minutes. The Chairman reserves the right to limit, testimony that is cumulative in nature.
8. Testimony shall relate to the subject matter of the measure under consideration. Conferees testifying on unrelated subjects will be admonished and if unrelated testimony persists, the Chairman may terminate that conferee's testimony.
9. While the taking of testimony in committee is not preceded with the formality of an oath, by appearing before the committee every conferee hereby certifies that his or her testimony is truthful, based upon facts that are capable of verification and offered in good faith. Conferees shall bring to the committee's attention any qualifications or corrections in their testimony.
10. The Chairman reserves the right to take such action as may be necessary when a violation of the previous rule is suspected.
11. The chairman reserves the right to take such action as may be necessary to prevent disruptive behavior in the committee room during hearings and deliberations.
12. Cellular phones are prohibited in the Economic Development Committee room. unless audible tones or ringers are disabled.

NOTICE TO CONFEREES

It is the policy of the House Economic Development Committee to ensure and promote free and open discussion of matters coming before the Committee. Because of the important issues that are to be discussed certain rules are necessary. Just as there are rules relating to the conduct of committee business when matters are debated among committee members, the following rules apply to the hearing process itself. Any questions about these rules should be directed to the committee chairman.

By appearing before the Committee each conferee is presumed to have read the attached rules and to have agreed to be bound by said rules.

We thank you for your understanding of and compliance with these rules.

COMMITTEE RULES

1. In any case where committee rules do not apply, House Rules shall govern. All powers, duties and responsibilities not addressed herein are reserved to the Chair.
2. Cellular phones are prohibited in the Economic Development room, unless audible tones or ringers are disabled.
3. The Chair shall determine the committee agenda, including scheduling and the order of business.
4. The Chair reserves the right to limit testimony that is cumulative in nature and may limit testimony, when necessary, to a specific number of minutes.
5. Committee members shall not address conferees until and unless the Chair grants permission.
6. The Chair reserves the right to limit questioning of conferees by committee members in the interest of time and in the interest of fairness to conferees and other committee members.
7. Committee members shall not be approached during committee hearings or deliberations by anyone other than fellow legislative members or legislative staff.
8. No conferee shall be interrupted during presentations of their testimony, except with the permission of the Chair.
9. Questioning of a conferee shall be limited to the subject matter of the agenda item for the day, except as may otherwise be allowed by the Chair.
10. No bill or resolution shall be taken up for a committee vote unless announced by the Chair.
11. Amendments to motions are not in order.
12. A substitute motion is in order, but no additional substitute motion shall be in order until the prior substitute motion is disposed of.
13. A motion requires a second to be in order. A motion may be withdrawn only upon consent of the member making the motion and his or her second.
14. A motion to table or take from the table shall be in order only when such item is on the agenda or is taken up by the Chair. The motion requires a simple majority and is, unless otherwise determined by the Chair, non-debatable.
15. There shall be no recording, audibly, photographically or otherwise, of committee voting except by the committee secretary.
16. A request from any member that his or her own vote be recorded shall be granted.
17. Granting excused absences is reserved to the Chair.
18. The Chair reserves the right to take such action as may be necessary to prevent disruptive behavior in the committee room during hearings and deliberations.
19. Adjournment is reserved to the Chair.

Reports of the
Joint Committee on Economic Development
to the
2006 Kansas Legislature

CHAIRPERSON: Representative Lana Gordon

VICE-CHAIRPERSON: Senator Nick Jordan

RANKING MINORITY MEMBER: Representative Valdenia Winn

OTHER MEMBERS: Senators Jim Barone, Karin Brownlee, Laura Kelly, and David Wysong; and Representatives Sydney Carlin, Donald Dahl, Terrie Huntington, Todd Novascone, Kenny Wilk, and Jerry Williams

STUDY TOPICS

Utilizing the Film Industry as an Economic Development Tool

Workers Compensation Fund Oversight Committee

Miscellaneous Topics: Rural Economic Development; Housing; Kansas, Inc.; Sales Tax Exemptions and Tax Credit Report; Eminent Domain; and Workforce Development

December 2005

Joint Committee on Economic Development

UTILIZING THE FILM INDUSTRY AS AN ECONOMIC DEVELOPMENT TOOL

CONCLUSIONS AND RECOMMENDATIONS

The Committee recommends legislation that will facilitate the availability of equity investment in film production businesses in the early stages of commercial development. In addition, the legislation is designed to assist in the creation and expansion of Kansas film production businesses as a job and wealth creating enterprise by granting tax credits against the Kansas Income Tax Liability of those investing in film production businesses.

Proposed Legislation: The Committee recommends the introduction of four bills.

BACKGROUND

The Joint Committee on Economic Development is statutorily authorized to set its own agenda. The Committee recognized that the film industry could be an important tool to the discussion of economic development in Kansas.

COMMITTEE ACTIVITIES

During the October meeting the Committee viewed Clark Balderson's movie "Wamego: Making Movies Anywhere," Mike Wunsch's Outpost Pictures movie about a Spanish television series his company filmed in Dallas, and a University of Kansas student film, "The Lord of the Libraries." Mr. Balderson stated that state incentives in the form of tax credits or tax refunds would be helpful to independent film makers. In addition, free access to government buildings for filming also would be helpful.

Mr. Balderson believes that there are innovative ways for the business community and government to attract film makers by helping students and the educational community, will create an inspiring atmosphere where people will want to stay.

Mr. Wunsch made the point that the competition for film industry dollars needs to be viewed as Kansas against the world, not Kansas against itself. Howard Fricke, Secretary, Kansas Department of Commerce, spoke to the Committee about the activities of the Kansas Film Industry Taskforce. According to the Secretary, the Taskforce was asked to provide a variety of options using the state's existing resources for film in Kansas. In addition, the Taskforce was asked to develop a model that film industry professionals view as specifically designed to suit Kansas' strengths and challenges, instead of duplicating a model that has proven successful in Texas, New Mexico, and North Carolina. The Taskforce created two subcommittees; one that will make recommendations on the role of Kansas educational institutions, specifically focusing on the lead role that the University of Kansas existing film school and the second subcommittee would provide recommendations on film as a business in Kansas.

Mr. Ben Meade, a film professor and film maker, spoke on film development and film making in Kansas. It is more important to have film companies in Kansas than film projects and if film companies and film makers stay in Kansas, the money will also stay in the State. Mr. Meade said the

following would promote Kansas as a place to make independent films:

- Tax incentives for small independent film makers dealing with the deductibility of production cost on a state level and on a case-by-case basis.
- Small loans for three to five years for production costs, which would allow the film maker to produce and distribute the film prior to being required to reimburse the loan.

