

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 17, 2008 in Room 123-S of the Capitol.

All members were present except:

Jay Emler- excused
Laura Kelly- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Jason Long, Revisor of Statutes

Conferees appearing before the committee:

Others attending:

See attached list.

Chairperson Brownlee welcomed the members of the committee back for the new session 2008. After discussion the Committee agreed that rural economic development and workforce development were the two major issues the Committee should address this session.

Chairperson Brownlee reviewed the Senate Commerce Committee agenda for next week and then introduced Kathie Sparks from Legislative Research to review the reports of the Joint Committee on Economic Development and also to give the Math and Science recommendations. Ms. Sparks presented draft copies of the **Joint Committee on Economic Development interim report** which are incorporated into these minutes as a matter of record. Ms. Sparks began her review starting with the Joint Committee on Economic Development regarding Kansas Inc.; Kansas Bioscience Authority; Kansas Arts Commission; Kansas Center for Entrepreneurship; Star Bonds; Unemployment Benefit Payments; Kansas Travel and Tourism; Attracting Retirees To Kansas; And Film Making in Kansas (Attachment 1). Ms. Sparks highlighted on the conclusions and recommendations of the Committee as follows:

The Committee recommends that legislation be introduced which will establish a public/private semi-independent authority to address and attract tourism to Kansas and provide fo a funding stream for the authority as proposed by the Kansas Tourism Initiative.

The Committee recommends the Kansas Department of Labor establish a date, through the rules and regulations process, by which unemployment workers must register as required by current law.

The Committee recommends that legislation be introduced which will establish a joint legislative oversight committee for the Kansas Bioscience Authority.

The Committee wishes to acknowledge Westar for its work in promoting the arts in Kansas and to thank the company for the use of its facilities for the Committee meeting in October.

The Committee wishes to acknowledge the fine work and success the Manhattan Chamber of Commerce has accomplished with the "Retire to the Flint Hills campaign.

Ms. Sparks stated that the "Retire to the Flint Hills" campaign is promoting former K-State graduates to come back and retire in Manhattan and about 100 have done so. This campaign was featured in the New York Times. A short discussion follow with Senator Reitz asking Ms. Sparks for a copy of the article in the New York Times.

Next, Ms. Sparks moved to the review of the Joint Committee on Economic Development Refundable Tax Credits which appear in (Attachment 2). Ms. Sparks reviewed the conclusions and recommendations as follows:

The Committee recommends legislation be introduced that will allow a corporation in a unitary group to qualify for the Job Expansion and Investment Credit Act and the Kansas Enterprise Zone Act when

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the appropriate capital expenditures or the creation of jobs is made in Kansas

The Committee recommends legislation be introduced that will provide for a new option in which businesses could use expensing instead of depreciation for calculation of state income tax.

The Committee recommends that a standing Joint Committee on Economic Development be created to review the uniformity and enforcement of the Transient Guest and Use Tax.

Senator Jordan stated that three of the members of the Joint Committee did not remember this recommendation. Ms. Sparks stated it was in the minutes that were approved by the Joint Committee Members.

The Committee recommends legislation that would amend the Rural Business Development Tax Credit legislation to clarify that the funding received by the regional foundations is to be used for start up companies or expansion of existing companies in rural and depressed areas of the state.

Next, Ms. Sparks moved to the Joint Committee on Economic Development Housing Incentives which appear in (Attachment 3). She reviewed the conclusions and recommendations as follows:

The Committee recommends legislation be introduced that will establish a statewide housing authority which will cover all of Kansas for financing and low-interest home loans. The legislation is to be based upon 2004 Senate Bill No. 222 which allowed the Kansas Development Finance Authority to issue mortgage revenue bonds.

The Committee recommends that if the Kansas Department of Corrections pursues legislation to allow the correctional facilities to build modular homes, that the facilities continue to build cabins for the state parks at the same rate as currently. Cabin construction should not be discontinued.

Next Ms. Sparks moved to the Joint Committee on Economic Development Workforce Development which appears in (Attachment 4). She reviewed the conclusions and recommendations as follows:

Request from the Legislative Coordinating Council approval to request that the Kansas Department of Commerce contact the Kansas congressional delegation and request that when the Workforce Investment Act is reauthorized that a fourth category be added to approved groups of services. The Fourth category would be the adult 55 and older. Currently the three categories are adults, dislocated workers, and youth.

Requests that the Kansas Department of Commerce, during the 2008 Session, report on the number of days in use and the number of days in storage of the mobile centers. One of the mobile centers is owned by the Department and the other one is owned by the Kansas City region. The report is to be given to the House Committee on Economic Development and Tourism; the House Committee on Commerce and Labor; and the Senate Committee on Commerce.

Senator Brownlee stated she went to the State Board Workforce Advisory Committee meeting last week and they currently have about \$7 million of set aside funds which have accumulated over the past few years and they are committing half million dollars to the older adult programs. She feels that is a step in the right direction.

Upon the conclusion of the review of the reports from the interim Joint Committee on Economic Development Ms. Sparks moved her review the **Math and Science Education Advisory Committee Conclusions and Recommendations**. Ms. Sparks presented written copy (Attachment 5) and it is incorporated into these minutes as a matter of record. She stated that Kansas must produce a deeper pool of technically skilled workers, while at the same time build capacity in frontier research and product development in selected fields to maintain a competitive advantage. Improving Kansas' capacity in mathematics, engineering, technology, and science (METS) is vital if Kansas is to remain nationally as well as internationally competitive.

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She stated in acknowledgment of this, the Math and Science Education Advisory Committee are offering the following recommendations:

Public Awareness Strategies

Encourage the governor and legislators to speak publicly and frequently about the critical shortage of math and science majors and the impact on Kansas

Develop public awareness initiatives that consider students of all ages beginning with elementary school, including the following:

Expand after school and summer program opportunities for elementary through high school students to nurture skills, interests and appreciation for science and mathematics.

Support the development of the Kansas Academy for Math and Sciences at Fort Hays State University

Teacher Preparation Strategies

Support new innovative pathways to math and science teacher licensure.

Encourage better partnerships between higher education METS departments and the schools of education in the preparation of teachers.

Establish a joint masters program for teachers offered collaboratively by Regents' Universities through on-line delivery methods for preparation and professional development.

Support new, innovative and cooperative programs to produce METS teachers between universities and community colleges.

Teacher Recruitment and Retention Strategies

Provide METS teachers special incentives, partnerships, and competitive compensation through vehicles, such as UpLink program which connects educators with businesses; teacher housing as provided in some rural western Kansas school districts; and the tax credit program which provides tax credits to businesses hiring teachers during the summer.

Support a set of coordinated regional centers for METS at institutions of higher education that would provide on-going professional development.

Support the development of a master teacher program to provide mentoring support and professional development opportunities for METS teachers.

Develop strategies that allow "retired teachers" in METS disciplines to return to the classroom with no reduction of retirement payments.

Support summer institutes that provide opportunities to update the skills of mathematics and science teachers.

Alignment Strategies

Strengthen and align P through 20 recommended curricula in METS areas, including career emphasis activities

Expand the academic competition and award opportunities that promote research in the classroom at the secondary level. Advance the METS learning timeline while exposing students to the real world METS applications. Encourage algebra in the 8th grade and calculus in 12th grade.

Coordination Activities

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Create statewide METS Education Innovation Council made up of appointments from the Kansas Board of Regents, State Board of Education and the business community. The Secretary of the Kansas Department of Commerce would be the Council's convener.

A discussion followed regarding the shortage in Kansas of math and science teachers. The Committee was in full support of the recommendations of the Kansas Math and Science Education Advisory Committee.

Chairperson Brownlee adjourned the meeting at 9:30 a.m. with the next meeting being scheduled for January 22, 2008 at 8:30 a.m. in room 123 S.

