

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 24, 2008 in Room 123-S of the Capitol.

All members were present except:

Jay Emler- excused

Committee staff present:

Jennifer Thierer, Kansas Legislative Research Department

Kathie Sparks, Kansas Legislative Research Department

Jason Long, Revisor of Statutes

Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Secretary Kerr, Department of Commerce

WKREDA

Others attending:

See attached list.

Chairperson Brownlee introduced Mr. Eric Depperschmidt representing the Finney County Economic Development in Garden City, Kansas. Mr. Depperschmidt presented written copy (Attachment 1) Mr. Depperschmidt gave a brief history on wKREDA, stating it stands for the Western Kansas Rural Economic Development Alliance and was formed in 1994 to become a united and stronger voice in western Kansas. Mr. Depperschmidt stated wREDA is working on the following issues which are listed below in conjunction with their solutions:

*Labor Force; Develop a program that will encourage people to relocate to western Kansas

*Holcomb Plant expansion; Support legislation to clarify that the regulatory process will be based on legislative intent and sound science and return certainty to the entities.

*Balance in Energy Policy; Sound science, use of the best available emission control technologies, and a diversity of fuel sources should be the basis of the state's energy strategy.

*Immigration Reform; Develop a working committee of community, business leaders, and elected officials to review state and federal immigration policy reform. Secure United States borders and assist with alleviating difficulties of worker visa applications.

*Department of Commerce Program Enhancements; Endorse program enhancements recommended by the Kansas Department of Commerce and the Kansas Department of Revenue, Modify the IMPACT Act and streamline and simplify investment and job creation

Mr. Depperschmidt called the Committee's attention to wKREDA, a written copy of a PowerPoint presentation, (Attachment 2), containing information regarding the various committees of wKREDA. Upon the conclusion of Mr. Depperschmidt's presentation, he introduced Mr. Jeff Hofaker, Phillips County Economic Development-Director to explain wKREDA's new initiative, "We Have Jobs".

Mr. Hofaker presented written copy. (Attachment 3) He stated the "We Have Jobs" initiative started with the simple philosophy of getting the awareness of jobs out to recruit workforce, with the understanding that the marketing plan would need to be expanded and would need more financial support than what wKREDA could contribute itself. He stated the "We Have Job" initiative covers the following areas: Networking tools, Primary contact with ready workforce, future workforce education, Education of support groups, Professional marketing tools, Special analysis, Grassroots technical support for information gathering, and website expansion. He stated that their hope would be more emphasis and financial support to be considered for both the marketing of the opportunities they have that are being developed, but also all the local development groups, which truly make the project happen. During Mr. Hofaker's presentation he made mention of Schult Holmes closing and one of the major factors was after two years of searching for workforce which included

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on January 24, 2008 in Room 123-S of the Capitol.

offering of several incentives, they could not find the appropriate amount of workers for them to grow steadily on what they wanted to do. He stated that the program "We Have Jobs" could possibly prevent that from happening again in the future. In closing, Mr. Hofaker referred the Committee to the *wKEWDA Mission Participants*, (Attachment 4)

Upon the conclusion of Mr. Hofaker's presentation there was discussion with the Committee regarding how to bring jobs and workforce to Topeka through education facilities; the status on bringing dairy farming and manufacturing plants related to dairy to Kansas; Holcomb Plant expansion and the transmission lines; and immigration.

Upon the completion of the discussion, Chairperson Brownlee introduced David Kerr, Secretary of Commerce to update the Committee on the Department of Commerce. Secretary Kerr stated he and Congressman Moran talked in great detail regarding the closing of Shult Homes. He and Congressman Moran both have calls in to the President of the company offering their assistance if there is anything they can do to help them recruit workers to help them change their decision. He also stated the Department of Commerce has launched a marketing plan to try to recruit people to Kansas and keep people in Kansas and bring those back that have moved away from Kansas.

Secretary Kerr stated that Chairperson Brownlee invited him to the Committee to give an overview of the Department of Commerce and called the Committee attention to the **Kansas Department of Commerce** fold out sheet (Attachment 5). He stated the fold out is a high level overview of the Department of Commerce which included about half of the programs of the Department of Commerce. He also stated since he has taken the position of Secretary of the Department of Commerce he has tried to flatten out the organization and make it less top heavy to have a larger span of control. He noted that the Department of Commerce and wKREDA have a pilot program they are jointly funding of one position that is recruiting workers to western Kansas from outside the state.

Secretary Kerr called the Committee's attention to **Commerce Department 2008 Funding Sources** (Attachment 6) and **Non Operating (Aid to Local and Other Assistance)**. (Attachment 7) Secretary Kerr reviewed these documents with the Committee.

Secretary Kerr also offered written copy of a power point presentation that he stated the Committee has seen in other committees. (Attachment 8)

Upon the completion of the review of the Department of Commerce a discussion followed. The present marketing program the Department of Commerce has to recruit people back to Kansas was discussed and how it was being targeted to bring back alumni to the state. The discussion moved to the dollars in each program and also the federal funds in these programs.

Secretary Kerr moved the discussion to the outcome of various business development programs. He stated for fiscal year 2007, there were 7,225 new jobs; 5,264 retained jobs; and new capital investment of 1.3 billion in the state. So far for fiscal year 2008, they have worked with 134 businesses; there have been 3,890 new jobs created with an average wage of \$14.50; and 2,389 retained jobs and a little less than 900 million dollars of new capital investment for basically half of the year. Secretary Kerr stated he does not have written copy of the above information but will email it to the Committee members. He stated that the programs the Department of Commerce offers are spread out across the entire state and he would get a map with that information on it to the Committee members.

Secretary Kerr stated that workforce development is an issue every state faces. He also stated the workforce in Kansas is an asset in bringing in new businesses. Kansas generated 15,900 new jobs in 2007 according to the **December Labor Report** with the private sector and government combined. He stated there is a workforce shortage in western Kansas and that is an issue that needs to be addressed.

Chairperson Brownlee adjourned the meeting at 9:30 a.m. with the next meeting scheduled for January 29, 2007 at 8:30 a.m. in room 123 S.



western Kansas Rural Economic Development Alliance

2008
Legislative Mission

We Have Jobs Initiative

The Issue:

The future of western Kansas depends on the region's ability to retain the current population and recruit additional people to fill the jobs of today and tomorrow. In addition, future state revenue will depend on increasing population in rural areas of the state.

The Problem:

Unemployment levels in western Kansas are well below three percent. Thousands of jobs remain unfilled. Companies cannot develop, grow, or survive without a viable workforce. "We Have Jobs," but we need people.

The Solution:

Develop a program that will encourage people to relocate to western Kansas. This could include assistance with relocation costs, housing, childcare, and tax breaks for individuals moving to western Kansas and/or incentives for firms in western Kansas to increase wages, benefits, and services to entice families to relocate to western Kansas.

Opportunities as big as you think.

Discover Western Kansas ~ Where Life Works!

