

Approved: 2-5-09

Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:03 a.m. on January 29, 2009, in Room 784 of the Docking State Office Building.

All members were present except:

Representative John Grange- excused

Committee staff present:

Renae Jefferies, Office of the Revisor of Statutes

Daniel Yoza, Office of the Revisor of Statutes

Jerry Donaldson, Kansas Legislative Research Department

Dennis Hodgins, Kansas Legislative Research Department

Stephen Bainum, Committee Assistant

Conferees appearing before the committee:

Steve Kelly, Department of Commerce

Others attending:

See attached list.

The meeting was called to order at 9:03 a.m. by the Chairman. There were no bill introductions or announcements from the Committee. Representative Bowers introduced her page from Concordia, Kaylee Conwell.

Steve Kelly, Department of Commerce passed out his Agency Overview and Update (Attachment 1).

He spoke about the Business Development Division, the Rural Development Division, Workforce Services, Travel & Tourism and Marketing and Operations. Representative Brunk asked Mr. Kelly to explain the meaning of KIT and KIR. He said that KIT stands for Kansas Industrial Training Program and KIR stands for Kansas Industrial Retraining Program.

Representative Hermanson asked what would happen if a business in which the Department has invested funds fails. Mr. Kelly said that in most cases there were assets that could be recovered but if not it was covered by two percent of the withholding that had been paid. This is a rare occurrence.

Representative Brunk asked about the effectiveness of the Workforce Centers. Mr. Kelly did not have the hard numbers with him but said that there were a lot of ways to search for jobs but they still see a considerable amount of people flow through the Centers. There is a certain portion of people who are not comfortable with computers and would rather use the Workforce Centers to see a person or council with someone. There is also an extensive web site available.

Representative Gatewood asked what the statistics were for the Travel Information Centers. Mr. Kelly did not have the statistics with him but they are available. He indicated that the volume of visitors was about 130,000.

Representative Ruiz asked where Kansas ranks in tourism and why the Tourism Center coming into Topeka was closed several years back. Mr. Kelly said Kansas was ranked 40 and below. The Tourism Center was closed because the visitor level was lower than it was in the other Centers and they could not keep it open because of budgetary reasons.

Representative Gatewood asked if there were any statistics available to determine the impact of the Tourism program. Mr. Kelly said that the information is tracked but that the program is so new that there might not be enough data available to make a good judgment of it's effectiveness.

Representative Pottorff asked how much duplication there was between the Department of Commerce programs and KTEC or the Kansas Bioscience Authority. Mr. Kelly said that there might be some with the Bioscience Authority because there are some projects they have cooperated on but very little with KTEC.

Representative Brunk asked if there was a method of evaluating the programs that the Department supports

CONTINUATION SHEET

Minutes of the House Commerce And Labor Committee at 9:03 a.m. on January 29, 2009, in Room 784 of the Docking State Office Building.

to determine if they are still doing the job they were originally intended to do. Mr. Kelly indicated that there was an ongoing process of evaluating programs and there are programs that have been discontinued in the past. The Legislative Post Audit has identified the core 80 percent of essential core programs, the 10 percent that are nice and provide significant benefit that the others do not and the 10 percent that would have to go if reductions were mandated.

Representative Brunk asked about the Department working with other Agencies. Particularly a couple years ago there was a problem with the Department of Labor paying out unemployment benefits to people who were not registering with the Department of Commerce Workforce Services. Mr. Kelly said that the software had been updated and the program was up and running. It has all been corrected.

Mr. Kelly continued by speaking about operations in light of the economic situation. The first indication that there were problems was in the financial sector that began to get soft. We continued to have pretty good strength in other sectors. Where we see some fall off from year to year is with the activity within the state in the number of projects and potential jobs. It is really slowing down. We are not at the bottom yet. Compared to other states our unemployment rate is still fairly low. We are up about a point or a point and one half above where we were when things were going well. We are still hearing from many counties that continue to have shortages in the number of workers available.

Representative Brunk asked who we would talk to about workforce training. Mr. Kelly recommended Kathy Hund, Director of Workforce Training and Education.

The Chairman reminded the Committee about the Resolution proclaiming February 3, 2009, as Kansas Human Resource Day (Attachment 2). The consensus of the Committee was to approve the Resolution.