Joint Committee on Economic Development

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KANSAS INC.; KANSAS BIOSCIENCE AUTHORITY; KANSAS ARTS COMMISSION; KANSAS CENTER FOR ENTREPRENEURSHIP; STAR BONDS; UNEMPLOYMENT BENEFIT PAYMENTS; KANSAS TRAVEL AND TOURISM; ATTRACTING RETIREES TO KANSAS; AND FILM MAKING IN KANSAS

CONCLUSIONS AND RECOMMENDATIONS

Based on testimony and deliberations, the Joint Committee on Economic Development makes the following findings:

- The Committee recommends that legislation be introduced which will establish a public/private semi-independent authority to address and attract tourism to Kansas and provide for a funding stream for the authority as proposed by the Kansas Tourism Initiative.
- The Committee recommends that the Kansas Department of Labor establish a date, through the rules and regulations process, by which unemployed workers must register as required by current law.
- The Committee recommends that legislation be introduced which will establish a joint legislative oversight committee for the Kansas Bioscience Authority.
- The Committee wishes to acknowledge Westar for its work in promoting the arts in Kansas and to thank the company for the use of its facilities for the Committee meeting in October.
- The Committee wishes to acknowledge the fine work and success the Manhattan Chamber of Commerce has accomplished with the "Retire to the Flint Hills" campaign.

Proposed Legislation: The Committee recommends the introduction of six 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.

Overview of Kansas Inc.

Stan Ahlerich, President, Kansas Inc. made a presentation on the operations of the agency. Mr. Ahlerich explained that the

agency was created by the Legislature in 1986, as an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to insure the state's ongoing competitiveness for economic growth. To attain the agency mission, Kansas, Inc. has undertaken three activities: identifying, building, and promoting a strategic plan for economic development efforts in the State of Kansas; developing and implementing a proactive and aggressive research agenda, which will be used to

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identify and promote sound economic development strategies and policies; and conducting evaluation reviews and provides oversight of economic development programs to benchmark development efforts in Kansas through collaboration and outreach with economic development entities and other potential partners.

Mr. Ahlerich also presented the 2007 Economic Development Strategic Plan which provides 43 strategies intended to "strategically position Kansas" for economic growth in the long-term. The vision of the report is that Kansans will notably increase personal and business wealth and improve their quality of life by focusing on inherent and emerging strengths. The fields that are covered by the strategies include manufacturing; rural development and agriculture; professional, scientific, and technical services; energy and natural resources; bioscience; business and tax climate; workforce development; technology and innovation; state image and branding; economic development funding and benchmarking; and transportation infrastructure.

The report has found that six guiding principles were articulated in regard to statewide economic development efforts:

- The state must pay attention to existing businesses because they will continue to be an important part of the current and future Kansas economy.
- The state must hold the cities and counties harmless in regards to state economic development initiatives. State initiatives must not unwillingly shift the burden to local government, unless local government has willingly requested this shift.
- The state must be friendly to business and capital in order to encourage growth and investment in Kansas.
- The state must recognize through its economic development strategy that

every business matters in Kansas and assist all types of businesses.

- The state has limited economic development resources; therefore, the state must ensure that the efforts are focused and results are measurable.
- The state must focus on the high-value targets, as with limited resources the state must prioritize and address the issues that are the most important first.

Kansas Bioscience Authority

Tom Thornton, President and Chief Executive Officer, of the Kansas Bioscience Authority gave the Committee an outline of the Authority's current status. The Authority was created in 2004 by the Kansas Economic Growth Act and has the responsibility over a 15 year period to direct the investment of more than \$580 million. The mission of the Authority is to make Kansas the national leader in bioscience.

The Authority is committed to attract large-scale projects while becoming a hub for life sciences start-ups; expanding the bioscience research base; identifying commercial opportunities and early stage companies, particularly in sectors where Kansas already has strengths; and actively catalyzing collaboration between academic institutions and industry within Kansas. To this end, the Authority has led the state's effort to pursue the \$451 million National Bio and Agro-defense Facility (NBAF). As a result of the Authority's hard work and strategic planning, Manhattan, Kansas, is a finalist for the NBAF, which will be awarded by the federal government to one of six cities in 2008.

More than 40 people spoke in favor of the project at a public hearing organized by the U.S. Department of Homeland Security on August 28, 2007 in Manhattan. A range of sectors and organizations were represented, including scientific experts; biobusiness leaders; university and Regents

officials; public officials and representatives from the city, county, state, and federal levels; and livestock, grain, and plant producer groups. Many others have expressed support in writing, and the Authority in collaboration with others has responded to the extensive data request from the federal government, which is part of the standard environmental impact study.

In addition, the Authority has invested in the Lawrence-based KC BioMediX, Inc. Which was established to commercialize technologies developed at the University of Kansas for the care and treatment of infants born prematurely. The device assesses and quantifies the patterns of non-nutritive sucking early in the care and treatment of premature infants and quickly and effectively establishes the correct sucking patterns to allow an infant to oral feed independently. KC BioMediX has licensed the sole rights to commercialize the technologies and devices in two patent applications.

The Authority also has invested in Edenspace System Corporation which relocated from Virginia to Junction City and seeks to become a key supplier in the renewable fuels industry by engineering crops that hope to lower the cost of cellulosic ethanol. The Corporation is wholly-owned by employees and directors and had revenues of \$1.4 million in 2006.

Overview of the Kansas Arts Commission

Llewellyn Crain, Executive Director of the Kansas Arts Commission provided an overview of the Commission and its activities for the previous year. The Commission supports and builds the creative artistic activities of Kansas through grant programs, educating organizations and artists on building sound business practices, and special initiatives involving arts and cultural organizations, artists and art industry partners. The Commission, currently, has eight different grant programs, artist and arts supporter recognition programs, conducts seminars and leadership

opportunities administered by four program managers.

The Commission has completed and adopted a five-year strategic plan and has updated its mission to provide opportunities for the people of Kansas to experience, celebrate and value the arts throughout their lives. To accomplish the mission, the Commission has taken a multi-pronged approach and is launching a study on the economic impact of the arts throughout the state. The Commission has contracted with Americans for the Arts to conduct an economic impact study of the arts statewide and anticipate that the final report will be completed by December 2008. In addition, the Arts Commission launched its new website in July. On the website the Commission features a calendar listing of arts and cultural events open to the public that take place throughout the state.

Kansas Center for Entrepreneurship

Steve Radley, Director of the Kansas Center for Entrepreneurship, updated the Committee on the current initiatives at the Center. The Center has developed a seamless integrated network of small business service providers in Kansas and is now ready to connect entrepreneurs and small business owners with the necessary education, expertise and economic resources.

NetWork Kansas partners offer a variety of seminars and workshops including: how to start a business; tax workshops; business planning; and more. NetWork Kansas is working with partners across the state to assess current entrepreneurial offerings with the objective of developing a vision for entrepreneurship education across the state. The Center has held two Entrepreneurship Education Meetings; one for K-12 institutions and one for community college and public sector organizations. An additional meeting is scheduled for Kansas universities. Once that meeting is completed the Center will focus on identifying key areas of opportunity for

enhancing entrepreneurship education statewide.

NetWork Kansas is working with the Center for Entrepreneurship at Wichita State University to develop an effective methodology to obtain demographic, attitudinal and perceptual data necessary to understand rural entrepreneurs, as well as the hurdles that entrepreneurs perceive in acting on their entrepreneurial initiative. In addition, NetWork Kansas is working with the Center for Applied Economics at the University of Kansas to develop micro- and macro-economic benchmarks to measure the overall effectiveness of all the Center's funding programs, as well as potential ways to measure the success of NetWork Kansas entrepreneurs who do not receive funding.

Erik Pedersen, Manager, Kansas Center for Entrepreneurship, provided a brief update about the network of resources, the intake center activity, how the Center is working with Greensburg businesses, and initiative working with Information NetWork of Kansas (INK) and a variety of state offices to better assist the entrepreneurs and small business owners. Since the launch of Network Kansas, the Center has worked to grow the network by identifying gaps in service—both physically and functionally—and then working to find resource partners that can fill those gaps. In collaboration with Kansas State University Research and Extension the Center has enrolled all 105 county research and extension offices as resource partners. As a result of this and other outreach efforts, the Center currently has more than 400 resource partners in the statewide referral network. These resource partners consist of organizations that provide assistance to entrepreneurs and small business owners in the form of business plan training and development, workforce training assistance, loan packaging and financial assistance, and many other services.