Photography by Harland Schuster

KANSAS
as big as
you think™



www.westernksjobs.com

A Publication of the western Kansas Rural Economic Development Alliance

WKREDA
PO Box 980
Hays, KS 67601

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Website:
www.discoverwesternkansas.com

Senate Commerce Committee
January 24, 2008
Attachment 1-1

Holcomb Permit Denial Impacts

The Issue:

On October 18, 2007, KDHE Secretary Bremby denied the air permit for Sunflower Electric Power Corporation's expansion of Holcomb Station to include 1,400 MW of coal-based generation. The air permit met and exceeded all Kansas and federal regulations to protect public health and the environment. In the denial, Secretary Bremby cited his concerns about CO₂ as a threat to public health.

The Problem:

The Holcomb Expansion would provide needed base load generation for central and western Kansas electric cooperatives. The financial impacts of the project include:

- \$200 Million (net present value) of benefit to central and western Kansas ratepayers;
- Lower, stable, reliable retail electric rates for ratepayers in central and western Kansas;
- Loss of \$3.6 Billion invested in Kansas;
- Short term construction impact of \$78 annual wages;
- Increased taxes of \$9.3 million;
- \$100 Million invested in high voltage transmission lines to allow wind developers to move power load centers outside the region.

The issue of global climate change is a worldwide issue that will take cooperation among all nations to resolve. Central and western Kansas ratepayers should not bear the burden of higher electric rates while this worldwide issue is being debated.

The foundation of our democracy is based on separation of powers between legislative, executive, and judicial branches of government. Business relies on a regulatory climate with clear rules and the expectation

that the rules will be applied in a fair and consistent manner. The ramifications of such regulatory uncertainty impede future growth and prosperity of the Kansas economy. The precedent set by this action should not be allowed to stand.

The Solution:

Support legislation to clarify that the regulatory process will be based on legislative intent and sound science and return certainty to the permitting process for private and public entities. Kansas should follow other states by agreeing to wait for federal direction to adopt regulations for all emission standards.

Kansas Department of Commerce Program Enhancements

The Issue:

The IMPACT Act no longer meets the needs of Kansas or the companies for which it was designed. To utilize the program more fully, as well as allow the state to remain competitive in recruitment and retention efforts, the Act should be modified.

The Problem:

The program currently allows for the recovery of 2% of the overall withholding taxes collected in the state to be used for incentives by eligible companies. In 2007, tax collections were reported at \$1.9 billion, making the overall program bonding capacity \$39.5 million. Of those monies made available to Commerce to incent companies, \$13.5 million was used to pay debt service, and \$1.5 million was used for program service fees. Thus the program is currently operating at approximately 62% of its capacity and needs to be restructured to better utilize the money available for this program.

The Solution:

Endorse program enhancements recommended by the Kansas Department of Commerce and the Kansas Department of Revenue.

- a. Modify the IMPACT Act to utilize the program more fully to meet the needs of Kansas companies, as well as remain competitive in recruitment and retention efforts.
 - i. Allow a choice of debt service or cash based financing thereby maximizing investment value to the State and to businesses.
 - ii. Eliminate 95% withholding limit.
 - iii. Set targets for rural and small business opportunities.
 - iv. Allow unallocated funds to carry over.
- b. Streamline and simplify investment and job creation tax credit programs.
 - i. Simplify qualified investment calculations.
 - ii. Repeal: Enterprise Zone incentives, High Performance Incentive Program, and Business and Job Development credits.
 - iii. Reintroduce HB 2170 to create Opportunity Zones, Investment credits, and Job Creation credits.
- c. Allow monetization of economic development tax credits equal to 40%.
- d. Clarify statutes to allow use of tax credits across corporate entities.

Balanced Energy Policy**The Issue:**

Kansas needs a balanced energy policy because energy is the foundation of our economy, because it affects our national security, and because our energy policies have a dramatic effect on the quality of life we enjoy in Kansas.

The Problem:

Having a narrow focus on energy issues that results in our failure to capitalize on all energy opportunities at our disposal. Having a narrow focus coupled with regulatory uncertainty could unnecessarily increase energy costs to Kansans and create an uncertain business climate for potential investors.

The Solution:

Sound science, use of the best available emission control technologies, and a diversity of fuel sources should be the basis of our state's energy strategy. Kansas government should promote balanced energy policies that result in an abundance of traditional and alternative fuels to meet our growing energy demands.

Support for the strict adherence to all state and federal environmental laws and regulations to ensure public health safety and the protection of our environment must be a cornerstone of all energy policies.

Partnerships with institutions in Kansas should be created to support further research and incentives for the development of carbon mitigation technologies and biomass-derived fuel sources.

The best outcome for our families, communities, environment, and the economy is a sound and balanced energy policy that addresses practical realities.

Immigration Reform

The Issue:

Potential legislation regarding Immigration Reform may have a negative impact on the economic well-being of Kansas businesses struggling to meet current workforce needs.

The Problem:

The belief that adopting stringent Kansas legislation for enforcement of illegal and undocumented immigrants will curtail the massive influx of illegal immigration into the United States. Federal Policy has failed regarding enforcement of illegal immigrants. However, without Federal Reform Kansas cannot sufficiently address this issue without penalizing its citizens and business owners for attempting to meet the current work force needs.

The Solution:

Develop a working committee of community, business leaders, and elected officials to review state and federal immigration policy reform. Recommendations: Secure United States borders. Assist with alleviating difficulties of worker visa applications that will eliminate hiring of unauthorized workers while at the same time increase legal paths for immigrants to enter the work force. Visa Reform must take place to ensure legal and controlled migration.

Cherokee	Rawlins	Decatur	Norton	Phillips	Smith	Jewell	Republic	Washington	Marshall	Nemaha	Brown	Doniphan	Leavenworth
Sherman	Thomas	Sheridan	Graham	Rooks	Osborne	Mitchell	Cloud	Clay	Pottawatomie	Jackson	Jefferson	Atchison	Wyandotte
Wallace	Logan	Gove	Trego	Ellis	Russell	Lincoln	Ottawa	Dickinson	Gearhart	Wabasha	Shawnee	Douglas	Johnson
Greeley	Wichita	Scott	Lane	Ness	Rush	Barton	Ellsworth	Saline	Dickinson	Morris	Osage	Franklin	Miami
Hamilton	Kearny	Finney	Hodgeman	Pawnee	Edwards	Stafford	Rice	McPherson	Marion	Chase	Lyon	Coffey	Anderson
Stanton	Grant	Haskell	Gray	Ford	Kiowa	Pratt	Kingman	Reno	Harvey	Sedgwick	Butler	Greenwood	Woodson
Morton	Stevens	Seward	Meade	Clark	Comanche	Barber	Harper	Sumner	Cowley	Chautauqua	Montgomery	Labette	Cherokee

wKREDA — Representing 53 Counties in Western Kansas

wKREDA's mission is to work together for the common good of western Kansas. The purpose and objectives of the western Kansas Rural Economic Development Alliance (wKREDA) shall be:

- ★ To promote the exchange of ideas and information among members to enhance their effectiveness in their local organizations and the wKREDA region, *and*
- ★ To provide its members educational, legislative, and recruitment opportunities and other resources to assist in local and regional community and rural development efforts, *and*
- ★ To revitalize western Kansas through cooperative, community and rural development activities.

WKREDA

western Kansas Rural Economic Development Alliance
Kansas State Senate
Commerce Committee
Thursday, January 24, 2008

Senate Commerce Committee

January 24, 2008

Attachment 2-1

coverWesternKansas.Com



What is wKREDA?

