

MINUTES

JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

November 6-7, 2007
Room 526-S—Statehouse

Members Present

Representative Lana Gordon, Chairperson
Senator Nick Jordan, Vice-Chairperson
Senator Jim Barone
Senator Karin Brownlee
Senator Laura Kelly
Representative Barbara Craft
Representative Don Hill
Representative Terrie Huntington
Representative Don Myers
Representative Annie Tietze
Representative Jerry Williams
Representative Valdenia Winn

Member Absent

Senator David Wysong

Staff Present

Kathie Sparks, Kansas Legislative Research Department
Reed Holwegner, Kansas Legislative Research Department
Jason Long, Revisor of Statutes Office
Duston Slinkard, Revisor of Statutes Office
Ann Deitcher, Committee Secretary

Conferees

Stan Ahlerich, President, Kansas, Inc.
Dick Carter, Kansas Tourism Initiative
David Kerr, Secretary, Kansas Department of Commerce
Caleb Asher, Senior Communications Manager, Kansas Department of Commerce
Roger Werholtz, Secretary, Kansas Department of Corrections
Rae Anne Davis, Deputy Director, Kansas Department of Commerce

Jan Katterhenry, Chief Finance Officer and Chief Operating Officer, Kansas Bioscience Authority
Llewellyn Crain, Executive Director, Kansas Arts Commission
Dr. Art Hall, University of Kansas

Tuesday, November 6, 2007
Morning Session

The meeting was called to order by Chairperson Lana Gordon.

Stan Ahlerich began his testimony by telling the Committee how in the past year, Kansas, Inc. had been involved in facilitating the statewide Economic Development Strategic Plan (Attachment 1). He said that throughout all their statewide meetings, travel and tourism, branding, marketing, and how they portray themselves, came forward during the discussions.

Kansas, Inc. wants to focus tourism initiatives through an aggressive marketing/branding plan based on both tourism and business input; devise a dedicated funding stream to assist in developing tourism initiatives on a statewide basis through the collaboration of the state, associations, and private industry organizations; and create an entity with a public/private partnership to brand the State of Kansas. The entity would develop and execute targeted, proactive marketing and sales strategies that position Kansas for aggressive competition in business investment, expansion opportunities, and potential tourism opportunities, with appropriate balance and effective segmentation of the specific targets.

Appearing next before the Committee was Dick Carter, who explained why Kansas Tourism Initiative (KTI) was created (Attachment 2). He said that the KTI Task Force secured the professional services of PricewaterhouseCoopers to research the competitive position of Kansas in the tourism marketplace.

Findings included:

- Kansas is ranked 44th in 2006-07 projected state tourism office budgets, less than 50 percent of other heartland states;
- Kansas is ranked 48th in 2006-07 projected marketing and promotions budgets;
- The budget has not grown relative to inflation; and
- Therefore, not only is Kansas tourism significantly underfunded in a highly competitive environment, but also the “effective purchasing power” has been LESS in seven of the past nine years than it was in 1998!

PricewaterhouseCoopers provided the KTI with an estimated return on investment resulting from a more competitive tourism budget. Based on an overall budget of \$15 million (with \$6 million allocated specifically to marketing) Kansas can expect to see an additional \$260 million in visitor spending, resulting in:

- Total Economic Value \$200 million;
- Total Wages & Salaries \$125 million;
- State & Local Taxes \$ 33 million; and
- Total State Employment 6,000.

The KTI has identified the organizational structure that can carry Kansas tourism to a competitive level. This structure is recommended because of its ability to react efficiently and professionally in a highly competitive tourism marketplace. This organization is VISIT KANSAS, a semi-independent authority.

Mr. Carter also distributed written testimony of Scott Nichols, CEO, Grant County Chamber of Commerce; Sylvia Rice, Director, Visit Salina; and John Rolfe, President/CEO, Greater Wichita Convention and Visitors Bureau (Attachments 3, 4, 5, and 6).

Hard copies of a PowerPoint presentation on VISIT KANSAS - Taking Tourism to a Higher Level were distributed (Attachment 7).

Addressing the Committee next was Richard Forester, who offered statistics saying there are 6,400 people employed in the tourism industry in Kansas alone, with a payroll of \$22 million. He said that worldwide, one in seven people is employed by the industry (Attachment 8).

Senator Barone pointed out a discrepancy in the pay that is quoted in the written testimony, saying that would make the majority of those workers earning less than \$4,000 annually.