The NetWork Kansas Intake Center interacts with entrepreneurs and small business owners via phone calls, emails and

a website. When the Center's counselors receive a phone call or email from an entrepreneur, they conduct a listen and learn session with the caller, getting a sense of where the entrepreneur is at in the business lifecycle, where the business is physically located in the state and other resources used. Counselors match the business owners with the resources, using NetWork Kansas' unique database tool, Resource navigator. Business owners can access the database tool directly through the NetWork Kansas website, which provides 24/7 service to entrepreneurs from all parts of the state. NetWork Kansas also utilizes a client-contact database called Bix-Trakker to track, measure, and evaluate the referral and assistance process. Currently the intake center is receiving more than 4,800 inbound contacts per month, which is greater than a 250 percent increase over 2006 at this time. In addition, the Center has more than 310 active clients who they are working with on an ongoing basis. In March, the Center conducted a client satisfaction survey of the clients who were active at that time. The survey received a 24 percent response rate and of those who responded, more than 81 percent rated their satisfaction level with NetWork Kansas as above average or excellent. Almost two-thirds rated their satisfaction level with NetWork Kansas resource partners as above average or excellent.

Finally, the Center is in the midst of a radio campaign in which they are working with the Kansas Department of Commerce and Kansas Radio networks to reach out to rural entrepreneurs through 47 stations in eight target markets. The goal is to help NetWork Kansas become a "household name" over time, as nearly everyone has contact with an existing or potential entrepreneur or small business owner. The ad campaign began in early September and run for two weeks "on" and two weeks "off" throughout September and October. The campaign led to more than a 60 percent increase in inbound leads in September.

NetWork Kansas was asked to assist the City of Greensburg and the Kiowa County Redevelopment Board as part of their disaster-recovery efforts, specifically by conducting an outbound telephone survey of the businesses that are planning on returning or are considering starting up as the town rebuilds. The city is planning to partner with the United State Department of Agriculture (USDA) to build a business incubator to stimulate business starts and re-starts. The purpose of the survey was to gauge the interest and determine the need and scope of this incubator. Staff of the Center worked with city leaders, the Kiowa County Redevelopment Board and a consultant from the Kansas Small Business Development Center to develop the ten-question survey and polled more than 100 residents from the Greensburg business community. The results have been turned over to the appropriate organizations so they can make educated decisions about this initiative. In addition, all of the Greensburg businesses have been loaded into the Biz-Trakker database so that the Center can follow their progress as they move forward and help connect them with additional resources that can assist with business-building services.

StartUp Kansas was launched in August 2006 to provide economic resources to startup and existing businesses in conjunction with the Center's NetWork Kansas partners. The StartUp Kansas Program provides funding to small businesses in rural and distressed Kansas communities in the form of matching grants or unsecured loans matching the terms of the financing provided by a NetWork Kansas partner working on behalf of the entrepreneur. During its first year of operation, StartUp Kansas awarded \$242,340 in grants and loans to nine small businesses throughout rural areas of Kansas. Additional capital leveraged from other sources for these businesses totaled \$1.79 million.

Sales Tax and Revenue (STAR) Bond Program

David D. Kerr, Secretary, Kansas Department of Commerce, provided an update on the current Sales Tax and Revenue (STAR) Bond Program. For Fiscal Year 2007, the Kansas Underground Salt Museum in Hutchinson became operational. The Museum was a \$10.5 million project, of which \$4.81 million was provided by STAR Bond financing. The Schlitterbashn Vacation Village, in Wyandotte County held its groundbreaking ceremony on September 18, 2007, the project was original approved in December 2005. The project is projected to cost a total of \$500 million, of which \$225 million will be provided by STAR Bond financing. The Flint Hills Discovery Center in Manhattan remains in the construction phase of the project. The Center is a \$108 million project, with STAR Bond financing providing \$50.0 million.

Projects that have approval pending include the Kansas Landmark Tower in Edwardsville, Wichita Waterwalk in Wichita, and the Olathe Gateway in Olathe.

Unemployment Benefits Payments

Leo Hafner, Deputy Director, Legislative Division of Post Audit, provided an overview of the January 2007 post audit on the Department of Labor's error rates for unemployment benefit payments. The audit found that in 2005, investigators reviewed a total of 486 benefit payments, 232 of which were determined to have errors. Of those, 203 or approximately 87 percent of the payments found to be in error occurred because the claimant hadn't met the statutory requirement to register for job services. Kansas' unemployed workers have been required by State law to register for job services in order to receive unemployment benefits since 1937.

Beth Martino, Deputy Secretary, Kansas Department of Labor, testified that the process to apply for unemployment and register with a public workforce center has

changed a great deal since 1937, resulting in a compliance issue with this state law requirement. These claimants are otherwise eligible for unemployment benefits. They meet all federal requirements, including looking for work. In an effort to improve the process, the agency is now pursuing the development of an automatic system for registering claimants with the public workforce centers.

Kansas Travel and Tourism

Stan Ahlerich, President, Kansas Inc., explained that the agency had spent 18 months working on a economic development strategic plan which includes strategies for travel and tourism in Kansas. Under the heading of support and develop tourism in both urban and rural areas, the agency is recommending than an aggressive marketing and branding plan that considers both tourism and business be adopted by the state. In addition, a dedicated funding stream is needed to fund travel and tourism initiatives on a statewide basis. Finally, the strategic plan is recommending the creation of a public/private branding entity to market the State of Kansas. The entity would receive guidance from the Governor and legislature, however it would be a stand-alone entity, directed by a board representing various stakeholders of government, business, and travel and tourism sectors.

Members of the Kansas Tourism Initiative (KTI) explained that the Initiative was created to research and manage the preparation of a comprehensive plan for the Kansas tourism industry designed to enhance the overall tourism product and significantly increase the economic impact for the State. The KTI secured the professional services of Pricewaterhouse Coopers to research the competitive position of Kansas in the tourism marketplace. The research provided the following findings:

- Kansas is ranked 44th in 2006-07 projected state tourism office budgets, less than 50 percent of other neighboring

states.

- Kansas is ranked 48th in 2006-07 projected marketing and promotions budgets.
- The travel and tourism budget has not grown relative to inflation. Therefore, not only is Kansas tourism significantly under-funded in a highly competitive environment, but also the effective purchasing power has been less in seven of the past nine years than it was in 1998.

In addition, other states are funding education, research programs, regional initiatives, product development and marketing and advertising that Kansas is not properly funding. The proposal would require a budget of \$15 million to be spent in three key areas: marketing and promotion; product development and grants; and research and professional development.

Finally, the KTI believes that a semi-independent authority would be the best organizational structure to best carry the Kansas travel and tourism message. The structure would be overseen by a board comprised of government and industry leaders with a chief executive that reports to the board. The organization would be a quasi-state government agency, exempt from state regulations such as purchasing and personnel rules and regulations. The organization would be legislatively funded, such as the Kansas Bioscience Authority, and not appropriated and would provide opportunity for private funding. The organization would be insulated from political influences but be subject to state audits.

Becky Blake, Kansas Department of Commerce, provided an overview of the 2007 activities of the travel and tourism division. The agency placed magazine advertising in 19 publications with a circulation of over 37 million readers; newspaper publications in Denver, Des Moines, Oklahoma City, Omaha and Tulsa;

provided e-blasts concerning specific events such as a pumpkin patch adventure and couples getaways; television advertising in the Wichita and Topeka markets, as well, as the Kansas City, Oklahoma City, Omaha, Des Moines, Lincoln and Tulsa. The two state travel information centers "greeted" over 271,000 people, which is an increase of 10 percent over the previous year. Finally, other marketing initiatives of the agency included trade shows, agritourism, marketing grant program, signage, international marketing in Germany, United Kingdom, and group tours.

Attracting Retirees to Kansas

Lyle Butler, President and CEO of Manhattan Chamber of Commerce, Fred Brock, Associate Professor of Journalism and Mass Communications at Kansas State University and Gayle Doll, Director of the Center on Aging at Kansas State University, explained that many small college towns like Manhattan are very optimistic about attracting baby boomers after retiring to relocate to Kansas. Surveys by AARP and others have shown that this generation is more willing to move to a new place late in life than their parents were. A New York Times article quoted the Chairman of Retire to the Flint Hills Initiative that the Chamber of Commerce has attracted 50 to 100 retirees in the last five years. The Chamber's initiative has been successful by sending out post cards to former graduates of the university and by placing ads in the school magazine. In addition, the research has shown that "people who are inclined to move after they retire tend to be among the healthiest and wealthiest of retirees." The sick and poor remain where they retired. Professor Brock also finds that a cheaper cost of living is a factor in moving. For example, moving from the east coast to Manhattan, Kansas, proved to be a sound financial decision for the professor and his wife. Finally, college towns can attract retirees because a university town usually will provide cultural and arts activities, as well as, sports for the retirees to attend. Again, research is showing that social engagement,

mental stimulation and physical activity is required for successful aging.