- An idea that materialized in 1994
- wKREDA was organized because economic developers realized that they could not succeed alone
 - Similar problems
 - Negative Trends
 - Needed to work together to succeed

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Common Challenges

- **Size**
 - Because of our size we know that we can achieve more cooperatively than individually
- **Common Issues**
 - Our communities suffer from similar problems

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Why Numbers Matter



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wKREDA's Objectives

- To promote the exchange of ideas and information among members to enhance effectiveness,
- To provide members with education and,
- To revitalize western Kansas through cooperative, community and rural development activities.

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wKREDA's Initiatives and Accomplishments

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Education

Community Development (CD) 101 Seminars

- Leadership
- Entrepreneurship
- Mentoring
- School Finance
- Enterprise Zones
- Community Marketing
- Tax Abatement
- Corporate Farming
- Downtown Beautification
- Working with Site Selectors
- Dairy Development
- Understanding Water

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Education

Community Development (CD) 101 Seminars

- **Industrial Park Development**
- **Media Relations**
- **Telecommunications Recruitment**
- **E-Business for Retailers**

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Government Affairs

- **Develop Legislative Priorities Document**
- **Legislative Summit in Topeka**
 - **Cookie Summit**
 - **Discuss wKREDA mission with Lawmakers**
- **Local Meetings with western Kansas Legislators**

 DiscoverWesternKansas.Com



Public Relations

- www.discoverwesternkansas.com
 - About WKREDA
 - Committee information
 - Membership Directory & Calendar
 - About western Kansas
 - City, County and Statewide information
 - Online brochures
 - Opportunities in western Kansas
- Manage Member Listserve

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Business Development

- **Development of Dairy Industry**
 - International Dairy Shows (CA, NY & WI.)
 - Dairy Development Missions (CA, & WA.)
 - Large Herd Conference (Reno, NV)
 - Hosted 2 National Dairy Conferences
 - Dairy Team
 - Interaction w/ Dairymen & Investors
 - Media Tours
 - Dairy University

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Business Development

- **Value Added Agriculture**
 - Bio-diesel ethanol
 - Alternative crops
 - Wis. Cheese Manufacturers
 - Dairy, Deli, Bake Expo Anaheim, CA
 - World Food Expo
- **Manufacturing and Distribution**
 - Warehousing distribution
 - Denver Manufacturing Trade Show
 - 3i Show
- **Emerging Areas**
 - Alternative Energy (wind, methane)
 - Telepower

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Tools Available to Members

- **Web Site (www.discoverwesternkansas.com)**
 - Committee & Meeting minutes
 - Member websites
 - ED News and Information
 - City and County information
 - Online brochures
 - State level database access
 - Member directories
- **wKREDA ListServ**
 - Access to all members in one email
 - Ability to share success or failure
 - Ability to get varied perspectives and input
- **wKREDA Network**

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Participation

What does it mean to be a Member

- Engaged Participants
- Active Committees
- A regional view of development
- Willingness to share knowledge
- Everyone shares the benefit of collaboration

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Thank You

Presenter:

**Mike Michaelis, Executive Director
Ellis County Coalition for Economic Development**

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**WESTERN KANSAS RURAL
ECONOMIC DEVELOPMENT
ALLIANCE**

P.O. Box 980 • Hays, Kansas 67601

WESTERN KANSANS WORKING TOGETHER

January 23, 2008

To Commerce Committee Members:

wKREDA is a coalition of 53 western counties who have decided to pool our resources, both human and financial, to work together for the common good of western Kansas. wKREDA was formed around the philosophy that if western Kansans were going to maximize opportunities to further economic growth and preserve our "rural lifestyle," we must find innovative ways to work together.

With a unified vision and sharing common challenges each year, many western Kansas economic development directors, discovered a problem that was growing rapidly. This challenge was the finite resource of residents (workforce). There are multiple programs at the national, state, regional and local levels to encourage and assist businesses being recruited and developed, but very few, if any, viable support programs that encourage recruitment of people. Over the years, of being fairly successful, even in our more rural areas of developing businesses, our workforce pool has been getting smaller and smaller. Due to our aging baby boomers, outward migration of youth, and low return of youth - mid-aged workforce, these facts are clear and are the result of the lack of workforce (resident) recruiting.

Understandably, people choose a particular location due to employment, but those same people are drawn to live & stay in a community primarily because of its basic amenities & attributes. How are future residents to know and learn about Kansas, its communities, & its jobs, if we don't market them? Is there a recruitment tool at the local levels to educate our youth about the opportunities they have at home? Is there an organized marketing philosophy to educate our parents raising kids in Kansas and our alumni that have left the state about our desire to welcome them back to great opportunities? These were the questions, wKREDA members started asking about two years ago. Unfortunately, the answer to most the questions, was "no".

This lead to a group of wKREDA members passionately pursuing avenues toward attacking the problem, not just looking at patching up the results occurring from the problem. Since many of our entrepreneurial business and larger businesses, were having challenges finding employees and restricting them from expanding in many cases, the focus of the new committee "We Have Jobs" became marketing the opportunities throughout western Kansas. The "We Have Jobs" Initiative started with the simple philosophy of "getting the awareness of jobs out to recruit workforce", with the understanding that the marketing plan would need to be expanded and would need

Attachment

3-1

Senate Commerce Committee
January 24, 2008

more financial support than what wKREDA could contribute itself.

The "We Have Jobs" Initiative covers the following areas: Networking tools, Primary Contact with ready workforce, future workforce education, Education of Support groups, Professional marketing tools, Special Analysis, Grassroots technical support for information gathering, and website expansion. All these particular areas of the initiative focus back to the center of information and networking, which is the www.westernksjobs.com website. This website has connection points to the county – communities that have opportunities. An attached copy of the "We Have Jobs" quick outline is attached for your information.

The thought of marketing opportunities for work is not a new one for many areas of the country, though the actual application of the idea on a large scale with a volunteer group is new to Kansas. wKREDA members, which all have full time jobs in development, volunteer time and money (usually out of their own small budgets), to make ideas such as this start happening. With the financial commitment given by the Department of Commerce, through the Workforce Investment Act, toward this project in 2007, we feel the initiative will be the catalyst toward starting the networking engine and set the tone for an inward migration of residents.

Our hope would be more emphasis and financial support to be considered for both the marketing of the opportunities we have and that are being developed, but also all the local development groups, which truly make the project happen. Working together regionally in this process and sharing the concept helps in regards to more networking for everyone, as we are also very encouraged by the "Hays has Jobs" program. I have attached an article from the "Wall Street Journal" talking about similar networking with alumni from South Dakota and also is attached a report written by John Leatherman reviewing points about economic development in rural areas.

I would like to thank the Commerce Committee for your kind attention to the activities being conducted by wKREDA through the We Have Jobs Initiative. If you have any questions, please contact myself at 785.543.5809 or PCED@ruraltel.net.