Mr. Forester said that the problem with those figures was probably a misplaced decimal point and he would look into it.

Next to appear was Gerald Cook, who spoke of the elements that were vital to the success of any organization (Attachment 9). They were aligning and maximizing team strategies; implementing efficiencies to maximize marketing/promotional strategies; alignment/sustainability of product development and grants; and utilizing the tools of research to crystallize outcomes of professional development.

Mr. Cook said that KTI includes elements that have the potential to assist participants of travel and tourism to perfect their practices, which can raise the level of economic impact for us all and, at the same time, provide unforgettable experiences for travelers to our state.

A copy of written only testimony from Marci Penner, Director of Kansas Sampler Foundation was distributed (Attachment 10).

Karen Hibbard spoke to the Committee regarding how her organization, The Flint Hills Tourism Coalition, relates to the Kansas Tourism Initiative (Attachment 11).

She said that in the Fall of 2004, with full support of the Governor, the Kansas Department of Commerce Travel and Tourism Division contracted with FERMATA, to provide a strategic assessment of tourism opportunities within the Flint Hills. The recommendations received broad based support early on from the Governor and her administration. As a result, in the fall of 2005, the Coalition was charged with the responsibility to effectively and responsibly pursue the development of the Flint Hills as a tourism destination.

The Committee recessed the meeting until 1:30 p.m.

Afternoon Session

A motion was made by Representative Williams and seconded by Senator Jordan that the minutes of the meetings of October 16 and 22, 2007 be approved. The motion carried on a voice vote.

Dave Kerr spoke to the Committee regarding the vision of the Kansas Department of Commerce for Kansas' travel and tourism initiatives and its marketing plan. He spoke of the magazine, as well as the statistical information regarding revenues generated from travel and tourism in Kansas. Mr. Kerr offered no written testimony.

Questions and answers followed.

Becky Blake, of The Division of Travel and Tourism, offered a power point presentation (Attachment 12). It pointed out that the key priorities of 2007 were marketing, product development, education/communication, and research.

Ads had been taken out in *Midwest Living*, and *AARP* magazines, newspapers in Denver, Des Moines, Oklahoma City, Omaha and Tulsa and inserts in *Midwest Vacation Guide*, *Madden Pre-Print*, and *USA Weekend*.

Saying TV works, Ms. Blake told of the early summer TV ads running five weeks, with a household reach of 1.3 million in Kansas City, Oklahoma City, Omaha, and Des Moines and a three-week flight of ads in August that ran in Omaha, Lincoln, Oklahoma City, and Tulsa.

The Chairperson referred to the copy of recommendations for enhancement of High Performance Incentive Program (HPIP) tax credits and Investments in Major Projects and Comprehensive Training (IMPACT) (Attachment 13).

Next to address the Committee was Lyle Butler, who spoke of retirement for the "Baby Boomers" and how it will be different than it was for their parents and grandparents (Attachment 14). He said that boomer retirees were looking for high-quality health care, interesting cities, quality of life, and affordability.

Fred Brock spoke to the Committee regarding the newspaper article he had written telling of the advantages of retiring in small college towns (Attachment 15).

Surveys by AARP and others have shown that today's retirees are much more willing to move to a new place late in life than their parents were. Because of their desire to keep working, if part time and on their own terms, boomers also are attracted to areas with an above-average standard of living and better health and medical care, which college towns generally have. He pointed out that one of the things that is appealing to senior citizens about the State of Mississippi is there are no taxes on Social Security and retirement in that state.

Gayle Doll spoke of the differences in the generation of Americans called the "baby boomers" (persons born between 1946-1964), saying there are enough of them to have an impact (Attachment 16).

She said they are more likely than previous generations to move during retirement. To increase the number of retirees moving to Kansas, communities will need to consider social, health, educational, and entertainment options that appeal to this group.

Roger Werholtz spoke to the Committee regarding the housing initiatives that he felt would benefit the state by offering a solution to the affordable housing problem in the state. For some time, inmates at the various penal institutions in the state have been responsible for the construction of cabins to be placed in state parks. Mr. Werholtz said that he felt that with the state's need for additional affordable housing, these inmates could be utilized to provide this. Asked where these inmates were receiving their training in construction, he said that various construction companies had taken on this initiative. He also said that they would be chosen from the low-risk portion of the prisons and the responsibility of providing security could be that of the construction companies or the state. He pointed out that a 2,800 square-foot, three-bedroom house could be built for \$47,000, which would leave the cost of the land, foundation, and power hook-up to the buyer. No written testimony was provided by Mr. Werholtz.