Film Making in Kansas

Peter Jasso, Manager of Film Services, Kansas Department of Commerce, provided an oral overview of the Kansas Film Commission and noted that no appointments have been made to the Commission during the last year.

The film "Trail End," by Just Hank Productions, was shown to the Committee at the Westar facilities. Rich Amber, a Kansas film maker, showed a clip from his movie "Hope," which was shot in part in Shawnee Mission, Kansas. He also explained that the Film Commission was most helpful in finding film locations for his movie. In addition, Mr. Amber has filmed a movie entitled "Raising Jeffery Dalmer," which will be released on DVD in April 2008.

Patrick Rae, a Kansas film maker, showed a clip from his movie "Empty Acre." Mr. Rae has made short films since 2003 and has progressed into feature films with "Empty Acre." He also pointed out that the Film Commission has been very helpful in finding filming locations in Kansas. Mr. Rae worked on the film "Bunker Hill". A segment of the television show "Sunflower Journey," which featured the filming of "Bunker Hill," was shown to the Committee.

CONCLUSIONS AND RECOMMENDATIONS

Based on testimony and deliberations, the Joint Committee on Economic Development makes the following findings:

- The Committee recommends that legislation be introduced which will establish a public/private semi-independent authority to address and attract tourism to Kansas and provide for a funding stream for the authority as proposed by the Kansas Tourism Initiative.

- The Committee recommends the Kansas Department of Labor establish a date, through the rules and regulations process, by which unemployed workers must register as required by current law.
- The Committee recommends that legislation be introduced which will establish a joint legislative oversight committee for the Kansas Bioscience Authority.
- The Committee wishes to acknowledge Westar for its work in promoting the arts in Kansas and to thank the company for the use of its facilities for the Committee meeting in October.
- The Committee wishes to acknowledge the fine work and success the Manhattan Chamber of Commerce has accomplished with the "Retire to the Flint Hills" campaign.

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Joint Committee on Economic Development

REFUNDABLE TAX CREDITS

CONCLUSIONS AND RECOMMENDATIONS

- The Committee recommends legislation be introduced that will allow a corporation in a unitary group to qualify for the Job Expansion and Investment Credit Act and the Kansas Enterprise Zone Act when the appropriate capital expenditures or the creation of jobs is made in Kansas.
- The Committee recommends legislation be introduced that will provide for a new option in which businesses could use expensing instead of depreciation for calculation of state income tax.
- The Committee recommends that a standing Joint Committee on Economic Development be created to review the uniformity and enforcement of the Transient Guest and Use Tax.
- The Committee recommends legislation that would amend the Rural Business Development Tax Credit legislation to clarify that the funding received by the regional foundations is to be used for start up companies or expansion of existing companies in rural and depressed areas of the state.

Proposed Legislation: The Committee recommends introduction of six bills.

BACKGROUND

The Joint Committee on Economic Development is statutorily authorized to set its own agenda. The Legislative Coordinating Council asked that the Committee to review current tax credits and determine if they should be refundable. In addition, the Committee is asked to develop recommendations which encourage economic development while minimizing the negative impact on State General Fund receipts.

COMMITTEE ACTIVITIES

A representative of the Kansas Department of Revenue explained to the Committee that most Kansas income tax credits are non-refundable. The tax credit can be claimed only against income tax

liability that was generated by the credit claimant. The tax credit will offset income tax receipts that otherwise would be attributable to the taxpayer claiming the credit. If the claimant has insufficient income tax liability to use the credit, then the credit amount above tax liability cannot be claimed. For non-refundable tax credits, the unused portion generally can be carried forward to be claimed in a future tax year. For some of those tax credits, such as High Performance Incentive Program (HPIP), there is a specific time limit on the carry forward period. For a very few, there is no carry forward allowed. A limited number of tax credits are refundable. A few are transferable.

The Business and Job Development (B&J) and HPIP tax credits are by far the largest economic development tax credit programs involving non-refundable credits and carry

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forwards. It is estimated by the agency that there is in excess of \$450 million currently pending carryforward B&J and HPIP tax credits, with about 90 percent of those being HPIP credits and 10 percent B&J. Since the HPIP tax credit has a 10-year carry forward period and the enhanced B&J credit (under the Enterprise Zone Act) can be carried forward until used, this balance has built up over several years. If the pending carry forward B&J and HPIP tax credits were allowed to become refundable, the liability to the State of Kansas would thus be in excess of \$450 million. Based on this average difference, the fiscal impact to the state to make refundable any carry forward (unused) HPIP and B&J credits earned on a going-forward basis would be a negative \$50 million per fiscal year.

Mark A. Burghart, representing Wal-Mart Stores, Inc., requested of the Committee that legislation be introduced that would allow a corporation in a unitary group to use the Job Expansion and Investment Credit Act and the Kansas Enterprise Zone Act as they relate to capital expenditures and job creation. Under current law, Kansas employs the unitary business principle when taxing multi state corporations. Under that principle, the income and expenses of all related companies included in a unitary group are aggregated and then apportioned to the various states in which the unitary business conducts business operations based on a three-factor formula that includes property, payroll and sales. All companies within a unitary group are deemed to contribute to and depend upon one another and thus are treated as one homogeneous business enterprise for corporate income tax purposes. The application of the unitary business principle has been sanctioned by the Kansas Supreme Court on several occasions according to Mr. Burghart. The Kansas Department of Revenue currently interprets the Job Expansion and Investment Credit Act and Enterprise Zone Act to require that all capital investment and employee hiring occur within the same legal entity in order to qualify for the credit.

Dr. Art Hall, Executive Director, Center for Applied Economics, University of Kansas School of Business, requested introduction of legislation that would allow businesses too chose expensing or depreciation procedures when calculating state income tax. Expensing is a procedure related to the calculation of business income tax. Currently under Kansas law, when a business makes a capital investment (whether equipment or structure), it is allowed to take a deduction against income tax for the depreciation of the investment. Expensing is one form of depreciation deduction. Expensing would allow for an immediate deduction of the full investment amount instead of requiring a prescribed schedule of smaller deductions over multiple years.

Dr. Hall believes expensing improves the expected rate of return on almost any investment relative to other types of depreciation procedures because it allows the taxpayer to capture the time value of money embedded in the investment.

The final tax topic reviewed by the Committee was the Rural Business Development Tax Credit program, which began in 2004. The representative of the Kansas Department of Commerce explained that the state authorized a total of \$7 million in tax credits for the first three years of the program to the seven economic development regions (Northwest, North Central, Northeast, East Central, Southeast, South Central, and Southwest). These tax credits can be issued to any business or individual making donations to one or more of the seven regional foundations. Thus, far, the credits have been most popular among supporting banks and local corporations. The foundations have generated approximately \$3.2 million in funding for the purpose of economic and business development.

Three of the regions presented information to the Committee about the program in their area. The North Central Regional Planning Commission has

sponsored a series of day-long workshops focused on nonprofit board development. Subjects covered at these workshops included: the relationship between the board and the executive director; strategic thinking and its importance in creating an innovative organization; the ethos of transparency in the operation of a nonprofit organization; and evaluating performance and assessing organization value. The southwest region has designated 60 percent of its funding for loans; 30 percent for technical assistance to business; and 10 percent for administration, with the understanding that any funds not used for technical assistance would be moved to loans. The City of Greensburg is in this region, and the foundation anticipates applicants for both loans and technical assistance in the near future as businesses are reopened or new businesses move to the city. The southeast region has committed \$250,000 of its funding for a micro-loan program; \$120,000 for downtown building programs; \$30,000 for a regional leadership academy; and \$30,000 to fund regional entrepreneurial programs.

CONCLUSIONS AND RECOMMENDATIONS

- The Committee recommends legislation be introduced that will allow a corporation in a unitary group to qualify for the Job Expansion and Investment Credit Act and the Kansas Enterprise Zone Act when the appropriate capital expenditures or the creation of jobs is made in Kansas.
- The Committee recommends legislation be introduced that will provide for a new option in which businesses could use expensing instead of depreciation for calculation of state income tax.
- The Committee recommends that a standing Joint Committee on Economic Development be created to review the uniformity and enforcement of the Transient Guest and Use Tax.
- The Committee recommends legislation that would amend the Rural Business Development Tax Credit legislation to clarify that the funding received by the regional foundations is to be used for start up companies or expansion of existing companies in rural and depressed areas of the state.