The next meeting is scheduled for February 3, 2009.

The meeting was adjourned at 10:30 a.m.

House Commerce & Labor

1-29-09

Stew Kelly KDOC

Carole Jordan KDOC

Bob North

Nike Recht

"
Jacques Brader

Dave Holtwick

Ligh Keck

Natalie Brigit

Natalie Haag

John Peterson

Overland Park Chamber

Hein Law firm

Bright : Carpenter Consulting

Security Benefit
(grat. Studies)

Dan Korber

Dennis Brown

Ransos, Inc.

PEAK

Brian R Thompson

Kristin Black

Ken Zuber

PEAK

Federico Consulting

KARA

Jai Desai

Rep. Delia Garcia

Alb Asher

Commerce



Agency Overview and Update

**Testimony presented by
Steve Kelly, Deputy Secretary
Department of Commerce
January 29, 2009**

Mission Statement

To deliver the highest level of business development, workforce and marketing services that build a healthy and expanding Kansas economy.

Divisions

Business Development

- Trade Development

Rural Development

- Agriculture Marketing Development
- Community Development

Workforce Services

Travel & Tourism

Marketing and Operations

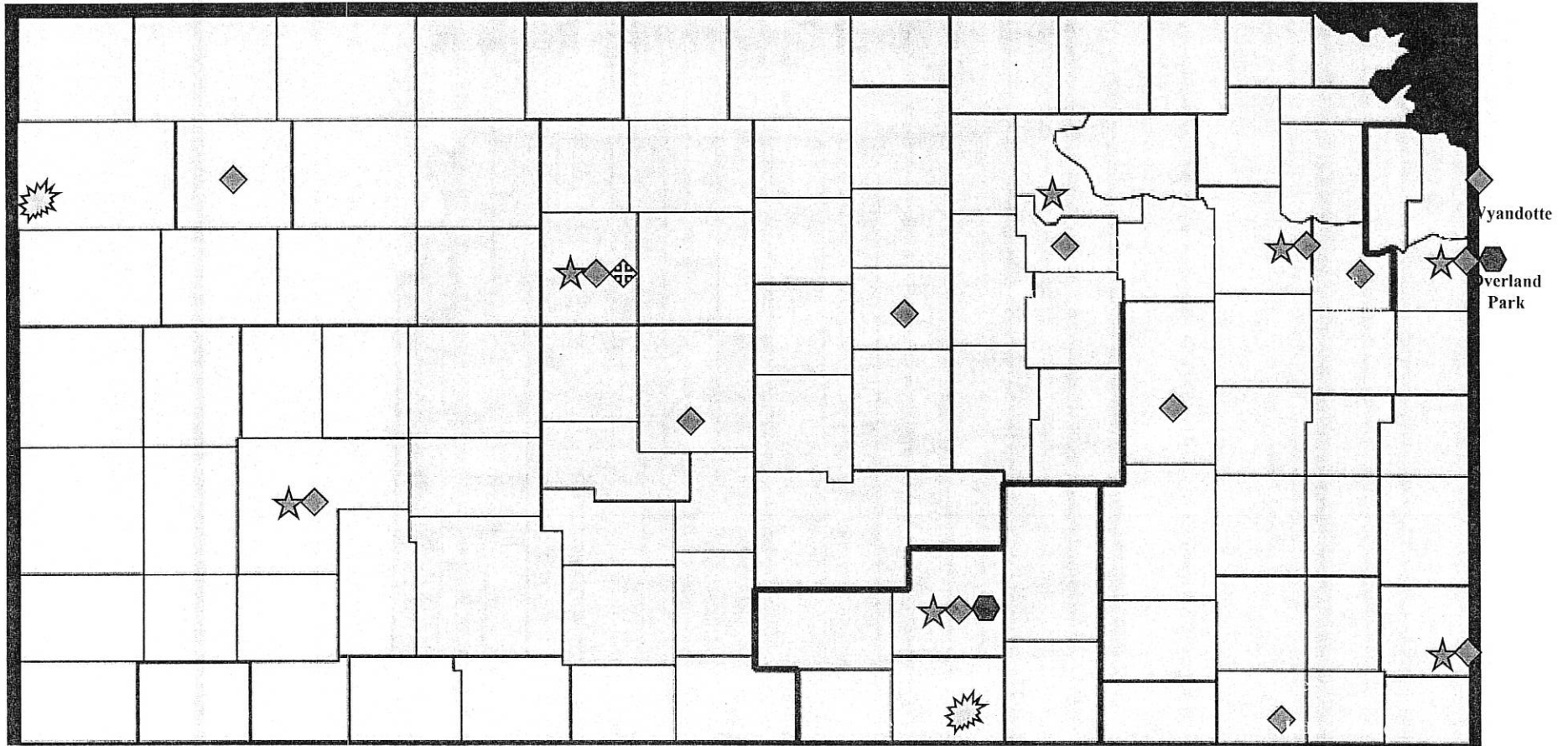
Commissions

Kansas Athletic Commission

Kansas Commission on Disability Concerns

Kansas Film Commission

Commerce Field Offices



★ Business Development Field Office (7)

⊞ Community Development Field Office (1)