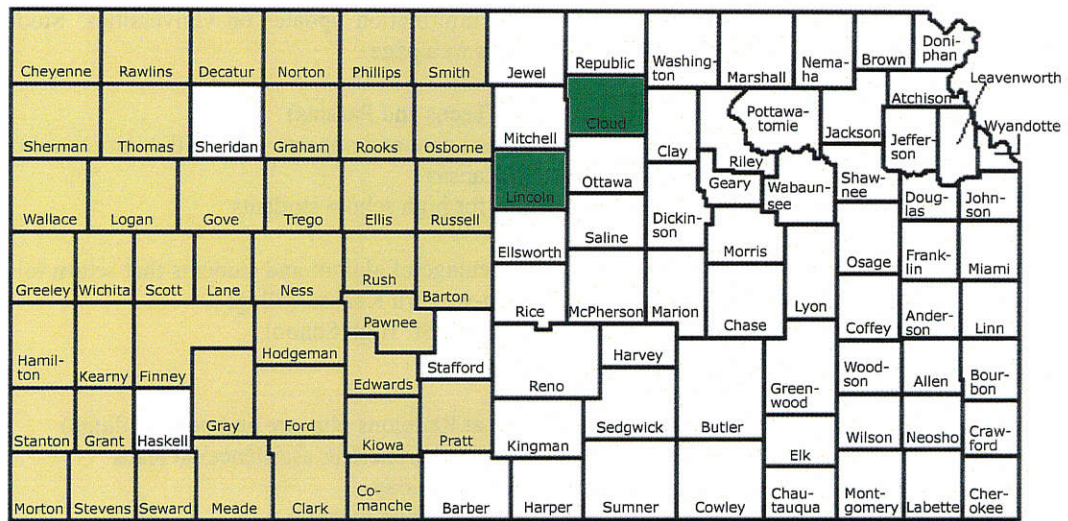
Respectfully Submitted,



Jeff Hofaker
Phillips County Economic Development - Director
Co-Chair "We Have Jobs" Committee

Western Kansas Rural Economic Development Alliance

wKREDA



“We Have Jobs”

Workforce Development Initiative Proposal

We Have Jobs Committee Co-Chairpersons

Lea Ann Seiler

hodgeman1@fairpoint.net

620-357-8831

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785.543.5809

Presented By:

Susan Nickerson

snickerson@kansascommerce.com

785.625.5654

wKREDA –“We Have Jobs”
Workforce Development Initiative

Below is a list of key outreach and development action points for stronger workforce recruitment in western Kansas:

- Outreach Promotional Tools – (wKREDA Workforce Link Website):
 - Business Card Magnets
 - Vehicle Magnets & Sign Logos
 - Trucking Companies
 - Billboards on I-70 & I-35
 - Promote the website via the Kansas Press Association
 - Display Ads
 - Letters to the Editor
- Face-To-Face Contact with a Ready Workforce:
 - Career Fairs
 - Special Events
 - Traveling with College recruiters to explain the possibilities available in western KS
 - Permanent Video Displays at Universities, Libraries or Unions
 - Placement of wKREDA and workforce information updates on Universities’ Student Web Talk Groups Sites – .i.e Tiger Talk (FHSU), Tiger Tots web page
- Education of our Future Workforce
 - “Employment Exploration Expo” (Kids/Teens and Parents)
 - wKREDA liaison to talk about career placement and opportunities with high school counselors
 - Organized Recruitment Day – Western Kansas
 - Interactive Business Mentoring Sessions for high school students
- Special Analysis Data Created:
 - Professional Study to determine the percentage of alumni and students that return to western Kansas if they attend a western Kansas college vs. a non-western Kansas college
 - Need for Entrepreneurial Curriculum in Jr. & Sr. High School
- Education in Understanding – Academics & Other:
 - Parent Training Seminars
 - Pilot Alumni Events/Promotions (Booth at Reunions plus pre and post mailings)
 - Friends & Family Initiative - techniques on awareness & assistance on leads
 - Packets of information given out at information day
 - Hosting a Counselor Informational Day with group meeting
 - Leadership Program Training for Schools, Teachers and Students
- Specialized Outreach Information:
 - Press Releases
 - Informational Flyers
 - Newsletters
 - Alumni Magazines – Colleges & Universities
 - Professional Business Magazines
 - Advertising Promotional Materials -with logo & website on give away items for career fairs
- Promotional Outreach (workforce and website)
 - Professionally produced Video
 - Professionally produced TV promotional pieces in different States
 - Interactive Video Streams created for the website
- Technical Assistance
 - MOU with alternative regional “partner organizations” to gather, update and promote workforce information at local level
 - Providing financial support to the “partner organizations” to fund assistance (level assistance)
- Grass Root Projects: (awareness of workforce)
 - Quarterly Business Tours in the region for the schools
 - Project for Leadership Class (local regions with schools working together)
 - Entrepreneurial Developed Businesses in high schools
 - Training to Foundations – shift from scholarships to Tuition Payment Plans encouraging student returns
- Website Expansion & Development (www.westernksjobs.com)
 - On-Site Survey to determine how they heard about the website
 - Internship Programs put on in western Kansas
 - Establishment of Business Succession Information

Wall Street Journal 12-26-07

Ex-Residents Are Gone, But They're Not Forgotten

BY CONOR DOUGHERTY

SOUTH DAKOTA isn't for everyone. So when the state crafted a program to attract new workers, it targeted people already familiar with its freezing winters and open spaces: the thousands of South Dakotans who leave every year.

The result is "Dakota Roots," a year-old job-placement service that matches expatriate South Dakotans with companies that need workers.

Across the country, in an effort to repopulate declining work forces, several states are going after former residents. Last fall, North Dakota launched a program called "Experience ND" with an event in St. Paul, Minn. Vermont has "PursueVT." Former Iowa Gov. Tom Vilsack or-

ganized and attended receptions around the country for Iowa college grads who moved away.

The reach of these programs is limited. But states and companies that participate say they are worth the modest investment, and are often cheaper than hiring a headhunter. States figure it is a lot easier to persuade former residents to come home than it is to get strangers to move to a place they have never been to. Iowa officials say efforts to lure former residents have brought about 2,200 of them back to the state.

States are always hungry for new people, but the idea of trying to lure ex-residents is fairly new. Most economic-development efforts focus on attracting new employers, often with a combination of tax breaks, cheap real es-

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Continued from the prior page
ate and cash. Yet relocation consultants say that for companies thinking about moving to a state, one of the biggest concerns is having an adequate, well-trained work force.

"Getting people to move back to an area will become a very important economic-development tool," says Dennis J. Donovan, a principal at Wadley-Donovan-Gutshaw Consulting, a corporate-consultant in Bridgewater, N.J.

Many of these programs use college alumni lists to reach out to former residents. The Internet and social-networking sites like Facebook have made tracking down grads easier. In addition, expatriates tend not to stray far from their states of origin and are inclined to cluster together. People who leave the Great Plains states often go to Minneapolis.

The Canadian province of Saskatchewan, which also has a "come home" program, has found that many of its college grads flee to neighboring Alberta.