DRAFT

Joint Committee on Economic Development

HOUSING INCENTIVES

CONCLUSIONS AND RECOMMENDATIONS

- The Committee recommends legislation be introduced that will establish a statewide housing authority which will cover all of Kansas for financing and low-interest home loans. The legislation is to be based upon 2003 Senate Bill No. 222 which allowed the Kansas Development Finance Authority to issue mortgage revenue bonds.
- The Committee recommends that if the Kansas Department of Corrections pursues legislation to allow the correctional facilities to build modular homes, that the facilities continue to build cabins for the state parks at the same rate as currently. Cabin construction should not be discontinued.

Proposed Legislation: The Committee recommends introduction of six bills.

BACKGROUND

The Joint Committee on Economic Development is statutorily authorized to set its own agenda. The Legislative Coordinating Council asked that the Committee explore options and make recommendations for the provision of incentives for reconstructing affordable homes in disaster areas.

COMMITTEE ACTIVITIES

The Committee was briefed about the state of housing in Kansas by the President of the Kansas Housing Resources Corporation (KHRC). The representative stated that the Greensburg tornado of May 4, 2007, left in excess of 900 homes either damaged or destroyed in Kiowa County. In addition, in excess of 1,000 homes in the 21 federally declared disaster counties in southeast Kansas have been damaged or destroyed due to the flooding that occurred during the Summer of 2007. In most cases, having lost virtually everything, families in these communities are facing major financial hurdles in their efforts to rebuild. The KHRC, in partnership with federal agencies and private organizations, have

implemented a variety of programs in both Kiowa County and southeast Kansas to help families rebuild their lives and communities. For the federally declared disaster areas the following types of assistance has been made available.

- Kansas residents living in the federally declared area may be eligible for Individual Assistance from Federal Emergency Management Agency (FEMA). To be considered for such assistance, residents must first apply with the federal agency. The Individual Assistance funding can include grants to help pay for temporary housing, home repairs, and other disaster-related expenses not covered by insurance or other aid programs. Low-interest disaster loans from the U.S. Small Business Administration (SBA) are available to cover residential and business losses not fully compensated by insurance. Grants do not have to be repaid, but loans from the SBA must be repaid.
- SBA is the federal government's primary source of money for the long term repair and rebuilding of disaster damaged

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private property. Disaster loans up to \$200,000 are available to homeowners to repair or replace damaged or destroyed real estate. Homeowners and renters are eligible for up to \$40,000 to repair or replace damaged or destroyed personal property.

- KHRC Tenant Based Rental Assistance Program provides rental assistance directly to the landlord to help families pay their rent. Eligible families must earn 60% or below of the area median income.
- U.S. Department of Agriculture (USDA) Rural Development is offering housing assistance through its Multi-Family Housing Program. The housing assistance, subject to availability, utilizes USDA financed rental housing facilities located in rural communities across Kansas. Individuals and families made homeless by a federally declared disaster may apply for occupancy as a displaced tenant and receive priority admission to any apartment complex financed by USDA.
- Freddie Mac gives mortgage servicers the discretion to reduce or suspend mortgage payments for up to 12 months for borrowers with Freddie Mac-owned mortgages in the FEMA major disaster area.
- The Federal Home Loan (FHL) Bank is offering its Housing and Community Development Emergency Loan Program (HELP) to Kansas members (financial institutions) who are financing the repair or reconstruction of residences that were damaged by the severe storms. These advances are priced equal to FHL Bank's cost of funds and can be used to fund conventional or short-term loans for households.

Long Term Housing Assistance

- Families affected by the storms may take advantage of down payment and closing

cost assistance provided by KHRC's First Time Homebuyers Program. KHRC is waiving the first-time homebuyer requirement and the homeowner investment of 2 percent. In addition, the Corporation has increased the subsidy amount to 20 percent of the purchase price, to a maximum of \$25,000. Eligible households must have income at or below 80 percent of the area median.

- KHRC will provide down payment and/or closing cost assistance to help families build new owner-occupied housing. Households residing in the new units must have income at or below 120 percent of the state median income, \$77,915 for a family of four. A subsidy amount of \$25,000 maximum or 20% of the purchase price is available.
- KHRC is accepting applications from developers to build new affordable rental housing units and can provide loans and/or housing tax credits to help offset development costs. Households residing in the new units must have income at or below 60 percent of the area median income.
- The Kansas Energy Efficiency Program allows income-eligible homeowners to obtain low interest loans to purchase energy efficient heating systems and to make other energy conservation home improvements. The Corporation funds half of the loan amounts, up to a maximum of \$7,500. Sunflower Bank is the official lender for the program.
- The Emergency Repair Program funded through the Corporation assists nonprofit service providers to facilitate emergency repairs for homeowners that enable residents to live in a safe environment. Examples of emergencies include, but are not limited to, an inoperable or faulty furnace, leaking roof, unsafe electrical wiring or plumbing, or hazardous structural conditions.

The representative reported that the biggest tool in rental housing the corporation has is a federal tax credit program administered by the Internal Revenue Service. The credit provides an incentive for private developers to build affordable housing units for Kansans with incomes at or below 60 percent of the area median income. Implementation of this program provides approximately 70 percent of the equity necessary to develop the housing units. Kansas' allocation is a little over \$50.0 million of 10-year credits per year. The corporation typically assists development of 700-900 units per year through the federal tax credit program.

The Corporation also utilizes federal HOME Investment Partnership Program funds to provide rental housing. KHRC allocates approximately 25 percent of its \$ 8 million annual HOME appropriation to fund nonprofit community housing development organizations (CHDO's) for the construction and rehabilitation of rental housing. This rental housing is for families at or below 60 percent of the gross area median income. While the corporation has received \$8 million of funding, \$19 million has been requested.

KHRC is prohibited by state statute from offering a mortgage revenue bond program to finance single family homes in Kansas. Instead, Sedgwick and Shawnee counties jointly manage a program which is available on a statewide basis. One issue with the administration of this program is the high concentration of loans in Sedgwick and Shawnee counties. Over 66 percent of the loans originated in these two counties; yet Sedgwick and Shawnee represent only 23 percent of the state's population. In addition, Kansas is the only state in the union which does not offer a state-administered mortgage revenue bond program.

To assist individuals and families experiencing homelessness in Kansas, KHRC provides Emergency Shelter Grants to fund homeless shelters across the state. Funds for

this program are provided by the U.S. Department of Housing and Urban Development (HUD). The Emergency Shelter Grant is designed to be the first stage in a continuum of care to prevent homelessness and enable homeless individuals to move toward independent living. Applications are accepted and considered from local units of government only. Over the past 3 years, KHRC has funded \$2.6 million; yet \$5.5 million has been requested.

To address the "crisis" needs in Kiowa County and southeast Kansas, the Corporation made the following analysis. Historically, home ownership rates in Kansas have been high, approximately 70 percent. Given the same distribution in the disaster areas, over the next three years, 1,400 new homes and 600 new rental units will be needed in the disaster areas. The majority, if not all, of the rental units will likely be affordable units.

Finally, the representative reported that the Federal Reserve Bank of Kansas City notes that while foreclosures are high in Kansas, they are slightly lower than the nation as a whole and have actually decreased slightly from a year ago. The Federal Reserve report notes that forces impacting foreclosures in Kansas include: a large share of mortgages is subprime and subprimes historically have a higher foreclosure rate; foreclosure rates of subprime adjustable rate mortgagees is skyrocketing; and many problem buyers have insufficient equity to sell or refinance. Finally, the Federal Reserve report concludes by stating that the current foreclosure problem is a combination of payment shock as adjustable rate mortgages reset combined with an adverse equity position which limits refinance options.

The State Director for the United States Department of Agriculture, Rural Development testified that the agency has a wide range of programs to provide financing for single and multi-family housing, community facilities, business and industry,

utility and energy projects. The agency's staff can provide needed guidance, technical support and expertise to help individuals and communities that qualify for these programs. Examples of the federal agency's housing programs include:

Single Family Housing Programs

- Guaranteed loans
- Direct loans
- Home Repair Grants and Loans
- Site Loan Program

Multi-Family (Rental) Housing Programs

- Multi-Family Housing Guaranteed Loans
- Multi-Family Housing Direct Loans

The agency's housing programs serve rural areas and communities with a maximum population limit of 20,000. In Kansas the agency's housing program has experienced the largest percentage of growth of all of the programs over the past three years. In the past year the agency administered slightly over \$100 million of financing and project for the current year to deliver approximately \$125 million of loans and grants to support affordable housing.