CONCLUSIONS AND RECOMMENDATIONS

The Committee recommends legislation that will facilitate the availability of equity investment in film production businesses in the early stages of commercial development. In addition, the legislation would be designed to assist in the creation and expansion of Kansas film production businesses as a job and wealth creating enterprise, by granting tax credits against the Kansas Income Tax Liability of those investing in film production businesses.

Joint Committee on Economic Development

WORKERS COMPENSATION FUND OVERSIGHT COMMITTEE

CONCLUSIONS AND RECOMMENDATIONS

The Joint Committee on Economic Development recommends the repeal of the Workers Compensation Fund Oversight Committee and recommends the Kansas Insurance Department assume the responsibilities for reporting the fund balance, working with contracted actuarial services and assigning other duties as appropriate. This recommendation comes after a review of the statutory requirements of the Workers Compensation Fund Oversight Committee, coupled with the fact that this Committee has not had a meeting since the fall of 1999.

Proposed Legislation: The Committee recommends the introduction of four bills.

BACKGROUND

The Joint Committee on Economic Development is statutorily authorized to set its own agenda. During the 2005 interim, the Legislative Coordinating Council (LCC) charged the Committee with reviewing the activities of the statutory Workers Compensation Fund Oversight Committee and to study the need for its continued existence.

COMMITTEE ACTIVITIES

In compliance with the LCC directive, the Committee heard testimony from a representative of the Kansas Insurance Department and the Director of the Division of Workers Compensation.

The representative of the Kansas Insurance Department explained that in 1993, legislation was passed that completely revised workers compensation in Kansas. The Second Injury Fund was dissolved and the Kansas Workers Compensation Fund was created. The Kansas Workers Compensation Fund continues to pay old claims that were established under the prior Second Injury Fund, and to pay new claims for employers who do not carry workers compensation insurance. However, the

Fund is brought into a case only after litigation has occurred. In addition, if the employers do not carry workers compensation insurance, the Division of Workers Compensation will pursue the employers through the criminal courts.

In 1993, part of the reform legislation provided for the Workers Compensation Fund Oversight Committee. However, this Committee has not met regularly since 1994, and the last time the Committee did meet was 1999, according to the representative of the Kansas Insurance Department. After stating these points, the representative did note that it is the position of the Kansas Insurance Commissioner that the Committee continue, however, as an unpaid Committee.

Outside of the Committee activities, the Kansas Insurance Department has issued annual reports on the Fund to the LCC. Each report includes all the information and statistics from the prior year activity of the Fund. In addition, the Department contracted for actuarial services of Milliman Consultants and Actuaries for a review of the Fund as of December 31, 2002.

The Committee heard testimony that the number of old cases continues to decline, however, new cases occur when an employer fails to secure workers

compensation insurance and an employee is injured.

The Director of Workers Compensation, a statutory member of the Oversight Committee, explained that the Kansas Department of Labor, Division of Workers Compensation has been implementing new technology to improve its work process and service to the citizens of Kansas. The Division is currently using Electronic Data Interchange, which allows the electronic transmission of claims or coverage information, and improves the timeliness and accuracy of reporting. It also has recently implemented a new alternative proof of coverage system, which improves the process of getting workers compensation coverage data and ensures employer

compliance. The Division also has added Coverage Verification Service, an online search engine for the general public to use to research proof of coverage issues.

CONCLUSIONS AND RECOMMENDATIONS

After listening to testimony and exploring potential reasons to continue with the Workers Compensation Oversight Committee, the Joint Committee on Economic Development directed staff to draft legislation to abolish the Committee and give the appropriate duties and responsibilities to the Kansas Department of Insurance.

Joint Committee on Economic Development

MISCELLANEOUS TOPICS: RURAL ECONOMIC DEVELOPMENT; HOUSING; KANSAS, INC.; SALES TAX EXEMPTIONS AND TAX CREDIT REPORT; EMINENT DOMAIN; AND WORKFORCE DEVELOPMENT

CONCLUSIONS AND RECOMMENDATIONS

- The Committee wishes to express its appreciation for the manner in which the U.S. Department of Agriculture Rural Development and the Kansas Housing Resources Corporation are working together to maximize resources in order to minimize the duplication of services. The need for improved rural infrastructures, as well as affordable housing, are major components of improving the economy in Kansas.
- The Committee, with the approval of the Legislative Coordinating Council, sent a letter to the Kansas Congressional Delegation supporting the efforts of the Kansas Housing Resources Corporation to address the current U.S. Department of Housing and Urban Development (HUD) program guidelines that unfairly discriminate against enlisted military personnel and their families who use the basic allowance for housing to obtain off-base housing in low-income counties within our state.
- The Committee wishes to acknowledge the growth and leadership in Kansas, Inc. during the past few months. Kansas, Inc. has shown remarkable progress in achieving many of its statutory responsibilities by completing several reports. However, the Committee wishes to convey its desire that Kansas, Inc. also undertake its responsibilities to provide to the Legislature and the Governor evaluation of economic development agencies. If this statutory responsibility is not assumed by Kansas, Inc., the agency is directed to return to the standing committees and the Joint Committee on Economic Development and explain the reasons why evaluation of state agencies is not occurring.
- The Committee is pleased with the efforts of Kansas Inc. In preparing the Indicators of the Kansas Economy (IKE) report. It is clear that the agency has convened a comprehensive group of talented individuals to prepare this report which will be of value to the Legislature.
- The Committee is pleased with the progress being made by the Kansas Department of Revenue and the Kansas Department of Commerce on the Sales Tax Exemptions and Tax Credit Report. The information, once generated by these agencies, will be very valuable to the Legislature in determining which incentives are effective in improving the economy of the State by retaining and attracting new jobs in Kansas.
- The Committee is hopeful that the Legislature will enact new eminent domain legislation during the 2006 Legislative Session that will provide a clear definition of a blighted area; allow for proper compensation for the property owner; and establish a threshold on local government that allows for the use of eminent domain.
- The Committee wishes to express its desire that once eminent domain legislation is enacted, a private or public entity disseminate the legislation to the public in the best means possible.

