

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Nick Jordan at 8:35 A.M. on January 24, 2007 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Amy Deckard, Kansas Legislative Research Department  
Kathie Sparks, Kansas Legislative Research Department  
Mike Heim, Revisor of Statutes  
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Steve Kelly, Department of Commerce  
Patty Clark, Department of Commerce

Others attending:

See attached list.

Chairperson Jordan recognized Senator Bruce to introduce a bill. Senator Terry Bruce stated he would like to introduce a bill regarding industrial incentives that would benefit the Eaton Corporation located in Hutchinson, Kansas, and possibly keep them from moving the business out of the state of Kansas to Mexico.

**Upon the conclusion of Senator Bruce's bill introduction, Senator Teichman made a motion to introduce the bill regarding the industrial incentives . Senator Schodorf seconded.**

The Committee joined into a discussion with Senator Bruce.

**Upon the completion of the discussion, Chairperson Jordan called for a vote. The motion carried.**

Chairperson Jordan introduced Steve Kelly, Deputy Secretary, Kansas Department of Commerce, to give his testimony; a *2007 overview of the Department of Commerce. (Attachment 1)*

Mr. Kelly opened by stating he would like to bring the Committee's attention to a piece of statutory language that was added a couple of years ago that would provide the Department of Commerce some flexibility in regards to the IMPACT program. This language was put in place for a limited period of time; set to expire next year. He stated with the flexibility regarding IMPACT dollars the Department of Commerce has been able to retain and attract companies to Kansas. Mr. Kelly stated he feels this is something that needs to be made permanent in the statute.

Mr. Kelly began with his overview, stating that the Department of Commerce is available to come before the Committee at anytime to talk about specific programs. Mr. Kelly stated the Department of Commerce is responsible for the following three commissions:

- Kansas Athletic Commissions
- Kansas Commission on Disability Concerns
- Kansas Film Commission

The Department of Commerce has a number of field offices around the state; domestic offices outside the state; and international offices which are set up on a contractual basis.

The Department of Commerce receives revenue from the following sources:

- State General Fund
- Economic Development Initiative Fund
- Special Revenue Funds
- Federal Funds

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:35 A.M. on January 24, 2007 in Room 123-S of the Capitol.

The following are the expenditures of the Department of Commerce.

- Federal & State aid to Local Units is about 64%
- Salaries & Wages is 19%
- Operating Expense is 12.7%
- Non-Expense Items is 4.4%
- Debt Payments is .1%
- Capital Improvements is .1%

He stated the Department of Commerce has the administrative responsibility for the following:

- Enterprise Facilitation Project
- Kansas Center for Entrepreneurship
- Kansas Small Business Development Centers
- Kansas Association of Certified Development Companies
- Local Workforce Investment Bonds
- Regional Economic Area Partnership

Questions and Answers followed regarding Regional Economic Area Partnership

Mr. Kelly stated the Department of Commerce is involved in the following and gave a brief review of results in each of these areas:

- Agriculture Marketing Development
- Business Development
- Community Development
- Trade Development
- Trade & Tourism Development
- Workforce Development

Questions and answers occurred during the review regarding the eight ethanol plants in Kansas and their locations. Mr. Kelly stated he did not know all the locations in the state but would get that information to the Committee:

In closing Mr. Kelly listed other programs the Department of Commerce is involved in trying to help promote in the State:

- Agritourism
- Attraction Development Grant Program
- Brand Image
- Bioscience
- KIT, KIR and IMPACT

He stated the Department of Commerce has added two new initiatives:

- On-Track Initiative
- Rural Development Initiative

With no further questions and answers Chairperson Jordan introduced Patty Clark, Department of Commerce, to give a presentation on Kansas Rural Development Initiative. (Attachment 2) Ms. Clark stated in the past four years the State of Kansas has greatly benefitted from the concepts and priorities identified by the Governor's Rural Life Task Force. She stated they have learned that rural community development is a process, not a specific program or set of programs. She stated that the Department of Commerce hopes to create a new Office of Rural Opportunity to bring greater focus and attention to the needs of Kansas' rural communities.

CONTINUATION SHEET

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Questions and answers followed.

Senator Brownlee has concerns with duplication of programs and asked Ms. Clark for a list of what programs are being duplicated by other agencies. The Main Street program was also discussed.

With no further questions, Chairperson Jordan adjourned the meeting at 9:30 a.m. with the next meeting scheduled for tomorrow, Thursday, January 25<sup>th</sup> at 8:30 a.m. in room 123 S.