The Secretary of the Kansas Department of Corrections explained that inmates at the various penal institutions in the state have been responsible for the construction of

cabins to be placed in state parks. The Secretary said that he felt that with the state's need for additional affordable housing, inmates could be utilized to provide this additional housing. He went on to point out that a 2,800 square-foot, three-bedroom home could be built for \$47,000 within the correctional facility, which would leave the cost of the land, foundation, and power hook-up to the buyer. Finally, the Secretary explained that several building trade companies currently are providing the training for the inmates.

CONCLUSIONS AND RECOMMENDATIONS

- The Committee recommends legislation be introduced that will establish a statewide housing authority which will cover all of Kansas for financing and low-interest home loans. The legislation is to be based upon 2003 Senate Bill No. 222 which allowed the Kansas Development Finance Authority to issue mortgage revenue bonds.
- The Committee recommends that if the Kansas Department of Corrections pursues legislation to allow the correctional facilities to build modular homes, that the facilities continue to build cabins for the state parks at the same rate as currently. Cabin construction should not be discontinued.

DRAFT

Joint Committee on Economic Development

WORKFORCE DEVELOPMENT

CONCLUSIONS AND RECOMMENDATIONS

The Committee:

- Requests from the Legislative Coordinating Council approval to request that the Kansas Department of Commerce contact the Kansas Congressional delegation and request that when the Workforce Investment Act is reauthorized that a fourth category be added to approved groups for services. The fourth category would be adults 55 and older. Currently the three categories are adults, dislocated workers, and youth.
- Requests that the Kansas Department of Commerce, during the 2008 Session, report on the number of days in use and the number of days in storage of the mobile centers. One of the mobile centers is owned by the Department and the other one is owned by the Kansas City region. The report is to be given to the House Committee on Economic Development and Tourism; the House Committee on Commerce and Labor; and the Senate Committee on Commerce.

Proposed Legislation:

BACKGROUND

The Joint Committee on Economic Development is statutorily authorized to set its own agenda. The Legislative Coordinating Council asked that the Committee study workforce recruitment issues in Kansas. In addition, the Committee should examine opportunities to help match businesses with skilled employees and assist businesses to retain skilled employees for the long-term.

leveraged federal Workforce Investment Act (WIA) funds in Local Areas III (East Central/Kansas City Area) and V (Southeast Kansas Area). In regions III and V, Commerce is no longer the service provider of local WIA services. Because of operational changes in these areas, the Department's operating budget is reduced by \$1.9 million in WIA funding. This reduction, combined with recent reductions in the Wagner-Peyser federal funding stream, necessitated the staffing adjustment according to the representative.

COMMITTEE ACTIVITIES

Kansas Department of Commerce

A representative of the Kansas Department of Commerce testified that in May of 2007, the Department notified its employees that reduced federal funds necessitated a downward adjustment in the size of the Department's workforce. This change was primarily due to the loss of

The requests for proposals in regions III and V were written in a manner that required the new service providers to interview all interested Commerce staff affected by the change, which took effect on June 30, 2007. Commerce actively encouraged these employees to apply for the new jobs. A total of 38 employees were laid off statewide, less than the 41 positions shifted to the new WIA service providers in regions III and V. The agency was able to fill many of the vacancies created by the

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restructuring with existing employees. Every employee who applied for a position in the agency's new structure was offered one.

The agency has entered into a partnership with the Ellis County Economic Development Coalition to further their Hays Has Jobs Campaign to attract workers to the region. Commerce also is partnering with businesses to provide employee training through the Kansas Industrial Training (KIT) program, Kansas Industrial Retraining (KIR) program and the Investments in Major Projects and Comprehensive Training (IMPACT) program. In Fiscal Year 2007, these three training programs combined to fund 110 projects involving 103 companies in 32 counties. Funding of these projects totaled \$6.5 million for training. These state funds leveraged \$12.5 million in private sector matching funds. The IMPACT and KIT programs covered the training of 5,054 newly created jobs. Through the KIR and IMPACT programs, 4,715 jobs were retained and the positions retained.

The Department reports, that through the workforce centers and the one-stop system, local workforce boards and their partner agencies provided services to more than 56,488 Kansans who received workforce center self-services electronically or through the centers. The adult program provided training to nearly 1,707 adult participants, 408 dislocated worker participants and nearly 1,696 youth participants. In addition, Kansas met or exceeded all Workforce Investment Act negotiated performance measures for the most recent program year. This is the first year in the last six in which this standard has been met.

The Department was awarded a second Workforce Innovations in Regional Economic Development (WIRED) grant. Kansas is the only state in the nation to have all of its local workforce investment areas involved in a WIRED project. The two projects are in the greater metro Kansas City area; the first project is a joint project with the state of Missouri focused on the

healthcare, bioscience and advanced manufacturing industries, the second project is in the south central region, focused on innovation and workforce development in composite manufacturing and design for the aviation and healthcare industries.

The Department also was awarded a Disability Program Navigator grant to assist disabled job candidates to navigate the workforce system. The three-year grant provides for a dedicated staff person in each of the local areas to help job candidates and staff.

A study commissioned by the Department, Kansas Board of Regents, and others was to determine the alignment of the postsecondary education and training system with the needs of Kansas businesses. The study concluded that Kansas has a strong education system and various high-growth industries but that there is often a disconnect between them. The report provided specific recommendations to better align postsecondary institutions' curriculum with the needs of Kansas employers.

Finally, the state workforce investment board directed the Department to work with the local workforce investment areas to develop and implement a statewide brand for the workforce centers and services. A brand and logo were agreed upon and the marketing plan is being developed. Commerce intends to invest a "significant" amount of federal funds into this effort, including making resources available to the local boards to market themselves in conjunction with the systemwide brand.

Kansas Board of Regents

A representative of the Kansas Board of Regents explained that the report, Positioning Kansas for Competitive Advantage—Aligning Key Industry Clusters and Occupations with Postsecondary Education and Workforce Development, provided information regarding the current system alignment to the workforce needs of the Kansas economy. A key finding in the

report is that under-supply is more often related to technical occupations, including those occupations requiring less than four years of postsecondary education, as well as engineers of many types and computer systems analysts. The report suggests setting numerical goals for resolving occupational shortages. The Board is using information from the report to guide its focus on addressing the strategic questions, "Alignment with the Kansas Economy," and the work of the newly created Postsecondary Technical Education Authority is also providing a mechanism through which the Board can address critically important workforce issues.

Technical education in Kansas is financed with public (federal, state, local taxes) and private funding (student tuition and fees; fees for contracted services). According to the Board, current funding streams and methodologies are not optimal to support a strong workforce development system.

Student enrollment data reported to the U.S. Department of Education in December 2006 reflects a total enrollment of 13,545 students in career and technical education technical certificate and associate degree programs. This number does not reflect those students in adult short-term or business and industry training provided by postsecondary institutions in the system. The breakdown of enrollment by career cluster areas shows that 74 percent of the student enrollments are represented in six career cluster areas. Forty-nine percent of the overall student enrollment is in programs related to careers in the areas of health science (26 percent or 3,508 students); transportation, distribution and logistics (12 percent or 1,631 students); and business management (11 percent or 1,462 students). The next largest groups of enrollments occur in programs for occupations related to careers in law, public safety and security (9 percent or 1,270 students); architecture and construction (8 percent or 1,142 students); and human services (8 percent or 1,032 students). The

remaining enrollments are in program areas providing education and training for careers in manufacturing (7 percent or 957 students); information technology (5 percent or 678 students); agriculture production (4 percent or 571 students) arts and communications (4 percent or 496 students); marketing (2 percent or 296 students); hospitality and tourism (2 percent or 284 students); finance (1 percent or 147 students) and education and training (1 percent or 71 students).

An unduplicated count of career and technical education programs approved is approximately 205. These programs are delivered by 30 postsecondary institutions in the state, and many institutions deliver a program at both the technical certificate and associate degrees levels. Institutions couple these credit-bearing technical education programs that provide a pipeline of workers to businesses with customized training for business to provide comprehensive workforce solutions for Kansas businesses.