- The Committee is hopeful that Local Workforce Development Boards, as well as, the State Workforce Board will take into consideration the employment needs of senior citizens of the State. In addition, the Committee hopes that the needs of the senior citizens will be represented in some manner on the above-mentioned boards.
- The Committee was very impressed with the efforts of the Kansas Department of Corrections Offender Employment Program; the Wichita Public Schools' secondary career and technical education program and especially impressed with the Pottawatomie Consortium's requirement for a senior exit project and portfolios that incorporate academic, technical and performance standards; Kansas Legal Services employment training programs that work with Department of Social and Rehabilitation Service's clients with several barriers to successful employment; the Kansas Cisco Network Academy System which trains individuals to work with computers and software; and the three local workforce boards, Heartland Works, Barton County Community College and Local Area 5 Workforce Board, for their explanation of the operations of these diverse areas and the workforce training they are providing.
- The Committee believes that several programs are providing excellent workforce training; however, there is lack of communication between the Kansas Department of Commerce and other stakeholders. Also, the State of Kansas lacks a clear financial picture of what is being spent on workforce development. Therefore, the Committee makes the following recommendations and requests:
 - The Committee defines workforce development as a partnership between the State and business to develop employment opportunities with meaningful and sustainable income to Kansans and providing programs that assist business through specialized training. The goals established by the Committee for workforce development are to:
 - Increase employment;
 - Increase personal income through continuing education and training programs;
 - Work with business in developing programs to provide specialized education and training programs, including technical programs at post-secondary institutions;
 - Develop, through an executive team that includes all applicable stakeholders, strategies to address goals while linking programs to the best practices to be delivered effectively and efficiently; and
 - Provide statewide accountability standards and reporting for all workforce programs and their finances.
 - The Committee requests that the Department of Commerce provide to the House Committee on Commerce and Labor, the House Committee on Economic Development and the Senate Committee on Commerce the time table for the transition to Kansas 1st initiative and when it will be fully implemented during January 2006.
 - The Committee requests that the House Committee on Commerce and Labor, House Committee on Economic Development and the Senate Committee on Commerce continue the exploration and discussion of workforce development during the 2006 Legislative Session.
 - The Committee requests that the Chairperson of the Joint Committee on Economic Development send a letter to Secretary of Commerce Howard Fricke with copies to

Deputy Secretary Steve Kelly, President and CEO of the Kansas Board of Regents Reginald Robinson, and Dr. Blake Flanders, Director, Career and Technical Education. The letter is to express the frustration the Committee has experienced over a number of years in trying to receive accurate and complete data on the workforce efforts in Kansas. In addition, the Committee is requesting that Dr. Flanders revise his testimony and information provided to Kansas Legislative Research Department to accurately reflect the efforts of the Board of Regents with regard to workforce development. The testimony also should include technical schools and colleges and the community colleges which the Board of Regents represents.

- The Committee recommends legislation that will increase the rural business development tax credit and the Center for Entrepreneurship contribution tax credit from 50 percent to 75 percent. In addition, the bill will abolish the Community Entrepreneurship Fund in the state treasury and authorize the Center for Entrepreneurship to place money in an account or accounts established at local banks or savings and loans. The new accounts would be administered by the Center under guidelines developed and implemented by the Center and approved by the Secretary of Commerce.
- The Committee recommends legislation that will outline the procedure for transferring property back to a city when excess land for a redevelopment project has been taken. The bill also prescribes penalties for violation of the act.

Proposed Legislation: The Committee recommends the introduction of four bills.

BACKGROUND

The Joint Committee on Economic Development is statutorily authorized to set its own agenda. The Committee recognized the following topics as important to the discussion of economic development in Kansas.

Program funded 58 community and business projects totaling approximately \$71.8 million. Those projects included the areas of business development, water and sewer improvements, community facilities, value-added businesses, energy efficiency, technical assistance, along with related community and economic development projects.

COMMITTEE ACTIVITIES

Rural Economic Development

At the September 20, 2005 meeting, the Committee heard five presentations on several programs designed to improve the economy of rural Kansas. Chuck Banks, State Director of the U.S. Department of Agriculture (USDA) Rural Development Program outlined the agency's programs for business and community development; as well as housing programs for rural Kansas. For federal fiscal year (FFY) 2004, the

For FFY 2004, the Rural Housing Service encompassed two main areas: the Single Family Housing Division which provided loans and grants for very low, low and moderate income households; and the Multi-Family Housing Division which provided funds to build and rehabilitate apartment complexes. For all Single Family Programs, USDA Rural Development funded 1,120 loans for Kansas individuals and families with \$63.0 million in federal assistance. The Multi-Family Housing Program focused on two separate areas for funding: the rehabilitation of existing properties, and the construction of new properties. Through the

national office competitive funding pool, Kansas secured \$1.2 million in rehabilitation funds for four projects during the year.

Dr. Art Hall, Executive Director of the Center for Applied Economics at the University of Kansas, shared the Center's findings that Kansas has two economies, the east-central region and all other regions. In discussing the economic performance of Kansas relative to other states, Dr. Hall pointed out that it is important to understand that the east-central region almost wholly drives the relative competitiveness of Kansas, and Johnson County almost wholly drives the east-central region. Finally, The Center for Applied Economics and Kansas, Inc. have completed several reports about Economic Trends in Kansas which can be found at www.kansasinc.org.

Steve Radley, Director, Kansas Center for Entrepreneurship, explained that the Center's focus was on expertise, education, and economic resources, and had three integrated product offerings. Each product area ties directly to expertise, education, or economic resources. NetWork Kansas is a statewide service that meets three basic challenges in providing a statewide service that enables entrepreneurs and existing small businesses to be connected with the organizations they need when they need them. In addition, the Center is undertaking a survey of what is being taught throughout the State in terms of entrepreneurship. Once the data is gathered, the Center plans to promote those offerings through the NetWork Kansas call center and website. Finally, the Center has named the Entrepreneurship Fund, StartUp Kansas. The mission of StartUp Kansas is to provide financial resources for prospective Kansas entrepreneurs in business startup.

Wally Kearns, State Director, Kansas Small Business Development, outlined the increased level of collaboration between the Kansas Small Business Development Centers (KSBCD) and the Kansas Department of

Commerce. The state's economic development strategies help define the role of the KSBCD. Business assistance and economic development strategies are to be developed and managed locally in concert with the Kansas Department of Commerce, the Small Business Administration office, and other key agencies and resources. The objectives are to assure a close fit between locally identified needs and strategies, to target appropriate local resources and capacities, and to respond to them in a timely and cost-effective manner.

Patty Clark, Director of the Ag Marketing and Community Development Divisions of the Kansas Department of Commerce, made the point that there is no single solution that can mitigate the challenges of population out-migration and economic decline in the rural areas. However, there are communities in Kansas that are thriving, enhancing their quality of life and undergoing economic development. There are entrepreneurs in the rural communities that are doing that, as well.

A vital and thriving downtown is a sign of a vibrant and thriving community and the Kansas Main Street Program focuses assistance on historical preservation, marketing, beautification, and entrepreneurship, Clark said. The Kansas Main Street Program has 23 Kansas communities participating and this past summer, Emporia received the Great American Main Street City award from the National Trust Main Street Center.

In addition, the agritourism initiative has really taken off in Kansas, according to Ms. Clark. A sound education platform has provided for agritourism operators to make very informed business decisions as they take their farm assets from production agriculture to tourism. For example, farm wineries represent a thriving industry, with such facilities' having recently grown from seven to 13 in Kansas. However, the thing that poses the greatest challenge to the rural communities is leadership. Rural

communities do not have full-time city managers, city mayors, or city councils. Many times, the application for grants or programs must come from the city clerk, because "such official" is the only full-time employee who works with fiscal operations or economic development in the cities and communities.

