

## MINUTES OF THE HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Anthony R. Brown, at 1:35 p.m. on January 13, 2011, in Room 785 of the Docking State Office Building.

All members were present except:

Aaron Jack	Excused
Scott Schwab	Absent
Reynaldo Mesa	Absent

Committee staff present:

Renae Jefferies, Office of the Revisor of Statutes  
Ken Wilke, Office of the Revisor of Statutes  
Reed Holwegner, Kansas Legislative Research Department  
Raney Gilliland, Kansas Legislative Research Department  
Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Others attending:

See attached list.

Due to scheduling conflicts, next week the committee will be meeting on the call of the chairperson.

Chairperson Brown introduced Acting Secretary of Commerce, Pat George.

Pat George shared information about the Department of Commerce (Attachment 1).

He also shared information on two conceptual bills for consideration – the first to abolish Kansas Inc., and the second to reorganize and abolish KTEC. The plan is to move those agency's functions into existing agencies. The bills are currently conceptual only, as they have not been written due to problems with technology. They will be in two different bills and should be available soon.

Vice Chairperson Suellentrop moved, seconded by Representative Osterman, that legislation be introduced that would abolish the Kansas Technology Enterprise Corporation (KTEC) and transfer its responsibilities to other state agencies.

Chairperson Brown asked Revisor's staff if we should actually have a bill written. Ranking Minority Member Slattery had asked if Rule #10 applies to the bill being prepared by the Revisor of Statutes, as the bill will be conceptual. It was determined that rule would apply to amendments only.

Vice Chairperson Suellentrop moved, seconded by Representative Osterman, that legislation be introduced that would abolish Kansas, Inc., and transfer its responsibilities to other state agencies.

Ranking Minority Member Slattery asked if the intention is to keep those same functions under Department of Commerce rather than a different organization structure. Pat George replied those agencies functions will be divided between the Department of Commerce, Board of Regents, and the Governor's Council on Economic Development in an attempt to streamline agencies.

The motions passed on a voice vote.

Pat George said he has an open door policy and his office is southeast across the street on the first floor of the Curtis Building. The Department's primary mission and function is to deal with all things business related. He hopes it will become friendlier to business, providing tools to existing as well as new companies considering Kansas as a home base. In the past the tendency had been to focus on bringing in new business and sometimes forgetting existing businesses. We want to make sure existing businesses feel welcome and we will work to help them prosper. Prosperous business means a prosperous state.

We are poised to lead out of this depression we have been in. Many businesses are looking at Kansas to relocate as we are not in as bad shape as other states, and have human capital and work ethic second to

## CONTINUATION SHEET

The minutes of Commerce & Economic Development Committee at 10:30 a.m. on January 13, 2011, in Room 785 of the Docking State Office Building.

none.

Chairperson Brown wasn't aware if workforce development will be coming to our committee, but would not be opposed to holding hearings on the topic if it would be of benefit.

Pat George is looking at that and all the dollars coming through Commerce. As much as Commerce can the department will provide resources to create a ready workforce.

Representative Finney inquired about trade development assistance opportunities.

Pat George said there is a lot of opportunity with the trade division we have, and discussion on better uses of this resource have been ongoing. Several of the entities have some interesting ideas on trade that could mean thousands of jobs to Kansas.

Representative Peck had a question in reference to Page 2 of Pat George's handout, boxes 9, 10 & 11 which dealt with Kansas's ranking. He asked if the other states in the top 10 were the same type, or were they all over the board.

Pat George said he couldn't speak to this, but would be glad to find out.

Representative Peck said he would find that interesting and informative. It would be helpful to know if several states are ranking in the top ten consistently or we just happen to be there, or maybe some of these entities who did the studies liked our government leaders, or what. He wants Kansas to be number one in all categories.

Chairperson Brown asked how many FTEs are involved with KTEC and Kansas, Inc.

Pat George said he is getting a briefing on those numbers Tuesday.

Chairperson Brown asked him to explain Rural Opportunity Zones.