The Committee also heard from representatives of the Hutchinson Community College/Area Vocational School and Johnson County Community College about the individual program each school offers.

Local Workforce Investment Act (WIA) Boards

Area I Local WIA Board. Executive Director of Area I testified that this Board represents 62 counties of Central and Western Kansas. The current Board consists of 41 members and contains representatives of business and industry from energy, healthcare, transportation, manufacturing, finance, agriculture, retail and construction sectors. The major activity of the Board was to host regional employer forums in twelve communities throughout Central and Western Kansas during the fall of 2007. The goal of these forums was to solicit information from employers regarding their current and future labor force needs. Information was gathered through a survey

containing questions primarily designed to stimulate thought and discussion on workforce issues and concerns. The Board is involved in the following activities and strategies in response to issues brought up during the forums as follows:

- Enhance connectivity between K-12 education and careers;
- Promote awareness of workforce preparation services and the workforce system;
- Increase labor force participation rates for cohorts such as older workers, offenders and other not fully engaged;
- Create partnerships and leverage resources to ensure universal access to workforce services;
- Encourage labor force participants to increase their skill levels by participating in occupational training and credentialing programs, and invest in innovative models which enable them to do so; and
- Assist in upward mobility of the labor force and attainment of self-sufficiency for families by facilitating awareness and involvement in career ladders and by increasing the focus on long term strategies leading to job retention and advancement.

Area II Local WIA Board. The Executive Director of Area II provided the Committee with the following data about the Board and its activities.

Program Year 2006 (7/1/06-6/30/07)			
	<u>Total Available</u>	<u>Total Expended</u>	<u>Total Served</u>
Administrative	\$ 404,549	\$ 320,842	
Adult & Dislocated Worker	3,183,315	2,653,921	977
Youth	<u>1,560,354</u>	<u>1,215,861</u>	<u>387</u>
Total Adult/DW/Youth*	<u>\$ 4,743,669</u>	<u>\$ 3,869,783</u>	<u>\$ 1,364</u>

*May not add due to rounding.

Program Year 2007 (7/1/07-9/30/07)			
	<u>Total Available</u>	<u>Total Expended</u>	<u>Total Served</u>
Administrative	\$ 534,450	\$ 50,634	
Adult & Dislocated Worker	2,072,194	264,438	507
Youth	<u>1,556,326</u>	<u>211,210</u>	<u>264</u>
Total Adult/DW/Youth*	<u>\$ 3,628,520</u>	<u>\$ 475,648</u>	<u>\$ 771</u>

Special Projects (thru 9/30/07)			
	<u>Total Available</u>	<u>Total Expended</u>	<u>Total Served</u>
Military Spouse	\$ 237,745	\$ 94,894	\$ 54
Reentry	170,700	56,314	23
Youth Conservation Corp.	<u>231,001</u>	<u>72,276</u>	<u>10</u>
Youth correctional Facility	<u>\$ 298,774</u>	<u>\$ 0</u>	0
			(just started 9/1/07)

Area III Local WIA Board. The Executive Director of Area III explained that the Board area comprises Johnson, Leavenworth, and Wyandotte counties with the smallest region geographically, but the highest population and the largest allocation of WIA funds. In the current program year (07), the Board has allocated \$4,519,518. Breaking this amount down by funding stream, the adult program allocation is \$1,589,641, the youth allocation is \$1,833,313, and dislocated worker allocation is \$1,096,564.

For Program Year (PY) 06, the area served 6,371 individuals through WIA and exceeded its goal on four performance measures, met nine others, and failed to meet the goal for the remaining four measures. While this performance remains unacceptable, it does represent an improvement over previous years. It should be noted that due to lags in the performance measurement system, these measures represent individuals served over a year ago, prior to the many changes the Board has put in place.

The Board decided in the summer of 2006 to issue a request for proposals for a new "One-Stop Operator" they took the opportunity to reexamine the division of responsibilities in the area office. The result was that the Board and its staff assumed roles that Commerce had provided in the past. The new structure should reflect improved performance. In November, the Board awarded the contract for One-Stop Operator and WIA Adult and Dislocated

Worker Program Operator to Kaiser Group, Inc., from Waukesha, Wisconsin. The following are some of the changes implemented by the Board:

Physical Changes

- Completed the renovation of the Wyandotte County Workforce Center in Kansas City, Kansas, which provided for a new business services space, room for new workshops and greater space for workforce partners.
- Moved into the new Johnson County Workforce Center, which is significantly larger than the previous space, is more strategically located, and creates a much more inviting image to both job seekers and business.
- Purchased a 38-foot mobile career center which will be used to make our workforce services more accessible throughout the region. The unit is equipped with 13 computer work stations and can be used to provide onsite training at employers' or partners' facilities, rapid response activities in response to mass layoffs, interview space for job fairs and large-scale hiring, and other services.

Service Changes

- Staff specialization, replacing the previous "jack of all trades, master of none" approach.

- New assessment tools, including customizable tools to meet employers' specific needs.
- A wide range of workshops for both job seekers and employers.
- Extended hours at least once per week in each center.

In the first three months of this year, traffic in the workforce centers has increased, most notably in Wyandotte

County. Through the first three months, 13,921 visitors have come to the centers. Just over 7,000 of those visitors have been in Wyandotte County Center. Employers have placed 954 new job orders on Kansas JobLink through the first quarter of this program year. The centers have hosted employers for 99 recruiting events in July, August, and September, with the number increasing steadily each month. Finally, they have worked with their contractors to ensure accurate accounting reports.

Area IV Local WIA Board. The Executive Director of Area IV provided the Committee with the following information:

Local Area IV WIA Funding/Budget/Participants				
	<u>PY 06</u>		<u>PY 07</u>	
	<u>Expenditures</u>	<u># of Customers</u>	<u>PY07 Budget</u>	<u># of Customers*</u>
Adult	\$ 2,666,310	761	\$ 2,316,371	835
Dislocated Worker	1,328,548	413	1,760,023	331
Youth	1,807,688	413	1,688,047	537
Administration	395,508		734,809**	

* Customers as of August 207
 ** Administration Budget includes \$178,942 of PY06 carryforward

The Executive Director pointed out that the PY 06 expenditures for each WIA program support direct client services such as eligibility determination, tuition and books for career training, supportive services like child care and transportation assistance, and case management. These funds are also leveraged with resources from other employment and training programs such as Wagner-Peyser, veterans' employment services, Job Corps, and other partner agencies to support the one-stop workforce centers. Funding from the WIA programs also support a number of free workshops for job seekers on topics including basic computer skills, resume assistance, and job interview techniques.

Area V Local WIA Board. The Executive Director of Area V explained that Area V did not previously have staff and, having taken the role as the administrative entity for the area is now hiring additional staff. Following the Legislature's recommendations, the Board voted to release an RFP for the program operations of Adult, Dislocated Worker, Youth and One-Stop Operator for southeast Kansas at the December 2006 meeting. A contract was entered into in mid April of 2007. In addition, the Board also chose to fully brand with KansasWorks for the area.

The Board wants to engage with more job seekers who may need a little assistance in

job placement activities which will increase the pool of talent for area employers. This new focus will require a transition from a training and entitlement program to one which fulfills needs through the full spectrum of core, intensive and training services with support services based upon documented need. The Board also has been moving the services to youth from subcontracting and paying for services to leveraging funds and utilizing community resources that already exist thus allowing for more funds to be used for classroom training.

Local Area V's most recent performance measures reported not meeting two measures, each in the youth program. On a positive note, the area met eight and exceeded seven of the negotiated measures.

Associated General Contractors of Kansas

Corey Peterson, Executive Vice President of the Associated General Contractors (AGC) of Kansas, explained that developing the future workforce has been a top priority for AGC for several years and efforts are becoming more industry wide with the formation the Kansas Construction Careers Coalition (KC3). Demographics show that the construction industry will soon be losing a significant portion of its skilled workforce due to retirement. The construction industry, as well as most other industries rely on a technically trained workforce, is facing a shortage at a time where numerous factors are stacked against it as it attempts to promote technical careers and technical education.