Kansas Housing Resources Corporation and Ft. Riley In-Migration

One major issue for the Ft. Riley region is housing for the military personnel in-migration that is scheduled for the next two years. The region is looking to add 30,000 to 35,000 individuals over a five-year period, according to John Armbrust, Executive Director, Governor's Strategic Military Planning Commission. However, the Commission expects the majority will arrive in the next two to two and one-half years. The projected increase is 10,000 soldiers, and it is estimated the soldiers will be accompanied by 13,600 family members. In addition, the increase in military personnel will also require an additional 2,000 civilian positions on post. Post housing is full, therefore, it is projected that the new personnel and families will be living off post.

Mr. Armbrust stated that the area will require at least 7,000 new housing units over the next two years. In order to meet that need, the community will have to build between 4,500 and 5,000 housing units in the Ft. Riley area off post during the first year and by 2007, a total of 7,000 to 7,500 housing units will be required. In addition, Mr. Armbrust stated that a minimum of 16,000 new automobiles are expected in the Ft. Riley area over the five-year period. The Commission, in conjunction with the Kansas Department of Transportation, is providing \$44.0 million to repair Highway K-18 around the post and old Highway 77.

Steve Weatherford, President, Kansas Housing Resource Corporation, Inc. (KHRC),

detailed the two primary state resources that are being offered to help with the Ft. Riley area housing requirements. First, the KHRC has the ability to issue mortgage revenue bonds that lower the cost of the financing of multi-family property. These mortgage revenue bonds are called private activity bonds or multi-family mortgage revenue bonds. The federal government gives the KHRC authority to enter the capital markets through a bond sale and obtain tax exempt financing which will lower the cost to the developer in the form of lower interest rates on first mortgages.

The second resource is the Housing Tax Credit Program. The Housing Tax Credit Program addresses the equity side of the financing. Private developers negotiate their mortgage with a private lender. The bonds are used as a way to allow that lender to lower the rate on the first mortgage. The developer takes the housing tax credit and sells that to an investor and the investor takes the proceeds into the project in the form of equity to meet the demands of the underwriting requirements of that lender. The Housing Tax Credit Program was created by the federal Tax Reform Act of 1986 to promote development of affordable rental properties by private developers and has contributed to the production of more than 24,000 units of affordable housing in Kansas since the inception of the state's program in 1987.

Mr. Weatherford noted that a provision in HUD regulations which establishes income eligibility requires the Housing Tax Credit Program guidelines to unfairly discriminate against enlisted military personnel and their families who use the basic allowance for housing (BAH) to obtain off-base housing in low income counties within our state. The agency maintains that the BAH should not be considered income for purposes of qualifying enlisted military persons and their families for affordable housing financed with the Housing Tax Credits and/or tax exempt bonds. Mr. Weatherford pointed out that Section 8

rental assistance voucher for low income families (which is also administered by HUD), is not considered income for purposes of qualifying nonmilitary families for housing developed with the tax credits or tax-exempt bonds. The agency personnel believes that government assistance, whether it is the BAH or Section 8 rental assistance voucher, should be treated equally and not counted as qualifying income for enlisted military or nonmilitary families who desire to live in housing privately developed with Housing Tax Credits or tax-exempt bonds. If language is successfully inserted into a federal appropriations measure, HUD will have express congressional intent to make the needed federal regulatory changes. KHRC has been working with the Kansas congressional delegation to promote legislation that would allow the Secretary of HUD to issue a waiver that allows the KHRC to discontinue the BAH in the military family's calculation. Senator Brownback has offered the language as an amendment to an appropriation bill, and Senator Roberts is working with his fellow colleagues to build support for the language.

Patty Clark, Director of the Community Development and Ag Marketing Divisions of the Kansas Department of Commerce, made a presentation about the Community Development Block Grant (CDBG) Program which provides funds to rural communities to improve their housing quality and capacity. The CDBG is federally funded. The most significant criteria are that the funds serve the low-to-moderate income families in rural Kansas. Funds from this program can be used for rehabilitation of existing structures, as well as for demolition. The demolition is important to communities that wish to remove blighted areas to beautify their residential areas. The rehabilitation can include modernization and renovation. Also, a portion of the funding must be used for water and sewer projects. Water and sewer projects, when well planned, can result in better basic services for all residents, existing homes and

new homes in any rural community, according to Ms. Clark.

Overview of Kansas, Inc.

Stan Ahlerich, Interim Director, Kansas, Inc. made a presentation on the operations and current reports produced or contracted by the agency. Mr. Ahlerich explained the agency's yearly time cycle and provided detailed information about two industry reports completed recently by Kansas, Inc.: The New Cotton Frontier and The New Oil Refinery Possibilities in Kansas. According to the findings in the working paper, "the growth of the cotton industry in Kansas has been mostly due to the initiative of farmers and market forces. But because this could prove to be such a lucrative industry for many Kansans we believe the state should begin to support the continued development of the industry." The report on new oil refinery possibilities provides the reader with technological information about the industry and comes to the conclusion that Kansas might be an excellent place for a new refinery.

Mr. Ahlerich also made a presentation about a new initiative of Kansas, Inc. entitled the Indicators of the Kansas Economy (IKE). The IKE report is designed to identify critical variables that would explain the current condition of the state economy relative to the United States and states within a six-state region surrounding Kansas. A set of 26 variables has been identified and reviewed for their comprehensiveness and ability to depict key elements of the Kansas economy by a group of professional researchers, university professors, state program staff and the members of the Kansas, Inc. Board of Directors. A planned component of the IKE project is quarterly bulletins to highlight key aspects of the Kansas economy and provide a more in-depth understanding of the variables and economic issues impacting Kansas.

Kansas, Inc. has outsourced several research reports and has several proposals for study during the next fiscal year. The reports produced or commissioned by Kansas, Inc. can be found on the agency's web page at <http://www.kansasinc.org>.

Sales Tax Exemptions And Tax Credit Report

The Legislature directed the Kansas Department of Revenue in conjunction with the Kansas Department of Revenue to produce an annual report evaluating the cost effectiveness of the economic development tax incentive programs. Howard Fricke, Secretary of the Kansas Department of Commerce, explained that an Incentive Advisory Group has been established by Secretary Wagon of the Kansas Department of Revenue. The group, at its first meeting, established a format for the cost/benefit report and return-on-investment analysis. The format is based on the following key performance indicators: jobs created; jobs retained; capital investment generated; revenue or sales generated; and payrolls generated. Secretary Fricke also indicated that the group discussed various policy issues related to the need to evaluate programs and ways in which that evaluation should take place. The group has decided that the indicators will be reported by incentive program for each fiscal year beginning with FY 2001.