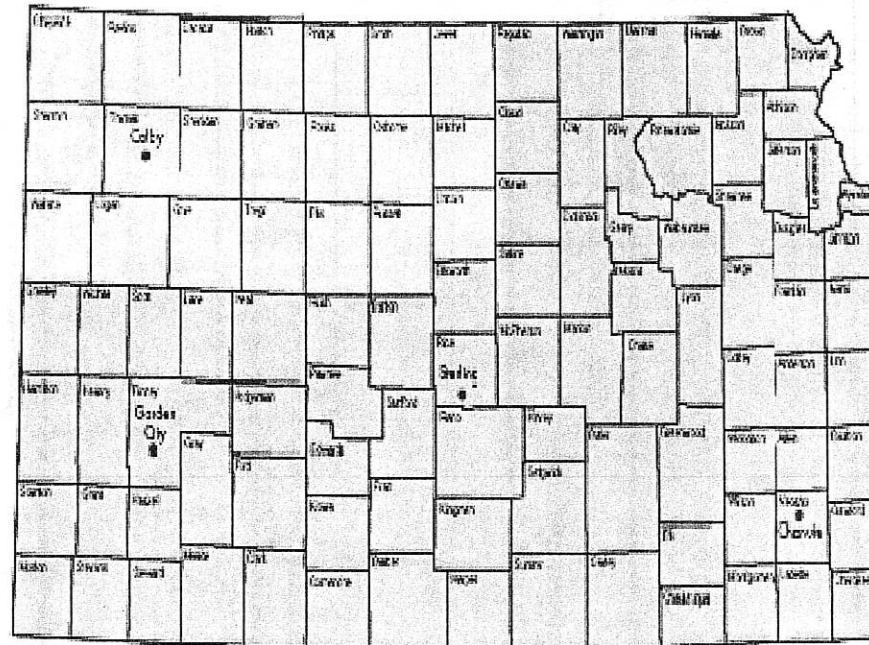
☀ Travel Information Center (2)

⬡ Trade Development Field Office (2)

◆ KANSASWORKS Center (14)

Rural Development Agriculture Marketing – Office of Rural Opportunity

Office of Rural Opportunity Regions



Northwest Kansas

James Foster
Office of Rural Opportunity Representative
Kansas Department of Commerce
1285 S. Range Avenue
Colby, KS 67701
(785) 443-5002
E-mail: jfoster@kansasccommerce.com
KansasCommerce.com

Southwest Kansas

Carol Meyer
Office of Rural Opportunity Representative
Kansas Department of Commerce
801 Campus Drive
Garden City, KS 67946
(620) 755-6733
E-mail: cmeyer@kansasccommerce.com
KansasCommerce.com

Central Kansas

Ranee L. Uppincott
Office of Rural Opportunity Representative
Kansas Department of Commerce
125 W. Cooper Ave.
Sterling, KS 67579
(820) 204-0855
E-mail: rloppincott@kansasccommerce.com
KansasCommerce.com

Eastern Kansas

Barbara Choler
Office of Rural Opportunity Representative
Kansas Department of Commerce
800 W. 14th St.
Chanute, KS 66720
(620) 717-5713
E-mail: bacholer@kansasccommerce.com
KansasCommerce.com

Business Development

Goal:

- To encourage job creation and capital investment in Kansas through the recruitment of out-of-state firms, the expansion of existing Kansas companies and the creation of new companies.

