

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on January 31, 2008 in Room 519-S of the Capitol.

All members were present except:

Owen Donohoe- excused
Mark Treaster- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Ryan Hoffman, Kansas Legislative Research Department
Jason Long, Office of the Revisor of Statutes
Matt Todd, Office of the Revisor of Statutes
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Dave Kerr, Secretary of Dept. of Commerce

The Chair introduced Secretary Dave Kerr who gave a briefing on the Development of Agriculture Marketing, Business, Community and Trade. (Attachment 1).

He also spoke of their Workforce and Marketing Services, Information Technology Management, Travel and Tourism and Operations and spoke of the mission of their agency for each.

Regarding the STAR Bonds Projects he explained what was involved in their development as well as the project cost for each of them.

Steve Kelly and Rae Ann Davis, both of the Commerce Department were in attendance to assist in answering any questions of the Committee.

The Secretary spoke of Investment in Major Projects and Comprehensive Training (IMPACT) saying it was created to respond to the training and capital requirements of major business expansions but could also be used to address job retention and retraining projects provided certain statutory requirements are met.

Secretary Kerr explained the Tax Incentive Package Objectives:

1. Establish a Selectively Applied Tax Credit Cash Refund Program;
2. Establish the Creation of Opportunity Zones;
3. Replace Existing Tax Credit Programs with Streamlined Investment Tax Credit and Job Creation Credit Plans, and
4. Simplify Qualified Investment Calculation for Investment-Based Credits.

A written copy on of Kansas Bioscience Authority's outcomes report from January 21, 2008 was distributed. (Attachment 2).

The meeting was adjourned ab 5:00 pm. The next meeting is scheduled for Monday, February 4, 2008.

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

COMMERCE DEPARTMENT
**HOUSE ECONOMIC
DEVELOPMENT COMMITTEE
BRIEFING**

JANUARY 31, 2008

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House Economic Development Committee Briefing
STAR Bonds Projects

Wichita Water Walk

- Redevelopment and revitalization of public space on the banks of the Arkansas River
 - Keeper of the Plains platform
 - Pedestrian walkways
 - Amphitheater promenade,
 - Fountains, waterfalls, and interactive water show.
- Total project cost: approximately \$155 million.
- Approved STAR bond funding: \$14.7 million.
- Project Impact:
 - 800,000 to one million new visitors annually
 - Over 1,250 full time jobs
 - Generate \$78 million in annual retail sales.
- The city anticipates issuing STAR bonds this spring.

House Economic Development Committee Briefing
STAR Bonds Projects

Flint Hills Discovery Center in Manhattan

- 30,000 square foot Discovery Center/Museum, hotel conference center, theater, restaurants, and park area.
- Project is divided into a North End and South End with STAR bonds used only in the South End.
- Total project cost (Star Bonds portion): \$108 million.
- STAR bond funding: \$50 million.
- Economic impact:
 - \$160 million in capital investment,
 - over 1,200 construction jobs,
 - 1,000 permanent full time employees with annual payroll of over \$21 million.
- Project in progress;
 - STAR Bonds not yet issued

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House Economic Development Committee Briefing
STAR Bonds Projects

Potential Speedway/Casino – Project Issues.

- A casino projects may be located on land currently within a STAR bond redevelopment district (Wyndotte County Speedway and/or Schlitterbahn projects).
- The STAR bond act:
 - “A STAR bond project shall not include a project for a gambling casino.”
 - The law does not allow a casino to be located on land within an existing STAR bond or redevelopment district.
- Potential alternatives:
 - Unified Government may take formal action to remove the land on which the casino would be located from the district.
 - If this constituted a “substantial change to the STAR bond project plan,” it would require a public notice and hearing. Sufficient information is not available to make this determination. The Unified Government may remove real property from a STAR bond project district by an ordinance or resolution of the governing body.
 - Unified Government could pay off or redeem any issued STAR bonds in their entirety. This may be a viable option with respect to the Speedway but would not appear to be an option on the Schlitterbahn project due to the fact that bonds have not been issued and the anticipated size of the bond issuance.
- Unresolved issues: determination, based on statutory interpretation and public policy, of whether the Act precludes casinos from benefitting in any way from STAR bond funded development.