Eminent Domain

At the October 11, 2005 meeting, the Committee heard seven presentations about the issue of eminent domain. Staff explained that eminent domain is the inherent power of a governmental entity to take private property and convert it to public use. The power of eminent domain belongs exclusively to the legislative branch of government and to those entities or individuals authorized by statute to exercise the power. The government's exercise of the power of eminent domain is subject to several important constitutional limits,

including the requirement for payment of just compensation and the requirement that the property owner be granted due process of law, including notice and an opportunity for a hearing. In Kansas, the Legislature has granted the power of eminent domain to several state agencies and local units of government or where the local government has home rule power. In addition, KSA 26-501 to 517 is the single, uniform procedure for all eminent domain actions in Kansas.

Bill Rich, Professor of Law at Washburn University School of Law, explained that the Fifth Amendment to the United States Constitution provides: "nor shall private property be taken for public use, without just compensation." In the case of *Kelo v. City of new London*, 125S. Ct. 2655 (2005), the United States Supreme Court was asked to decide whether that language prevented a city from using its power of eminent domain to take private property for purposes of economic development. Five of the nine justices concluded that elected branches of government should remain responsible for determining what constitutes a "public use", and judges should generally defer to those judgments. Robert Glicksman, Professor of Law at the University of Kansas pointed out that the Kansas Supreme Court also has held that the state has inherent power to take private property for a public use. Professor Glicksman also stated that if the government at any level chooses to exercise its implicit power of eminent domain, it must abide by the two limitations set forth in the U. S. Constitution: (1) it must take the property for a "public use"; and (2) it must provide just compensation to the owner of the condemned property. However, the constitution does not define what it means when it refers to a "public use."

Representatives of the Topeka Chamber and Kansas Association of Counties testified in favor of the use of eminent domain, as taking property for economic development is indeed for the good of the citizens; however, they also said they understood that taking private property through eminent domain

was a very serious issue, and said they tried to avoid it until it was the only option available. Representatives of Kansas Farm Bureau, Kansas Livestock Association and an individual citizen testified as opponents to the use of eminent domain by government. The representative of the Kansas Farm Bureau believes that eminent domain is an intrusion into private property rights by government, especially when that action results in land being taken from one owner and subsequently conveyed to another under the auspices of economic development. The Bureau's policy states clearly that eminent domain procedures should be used only for legitimate governmental purposes and that these practices are not legitimate uses of the power. The representative of the Kansas Livestock Association stated that it favored a straightforward ban on the practice of government taking property from one with the intent to transfer that ownership or control to a private entity. However, the Association does recognize that there are legitimate exercises of eminent domain, such as for roads, sewers, utilities and hospitals.

Workforce Development in Kansas

Three representatives of the Kansas Department of Commerce outlined the Workforce Investment Act of 1998 which provides the framework for workforce preparation and employment system designed to meet both the needs of businesses and the needs of job seekers and those who want to further their careers. Title I of the legislation is based on the following elements:

- Training and employment programs must be designed and managed at the local level where the needs of businesses and individuals are best understood.
- Customers must be able to conveniently access the employment, education, training, and information services they need at a single location in their neighborhoods.

- Customers should have choices in deciding the training program that best fits their needs and the organizations that will provide that service. They should have control over their own career development.
- Customers have a right to information about how well training providers succeed in preparing people for jobs. Training providers will provide information on their success rates.
- Businesses will provide information, leadership, and play an active role in ensuring that the system prepares people for current and future jobs.

The system is based on the "One-Stop" concept where information about and access to a wide array of job training, education, and employment services is available for customers at a single neighborhood location. Customers will be able to easily:

- Receive a preliminary assessment of their skill levels, aptitudes, abilities, and support service needs;
- Obtain information on a full array of employment-related services, including information about local education and training service providers;
- Receive help filing claims for unemployment insurance and evaluating eligibility for job training and education programs or student financial aid;
- Obtain job search and placement assistance, and receive career counseling; and
- Have access to up-to-date labor market information which identifies job vacancies, skills necessary for in-demand jobs, and provides information about local, regional and national employment trends.

Through the "One-Stop" system, employers will have a single point of contact to provide information about current and future skills needed by their workers and to list job openings. They will benefit from a single system for finding job-ready skilled workers who meet their needs.

The Act specifies three funding streams to the States and local areas: adults, dislocated workers, and youth. Most services for adults and dislocated workers are provided through the "One-Stop" system and most customers will use their individual training accounts to determine which training program and training providers fit their needs.

The Act authorizes "core" services (which will be available to all adults with no eligibility requirements), and "intensive" services for unemployed individuals who are not able to find jobs through core services alone. In some cases the intensive services also will be available to employed workers who need more help to find or keep a job.

Core services include job search and placement assistance (including career counseling); labor market information (which identifies job vacancies; skills needed for in-demand jobs; and local, regional and national employment trends); initial assessment of skills and needs; information about available services; and some follow-up services to help customers keep their jobs once they are placed.

Intensive services include more comprehensive assessments, development of individual employment plans, group and individual counseling, case management, and short-term pre-vocational services.

In cases where qualified customers receive intensive services and are still not able to find jobs, they may receive training services which are directly linked to job opportunities in their local area. These services may include occupational skills

training, on-the-job training, entrepreneurial training, skill upgrading, job readiness training, and adult education and literacy activities in conjunction with other training.

Eligible youth are low-income, ages 14 through 21 (although up to five percent who are not low-income may receive services if they face certain barriers to school completion or employment). Young customers also must face one or more of the following challenges to successful workforce entry: (1) school dropout; (2) basic literacy skills deficiency; (3) homeless, runaway, or foster child; (4) pregnant or a parent; (5) an offender; or (6) need help completing an educational program or securing and holding a job. At least 30 percent of local youth funds must help those who are not in school.

Youth will be prepared for postsecondary educational opportunities or employment. Programs will link academic and occupational learning. Service providers will have strong ties to employers. Programs must also include tutoring, study skills training and instruction leading to completion of secondary school (including dropout prevention); alternative school services; mentoring by appropriate adults; paid and unpaid work experience (such as internships and job shadowing); occupational skills training; leadership development; and appropriate supportive services. Youth participants will also receive guidance and counseling, and follow-up services for at least one year, as appropriate.