Vermont, as part of its new PursueVT initiative, hired a research firm to find where its grads went and why they went there. The research showed a large number live in the Boston area, and that many left for work reasons, rather than because they wanted an urban

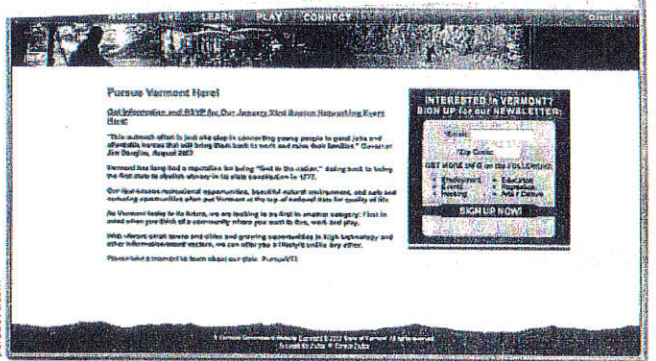
environment.

In September, the state's department of economic development hosted an event that paired 22 technology companies with about 80 graduates of Vermont colleges who had left the state (more than 1,000 invitations were sent out).

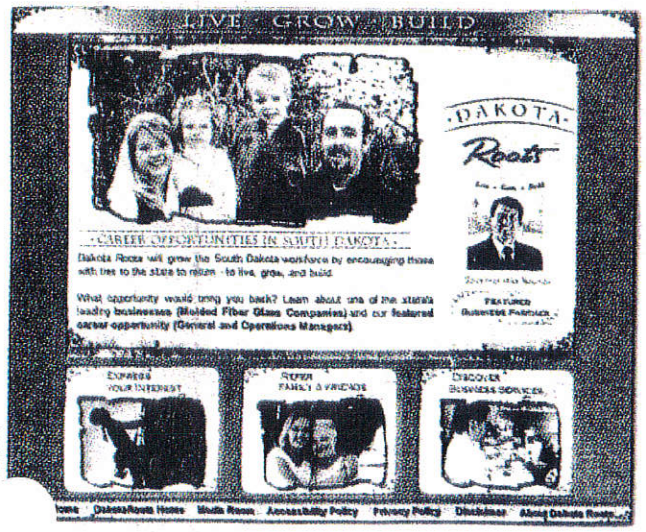
The gathering, at a popular bar near Boston's waterfront, featured a jazz band and free hors d'oeuvres like seared tuna, chicken satay and a table of Vermont cheeses. Several attendees have expressed interest in working in Vermont, and the state says it plans to do similar events every three months. "We're not reaching out to the unidentified cold prospect," says Mike Quinn, Vermont's economic development commissioner.

The cost of these programs isn't large, especially when compared with the millions in tax breaks and grants that are given to attract companies. Also, though the programs are aimed at former residents, they are open to anyone looking for a job in the state. Vermont's department of economic development says the recent event in Boston cost about \$33,000, including consulting and marketing costs. The budget for the year is around \$100,000.

The states pursuing ex-residents tend to share both ex-



PursueVT has hosted events in nearby Boston to try to get former residents to return to Vermont.



Dakota Roots is South Dakota's effort to attract former residents.

**Affordable Economic Development
for
Small Rural Communities**

Updated January, 2006

John Leatherman
Office of Local Government
Department of Agricultural Economics
K-State Research and Extension
Kansas State University
785-532-2643

Introduction

Economic forces and trends have been working against rural communities for a number of years. Many rural residents know first-hand how these forces have affected smaller communities.

The restructuring of the rural economy has been underway since the 1960's. Many manufacturers who had earlier sought the competitive advantage of lower land and labor costs in rural areas have since moved overseas in search of even lower-cost labor. Traditional rural industries -- agriculture, extractive, and manufacturing -- have not fared particularly well through the 1980s and 1990s. For many, the trend continues. Finally, the trend toward increasing concentration of economic activities can be seen in large-scale agricultural operations, the rise of large discounters displacing small Main Street businesses, and the increasing concentration of all types of economic activity in regional trading centers.

Future prospects for many smaller communities do not appear much brighter. With increased emphasis on other priorities, federal domestic assistance targeted to states and communities is almost certain to continue to decline. Direct assistance to individuals through Social Security, Medicare, and similar programs is demanding an ever-increasing portion of state and federal budgets, squeezing out other domestic initiatives. States have shown little appetite for increasing budgets, casting doubt they will fill the void left by declining federal assistance in rural community development.

Increasingly, communities will be on their own to provide for local economic well-being. Many will be hard-pressed to find new resources to foster local economic development. Does this mean that small rural communities are destined to slowly decline and eventually disappear? The answer to that question is a clear and resounding NO!

Traveling through the rural countryside, one is often struck with the differences between places. Some towns are clearly in decline -- empty store fronts, streets in poor condition, houses in disrepair. Continuing down the road may be another community, similar in size, but the atmosphere may be completely different. The place is vital and alive. People are on Main Street and the town looks well kept.

There are many factors affecting community prospects that are beyond the control of rural communities. It is good to know and understand these broader forces because they constrain the choices available to communities (just as they also create opportunities). The question remains, however, whether there are strategies within the control of a small community to help create new economic opportunity and keep a small town vital. To this question, the answer is yes.

This paper will briefly discuss some of the perspectives, strategies and opportunities available to smaller rural communities interested in local economic development. While there are many strategies available, this paper will emphasize ideas that cost little or nothing to implement. While some of the ideas may seem trite or inconsequential at first, all of them are actually quite important to creating the vibrancy that is the heart of an economically viable community. The ideas discussed here can help to create the environment to be successful. Best of all, it will not cost much money and will yield positive results.

It Begins with Realistic Expectations

From the start, it is important to have realistic expectations. Many rural leaders start with the assumption that recruiting a new factory will solve the community's problems and keep the young people from moving away. This type of attitude is not very realistic. Consider first that tens of thousands of communities are all competing for, at best, a couple hundred manufacturing plant start-ups and relocations annually. Secondly, manufacturing employment growth has been stagnant for decades. Trade, services, finance, and government have been the growth sectors. Thus, many need to begin by realigning their expectations to understand most opportunity lies in long-term, unglamorous and smaller scale efforts, with the focus on current opportunities – not those of decades past.

There are no guarantees that local economic development programs will be successful. In fact, for a small community the process will seem like an uphill battle. Economic development is a long-term process, not the application of a particular strategy. Participants in the process should understand there are likely to be periods where successes are few and little seems to happen. To use an analogy, there will be many more strikes in this game than there are hits. However, if participants persevere in a selective and thoughtful fashion, the community will almost invariably improve its prospects.

Community Relationships and Local Economic Development

Community economic development is a process that involves a wide array of individuals and organizations. The most vital communities will have broad participation by local government, the business community, business, civic and service organizations, schools, and local churches. In fact, all of these entities are potential contributors in the process of creating an environment conducive to local economic development. It is very difficult for a smaller community to succeed in local economic development unless there is a shared sense of purpose and broad agreement regarding community goals.

Unfortunately, in many communities economic development is perceived as something taken care of by the chamber of commerce or the local economic development coordinator. Some individuals may feel a proprietary ownership of the issue and actively resist others' involvement. However, one person or group can have only limited success at best. The viability of the community is the shared responsibility of all the citizens, their organizations and their local institutions.

This does not suggest that every community group explicitly identifies economic development as a primary purpose. It does imply that all these groups recognize their relative contribution to creating an active environment and are given credit for their efforts.