House Economic Development Committee Briefing

Investment in Major Projects and Comprehensive Training (IMPACT)

IMPACT:

- Created to respond to the training and capital requirements of major business expansions.
- Can also be used to address job retention and retraining projects provided certain statutory requirements are met.
- Major components:
 - SKILL (State of Kansas Investment in Lifelong Learning) funds can be used to pay for expenses related to training
 - MPI (Major Project Investment): capital expenses tied to the job creation/retention effort, including land or building purchase, equipment purchase or costs associated with equipment relocation, build out costs, and recruitment activities).
 - Up to 10% of total project funding may be transferred into the Workforce Solutions Fund to invest in human capital, training expertise and infrastructure upgrades for our state workforce development system for the benefit of all employees.

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House Economic Development Committee Briefing
Investment in Major Projects
and Comprehensive Training (IMPACT)

IMPACT:

- Open IMPACT Projects: 24 projects ranging from \$200K to \$7.2M
- Project awards range up to 95% of employee withholding
- Largest project funded: Training of 7,200 Sprint employees with award amount of \$25M
- Smallest project funded: \$200K
- FY 07: 10 projects, \$15.4M awarded, 4464 employees trained
- FY08: 11 projects , \$8.4M awarded, 5880 employees to be trained

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2008 LEGISLATIVE PROPOSAL

IMPACT PROGRAM ENHANCEMENTS

2008 Legislative Proposal
IMPACT Program Enhancement

➤ **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**

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2008 Legislative Proposal
IMPACT Program Enhancement

Recommendation for IMPACT Enhancement

- **Maximize Value to the State and Businesses by Providing the Flexibility to Utilize Debt Service or 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 100 employees) Opportunities**
- **Unallocated Funds Carried Forward Absent of Targets**

2008 LEGISLATIVE PROPOSAL
TAX INCENTIVE PACKAGE

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2008 Legislative Proposal
Tax Incentive Package

Tax Incentive Package Objectives:

1. **Establish a Selectively Applied Tax Credit Cash Refund Program**
2. **Establish the Creation of Opportunity Zones**
3. **Replace Existing Tax Credit Programs with Streamlined Investment Tax Credit and Job Creation Credit Plans**
4. **Simplify Qualified Investment Calculation for Investment-Based Credits**

2008 Legislative Proposal
Tax Incentive Package

1. Establish a Selectively Applied Tax Credit Cash Refund Program

- Applied on a prospective basis only (12/31/07 and after)
- Total amount of appropriation capped 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 a discounted cash refund is accepted, 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

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2008 Legislative Proposal
Tax Incentive Package

2. Establish the Creation of Opportunity Zones to Enhance Investment and Job Creation Credits

- **Mirrors Provisions of HB 2170**
 - Established by Secretary of Commerce
 - Comprised of at least one county
 - Economically disadvantaged
 - Outside of designated metropolitan county or micropolitan statistical areas
- **Opportunity Zone Can Be Created in Response to a Disaster Area Designation**

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2008 Legislative Proposal
Tax Incentive Package

3. Replace Existing Tax Credit Programs with Streamlined Investment Tax Credit and Job Creation Credit Plans

- **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
Tax Incentive Package

3. Replace Existing Tax Credit Programs with Streamlined Investment Tax Credit and Job Creation Credit Plans

▪ **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

▪ **Investment Tax Credit and Job Creation Credit Plans Replace:**

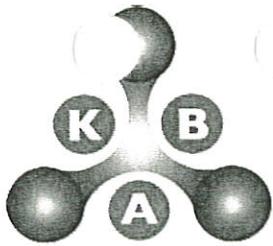
- Enterprise Zone Incentives
- High Performance Incentive Program (HPIP)
- and the Business and Job Development credits

2008 Legislative Proposal
Tax Incentive Package

4. Simplify 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**

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Partners in Bioscience Growth

January 25, 2008

Ms. Kathleen Sparks
Principal Analyst
Kansas Legislative Research Department
300 SW 10th Ave., Room 010-W
Topeka, KS 66612

Dear Kathie:

In response to a request for additional information made at the joint committee hearing held on Kansas Bioscience Day at the Capitol on January 16, 2008, attached please find the most recent version of the KBA's outcomes report, which lists approved investments; funds paid to date for each investment; and projected and realized outcomes.