Products and services:

- Direct financial incentives, including various tax credits and low-interest loans
- Site location consultation and cost-benefit analysis
- Assistance in working with State regulatory agencies and local community organizations

Fiscal Year 2008 highlights:

- Involved in 35 location/expansion/retention projects in which Kansas was competing with out-of-state locations. These projects resulted in:
 - 5,905 jobs created or retained at an average hourly wage of \$29
 - \$1.1 billion in capital investment, an increase of \$495 million from the previous year
- Major new facilities and expansions include:
 - US Bank (Olathe), Land O'Lakes (Russell), Embarq (Overland Park), Valmont Coatings (Salina), GE Aviation (Manhattan) and Cessna Aircraft (Wichita)
- Involved in 234 expansions of existing Kansas companies. These projects resulted in:
 - 6,814 new jobs at an average hourly wage of \$14.78
 - \$1.55 billion in capital investment

Major expansions include:

- Del Monte (Topeka), Great Plains Manufacturing (Salina) and Sunflower Wind (Hutchinson)

Business Development Trade Development

Goal:

- To help Kansas companies expand their sales to overseas markets and to recruit foreign companies to set up facilities in Kansas.

Products and services:

- Organize trade delegations to foreign countries
- Provide export data and foreign market research
- Provide funds for firms to attend global trade shows
- Connect Kansas companies with foreign buyers through our four international trade offices
- Recruit international companies to locate in Kansas

Fiscal Year 2008 highlights:

- Helped Kansas businesses achieve record-high export totals for the third straight year.
 - \$10.25 billion from \$8.6 billion
- Facilitated international investment projects that created 702 new Kansas jobs and \$352.1 million in capital investment.
- Provided funding for 11 Kansas companies to attend international trade shows. These companies combined for over \$11.9 million in sales, creating a return on investment of \$335 per dollar expended.

Rural Development Agriculture Marketing

Goal:

- To enhance the value of Kansas agriculture products through new uses and marketing, providing greater returns to Kansas producers and rural communities.

Products and services:

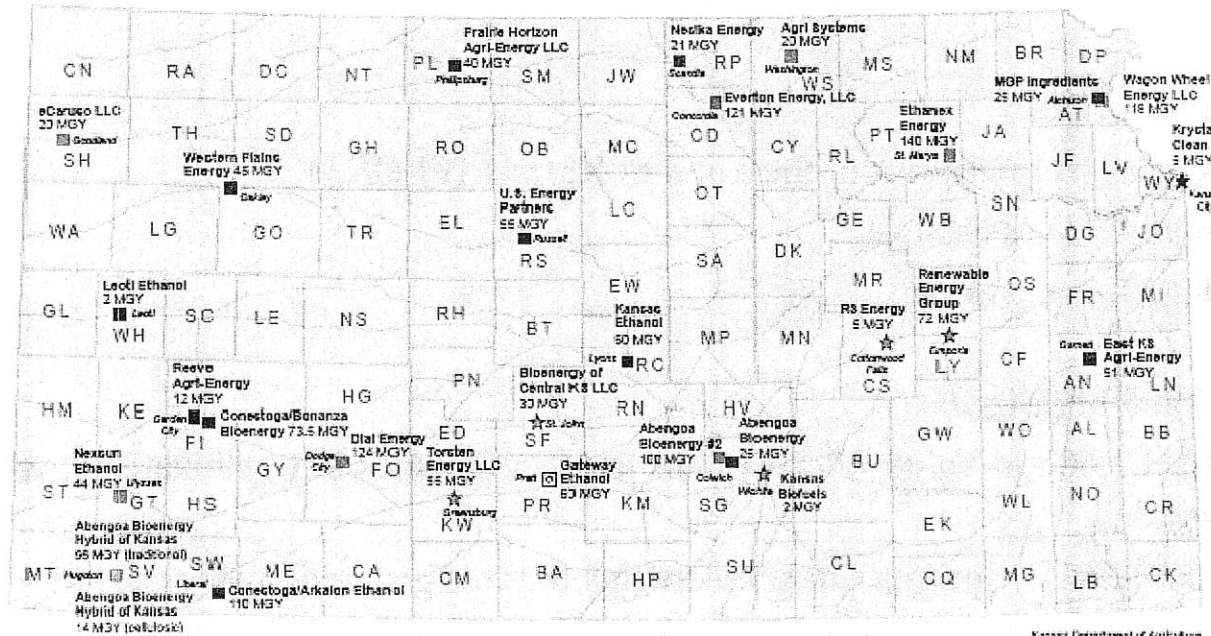
- Simply Kansas (formerly From the Land of Kansas {FLOK})
- International trade assistance
- Value Added Loan program