In such an environment there will be interaction between groups and organizations. Such an environment creates synergy, problem-solving, involvement, and new ideas. Where there is a high degree of positive interaction and each group supports the other, there tends to be a "multiplier" effect that facilitates mutual goals. While it may not be evident how there will be a direct connection to economic development, positive outcomes will result.

This suggests that one viable strategy to promote economic development is to foster inter-organizational connections and to celebrate the relative contributions each organization offers to making the community a better place to live and do business. A positive role for an economic development committee is to learn about the process of economic development and spread the word within and among local entities •the school, civic and service groups, the local governing boards, and others about how each is contributing to community vitality and local economic viability.

Organization for Economic Development

It has already been suggested that no single person or group can be entirely responsible for economic development. In fact, those communities that are most successful tend to have multiple organizations dealing with various aspects of economic development. Following are some of the private and quasi-public organizations that might be active in a community and their respective roles:

- X Neighborhood business associations - focusing on business promotion in a small geographic area, e.g., Main Street merchants, west side business association. Among other activities, these groups do joint planning and promotion and represent the concerns of the neighborhood business community before the city commission.
- X Chamber of commerce - focusing on a wider range of programs for an entire community or county. In addition to promoting business interests, a chamber might sponsor educational programs and training, present recognition awards, and host social functions for the business community.
- X Economic development corporation - a private organization serving a city or county whose purpose is to promote new economic development through new business recruitment and retention and expansion programs. These groups are typically formed as private nonprofit corporations for the purpose of discretely and rapidly responding to prospective business requests.
- X Tourism council - tourism promotion is generally most effective when working on a regional basis to attract conventions, tourists and other visitors to an area.

In addition to these private groups, several public entities are also important actors in promoting local economic development. The city council and county commission, in particular, are important insofar as they may help with financial assistance, infrastructure improvements, zoning variances, or tax abatements. The local public school system and regional community colleges contribute with worker skills training, production training, literacy programs, and by the overall quality of education so important when people choose a place of residence.

Given the multiplicity of actors and roles involved in local economic development, a strong educational and organizational effort is often needed. This is where the process of economic development actually begins. County Extension offices often provide a valuable service in the role of education, organization and planning. If the organizational “infrastructure” of a community does not currently exist, many Extension agents have taken the initiative by organizing local businesses, finding models from other places, searching out success stories to

demonstrate value, establishing an organizational mission and rules of operation, helping to select realistic action strategies, interacting with other local organizations to find complementary roles, and offering organizational support.

Similarly, many governmental entities do not always fully appreciate the roles they play in a successful economic development program. Here is where a big educational challenge often exists. Are policies in place outlining what the local government commissions are willing to do when a request for assistance is made? Is local government proactive or reactive in its support of local development? Is there access to good information about the effectiveness of various strategies and policies local officials may be contemplating? Is someone available to help local officials identify the economic, financial, and social impacts of alternative development strategies, or to help find ways to mitigate real or anticipated negative impacts?

There are many important organizational and educational activities that can be done in support of local economic development. Often, these activities are difficult, time-consuming, and underappreciated, but they are necessary.

Perspectives on Economic Development

Many people have a narrow view of economic development programs. The most common conception is that it is new business recruitment. There is not a city in the United States that does not want a nice clean manufacturer that will employ about 30 people. This is the target of many small community's local economic development programs. To focus on this strategy exclusively is an almost sure recipe for frustration.

There are, in fact, five basic strategies for a small community to employ in pursuit of local economic development:

- X Increase the efficiency of existing firms. This strategy might entail business visitation programs, organizing educational programs related to business management and new technology, improving the quality of the local labor force through vocational and technical education, or providing efficient public services.
- X Improve the ability to capture dollars. This might be accomplished through local retail market analyses, undertaking a downtown revitalization project, providing employee training programs to improve the quality of service, and generating more purchases by non-local people through promotion and advertising.
- X Encourage new business formation. New business starts might increase through the creation of local capital investment groups, small business feasibility counseling, studies of market potential, and by creating an atmosphere supportive of local risk-taking.
- X Attract new basic employers. This is the traditional economic development strategy, and often include assembling available sites and facilities, preparing information packets, creating incentive programs, marketing to targeted industries, and creating adequate and efficient local and regional infrastructure and facilities.

- X Increase aids received from broader units of government. The idea with this strategy is to attract tax dollars from wealthier places. Local government can avail itself of shared aids and grants in support of infrastructure development or parks improvements. In addition, local government and area nonprofit agencies can gain access to programmatic funding. The same concept applies to helping people eligible for individual assistance gain access to all the funding support to which they are eligible. The elderly, disabled and needy residents of the community also control income that can be spent in the local economy.

Here, again, an important educational job needs to be done to help local organizations and elected officials understand the full scope of activities that constitute an economic development program. Economic development is a very broad concept that can encompass numerous strategies and goals. Working with various organizations and helping to broaden the scope of their development efforts can enhance prospects for increasing local jobs and income.

Planning and Economic Development

Planning serves several functions in local economic development. This includes a high degree of talking and strategizing about the strengths and weaknesses of the community. It also includes learning as much as possible about the effectiveness of alternative strategies and matching them to the inherent advantages of the community. All too often, communities follow fads in economic development. Years ago, many communities built industrial parks on the theory "if we build it, they will come." More recently, many communities promoted themselves as a tourist destination or a haven for retirees. While all of these are not necessarily bad strategies, they are not appropriate for every place. One of the important things a community can do to enhance its economic prospects is to select strategies carefully by identifying the community's strengths and weaknesses, and understanding the utility of alternative development strategies.

A related planning function is gathering information about the community. This will be a benefit to both existing and prospective businesses. The types of information useful for local economic development include inventories of available buildings, local infrastructure capacity, local financing, availability and condition of housing stock, the quality and availability of the local labor force, and trade area market analyses. A community has to know its capacity and identify potential limiting factors.

Leadership and Skills Training

The single most important resource a community has is its people. Every community should have an active program of leadership development and continuing education. These programs can be formal or informal and are not solely the responsibility of the school system.

Local development organizations can talk with employers to learn about their employee needs and plan for continuing skills training. Training programs may relate to advanced production technologies or basic literacy. Well-trained workers are more productive and will help local employers remain competitive. The chamber of commerce can sponsor seminars in retail sales training, business records, and tax planning. Other local agencies can provide

seminars focusing on individual and household needs such as personal financial management and retirement planning -- programs intended to help local residents prosper financially.

Programs targeting youth are also important because they are the next generation of business owners and entrepreneurs. Schools can incorporate teaching components related to business and financial management. Junior Achievement programs are an excellent way for kids to learn business skills. Extension offices sometimes incorporate small business and entrepreneurial training in the 4-H program.

County leadership programs also fall into this category. In addition to learning about the community and its problems, these programs focus on building leadership skills related to decision-making, cooperation, and problem-solving. All of these skills can help participants become more successful as business owners and community leaders. These are the types of skills that are important to the community's success and vitality.

Finally, the emphasis on continuing education should also extend to local government bodies, civic and service organizations, and educational and church committees. Helping these groups become more efficient and effective in accomplishing their objectives will have positive spillover effects in the community.

Small Business Development

Regardless of other economic development prospects, every community will have a few people who harbor the desire to run their own business. Not every idea is feasible, and not everyone should be encouraged. However, there should never be a time when a local person wants to move forward with a new business idea and does not know where to go for help. Even if a person is only able to be self-supporting with a new business, it counts as one more job. This is one of the key strategies for small rural communities to use as an economic development priority.