Thank you for facilitating this request for records, and please let us know if we can be of further assistance.

Regards,

Tom Thornton
President and Chief Executive Officer

311 West Valley Parkway, Suite 100 • Olathe, KS 66061 • P 913/397-8300 • F 913/397-8003 • www.kansasbioscience.org

Economic Development & Tourism

Date: 1-31-08

Attachment # 2-1

Kansas Bioscience Authority
Outcomes Report
January 21, 2008

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Project	Date Approved	Funds Committed	Funds Paid Through 1/21/2008	Jobs		Capital Expenditures		Research Dollars		Capital Investment	
				Projected	Realized	Projected	Realized	Projected	Realized	Projected	Realized
Kansas Bioscience Center of Innovation - KCBID	5/25/2007	200,000	-					242,889	-		
Kansas Bioscience Center of Innovation - KBICDD	5/25/2007	180,000	-					346,232	-		
Kansas Bioscience Centers of Innovation - Plant Design	5/25/2007	200,000	-					200,000	-		
Kansas Bioscience Centers of Innovation - Other	5/25/2007	420,000	-								
Heartland BioVentures	5/25/2007	4,600,000	-								
FY 2007 Totals		20,345,288	2,361,064	2,913	121	891,035,238	13,230,000	4,293,121	2,991,980	5,000,000	4,000,000
OsteoGeneX	7/10/2007	130,000	92,500	8	1			133,904	133,904		
Innovia Medical	7/10/2007	650,000	650,000	3	3	100,000	100,000			3,100,000	2,912,926
City of Emporia (Renewable Energy Group)	7/10/2007	300,000	-	30	-	65,000,000	14,000,000				
Fort Dodge Animal Health	7/10/2007	3,500,000	-	215	-	35,000,000	-				
KC BioMediX	7/10/2007	150,000	150,000	83	1					1,450,000	1,450,000
CritiTech	9/28/2007	264,048	264,048	25	-			400,000	5,000	750,000	750,000
Kansas Environmental Management Associates	9/28/2007	312,500	62,210	26	-			65,000	-		
Remel	9/28/2007	1,250,000	250,000	90	-	7,000,000	-				
National Bio and Agro-Defense Facility	9/28/2007	440,000	17,628								
Collaborative Biosecurity Research Initiative	9/28/2007	2,500,000	-								
KansasBio	9/28/2007	100,000	50,000								
Edenspace USDA SBIR-1	11/26/2007	40,000	-					80,000	80,000		
Edenspace DOE SBIR-1	11/26/2007	50,000	-					100,000	100,000		
Eminent Scholar - KU	1/16/2008	5,000,000	-					22,000,000	-		
Eminent Scholar - KSU	1/16/2008	2,055,000	-					4,000,000	-		
MATRIC	1/16/2008	2,000,000	-					12,300,000	-		
Pinnacle Technology	1/16/2008	375,000	-	9	-			879,290	-		
XenoTech	1/16/2008	-	-	244	-	8,000,000	-				
FY 2008 Totals		19,116,548	1,536,386	733	5	115,100,000	14,100,000	39,958,194	318,904	5,300,000	5,112,926
Totals		\$44,086,836	\$6,373,512	4,424	820	\$ 1,113,910,238	\$ 133,570,324	\$ 44,290,315	\$ 3,322,384	\$ 10,300,000	\$ 9,112,926

*Outcomes data for projects prior to FY2008 are from the June 30, 2007, report. Outcomes from projects awarded in FY2008 are most current to date.