Pat George said this bill will come before the Taxation Committee, and it is exciting as it applies to Commerce as well. The Governor has a soft spot for rural Kansas. Kansas has 40 counties that have experienced a double digit decline in population in last 10 years. This would be a pilot program. The goal is to entice people to move to these 40 counties by offering a Kansas income tax free period for the first five years after a person moves here from out of state. It will be an opt in for each individual county, should your county choose not to participate.

The second piece is forgiving student loans at a rate of 20% per year for five years. Individual counties will provide matches up to 50% . Community foundations may volunteer to be part of this loan forgiveness program. If a graduate has \$50,000 worth of student loans, then up to 20% per year could be forgiven, and the state will match half of whatever the county puts in. It is a broad program, and they are working on specific legislation.

Chairperson Brown asked regarding the match, the income part of it, does the person have to be from that county and move out of it and move back in?

Pat George said they must move in from out of state. They are trying to come up with some way to stop the decline in these counties that would prove to be a win for us, and if we got lucky and had enough people moving back in to increase population, that would be a win too.

Chairperson Brown asked him to explain the student loans, obviously state universities and regent schools would be included.

Pat George said this is a work in progress as to whether they include technical and community colleges. It is not limited to just public institutions. He is not sure if they will do technical schools and community colleges.

## CONTINUATION SHEET

The minutes of Commerce & Economic Development Committee at 10:30 a.m. on January 13, 2011, in Room 785 of the Docking State Office Building.

Chairperson Brown said he is interested in early graduation; he asked if out-of-state graduates wanting to move to western Kansas could have their loans forgiven as well.

Pat George said we don't care where you went to college, if you are willing to move to Greeley County, Kansas, we will try to create incentives for you to do that.

Vice Chairperson Suellentrop asked if Pat George could determine the top reasons why migration is an issue now. If we can pinpoint why they left it would help us make a determination as to the effectiveness of these types of programs.

Pat George said Commerce has research studies on these issues. The first criteria for the new administration is to create an environment where we can grow jobs. Commerce is looking at regionalizing how we operate. There are models out there that show regionalization works. Europe is 20 years ahead of what we are contemplating here. The competition is outside the borders of our country. We must take advantage of the assets we have, avoid turf battles and help each other out. Anyone new in the state will help those around them. Commerce will become more of a regional asset, creating an environment to help businesses will create jobs. People will move here for jobs. Farms have done well, but they have become so efficient that what took 50 people to farm 20,000 acres, now takes three people. Some counties will never gain population. Kansas should work together as regions.

Representative Frownfelter asked about the housing problem. Part of the reason people move into an area is affordable housing. It is the chicken and the egg, which comes first situation. It is a great idea but we need to make sure affordable housing is available.

Chairperson Brown referred to a meeting the day before dealing with decentralizing state government. He would like to see the Department of Commerce take a look at anything that can be decentralized into areas where unemployment is very high.

Pat George said this fits into regionalization. In the field you might have small business owners that could double employees if they had time and someone to talk to and guide them through the process. If the state can become more of a presence in the regions, we could do it on county and city levels.

Regarding student loan forgiveness, Pat George said there would be a \$1.5 million limit on the program. Each individual could be allowed 20% per year, if they move in for at least five years. If after 3 years they decide to leave taking it back doesn't seem right. An example would be on a \$50,000 loan, the first year the state pays \$5,000 and the community pays \$5,000. This would continue each year for up to five years.

Chairperson Brown introduced the Acting Secretary of Revenue, Nick Jordan.

Nick Jordan provided no written testimony and had no bills he was interested in having introduced at this time. It is not very often you cabinet members appear before committees, but he hopes to be here quite often. They will meet regularly to talk about plans for economic growth, performance metrics, and these numbers will come to committee. The data will not be overlapping and the Governor is holding his feet to the fire. There are five performance measures. His cabinet will fulfill those promises to the voters of Kansas. He appreciates the time and wanted to come in and show his solidarity. Last night the Governor said he would like to look at a comprehensive tax policy that will be favorable to business. The Governor charged committees to join in that discussion and move in that direction where we will have a great tax environment.

Representative Slattery inquired regarding the income tax break, do you have to work in the county or just live in the county?