Every community should have an explicit action plan to help prospective entrepreneurs evaluate their idea. This means identifying information resources such as the Small Business Development Centers, or an area chapter of the Service Corps of Retired Executives. Similarly, a cadre of local professional bankers, attorneys, and accountants might be persuaded to donate an amount of time to provide evaluation and counseling to people exploring a business idea. Experienced business owners can provide mentoring for less-experienced persons.

One of the biggest problems for a new small business is access to capital. Many times, the need for financing is quite small. However, bankers may be reluctant to provide financing for inexperienced persons or may not want to deal with smaller financial transactions. In some communities, wealthier residents have created small venture capital pools to make higher risk and micro-loans. Sometimes access to \$5,000 can mean the difference to an individual starting a new business.

Finally, it should be recognized that there is no shame in trying a business venture and failing. Many successful business people have had one or more failures early in their careers. Valuable learning comes from failure, and can help a person become successful later. Unfortunately, many people feel stigmatized after failing and bankers become more wary the

second time around. In many ways, however, these people may be the best prospects in which to invest primarily because of their learning experiences.

Participating in Broader Organizations

All communities, especially smaller ones, should participate in regional and state business development organizations. Many prospective businesses will approach these organizations for assistance in locating new sites because they will have more extensive and better quality information, and because they will maintain anonymity. Individual communities should be active in these groups, providing information about their community. If a state development group does not know about a community's available sites and capacity, there is no chance to be considered.

A second point to be made relates to multi-community and multi-county economic development groups. Many communities tend to be competitive and will often work in opposition to their neighbors. There are good reasons, however, to work cooperatively for development regardless of where a new business locates. First, a larger region has more to market to prospective business. It has a larger labor force and more facilities and amenities to offer than it can provide on its own.

Secondly, economic flows do not respect community or county boundaries. Workers willingly commute to nearby communities. People travel to shop for goods and services. Businesses purchase from any competitive supplier. To a large degree, the success of a neighbor is also our success. While competition helps keep communities active and sharp, it can also be overdone.

Concluding Comments

Many rural communities are eager to work for local economic development. Willingness to work for the future of the community is the spirit necessary to help keep rural communities viable in the face of daunting trends. However, many well-meaning people tend to have a narrow perspective regarding economic development and do not give themselves enough credit.

For many, economic development means new jobs, and the new job count is the only measure of success. Some are disappointed to find there is no simple strategy to create new employment or that an analyst cannot identify which business to recruit. Unfortunately, the process of economic development is not so simple.

Perhaps the best strategy to pursue in local economic development is to focus on broader community development goals. The same factors that tend to provide the quality of life that keeps people in a community are the factors that tend to make a place economically viable. Working for better education, local recreational opportunities, and strong local institutions will also prepare the community to succeed economically. While there is much a community can do to ready itself, it should not forget the purpose of economic development is to provide for a better quality of life. This should be the overarching community objective. Sometimes the best economic development strategy is to simply work on making the community the best place possible to live and raise a family.

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Senate Commerce Committee
 January 24, 2008
 Attachment 4-1

KANSAS DEPARTMENT OF COMMERCE

Secretary of Commerce

Deputy Secretary

AGRICULTURE MARKETING DEVELOPMENT

MISSION: To enhance the value of agricultural products through marketing and new uses to provide a greater returns to Kansas producers, processors and rural communities.

MAJOR ACTIVITIES:

- Agricultural Value Added Center
 - Food & Feeds
 - Non-food/Industrial Uses
 - Cooperative Development Program
- Market Development
 - Domestic
 - International
- From the Land of Kansas Trademark Program
 - Trade Show Assistance Grant
 - Business Enhancement Grant

BUSINESS DEVELOPMENT

MISSION: To maximize positive impacts on the Kansas economy through the creation retention of jobs and increased capital investment.

MAJOR ACTIVITIES:

Business Assistance

- Enterprise Zone
- High Performance Incentive Program (HPIP)
- Kansas Cavalry
- Kansas Economic Opportunity Initiatives Fund (KEOIF)
- Minority & Women-Owned Business
- Regional Field Offices: Pittsburg – Overland Park
Wichita – Hays – Topeka – Manhattan
Garden City
- Small Business Development Center
- Business Recruitment Contract Offices: Scotia, NY
Chicago, IL – Los Angeles, CA
- Film Commission

COMMUNITY DEVELOPMENT

MISSION: To partner with Kansas communities to help enhance their livability by providing financial, technical and business assistance.

MAJOR ACTIVITIES:

Small Cities Community Development Block Grant

- Community Improvement
- Housing Grants
- KAN STEP Program
- Urgent Need Grants

Community Assistance Services

- Center for Entrepreneurship
- Kansas Downtown Redevelopment Act
- Enterprise Facilitation
- Main Street Program
- PRIDE Program
- Rural Business Tax Credits

TRADE DEVELOPMENT

MISSION: To provide business leadership through increasing international sales of Kansas goods and services and increasing international investment and jobs in Kansas.

MAJOR ACTIVITIES:

- Export Counseling
- International Investment Recruitment
- International Missions and Trade Shows
- Kansas International Offices
- Kansas International Trade Show Assistance Program (KITSAP)

Deputy Secretary

WORKFORCE SERVICES

MISSION: To provide workforce solutions to Kansas businesses and job seekers.

MAJOR ACTIVITIES:

America's Job Link Alliance (AJLA)

Training Services

- Apprenticeship Program
- Kansas Industrial Training (KIT)/Kansas Industrial Retraining (KIR)
- Kansas JobLink (KANSASWORKS.com)
- Investments in Major Projects and Comprehensive Training (IMPACT)

Employment Services

- Older Kansans Employment Program (OKEP)
- Workforce Investment Act (WIA): Adult and Youth Dislocated Worker – National Emergency Grant
- Workforce Centers
- Foreign Labor Certification
- Migrant Farm Workers
- Veterans Program

Chief Legal Counsel

ATHLETIC COMMISSION

KANSAS COMMISSION ON DISABILITY CONCERNS

REGULATORY COMPLIANCE

Senior Director

MARKETING SERVICES

MAJOR ACTIVITIES:

- Communications & Marketing
- Research
- Public and Media Affairs

INFORMATION TECHNOLOGY MANAGEMENT

MAJOR ACTIVITIES:

- Web Services
- Data Management
- Technical Support

TRAVEL & TOURISM

MISSION: To promote the State of Kansas to travelers and to generate and facilitate tourism and travel-related spending throughout the state.

MAJOR ACTIVITIES:

- Advertising Campaign
- Attraction Development Grant Program
- Group Tour Marketing
- International Marketing
- Kansas Visitor's Guide
- KANSAS! Magazine
- Tourism Attraction Signage Program
- Tourism Marketing Grant Program
- Tourism Web Site: TravelKS.com
- Travel Information Centers
- Travel Media Relations

OPERATIONS

MISSION: To provide quality support services for internal and external customers.