During the December meeting, the Committee took testimony from representatives of the Board of Regents, Kansas Department of Corrections, Kansas Department of Education, Kansas Department of Social and Rehabilitation Services; Kansas Department of Commerce, Kansas Chamber of Commerce and Industry, Kansas Legal Services Corporation, Heartland Works (Local Workforce Area II), Kansas Cisco network Academy system, Barton County Community College (Local

Workforce Area I) and Local Area V Workforce Board. Of specific note, the following programs were outlined for the Committee:

The Kansas Department of Corrections Offender Employment Programs: The Department of Corrections has provided employment through a variety of industries for approximately 1,100 inmates during FY 2005. In addition, it provides approximately 250 vocational education program slots. The slots include barbering, building maintenance, construction, drafting, food service, horticulture, masonry welding and woodworking just to name a few. Finally, the Department has found that sustained employment is a major factor in an individual's ability to remain outside of prison once they are released.

The Kansas Department of Education Programs: The representatives of the Department of Education explained the State Board's overview mission for career and technical skills learning and explained about the funding from federal Perkins funds, as well as, funding through the education finance formula. USD 259, Wichita Public School explained that they offer 19 approved career and technical education programs to the district's 11 high schools. The district employs a staff of 120 and serves 6,000 high school students each year. The representative from the district explained that they have found their strength in developing a link between schools and businesses in the area. The representative of the Pottawatomie Consortium explained that they serve two rural high schools in Pottawatomie County, Rock Creek Junior/Senior High School (USD 323) and Wamego High school (USD 320) with a combined enrollment of 704. Last May, Rock Creek graduated 50 students and Wamego graduated 108. The Rock Creek Board of Education has required both a senior exit project and portfolios as graduation requirements. The portfolio project requires that all students develop the portfolio during their four years of high

school that includes a personal snapshot of their career and personal interest, academic and teamwork skills, time management and community service involvement. The senior exit project is a research paper on a topic of the student's choice developed during their junior year and also requires a 10-20 minute presentation during their senior year. The Wamego High School requires that all seniors complete a personal resume, cover letter, application, application cover letter, follow-up thank you letter, and successfully complete three 20 minute interviews with community business interviewers. Dining etiquette is reviewed and students and interviewers participate in a working-business luncheon complete with multiple utensils.

Kansas Department of Commerce: As the lead agency for Workforce Development and the receiving agency for federal Workforce Investment Act funding gave an overview of their Kansas 1st initiative. The Department defines workforce development as "the training, retraining and development of incumbent and emerging workers for specific positions required by Kansas employers to remain globally competitive." The agency believes that the new system will place "at the finger tips" of regional directors all the resources including identifying employer needs and deliver solutions targeted to the needs. Under the former system, according to the representative, the agency would give the company a grant and go on to the next project. In addition, the post-secondary schools will have increased capability to deliver relevant training to employers and job seekers. To this end, the Department has created an executive team composed of members of Commerce and the Board of Regents representative to oversee the Kansas 1st initiative.

Kansas Legal Service Programs: The non-profit organization provides five programs for employment training. The Job Success Program provides job readiness and life skills training to recipients of long term

cash assistance and other persons entering the workforce for the first time. Office Training and Assessment Program offers comprehensive training in the use of computers and other office equipment and teaches people new to the office environment how to obtain and keep employment. Custom Computer Training provides a range of services from an introduction to computers to specialized one-on-one training in particular software applications. Work Opportunities for Rural Kansans assists displaced farmers, ranchers and their families with training, education and non-farm job placement. Topeka Moving Ahead Program provides comprehensive employment, housing and other assistance to homeless persons in Topeka. The organization has successfully combined where appropriate funding from Workforce Investment Act (WIA) through Heartland Works, Vocational Rehabilitation through Department of Social and Rehabilitation Services (SRS), Temporary Assistance for Needy Families (TANF) through SRS and grants to provide these programs.

Kansas Cisco Academy System: The Cisco Academy System at Ft. Hays State University is a comprehensive e-learning program, which provides students with the Internet technology skills. The Academy program provides web-based content, online assessment, student performance tracking, hands-on labs, instructor training and support, and preparation for industry standard certifications. The system is currently available in 18 community and technical colleges and in 30 high schools across Kansas. In addition, Fort Hays State University information networking and telecommunications graduates in network design engineers, systems engineers, and network administrators find starting salaries averaging \$45,000 a year, and some start in excess of \$60,000. The Committee also was informed that Wichita State University has recently been awarded a \$2.0 million commitment from Cisco Systems with an additional \$6.0 million over the next three

years to run a technology research center.

Local Workforce Investment Boards for Regions I, II and V: Representatives of three of the five local workforce boards made presentations about the work of each board. Some boards contract out the administration of the region. Local Area I contracts with Kansas Legal Services and Local Area II contracts with Heartland Works, while the three remaining have administration provided by the Kansas Department of Commerce. All three regions making presentations made or exceed their accountability requirements as outlined by federal law and the state plan. The State as a whole made or exceeded 16 of the 17 performance measures and failed one. As outlined in the federal law, services for adults, dislocated workers and youth are contracted out with 85 percent of the federal funds being made available to the local boards. Local Area I covers 62 counties in western Kansas, Local Area II covers 17 counties in northeast Kansas and Local Area V covers 17 counties in Southeast Kansas.

The Kansas Board of Regents also provided testimony to the Committee.

CONCLUSIONS AND RECOMMENDATIONS

- The Committee wishes to express its appreciation for the manner in which the U. S. Department of Agriculture Rural Development and the Kansas Housing Resources Corporation are working together to maximize resources in order to minimize the duplication of services. The need for improved rural infrastructures, as well as affordable housing, are major components of improving the economy in Kansas.
- The Committee, with the approval of the Legislative Coordinating Council, sent a letter to the Kansas Congressional Delegation supporting the efforts of the Kansas Housing Resources Corporation to address the current U. S. Department

of Housing and Urban Development (HUD) program guidelines that unfairly discriminate against enlisted military personnel and their families who use the basic allowance for housing to obtain off-base housing in low-income counties within our state.

- The Committee wishes to acknowledge the growth and leadership in Kansas, Inc. during the past few months. Kansas, Inc. has shown remarkable progress in achieving many of its statutory responsibilities by completing several reports. However, the Committee wishes to convey its desire that Kansas, Inc. also undertake its responsibilities to provide to the Legislature and the Governor evaluation of economic development agencies. If this statutory responsibility is not assumed by Kansas, Inc., the agency is directed to return to the standing committees and the Joint Committee on Economic Development and explain the reasons why evaluation of state agencies is not occurring.
- The Committee is pleased with the progress being made by the Kansas Department of Revenue and the Kansas Department of Commerce on the Sales Tax Exemptions and Tax Credit Report. The information, once generated by these agencies, will be very valuable to the Legislature in determining which incentives are effective in improving the economy of the State by retaining and attracting new jobs in Kansas.
- The Committee is please with the efforts of Kansas Inc. In preparing the Indicators of the Kansas Economy (IKE) report. It is clear that the agency has convened a comprehensive group of talented individuals to prepare this report which will be of value to the Legislature.
- The Committee is hopeful that the Legislature will enact new eminent

domain legislation during the 2006 Legislative Session that will provide a clear definition of a blighted area; allows for proper compensation for the property owner; and establish a threshold on local government that allows for the use of eminent domain.