**2007 Agency Overview**

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**Mission Statement**

To empower individuals, businesses and communities to realize prosperity in Kansas

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**Divisions**

Agriculture Marketing Development  
Business Development  
Community Development  
Trade Development  
Travel & Tourism Development  
Workforce Development  
Operations

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Senate Commerce Committee  
January 24, 2007

Attachment 1-1

## Commissions

Kansas Athletic Commission  
 Kansas Commission on Disability Concerns  
 Kansas Film Commission

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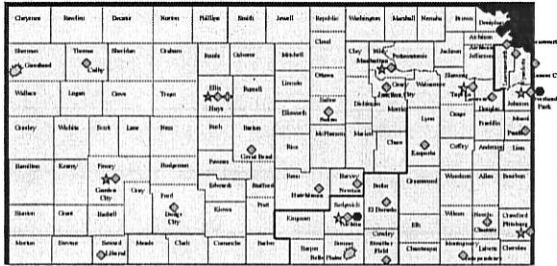
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## Commerce Field Offices



- ★ Business Development Field Office (7)
- ⊠ Community Development Field Office (1)
- ⊙ Travel Information Center (2)
- Trade Development Field Office (2)
- ◆ Workforce Center (22)

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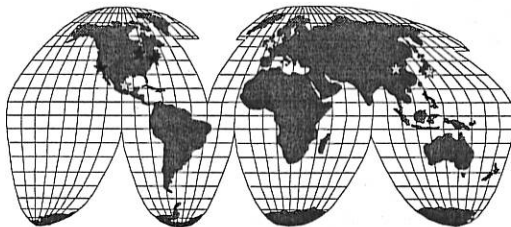
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## National and International Offices



West Coast Office – Los Angeles	Europe Office – London
Great Lakes Office – Chicago	Japan Office – Tokyo
East Coast Office – New York	Mexico Office – Mexico City
	China Office – Beijing

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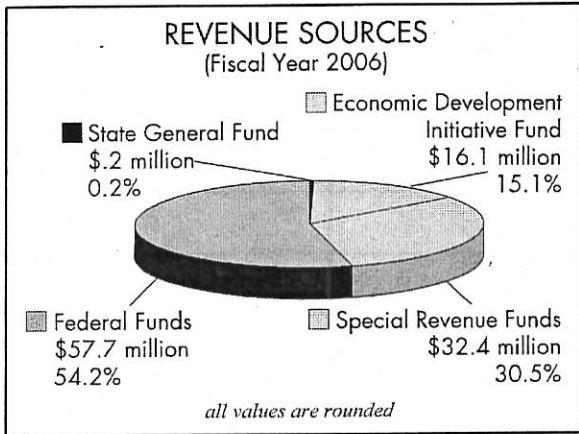
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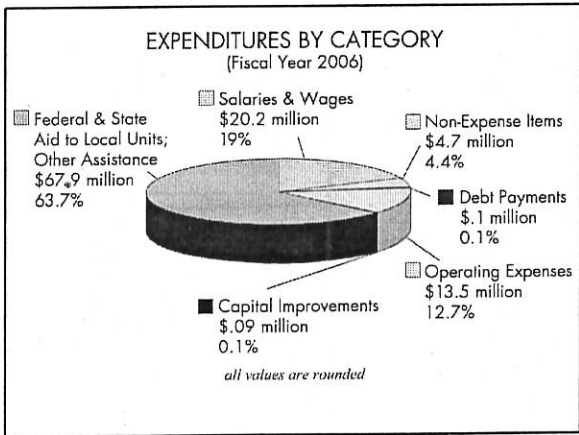
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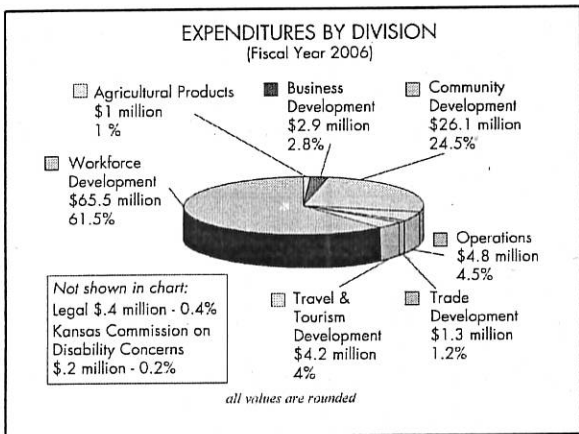
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**Organizations Supported  
by Commerce Pass-Through Funding**