MAJOR ACTIVITIES:

- Building Services
- Fiscal Management
- Human Resources
- Legislative & Administrative Liaison

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Attachment 5

Senate Commerce Committee

January 24, 2008

Attachment 5-1

Commerce Department 2008 Funding Sources

Division	Budget	Funding Source
Human Resources/Fiscal Services/Building Services/Information Services	\$2,509,931	EDIF, Federal Indirect Funds
Communications & Marketing	\$2,285,956	EDIF, Federal Indirect Funds
Travel & Tourism	\$4,121,579	EDIF, Publications & Other Sales
General Council/Regulatory Compliance	\$851,926	EDIF/Federal Indirect Funds/WIA/CDBG
Regulatory Compliance	\$426,775	WIA/EDIF/Indirect Costs/Athletic Fee Fund/Wagner Peyser/CDBG
Athletic Commission	\$172,719	EDIF/Athletic Fee Fund
Kansas Commission on Disability Concerns	\$240,563	SGF
Business Development	\$2,811,892	EDIF/General Fees/Small Employee Cafeteria Plan
Trade	\$1,322,643	EDIF/General Fees
Ag Development	\$569,720	EDIF/General Fees/USDA
Community Development	\$1,641,007	EDIF/General Fees/CDBG
Employment, Training & Workforce Development Services	\$8,190,634	WIA/Wagner Peyser/Disability Navigation Program/Impact/Other Federal Grants/Veterans Programs/NEG/Trade Adjustment Act/Reimbursement & Recovery/EDIF/SGF
Workforce Centers	\$6,977,877	Wagner Peyser/Veterans Programs/Impact/Trade Adjustment Act/WIA/Other Federal Grants
AJLA	\$3,116,365	Reimbursement & Recovery/Other Federal Grants/Trade Adjustment Act
Office of the Secretary	\$1,414,908	EDIF

\$36,654,495

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Non Operating (Aid to Local & Other Assistance)

EDIF grants

Eisenhower Foundation	200,000
Sports Hall of Fame	250,000
Rural Opportunities Program	1,600,000
Ag Products	396,880
Trade Show Assistance	50,000
CDC's	279,500
KIT/KIR	2,895,000
Older Kansans Employment Program	320,227
Attraction Development	167,000
SBDC'S	350,000
Center for Entrepreneurship	435,000
IWW	195,000
Total EDIF Aid to Local and Other Assistance	\$ 7,138,607

State General Fund	380,000
Publication and Other Sales	4,000
Impact	17,979,468
General Fees Fund	15,000
Market Development Fund	55,000
Kansas Existing Industry	50,000
Association Assistance Plan	500,000
Ks Economic Development Fund	3,000,000
State Affordable Airfare	5,000,000
Goodyear Bond Repayment	249,349
Other Federal Grants	1,013,372
Greensburg NEG	11,757,770
WIA Federal Funds	20,109,740
Trade Adjustment Act	4,269,696
WIRED	1,483,126
Southeast Ks Flood NEG	4,907,340
National Mainstreet Center Fund	47,424
Community Development Block Grants	19,700,000
Community Development Revolving Loans	3,000,000
Kansas Partnership Fund	200,000
All Funds Aid to Local and Other Assistance	\$ 100,859,892

Senate Commerce Committee
 January 24, 2008
 Attachment 7-1

2008 LEGISLATIVE PROPOSAL

ECONOMIC DEVELOPMENT

AND

TAX ENHANCEMENTS

2008 Legislative Proposal
**Economic Development
and
Tax Enhancement**

8-2

➤ **IMPACT - Current Law**

- **Utilized for Training and Cash Incentives for New or Retained Jobs**
- **Allows for Use of 2% of Overall Withholding Taxes Collected**
- **Capacity for Debt Service and Program Fees**
 - 2007: \$1.9B of overall withholding taxes; \$39.3M available to service debt (bond payments)
 - 2007: \$13.5M paid for debt service; \$1.5M paid for program fees
- **Awards Restricted to 95% of Estimated Withholding Tax for New or Retained Jobs**

2008 Legislative Proposal
**Economic Development
and
Tax Enhancement**

Recommendation for IMPACT Enhancement

- **Maximize Value to the State and Businesses by Converting from Debt Service to Cash**
 - \$27.5M available annually to service bonds (\$39.3M Annually Services \$275M on a 10 Year Bond)
 - \$39.3M available annually if converted to cash
 - Creates a “pay as you go” vs. “mortgage the future” environment
- **Eliminate 95% Withholding Limitation Which Negatively Impacts Business Recruitment**
- **Target a Minimum of 15% for Rural Projects and a Minimum of 20% for Small Business (less than 250 employees) Opportunities**
- **Unallocated Funds Carried Forward Absent of Targets**

2008 Legislative Proposal
**Economic Development
and
Tax Enhancement**

➤ **Tax Incentive Package**

- **Simplification of Qualified Investment Calculation for Investment-Based Credits**
 - **Qualified investment placed in service during taxpayer's tax year**
 - **Investment must remain in service through the last day of the year**
 - **Recertification not required for investment or job credits**

2008 Legislative Proposal
**Economic Development
and
Tax Enhancement**

➤ **Tax Incentive Package (Continued)**

▪ **Refundability**

- Applied on a prospective basis only (12/31/07 and after)
- Total amount of authorized credits capped by law at \$10M annually
- Companies may apply for a select number of a discounted cash refund of up to 40% of earned credits
- If awarded and accepted a discounted cash refund, the remaining amount of company's tax credits would be forfeited
- Application made through Commerce with selection criteria developed through rules & regulations
- Commerce submits annual report to Legislature, detailing the company and total credit awarded
- Repeal Enterprise Zone Incentives, High Performance Incentive Program (HPIP) and the Business and Job Development credits; replace with the Tax Incentive Package

2008 Legislative Proposal
**Economic Development
and
Tax Enhancement**

- **Tax Incentive Package (Continued)**
 - **Reintroduction of HB 2170**
 - **Creation of Opportunity Zones**
 - **Established by Secretary of Commerce**
 - **Comprised of at least one county**
 - **Economically disadvantaged**
 - **Outside of designated metropolitan county or micropolitan statistical area**
 - **Designated disaster area**

2008 Legislative Proposal
**Economic Development
and
Tax Enhancement**

- **Reintroduction of HB 2170 (Continued)**
 - **Create an Investment Tax Credit - Set at 10% of qualified investment**
 - **For-profit businesses**
 - **Identified under specific NAICS codes or HQ / ancillary support operation**
 - **Qualified investment**
 - **Equal or exceeds \$50K for businesses in Opportunity Zones**
 - **Equal or exceeds \$300K for businesses outside of Opportunity Zones**
 - **Average wages must exceed regional NAICS code wages**
 - **Non-manufacturing worksites must generate more than 50% of revenues from Kansas manufacturers or out-of-state commercial or government customers unless an HQ or back-office operation**

2008 Legislative Proposal
**Economic Development
and
Tax Enhancement**

- **Reintroduction of HB 2170 (Continued)**
 - **Job Credit Creation**
 - \$3,500 per new employee with a minimum of 2 new jobs created in an Opportunity Zone
 - \$1,500 per new employee with a minimum of 5 new employees outside of an Opportunity Zone
 - \$1,500 per new employee with a minimum of 20 employees for HQ/ ancillary support operations outside of an Opportunity Zone