Fiscal Year 2008 highlights:

- Awarded \$482,608 in Value Added Loans to 10 companies or organizations, who totaled \$233.5 million in sales.
- Awarded \$12,663 in agritourism scholarships to six registered businesses.
- There are currently 15 Kansas wineries producing more than 50,000 gallons of wine.
- Led delegations of specialty food producers to the Fancy Foods Shows in New York and San Diego.
- Continued to facilitate development of alternative energy production facilities throughout Kansas.
 - By Fiscal Year's end, Kansas had 12 ethanol facilities combining for 501 million gallons in annual output
 - The first large scale biodiesel facility began operations. Another major biodiesel project is under construction in Emporia, permitted to produce 72 million gallons per year.

Rural Development Agriculture Marketing

Ethanol and Biodiesel Plant Activity in Kansas January 2009



KANSAS
as big as you think™

MGY = Millions of gallons per year of permitted capacity
Capacities courtesy of Kansas Department of Health and Environment
*Permitted and Permit Pending codes refer to KDEH Bureau of Air and Radiation - All Construction permits

Ethanol Plants

- Existing: 12 plants, 519.5 MGY
- + Under Construction: 3 plants, 241 MGY
- * Permitted*: 5 plants, 446 MGY
- * Permit Pending*: 1 plant, 110 MGY
- Idle: 1 plant, 60 MGY

Biodiesel Plants

- ★ Existing: 1 plant, 5 MGY
- ★+ Under Construction: 3 plants, 79 MGY
- ★* Permitted*: 2 plants, 85 MGY
- ★* Permit Pending*: 0 plants, 0 MGY

Kansas Department of Agriculture
Administrative Services, GIS
January 6, 2009



Rural Development Community Development

Goal:

- To preserve and enhance the quality of life in Kansas communities by increasing their capacity to meet their development and revitalization needs.

Products and services:

- Direct grants through the Community Development Block Grant program and Main Street program
- Technical and planning assistance
- Tax credits for community development projects
- Development of community volunteer programs

Fiscal Year 2008 highlights:

- Provided \$21.6 million in federal Community Development Block Grant funds to 66 projects, producing \$37 million in private investments, benefiting 68,858 Kansans and creating 313 jobs.
- Provided services to 23 designated Main Street cities, which resulted in:
 - 176 new or expanded businesses in downtown districts
 - 435.5 new jobs
 - \$26 million in reinvestment in downtown districts

Workforce Services

Goal:

- To ensure Kansas businesses have a well-trained, educated workforce from which to hire workers.

Fiscal Year 2008 highlights:

- Provided \$18.3 million through the KIT, KIR and IMPACT training programs to fund 162 projects (52 more than last year).
- These projects resulted in:
 - \$20.8 million in private matching funds
 - 17,483 individuals trained
- The Workforce Solutions Fund program funded five projects totaling \$1.2 million, and leveraged \$8.6 million from four postsecondary institutions.
- The Kansas Registered Apprenticeship Program registered 792 new apprentices at an average starting wage of \$13.31 per hour.
- Workforce Center activity via Wagner-Peyser Act
 - Total Participants 61,860
 - Received Workforce Information 59,950
 - Referred to Employment 30,131
- The Jobs for Veterans Grant received \$1.6 million to deliver services to 3,359 veterans, with an employment rate of 73 percent.

Travel & Tourism

11-1

Goal:

- To encourage travel to and within Kansas and help Kansas-based tourism operations improve their ability to generate tourism.