Enterprise Facilitation Projects  
Kansas Center for Entrepreneurship  
Kansas Small Business Development Centers  
Kansas Association of Certified Development  
Companies  
Local Workforce Investment Boards  
Regional Economic Area Partnership

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**Agriculture Marketing Development**

Results and Highlights:

- Distributed \$402,000 to Value Added Loan recipients, who totaled sales of more than \$181 million in Fiscal Year 2006.
- Distributed \$35,000 to From the Land of Kansas members, who totaled \$540,000 in sales in Fiscal Year 2006.
- Assisted a Taiwanese trade mission that announced the purchase of \$130 million in Kansas hides.
- Continued to facilitate the development of ethanol plants in Kansas. The state now has eight plants, with a total annual output of 200 million gallons.

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**Business Development**

Results and Highlights:

- Involved in 24 site location/expansion/retention projects in Fiscal Year 2006 in which Kansas was competing with out-of-state locations. These projects resulted in:
  - 7,342 jobs created or retained at an average hourly wage of \$26.05
  - \$319.4 million in capital investment
- Major new facilities and expansions include:
  - Applebee's
  - Keebler
  - Hospira
  - Capital One
  - Bank of America
  - GE Energy

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## Community Development

### Results and Highlights:

- Provided \$24.5 million in federal Community Development Block Grant funds to 89 projects, producing \$38.1 million in private investments, benefiting 114,500 Kansans and creating 158 jobs.
- Provided services to 22 designated Main Street cities, which resulted in:
  - 108 new/expanded businesses in downtown districts
  - 256 new jobs
  - \$18.6 million in reinvestment in downtown districts.

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## Trade Development

### Results and Highlights:

- Helped Kansas businesses to record export totals for two straight years.
  - 2005: \$6.7 billion
  - 2006 (October YTD): \$7 billion
- Organized the largest trade mission in Kansas history to China and hosted two separate Chinese trade delegations in Kansas in the past two years.
- Opened the new Kansas China Office in Beijing.
- Facilitated international investment projects in Fiscal Year 2006 that created 585 new Kansas jobs \$52.6 million in capital investment.

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## Travel & Tourism Development

### Results and Highlights:

- Continued to develop and implement a long-term plan for the economic development of the Flint Hills.
- Ran ads in 23 national and regional publications, reaching more than 30 million readers.
- Expanded public relations efforts with travel writers, including a more targeted approach to story development and the creation of media center for journalists at [www.TravelKS.com](http://www.TravelKS.com).
- Completed a Tourism Satellite Account Economic Impact Study for Kansas and all 105 counties.

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## Workforce Development

### Results and Highlights:

- Provided \$32.2 million through the KIT, KIR and IMPACT training programs to fund 79 projects in Fiscal Year 2006. These projects resulted in:
  - \$47.5 million in private matching funds
  - 16,500 individuals trained
  - 3,000 new jobs trained
  - 13,500 jobs retrained and positions retained
- Workforce Centers and One-Stop partners served more than 65,000 Kansans.
- Wagner-Peyser Act services were used by more than 100,000 citizens.

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## Additional Statutory Obligations

Agritourism  
Attraction Development Grant Program  
Brand Image  
Bioscience  
KIT, KIR and IMPACT

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## New Initiatives

On-TRACK Initiative  
Rural Development Initiative

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**What others are saying about us...**

“Smoky Hill Vineyards & Winery has found it a blessing to work with the Kansas Department of Commerce. Over the past four years, we have been able to advance our business in size, product quality, marketing and personnel through this relationship. ... Had it not been for our partnership with Commerce and their commitment to our industries, we would not have been able to achieve these results.”

- Norm Jennings, Smoky Hill Vineyards & Winery

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**What others are saying about us...**

“There was much interest in studying the possibility of locating biodiesel plants in Kansas this year. We interacted with those interested in building biodiesel plants, cooperatively working with the Kansas Department of Commerce on the effort. The expertise and guidance of Commerce staff proved to be a much-needed asset to this economic development effort.”

- Kenlon Johannes, Kansas Soybean Commission

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**What others are saying about us...**

“It’s been a great partnership working with state government regarding a number of issues that arise. ... We find that we get great cooperation from the Department of Commerce and other agencies within the state whose objective is to support industry. And they do support industry.”