Pat George said you must just live in the county. The new residents will hopefully build new businesses in the counties also.

Representative Peck asked about total tax restructuring and economic development as it applies to destination sourcing and streamlined sales tax. Is it something the Department of Revenue has a position

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on yet?

Nick Jordan said there is no position yet, but Taxation Committee may have something happen as they are open to discussion. It is law and we will do what we need to do to comply with Kansas law.

Representative Peck said this issue has been ongoing for years, some businesses comply and some ignore it. Thus far there is no enforcement for those who ignore it.

Chairperson Brown said he is excited about the Rural Opportunity Zones (ROZ). He asked if it will be a burden to add full time employees (FTE) to track information to develop this program.

Nick George said they should be able to track it through tax returns. It shouldn't be complicated but will be an area of discussion.

Chairperson Brown said how this may apply to the military members bothers him. Some soldiers serving at bases other than in the United States still consider this their home state. Would that cause them problems if that county is their legal residence, even though they haven't been in the state for several years.

Nick Jordan said they had looked at this several ways and decided on this program.

Chairperson Brown was also excited about business expensing. This may help all businesses with capital investment.

Nick Jordan said most tax credit programs benefit only a few companies to make capital investments, but there are 20,000 businesses in Kansas. Most of these programs target the large businesses. Expensing equipment purchases will benefit all businesses.

Chairperson Brown asked if there will be some tax implications on property taxes.

Nick Jordan said he didn't think so. There will be somewhat of a hit on a fiscal note, but the Department of Revenue is taking care of it with sales tax revenue.

Chairperson Brown asked about the fiscal cost of expensing.

Nick Jordan estimated it could cost between \$39 to \$55 million. The administration will be recommending the elimination of \$97 million in tax credits.

Chairperson Brown announced Friday the House would not be in session due to proforma. Monday is a holiday, and Tuesday through Thursday will be meeting on call of the chair.

Chairperson Brown adjourned the meeting at 2:30pm.



# HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

1:30pm,  
Room 785, Docking State Office Building

## GUEST LIST

DATE: January 13, 2010

NAME	REPRESENTING
Colin Curtis	Sandstone Group
Vent Echos	KS Chamber
Melissa Ward	Hein Law Firm
ERIK SARTORIUS	City of Overland Park
Carol Cost	Div of Worker Comp DOL
Daniel Munzer	" "
Seth Valerius, Director	" "
Jennifer Bruning	OP Chamber
Joe Mosimann	PMCA of KS
Ron Seeben	KG FA
SEAN MILLER	CAPITOL STRATEGIES
TED HENRY	"
Eric Stafford	Kansas Chamber
Peter Northcott	Office of the Governor
Jim [Signature]	Federico Consulting
Kevin Carr	Kansas Technology Corp
MICHELLE WEICKER	KTEC
Sta [Signature]	Kansas [Signature]





## Fiscal Year 2011 YTD Update

House Commerce and Economic  
Development Committee

By Pat George, Acting Secretary  
January 13, 2011

## Divisions

Business Development  
Rural Development  
Trade Development  
Travel & Tourism  
Workforce Services

2

## Target Industries

The Department works to grow all sectors of the economy, with a focus on the following:

- Advanced Manufacturing (aviation, etc.)
- Value-added Agriculture
- Bioscience (animal science, pharmaceuticals, etc.)
- Energy (traditional and renewable sources)
- Professional Services (banking, engineering, etc.)

3

## Business Development Division

### 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:

- Financial incentives such as tax credits and loans
- Site location consultation and cost-benefit analysis
- Assistance in working with State regulatory agencies and community organizations

4

## Business Development Division

FY2010 recruitment results:

	<u>FY10</u>	<u>FY09</u>
- Projects opened:	178	185
- Successes:	68	42
- Jobs created:	13,870	9,100
- Jobs retained:	1,218	3,546
- Average salary:	\$52,000	\$60,320
- Payroll:	\$721M	\$550M
- Capital Investment:	\$838M	\$900M

5

## Business Development Division

FY2010 recruitment highlights:

- **Cerner**, Kansas City (4,500 jobs, \$170M)
- **General Motors**, Kansas City (1,000 jobs, \$88M)
- **U.S. Bank**, Overland Park (1,100 jobs, \$21M)
- **J.P. Morgan**, Overland Park (650 jobs, \$30M)
- **Regent Asset Mgmt.**, Overland Park (1,250 jobs, \$2M)
- **Tindall**, Newton (400 jobs, \$66M)
- **Redbarn Pet Products**, Great Bend (200 jobs, \$2M)
- **Allen Foods**, Topeka (50 jobs, \$30M)
- **Jupiter Group**, Junction City (169 jobs, \$3.2M)

6

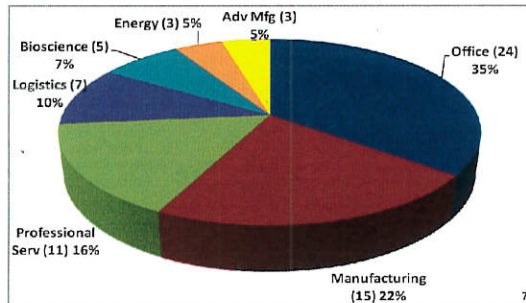
HOUSE COMMERCE & ECONOMIC  
DEVELOPMENT

DATE: 1/13/11

ATTACHMENT: 1-1

## Business Development Division

FY2010 recruitment results by type:



## Business Development Division

FY2010 retention/expansion results:

	FY10	FY09
– Projects opened:	150	155
– Successes:	42	84
– Jobs created:	5,584	3,548
– Jobs retained:	1,887	3,921
– Average salary:	\$39,880	\$30,742
– Payroll:	\$222.7M	\$117.6M
– Capital Investment:	\$471.3M	\$1B

## Business Development Division

FY2010 media accolades and ranks:

- Kansas ranked **Top 10** in eight of 20 categories in *Business Facilities* 2010 Rankings Report, our best-ever finish.

**Business Facilities**  
THE LOCATION ADVISOR

- Kansas was ranked **No. 3** in *Southern Business & Development's* "Top Deals and Hot Markets" report, the state's best-ever finish and our second straight Top 5 ranking.

**SOUTHERN**  
BUSINESS & DEVELOPMENT

## Business Development Division

FY2010 media accolades and rankings:

- Kansas was ranked the **No. 7** most pro-business state in the Pollina "Top 10 Pro-Business States" report for the second straight year. It was our third straight Top 10 finish.

**Pollina Corporate**

- Kansas was ranked **No. 11** in CNBC's annual "America's Top States for Business" report for the second time in three years.

**CNBC**

## Business Development Division

- *Area Development* magazine named Kansas the **Silver Shovel Award** winner for excellence in job creation and capital investment. This was our fourth Silver Shovel in five years.

**AREADEVELOPMENT**  
ONLINE

- *Site Selection* magazine named Kansas one of the nation's **Top 10** most competitive states for capital investment and facility development. This was our second straight Top 10 finish.

**SITE**  
Selection

## Business Development Division

FY2011 YTD recruitment results:

- 7,331 jobs
- \$153M in capital investment

FY2011 YTD recruitment highlights:

- Key Bank (600 jobs, \$10M)
- Draka (25 jobs, \$1M)
- Plastikon (126 jobs, \$7.3M)
- Bombardier Learjet (300 jobs, \$600M)

HOUSE COMMERCE & ECONOMIC  
DEVELOPMENT  
DATE: 1/13/11  
ATTACHMENT: 1-2



### **Business Development Division**

FY2011 YTD retention/expansion results:

- 732 jobs
- \$227M in capital investment

FY2011 YTD retention/expansion highlights:

- Zeolyst International (33 jobs, \$83M)
- KOCH-Glitch, LP (40 jobs, \$8.1M)
- Snow Hill Rock Co. (27 jobs, \$15M)
- Philips Lighting Company (10 jobs, \$1.3M)
- WAFFLE-CRETE International (100 jobs, \$2M)

13

### **Rural Development Division**

Goal:

- To elevate the focus on rural development and encourage collaboration among rural groups.