Fiscal Year 2008 highlights:

- Continued to promote and coordinate Jim Richardson's traveling exhibit from *National Geographic* magazine.
- Partnered with Kansas Department of Transportation and Flint Hills Tourism Coalition to implement Phase II signage, which includes the addition of 28 new Flint Hills road signs throughout the region.
- Awarded \$157,564 in Attraction Development Grants to six tourism projects, which resulted in \$248,433 in leveraged funds to complete the projects.
- Facilitated the Flint Hills to be one of the few North America featured destinations in the BBC series "Around the World in 80 Gardens."

Commissions

Athletic Commission

- Certified nearly 1,000 fighters, promoters, referees, judges and ringside doctors. Hosted events around the state.

Kansas Commission on Disability Concerns

- Disability Mentoring Day (DMD) saw more than 750 mentees participating and doubled the number of employers from last year.

Film Commission

- Helped create \$26 million in film production spending

STAR Bond Projects

Mission Gateway Project (Mission, Kansas)

- \$63.1 million in STAR bonds approved June 2008
- \$307 million project
- 70,000 square foot aquarium, movie dinner theater, festival space, hotel approximately 40,000 square feet of retail and entertainment and other mixed-use components.

Wichita River District, Wichita

- \$14.72 million in STAR bonds approved October 2007; \$155.8 million project
- Keeper of the Plains monument platform, waterfalls amphitheater promenade, fountains and interactive water show along with 250,000 square feet of retail and entertainment venues

Summary of LPA audits

For FY 2003-07, Commerce administered more than 37 state and federally funded programs that could be considered economic development, totaling \$121.3 million.

Primary programs utilized for business recruitment, expansion and retention include:

- Investments in Major Projects and Comprehensive Training (IMPACT)
- Kansas Existing Industry Expansion Program (KEIEP)
- Kansas Economic Opportunity Initiatives Fund (KEOIF)
- Kansas Industrial Training Program (KIT)
- Kansas Industrial Retraining Program (KIR)

For the five-year period of 2003-07:

- Through IMPACT, KEIEP, KEOIF, KIT and KIR, the state provided more than \$76 million.
- 25,320 new jobs were created, generating \$3.576 billion in new payroll and \$104 million in new employee withholding taxes.
- 40,564 jobs were retained, generating \$7.67 billion in retained payroll and \$222 million in withholding taxes from retained employees.
- 23,544 new employees were trained, and 38,743 existing employees were retrained.

Summary of LPA audits (continued)

For the five-year period of 2003-07:

- Ag Marketing: State funds of more than \$2 million generated nearly \$5 million for program applicants.
- Attraction Development Grants: State invested nearly \$2.6 million and leveraged nearly \$7.3 million locally. Travel-generated payroll increased from \$881 million to \$931 million, and tax revenues grew 11 percent.
- Community Development Block Grants: More than \$17 million in federal funds resulted in 1,683 jobs created and company and community investment of \$122 million.

Summary of LPA audits (continued)

In 2004, Workforce Development was moved to Commerce from the Department of Labor.

- 300 positions transferred, bringing the total number of Commerce employees to 400.
- Since the transfer, Commerce staff has been reduced by 21% (87 positions), despite the addition of tens of millions of dollars in new programs.

Prior to Migration:

- The workforce system failed to meet minimum federal performance standards.
- State workforce investment board was unable to muster a quorum.

Currently:

- Kansas has met or exceeded all standards the past two years and is poised to do so for a third consecutive year.
- State WIB is an active board that meets quarterly (with multiple subcommittees meeting regularly, too) and has developed a statewide brand (KANSASWORKS).
- Investment in critical-industry training has increased from 48% in FY 2006 to 65% in FY08.
- Investment in non-metro area training has increased from 10% in FY 2006 to 37% in FY08.