- Pack St. Clair, Cobalt Boats

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**Commerce on the Web**

[www.kansascommerce.com](http://www.kansascommerce.com)

- Main Agency page

[www.thinkkansas.com](http://www.thinkkansas.com)

- Brand Image and state image enhancement

[www.TravelKS.com](http://www.TravelKS.com)

- Main site for travel and tourism in Kansas

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[www.kansascommerce.com](http://www.kansascommerce.com)

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## Kansas Rural Development Initiative

The challenges facing rural Kansas have been well documented through demographic studies, out-migration trend analysis, rural development organizations and even documentary films. At times, these challenges have seemed so daunting that developing a roadmap for recovery appeared improbable.

In the last four years we have benefited greatly from the concepts and priorities identified by the Governor's Rural Life Task Force. We have gained further insights through our joint experiences with the Governor's Pilot Communities of Smith Center, Onaga and the communities of eastern Cowley County known as ABCDE. In addition, we have had the opportunity to learn from successful rural initiatives as they take root in other rural states and we have absorbed lessons from the support we provided to Kansas communities who undertook strategic planning processes to build a new vision for rural Kansas.

**We have learned that rural community development is a PROCESS, not a specific program or set of programs.** That process involves capacity building, strategic planning, enhanced quality of life, education, governance and health care...as well as infrastructure improvements and innovative approaches to business and economic development. The process must also institutionalize an improved program delivery system that eliminates confusion and provides seamless access to all state and federal agencies and organizations that offer programs of assistance to rural areas.

Based on what we have learned, we hope achieve a series of budget enhancements that reinstate funding for some existing and proven programs as well as provide new funding for some new programs. We also hope to create a new Office of Rural Opportunity to bring greater focus and attention to the needs of our rural communities. The Office of Rural Opportunity will not reside solely in Topeka but be staffed through regional offices to help ensure a bottom-up rather than a top-down approach to rural development. The Office will be an advocate for rural issues, will help streamline delivery

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Attachment 2-1

of programs of assistance, and will provide resources for communities and regions to build the strategic capacity necessary to address the challenges and find a way forward.

**The features of this new rural initiative include:**

1. New funding for the creation and staffing of the Office for Rural Opportunity - \$300,000 budget enhancement/Commerce
  - Staff and offices will be located in rural areas under the administration of the Kansas Department of Commerce
  - Staff will act as a bridge to all programs of assistance for rural communities and liaison to other state and federal agencies and organizations
  - Staff will connect communities and regions to strategic planning resources and capacity building programs
  - Staff will develop and maintain a website to market the attributes of rural Kansas to new and existing businesses, retirees, young families and ex-patriots
  - Staff will assist communities and regions to plan business development "opportunity zones" to take advantage of weighted incentives achieved through tax reform legislation introduced by the administration
  
2. New funding for Capacity Building and Strategic Planning grants - \$100,000 budget enhancement/Commerce
  - Communities can access matching grants for the purposes of funding community and regional planning processes
  - Grants can be used to hire consultants, model other successful processes such as the Hometown Competitiveness program, participate in Kansas Communities, LLC "Four Pillars" program or utilize other credentialed planning processes.
  
3. Enhanced funding for the Kansas "Main Street" program - \$200,000 budget enhancement/Commerce
  - Kansas Main Street has a proven track record for downtown redevelopment and historic preservation
  - Currently, Kansas Main Street has a waiting list of 13 communities but with current funding is limited to accepting only one or two new communities each fiscal year

- Enhanced funding will extend the services of Kansas Main Street to more Kansas communities and serve as a platform for strategic planning as well
4. Enhanced funding for the Kansas Small Business Development Centers - \$1,000,000 budget enhancement/Commerce
    - The Kansas Economic Growth Act of 2004 created a significant increase in interest in entrepreneurial ventures
    - The KSBDC has seen a parallel increase in requests for business development assistance and counseling and needs additional funding to meet this increased demand for services
    - The KSBDC collaborates extensively with the newly created Kansas Center for Entrepreneurship (“Network Kansas”) and the Department of Commerce and is a critical partner in rural business development
  5. New funding for a pilot state-funded KAN-STEP program - \$500,000 budget enhancement/Commerce
    - The federally funded KAN-STEP program has seen monumental success in communities to help build community centers, fire and emergency stations, senior centers and even replace water and sewer lines
    - A state-funded program would eliminate the LMI criteria mandated by the federal government and also make the use of the program more flexible for rural communities