- The Committee wishes to express its desire that once eminent domain legislation is enacted, a private or public entity disseminate the legislation to the public in the best means possible.
- The Committee is hopeful that Local Workforce Development Boards, as well as, the State Workforce Board will take into consideration the employment needs of senior citizens of the State. In addition, the Committee hopes that the needs of the senior citizens will be represented in some manner on the above mentioned boards.
- The Committee was very impressed with the efforts of the Kansas Department of Corrections Offender Employment Program; the Wichita Public Schools' secondary career and technical education program and especially impressed with the Pottawatomie Consortium's requirement for a Senior Exit Project and Portfolios that incorporate academic, technical and performance standards; Kansas Legal Services employment training programs that work with Department of Social and Rehabilitation Service's clients with several barriers to successful employment; the Kansas Cisco Network Academy System which trains individuals to work with computers and software; and the three local workforce boards, Heartland Works, Barton County Community College and Local Area 5 Workforce Board, for their explanation of the operations of these diverse areas and the workforce training they are providing.
- The Committee believes that several

programs are providing excellent workforce training; however, there is lack of communication between the Kansas Department of Commerce and other stakeholders. Also, the State of Kansas lacks a clear financial picture of what is being spent on workforce development. Therefore, the Committee makes the following recommendations and requests:

- The Committee defines workforce development as a partnership between the State and business to develop employment opportunities with meaningful and sustainable income to Kansans and providing programs that assist business through specialized training. The goals established by the Committee for workforce development are to:
 - Increase employment;
 - Increase personal income through continuing education and training programs;
 - Work with business in developing programs to provide specialized education and training programs, including technical programs at post-secondary institutions;
 - Develop, through an executive team that includes all applicable stakeholders, strategies to address goals while linking programs to the best practices to be delivered effectively and efficiently; and
 - Provide statewide accountability standards and reporting for all workforce programs and their finances.
- The Committee requests that the Department of Commerce provide to the House Committee on Commerce and Labor, the House Committee on Economic Development and the Senate Committee on Commerce the time table for the transition to Kansas 1st initiative and when it will be fully

implemented during January 2006.

- The Committee requests that the House Committee on Commerce and Labor, House Committee on Economic Development and the Senate Committee on Commerce continue the exploration and discussion of workforce development during the 2006 Legislative Session.
- The Committee requests that the Chairperson of the Joint Committee on Economic Development send a letter to Secretary of Commerce Howard Fricke with copies to Deputy Secretary Steve Kelly, President and CEO of the Kansas Board of Regents Reginald Robinson, and Dr. Blake Flanders, Director, Career and Technical Education. The letter is to express the frustration the Committee has experienced over a number of years in trying to receive accurate and complete data on the workforce efforts in Kansas. In addition, the Committee is requesting that Dr. Flanders revise his testimony and information provided to Kansas Legislative Research Department to accurately reflect the efforts of the Board of Regents with regard to workforce development. The testimony also should include technical schools and colleges and the community colleges which the Board of Regents represents.
- The Committee recommends legislation that will increase the rural business development tax credit and the Center for Entrepreneurship contribution tax credit from 50 percent to 75 percent. In addition, the bill will abolish the Community Entrepreneurship Fund in the state treasury and authorize the Center for Entrepreneurship to place money in an account or accounts established at local banks or savings and loans. The new accounts would be

administered by the Center under guidelines developed and implemented by the Center and approved by the Secretary of Commerce.

- The Committee recommends legislation that will outline the procedure for transferring property back to a city when excess land for a redevelopment project has been taken. The bill also prescribes penalties for violation of the act.



Economic Development

G-1 Statewide STAR Bond Authority

Other Economic
Development reports
available:

G-2 Bioscience Authority

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Kansas Legislator Briefing Book 2006

Economic Development

G-1 Statewide STAR Bond Authority

- ***What is a STAR Bond?***

A state financing program that allows city governments to issue bonds that are repaid by all of the revenues received by the city or county from any transient guest, local sales and use taxes which are collected from taxpayers doing business within that portion of the city's redevelopment district to retire special obligation bonds. In other words, a STAR Bond is a Sales Tax Revenue Bond with a 20-year repayment period.

- ***What type of project can use STAR Bond financing?***

- A project with at least a \$50,000,000 capital investment and \$50,000,000 in projected gross annual sales revenues.
- A project located outside of a metropolitan statistical area which has been found by the Secretary of Commerce to be in an eligible area under Tax Increment Financing law and of regional or statewide importance.
- A major commercial entertainment and tourism area as determined by the Secretary of Commerce.
- An auto race track facility, multi-sport athletic complex, river walk canal facilities, historic theaters or a major motorsports complex in Shawnee County.

- ***Is any project specifically excluded from use of STAR Bonds?***

Any project including a gambling casino is specifically excluded from use of STAR bonds.

- ***How does the STAR Bond Project work?***

The law allows the governing body of a city to establish one or more special bond projects in any area in the city or outside of a city's boundaries with the written approval of the county commission. However, each special bond project must be approved by the

Secretary of Commerce, based on the required feasibility study, prior to utilizing STAR bonds.

The city also is required to prepare a project plan, hold a hearing on the plan, and adopt the project plan. One mandated component of the project plan is a marketing study conducted to examine the impact of the special bond project on similar businesses in the projected market area. A city that exercises eminent domain to acquire property must compensate the property owner with at least 125 percent of the highest appraised valuation based on the prior three years evaluation.

Finally, the city must do an extensive feasibility study which will include: If the project plan involves a redevelopment project in Wichita including an arena, a vote of the citizens of Wichita is necessary before the Secretary may approve the project for STAR bond eligibility. Other items also are included based on the type of STAR bond project and the type of expenditures to be made with STAR bond proceeds. The Secretary may not approve a project if the required marketing study indicates a substantial negative impact on existing businesses in the projected market area or if granting the special bond project would cause a default in the payment of any outstanding STAR bonds. The Secretary of Commerce is required to set a limit on the total amount of STAR bonds that may be issued for any project. A city also is required to have an annual certified public accountant audit of each project.

STAR bonds issued after July 1, 2004 cannot be used to finance personal property as defined in the state's property tax laws.

- ***What are the constraints placed on the developer?***

The developer of a special bond project is required to commence work on the project within two years from the date of adoption of the project plan. If the developer does not commence work on the project within the two-year period, funding for the project ceases and the developer has one year to appeal to the Secretary of Commerce for re-approval of the project. If the project is re-approved, the two-year period for commencement applies.