AGC of America teamed up with Scholastic to develop educational "tool kits" for students in 5th grade and 7th grade. These professionally produced education tools have been well received, but due to time restrictions in class mainly due to No Child Left Behind, KC3 has not been successful in delivering them into Kansas classrooms. KC3 was successful in utilizing the kits in after school programs, but volunteer

availability and lack of commitment from programs did not allow for these to continue on a long term basis. The AGC of Kansas-sponsored student chapter at Kansas State University has had success in getting into the classroom with Junior Achievement's construction module.

KC3 hosted its first annual Construction learning Center Exhibit at the Kansas State Fair. The exhibit featured free, hands-on educational activities related to the construction industry. The objective was to introduce kids to the construction trades in a fun but educational way. In addition, there was time to speak with parents, guardians, and teachers about the rewarding careers in construction. This event was deemed a success as more than 2,000 young people visited the exhibit. The exhibit also was featured in local and regional press.

In the late 1990's, AGC of Kansas recognized that with the cutbacks in vocational classes in Kansas, it would need to "think outside of the box" if students were to pursue construction careers. In 1999, AGC began its first program at Wichita East High School. At approximately the same time, a program was established at Topeka West High School.

The premise was to bring members of the industry into the classroom to not only teach students about their crafts but about their careers. This proved to be a successful model and additional classes were started at Wamego and Rock Creek school districts, and another at Perry Lecompton High School. Another class began in 2007 at Louisburg High School.

AGC of Kansas, the Kansas Contractors Association, and National Women in Construction have been long time support of the construction science programs at Kansas State (KSU) and Pittsburg State (PSU) universities. Each has foundations that have contributed over a half million dollars in scholarships, professorships, and other contributions to the programs. AGC of Kansas also sponsors student AGC chapters

at both universities. KSU has received Student Chapter of the year as awarded by the AGC of American more than any other program. KSU has been recognized as one of the top programs in the country. PSU has become a leading program and continues to grow. Both programs have 100 percent placements of graduates.

Training of construction crafts is essential to the industry. For over a decade, AGC of Kansas conducted nighttime carpentry training classes in Wichita. In 2003, training efforts were expanded with the formation of the AGC Construction Training Center in Wichita. A partnership was established with Hutchinson Community College (HCC) and classes were expanded to include not only carpentry, but masonry, metal building erection and concrete classes as well.

Classes have historically been focused on incumbent workers already employed by industry companies, but a new Applied Associates Science Degree program at HCC will focus on traditional students as well. Work also is underway to allow for continued education with PSU with a "2+2" degree program. The AGC Training Center is also providing management level classes and also is partnering with other schools to bring training to all parts of the state.

KC3 has recently partnered with Kaw Area Technical School in Topeka for a program featuring classes geared at both commercial and heavy/highway trades and work is underway to establish partnerships with Garden City Community College, Fort Scott Community College and North Central Kansas Technical College.

AGC has been working on developing a

statewide, seamless construction program meeting industry standard that would feature Kansas technical schools, colleges and community colleges. It has been AGC's vision to create an opportunity for Kansas' young people to advance through a system, beginning in high school, that will best prepare them for a career in the construction industry. The new Technical Education Authority is a good first step in making this a reality according to Mr. Peterson.

CONCLUSIONS AND RECOMMENDATIONS

The Committee:

- Requests from the Legislative Coordinating Council approval to request that the Kansas Department of Commerce contact the Kansas Congressional delegation and request that when the Workforce Investment Act is reauthorized that a fourth category be added to approved groups for services. The fourth category would be adults 55 and older. Currently the three categories are adults, dislocated workers, and youth.
- Requests that the Kansas Department of Commerce, during the 2008 Session, report on the number of days in use and the number of days in storage of the mobile centers. One of the mobile centers is owned by the Department and the other one is owned by the Kansas City region. The report is to be given to the House Committee on Economic Development and Tourism; the House Committee on Commerce and Labor; and the Senate Committee on Commerce.

Math and Science Education Advisory Committee

Conclusions and Recommendations

January 14, 2008

Introduction

Although Kansas leads the world in production agriculture and airplane design and manufacturing, the economy of the state is more diverse and more service-oriented than many may realize. The sectors that are most likely to generate significant numbers of high-wage jobs are knowledge based. Most of these high-growth sectors are also intensely competitive. In order to create and maintain competitive advantage, Kansas must produce a deeper pool of technically skilled workers, while at the same time building capacity in frontier research and product development in selected fields.

Improving Kansas' capacity in mathematics, engineering, technology, and science (METS) is vital if Kansas is to remain nationally as well as internationally competitive. Improving this capacity will require increasing awareness of the issue among students and parents, improving the salary and benefits of the state's teachers, aligning classroom learning with the requirements of the marketplace, and keeping the state at the cutting edge of innovation in math and science teacher preparation and education.

In acknowledgment of this, the Math and Science Education Advisory Committee, composed of legislative, education, and business leaders from across the state developed the recommendations described below.

1. Public Awareness Strategies

- a. Encourage the Governor and legislators to speak publicly and frequently about the critical shortage of math and science majors and the impact on Kansas.
- b. Develop public awareness initiatives that consider students of all ages beginning with elementary school, including the following:
 - i. produce marketing initiatives that highlight the benefits of science and math careers for students, partnering with METS industries whenever possible to increase the awareness of the need for math and science in all levels of students' career goals.
 - ii. Develop a public campaign that stresses the importance of math and science to the general public
 - iii. Coordinate and develop the Kansas Math and Science Awards Program to celebrate and reward outstanding students for METS achievements.
- c. Expand after school and summer program opportunities for elementary through high school students to nurture skills, interests and appreciation for science and mathematics.

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- d. Support the development of the Kansas Academy for Math and Sciences at Fort Hays State University

2. Teacher Preparation Strategies

- a. Support new innovative pathways to math and science teacher licensure, such as the UKanTeach Program, at the University of Kansas.
- b. Encourage better partnerships between higher education METS departments and the schools of education in the preparation of teachers.
- c. Establish a joint masters program for teachers offered collaboratively by Regents' Universities through on-line delivery methods for preparation and professional development.
- d. Support new, innovative and cooperative programs to produce METS teachers between universities and community colleges, such as the "2 + 2 programs" which Emporia State University cooperatively operates with Butler and Kansas City, Kansas, Community Colleges.

3. Teacher Recruitment and Retention Strategies

- a. Provide METS teachers special incentives, partnerships, and competitive compensation through vehicles, such as the UpLink program which connects educators with businesses; teacher housing as provided in some rural western Kansas school districts; and the tax credit program which provides tax credits to businesses hiring teachers during the summer.
- b. Support a set of coordinated regional centers for METS at institutions of higher education that would provide on-going professional development.
- c. Support the development of a master teacher program to provide mentoring support and professional development opportunities for METS teachers. Create efficient pathways for second career teacher candidates.
- d. Develop strategies that allow "retired teachers" in METS disciplines to return to the classroom with no reduction of retirement payments
- e. Support summer institutes that provide opportunities to update the skills of mathematics and science teachers, examples of such institutes include the Emporia State University Bioscience Institute for Kansas high school teachers.

4. Alignment Strategies

- a. Strengthen and align P through 20 recommended curricula in METS areas, including career emphasis activities.
- b. Expand the academic competition and award opportunities that promote research in the classroom at the secondary level. Advance the METS learning timeline while exposing students to real world METS applications. Encourage algebra in the 8th grade and calculus in 12th grade. Begin to move toward a 4 X 4 required secondary curriculum – four years of science and four years of mathematics required for every student.

5. Coordination Activities

- a. Create a statewide METS Education Innovation Council made up of appointments from the Kansas Board of Regents, State Board of Education, and the business community. The Secretary of the Kansas Department of Commerce would be the Council's convener.

Math and Science Education Advisory Committee Members

Legislators	Business Leaders	Education Community Leaders
Senator Nick Jordan, Chair Rep. Kenny Wilk, Co-Chair	Mitch Counce, General Manager Servi-Tech	Kenneth Clouse, President Northwest Kansas Technical College
Senator Laura Kelly	Dan Jacobsen, President AT & T	Edward Hammond, President Ft. Hays State University
Rep. Shirley Palmer	Richard Taylor Plumbers and Pipefitters Local Union 441	Michael Lane, President Emporia State University
Rep. Sheryl Spalding	Paul Weida, Vice President Black & Veatch Corp.	Janis Lariviere Center for Science Education University of Kansas
Senator Ruth Teichman		

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