Rae Anne Davis offered a brief follow-up on workforce development ([Attachment 17](#)).

Testifying next was Janice Katterhenry, who offered a follow up on the testimony previously given by Tom Thornton, President and CEO, Kansas Bioscience Authority (KBA) ([Attachment 18](#)).

Ms. Katterhenry provided details on three subjects that the Committee had requested: Ventria, Prescription Solutions, and legal fees related to the Kansas Bioscience Park and the K-State Olathe Innovation Campus. She said that Ventria is a plant-made pharmaceutical and plant-made industrial products company that has chosen to locate its nursery, greenhouse, field production, and bioprocessing operations in Junction City. The company is growing genetically modified rice that can be processed into pharmaceuticals, medical food ingredients, and bioprocessing ingredients.

In 2005, the KBA board approved for Prescription Solutions a \$150,000 research voucher to fund robotic or pharmaceutical research if the company decided to locate in Kansas and bring significant numbers of jobs. To date, they have not submitted a request for funds and no payments have been made related to the research voucher. On October 9, 2007, the KBA sent a letter to the President of Prescription Solutions, asking for confirmation that the company does not intend to conclude an agreement with the KBA to move forward with the voucher. The company has not replied to that letter and we plan to close the file on this at the end of the week.

The Committee had asked for additional information regarding the legal fees associated with the Kansas Bioscience Park and K-State Olathe Innovation Campus project that were paid to Stinson Morrison Hecker and Polsinelli Shalton Flanigan Suelthaus.

Ms. Katterhenry said the firm has devoted significant expertise to the project. The initial task was reviewing the draft development agreement and development services agreement to ensure the KBA's interests were adequately represented and that the KBA would not be exposed to significant legal and financial risk. The KBA feels that it has been beneficial and efficient for the KBA to have a firm with the experience and human resources to understand the legal, real estate, engineering, architectural and governmental affairs aspects of this deal, thereby protecting the state.

Additional written-only testimony was provided from Tom Thornton ([Attachments 19 and 20](#)).

**Wednesday, November 7, 2007
Morning Session**

The Chairperson introduced Llewellyn Crain, who offered an overview of the Kansas Arts Commission ([Attachment 21](#) and [22](#)). Ms. Crain spoke of the economic impact of the arts in Kansas, offering the findings of a recently completed study of Kansas communities. A summary of these findings were:

- In Salina, Kansas (population 45,676) in 2005 - nonprofit arts generated over \$23.7 million. The nonprofit arts support 815 full-time jobs.
- In Wichita, Kansas (population 354,865) in 2005 - nonprofit arts generated over \$49.1 million in local economic activity. The nonprofit arts support 814 full-time jobs.
- In Lawrence, Kansas - nonprofit arts generated \$33.5 million in local economic activity.
- In the Kansas City Metropolitan Area - including Johnson and Wyandotte Counties - nonprofit arts generated \$279.3 million in local economic activity.
- The nonprofit arts in the greater Kansas City area supports 4,516 full-time jobs generating \$85,163,000 in household income, and delivers \$8.2 million in local and state government revenue.

Ms. Crain said that as a member of the Arts Tourism Initiative, she applauds what KTI is doing to bring industry partners together to create a unified approach to Kansas tourism and believes the arts community and, consequently, Kansas communities, will benefit.

Dr. Hall addressed the Committee regarding the business and job dynamics in Kansas ([Attachment 23](#)). He told the Committee that K-12 education was the largest single employer in the state, with colleges and universities being the fourth largest.

Giving a preview of forthcoming research, Dr. Hall offered :

- Table 1: A breakdown of jobs by major sector, 1992-1994;
- Table 2: A breakdown of job changes dynamics, 1992-1994;
- Table 3: Top-5 Sectors by Job Count (3-Digit SIC Code), Select Counties;
- Table 4: Top-5 Sectors by Job Growth (3-Digit SIC Code), Select Counties;
- Table 5: Top-5 For-Profit Sectors (3-Digit Code) by Total Productivity, Select Counties;
- Table 6: Top-5 For-Profit Sectors (3-Digit SIC Code) by Productivity Growth, Select Counties
- Table 7: Size Distribution of For-Profit Establishments, Select Counties; and
- Table 8: Manufacturing Entry and Exit Statistics by Population Density and Select Counties.