Sub-Divisions:

- Agriculture Marketing
- Community Development
- Office of Rural Opportunity

Programs and services:

- Simply Kansas
- Value Added Loan
- CDBG
- Agritourism development
- Main Street
- Tax credits

14

### **Rural Development Division**

FY2011 YTD highlights:

- Continue to advance Connect Kansas, a Recovery Act-funded initiative to increase broadband Internet adoption statewide.
- Conducted two mission trips to Russia to promote the sale of Kansas animal genetics.
- Helped Royal Farms Dairy of Garden City present a virtual farm tour at the World Dairy Expo.
- Hosted agritourism workshops statewide.
- Attended the Kansas State Fair to promote Kansas ag producers.

15

### **Rural Development Division**

FY2011 YTD highlights:

- Continuing partnerships with the 25 communities in our Kansas Main Street Program, which saw a significant increase in projects between Fiscal Year 2009 and 2010.

16

### **Trade Development Division**

Goal:

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

Programs and services:

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

17

### **Trade Development Division**

FY2011 YTD highlights:

- Arranged for Governor Parkinson to meet with key aviation executives at the Farnborough Air Show in England in July.
- Attended HUSUM WindEnergy 2010, Europe's largest wind energy trade show, next month. Staff will also visit key companies in Denmark and attend a global wind supply chain conference in Germany.

18

### Trade Development Division

#### FY2011 YTD highlights:

- Organized an October animal health mission to China, enabling eight Kansas companies to exhibit at the first national convention of the Chinese Veterinary Association in Beijing.
- Working with KSU in their bid to establish a China-U.S. Animal Health Center facility in Kansas.

19

### Travel & Tourism Division

#### Goal:

- To increase tourism expenditures in Kansas

#### Programs and services:

- Marketing
- Product development
- Research
- Industry outreach and education

20

### Travel & Tourism Division

#### FY2011 YTD highlights:

- Led fall hunting travel campaign with print ads, e-blasts, website revisions and partnership with Ks. Sport Hunting Association
- Expanded digital marketing to highly targeted leisure travel market deploying 10 e-blasts to 226,137 consumers
- Assisting Flint Hills Tourism Coalition in efforts to develop network of Equestrian Trails
- Launched Scenic Byway marketing campaign and secured grant funding to expand future digital marketing

21

### Travel & Tourism Division

#### FY2011 YTD highlights:

- Fulfilled 26,400 Visitor Inquiry packets FY '11 YTD – an increase of 3% over FY '10
- Generated 155,000 unique website visitors since July 1.
- Completed Tourism Satellite Account for 2009
  - Kansas attracted 30.2 million person stays
  - Tourism injected \$7.2 billion in economy
  - Tourism is 3<sup>rd</sup> largest private sector employer in Ks, with 125,000 direct FTE jobs
  - Every 203 visitors/travelers create a new job in Ks.
  - Tourism generated 27.4% of all state & local tax revenue
  - Out of state visitation grew from 50% to 56% of total

22

### Workforce Development Division

#### Goal:

- To link businesses, job seekers and educational institutions to ensure a pool of skilled Kansas labor

#### Programs and services:

- KIT, KIR and IMPACT programs
- Workforce Centers
- KANSASWORKS.com
- Registered Apprenticeship
- Trade Adjustment Assistance and Rapid Response

23

### Workforce Development Division

#### FY2011 YTD highlights:

- Collaborated with key industry and agency partners to secure an additional \$26 million in funding to support job growth and training, such as:
  - Green-related training
  - Health professionals training
  - Employment opportunities for hard to serve ex-offenders, veterans, and those with disabilities.
- Recognized nationally as a top 10 state for workforce services by business developers and site locators for the first time ever – ranked number 3.

24

## **Workforce Development Division**

FY2011 YTD highlights:

- Partnered with the Kansas Departments of Labor, Education, Corrections and the Board of Regents to integrate web services to better serve users.
- Fully implemented video conferencing throughout the workforce system to better serve customers and saved nearly \$270,000 in travel costs over the past year.
- Partnered with the Kansas Board of Regents to increase the awareness of business and industry-focused training, credentials and certifications.

25