Additional Data: Travel & Tourism

Travel & Tourism Division:

- Funding (actual expenditures)

FY 2009	\$5.146 million (<i>budgeted</i>)
FY 2008	\$4.005 million
FY 2007	\$4.365 million
FY 2006	\$4.216 million
FY 2005	\$4.291 million

- Organizational Realignment
- Industry Involvement

Additional Data: Kansas, Inc. Evaluation

1-17

Kansas, Inc. Statutory Evaluation

- “Commerce business assistance programs are achieving their stated mission. Virtually all of its key stakeholders, both inside and outside of Kansas, are positively impressed by Commerce’s programs and staff.”
- “Commerce programs are generally well-run and make accountable, effective use of public dollars. Executives in both the business and site location communities consistently called Commerce staff some of the best, most professional economic development personnel in the country.”
- “In the aggregate, our findings suggest Commerce generally achieve its mission and makes effective use of public dollars. We recommend no major changes in structure, organization or objectives at this time.”

Evaluation of the Kansas Department of Commerce, presented to Kansas, Inc. Board of Directors, November 13, 2007.

Economic Outlook

Aviation

Cessna (12,000 in workforce):

- 500 laid off in December 2008
- 1,000 more layoffs expected in January 2009

Hawker Beechcraft (9,800 in workforce; 7,700 in Wichita):

- 490 laid off in November 2008; perhaps 500 more to be let go

Boeing Wichita (2,400 in workforce):

- 800 expected to be laid off

Cessna and Spirit have made the commitment, and other industry partners have pending projects to build next-generation aircraft in Kansas.

Oklahoma: an engineer hired by an Oklahoma aerospace company is eligible for a \$5,000 tax credit per year for up to five years.

Economic Outlook

61-1

Energy

- Global economic downturn has eroded demand for oil and natural gas.
- Credit crunch will slow capital expenditures by Kansas oil and gas companies.
- Oil prices are down 75%, and natural gas prices are down 50% since July 2008.
- Drilling and completion costs in Kansas are up more than 100% over the past 3 years.
- Kansas oil and gas companies are cutting back on 2009 budgets and drilling plans, even though 2008 production growth was around 8%.
- Many predict low crude prices due to weak global economic outlook, financial market turmoil and the strengthening dollar.

Economic Snapshot

1-20

- Retail sales tax receipts for July-Dec FY09 (at \$863 million) were up nearly \$3 million dollars over the same period last year, an increase of 1.3%.
- Individual income tax receipts (at \$1.276 billion) were up 2.7% over last year. Severance taxes (at \$90 million) were up almost 45% over last year.

BUT:

- Corporate income taxes (at \$148 million) were down almost 23% over last year.
- Use taxes (at \$115 million) were down more than 15% over last year.

Economic Outlook

Business Recruitment:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009 (YTD)</u>
Total Projects	43	34	31
Jobs	6,880	5,905	4,290
New	6,698	4,341	3,643
Retained	182	1,534	647
Capital Investment	\$780 million	\$1,100 million	\$731 million

Business Retention and Expansion

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009 (YTD)</u>
Total Projects	209	228	55
New Jobs	6,772	6,814	881
Average Hourly Wage	\$15.34	\$15.04	XX
Retained Jobs	5,609	4,240	811
Capital Investment	\$1.42 billion	\$1.56 billion	\$105 million

Economic Outlook

Business Recruitment:

<u>Significant projects in FY 2008:</u>	<u>Capital Investment/Jobs</u>
• Abengoa biodiesel plant in Hugoton	\$313 M / 120 new
• U.S. Bank Data Center project in Olathe	\$100 M / 46 new
• Embarq in Overland Park (Pre-merger)	\$96 M / 1,100 retained
• Cessna Aircraft in Wichita	\$200 M / 1,009 new
• Kiewit Engineering in Lenexa	\$32 M / 378 new / 362 retained
• Hill's Pet Food manufacturing in Emporia	\$160 M / 150 new
• Kimberly Clark distribution center in Olathe	\$20 M / 60 new
<u>Significant projects in FY 2009:</u>	<u>Capital Investment/Jobs</u>
• Spirit Aircraft in Wichita	\$300M / 700 new
• Coleman distribution plant in Gardner	\$43 M / 110 retained/80 new
• FlightSafety facility in Wichita	\$148 M / 253 new
• Premiere Global customer service in Lenexa	\$43.5 M / 232 retained / 218 new
• Johnson Controls manufacturing in Wichita	\$11 M / 200 new
• National Bio and Agro-Defense Facility	\$451 M / 300 new

Economic Outlook

Business Recruitment:

Projects on indefinite hold:

- Two financial/credit projects
- Fort Dodge Animal Health's move to the Kansas Bioscience Park in Olathe
- Other projects that had a drop in earnings per share

Trends:

- FY 2008: manufacturing
- FY 2009: office/service sector and manufacturing
- Average wage per hour is up; currently \$25/hour.
- Fewer call center projects now (lower wages, but increase in jobs per project)
- Interest in alternative energy (solar, wind, electric vehicle, etc.); other states using "green" incentives.
- Preference for direct cash assistance over tax credits.