Questions and answers followed.

In answer to the question of what the health of the Kansas economy is, Dr. Hall said that two thirds of all income is in Johnson and Sedgewick counties. The Missouri counties south of Kansas

City are some of the fastest growing in the nation. This aids the economy of those Kansas counties nearby.

Cities such as Hays and Ellis are in the top 76 percent in jobs and income, showing that density matters. Salina is “chugging along,” while south of there, the growing is not too great. Johnson County is at the top of the list of fastest growing counties in the U.S.

Dr. Hall’s response to Senator Barone’s question of how he can say the economy is good when there have been nearly a quarter of a million jobs lost since 2000, was that it was good in job growth and not in income growth.

The Chairperson called on the Committee for a discussion on conclusions and recommendations.

Referring to a copy of the Topics Assigned to the Joint Committee by the LCC, Representative Huntington spoke in regard to the following.

Workforce Recruitment Issues

She said that she felt a letter should be written to the Department of Commerce regarding the need for money to be directed to the needs of those citizens 55 years of age and older – money that would provide for marketing and job training.

Senator Brownlee said that there was federal money available but data was needed to prove a true need. It must be established at the federal level. The procedure would be to ask the State Department of Commerce to write a letter to the federal agency to address these needs. She added that there is a group who wants to return to the workforce, but there is a void in the training they need.

The Chairperson pointed out that this service was already available to the younger population.

Senator Jordan said that he felt a need for a Committee meeting in December 2007 to address the various issues that have arisen during the meetings of the past day and a half. He felt there was an absence of information from the Department of Commerce clarifying regional foundation funding.

A motion was made by Senator Jordan and seconded by Senator Brownlee to promote a Senate bill to clarify funding for regional foundation funding for start up companies in rural and depressed areas. The motion passed on a voice vote.

Refundable Tax Credits

Feeling there was a difference of opinion between the Department of Revenue and the Department of Congress, the Committee decided that these agencies would be invited to the next meeting.

Housing Incentives

It was moved by Senator Brownlee and seconded by Senator Barone that legislation be introduced establishing a statewide housing authority which would cover all of Kansas for financing and low-interest loans. This would be based on a bill previously offered. Regarding how much revenue this would generate, it was decided that this could be addressed once the bill is introduced. The motion was passed on a voice vote.

Senator Brownlee asked that a corrections facility housing bill be addressed, saying that if the cabins being built for Wild Life and Parks were put on hold, there would be an opportunity for the manufacturing instead of affordable housing.

A motion was made by Representative Tietze and seconded by Representative Winn to introduce such a bill. The motion passed on a voice vote.

A motion was made by Senator Kelly and seconded by Representative Gordon that a bill be introduced that would reinstate extra points for in-state builders. Senator Barone asked that this motion be tabled until addition information could be obtained regarding it. The original motion was rescinded. Kathie Sparks said that she would contact KDFa to provide this information.

Senator Jordan made the motion that legislation be introduced that would have KTI set up an authority for Kansas Tourism Initiative to set up a funding stream. The motion was seconded by Senator Brownlee and passed on a voice vote.

A motion was made by Senator Jordan and seconded by Representative Craft that a Standing Joint Committee on House Economic Development be formed to review the uniformity and enforcement of a transient guest and use tax. The motion passed on a voice vote.

A motion was made by Representative Gordon and seconded by Senator Kelly that a legislative oversight committee be formed for the BioScience Authority.

Senator Jordan said that he believed this to be unnecessary, since there is already complete openness there. He also pointed out that there were already members of the Legislature serving on their board. Representative Huntington said she thought the oversight committee would be a good idea, since she knew this would be welcomed by the Kansas Bioscience Authority. Senator Kelly agreed with this. The motion passed on a voice vote.

Senator Brownlee moved and Senator Kelly seconded the motion that official action be taken that would insure that the Department of Labor establish in rules and regulations a date by which unemployed workers must register. The motion passed on a voice vote.

The Committee agreed to request from the Legislative Coordinating Council an additional meeting day to complete conclusions and recommendations for the final report after hearing from Kansas, Inc. concerning the strategic plan the agency is preparing for the state.

The meeting was adjourned at 12:25 p.m. The next meeting of the Joint Committee on Economic Development will be on Wednesday, December 12, 2007.

Submitted by Ann Deitcher
Edited by Kathie Sparks

Approved by Committee on:

December 12, 2007

(Date)