Also, the law requires that Kansas resident employees be given priority consideration for employment in construction projects located in a special bond project area.

- ***What are eligible uses for STAR bond proceeds?***

Property acquisition
Parking facilities
Street improvements
Drainage improvements
Utilities
Landscaping, fountains, decorations

- ***What are ineligible uses for the proceeds?***

Constructing buildings or other structures to be owned by private entities is considered ineligible uses for STAR bonds; however, a city is allowed to engage a manager to manage such building or structure and the contractual relationship would not be deemed as a lease to a developer as defined in the law. In addition, proceeds are not available for fees and commissions paid to real estate agents, financial advisors, or any other consultants who represent the business considering locating in a redevelopment district; salaries for local government employees; moving

expenses for employees of the businesses locating with the redevelopment district; property taxes for businesses that locate in the redevelopment district; or lobbying costs and bond origination fees paid to the city.

- ***Other important information!***

- All cities that have projects financed with STAR bonds are to prepare and submit an annual report to the Governor; the Secretary of Commerce; Kansas, Inc.; and the Legislature by October 1 of each year that describes the status of any projects within the redevelopment area.
- The STAR bond authority will sunset on July 1, 2007.

For more information, please contact:

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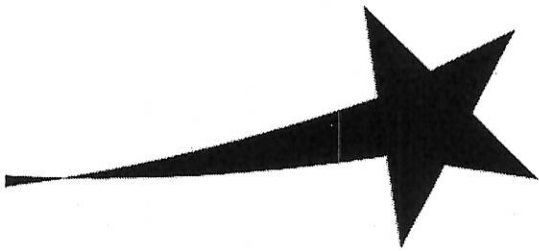
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DEPARTMENT OF COMMERCE

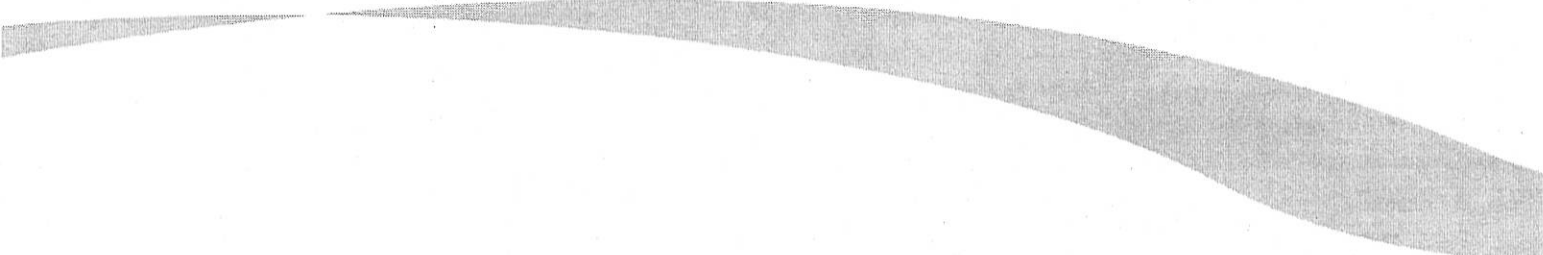
Howard R. Fricke, Secretary



STAR Bonds

House Economic Development Committee

January 17, 2006



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House Economic Development
Attachment 6
1-17-06

STAR Bonds
Testimony to House Economic Development Committee
January 17, 2006
Presented by the Kansas Department of Commerce

Thank you for the opportunity to appear before you today. I am pleased to be able to say that Kansas has experienced 20 straight months of job growth. More Kansans are working today than at any other point in our history. I am proud that the Department of Commerce has an opportunity to be a part of projects that make a meaningful impact on the Kansas economy. In the past year, we have been involved with projects such as Capital One which is bringing 750 new jobs to Kansas; Farmer Insurance Group is expanding its 280- person facility and adding 480 new jobs; InfoNxx is bringing 940 new jobs and making a capital investment of \$16 million in Wichita. We have also participated in retention projects such as Applebee's and Spirit Aerosystems to ensure that Kansas companies remain in Kansas and employing Kansans.

Within the Department of Commerce, we have a variety of tools to help grow our economy. One of which is Sales Tax And Revenue (STAR) Bonds, a powerful financing tool intended to promote the development of major tourism projects in Kansas and stimulate the Kansas economy, which is what I am here to discuss today.

The Legislature has statutorily delegated to the Secretary of Commerce the authority to determine whether the issuance of STAR Bonds to help finance proposed projects should be approved or not. Subject to approval, they can be utilized by any city in Kansas to finance the development of major commercial entertainment and tourism areas. STAR Bonds may finance certain costs necessary to implement the redevelopment project plan including land acquisition,

site preparation, landscaping, parking and other infrastructure. STAR Bonds may not be used to pay fees and commissions to consultants who represent businesses considering locating in a redevelopment district, salaries for local government employees, lobbying costs, property taxes for businesses that locate in the redevelopment district or moving expenses for those businesses' employees. State and local sales tax revenues collected from taxpayers doing business within the redevelopment district are used to retire STAR Bonds issued to help pay for projects.

For projects proposed to be located within a Metropolitan Statistical Area, Kansas law requires a project must have \$50 million in capital investment and \$50 million of projected gross annual sales. For projects proposed to be located outside of a Metropolitan Statistical Area, the proposed project must be located in an eligible area and be of regional or statewide importance.

The statutory procedure for launching a project begins locally with establishment of a redevelopment district through a resolution and hearing process, development of a special bond project plan including a feasibility study which also involves a resolution and hearing process. Following the public hearing the governing body may adopt the project plan by ordinance passed upon a two-thirds vote.

The law establishes three roles for the Secretary of Commerce in the STAR Bonds process. First, to be an eligible area for STAR Bond financing purposes, a proposed project must be a major commercial entertainment and tourism area as determined by the Secretary. Second, the Secretary determines that a proposed project sufficiently promotes, stimulates and develops the general and economic welfare of the State. Third, certain expenses incurred to redevelop and

finance redevelopment projects require prior approval of the Secretary in order to be reimbursed with STAR Bond proceeds.

To date, STAR Bonds have been used to help finance the Kansas Speedway and Village West Tourism District in Wyandotte County and Kansas City, Kansas. Recently, the Schlitterbahn Vacation Village project, located adjacent to the Village West project and just east of I-435 was also approved as a STAR Bond project. Other communities that have either discussed or submitted proposed projects include: Abilene, Edwardsville, Hutchinson, Manhattan, Olathe, Overland Park, Topeka and Wichita. The projects proposed in Abilene, Hutchinson and Topeka have been preliminarily determined as eligible for STAR Bond financing. Edwardsville, Olathe and Overland Park have all proposed projects but subsequently withdrew them.