Economic Outlook

1-24

Workforce Development:

Workforce is the single largest and most significant issue facing business.

	<u>Nov. 2007</u>	<u>Nov. 2008</u>
Statewide Unemployment	3.8%	4.8%*
Number of Kansas Counties		
Less than 4%	84	52**
4.0% - 4.9%	17	25
5.0% - 5.9%	3	14
6.0% or greater	1	14

* *The national unemployment rate in December 2008 was 7.2%*

** *44 of the 52 counties with an unemployment rate of less than 4% are west of Geary County*

Economic Outlook

9-2-1

Workforce Development:

- Working to recruit workers to the state; focus on alumni and military families.
- Commerce works with Local Area One-Stops to provide rapid response for layoffs.
- Commerce has received a federal grant to retrain laid-off workers through apprenticeships in manufacturing and wind energy.
- Commerce is working with partners to provide Manufacturing Skills Certificates for entry level workers.
- FY 2009 YTD: 29 Kansas Industrial Training program (KIT) projects and 25 Kansas Industrial Retraining program (KIR) projects, training 3,877 employees.
- Only slightly more than half of the projects are in metro areas.
- 69% of the workers and 87% of the dollars are invested in critical industries — advanced manufacturing/aviation, professional services, bioscience and health care.
- 84% of the trainees and 93% of the funds have been invested in projects paying the state median wage or higher.

Workforce Development Marketing Activities – Come Home Campaign

- Recruit former Kansans home, and others looking for a fresh start.
- Grow current Kansans into the workforce needed for the future
 - Opportunities with Kansas schools (K-12)
 - Technical Schools
 - University Partnerships

HOUSE RESOLUTION NO. _____

By Committee on Commerce and Labor

A RESOLUTION proclaiming February 3, 2009, as Kansas Human Resource Day.

WHEREAS, the human resources profession plays a critical and strategic role in the overall daily operations of an employer and an employer's workforce; and

WHEREAS, the human resources professional assists an employer in recruiting, hiring, training, evaluating and managing an employer's workforce; and

WHEREAS, the human resources professional addresses compliance issues for an employer on federal, state and local laws; and

WHEREAS, many human resources professionals are members of the Kansas state council of the society for human resources management (KS-SHRM) which is affiliated with the national society for human resources management (SHRM), the world's largest professional association devoted to human resources management, and serves 12 Kansas SHRM chapters which serve over 2,000 Kansas members of the SHRM and human resources professionals; and

WHEREAS, KS-SHRM and local SHRM chapter's missions are to serve the needs of human resources professionals by providing the most current and comprehensive resources and advancing the profession by promoting human resources' essential, strategic role; and

WHEREAS, KS-SHRM and local SHRM chapters make available to

employers and human resources professionals in Kansas up-to-date information on pending legislation that may impact a Kansas employer's operations and the Kansas workforce; and

WHEREAS, KS-SHRM and local SHRM chapters, through their members and volunteers, have assisted over the past years in supplying knowledge and resources to state legislators, state committees and state agencies on how to address legislation related to employers or how the impact of legislation affects an employer and the workforce in Kansas; and

WHEREAS, KS-SHRM provides an annual employment law conference in February to educate and inform employers and the human resource professionals in Kansas on recent changes in laws and regulations affecting an employer and the employer's workforce; and

WHEREAS, KS-SHRM provides an annual legislative advocacy initiative in February, "HR on the Hill", at the state capitol to encourage human resource professionals and employers to travel to the state capitol for an education day of legislative meetings and briefings with Kansas state legislators which serves to benefit the state of Kansas: Now, therefore,

Be it resolved by the House of Representatives of the State of Kansas: That we proclaim February 3, 2009, as Kansas Human Resource Day.