



*Embracing our Strengths...
Envisioning the Possibilities...
Encouraging Entrepreneur Growth...
Energizing Rural Opportunities!*



Welcome Home to Phillips County

2-5-2013

Committee on Commerce, Labor and Economic Development
Capitol Building
Room 346-S
Topeka, KS 66612

RE: Support (proponent) for HB2084

Chairman Kleeb and Committee Members:

The Phillips County Economic Development office is located in Phillipsburg, Kansas, though we help with development activities across the entire county. It is one of many counties which are located in areas of rural Kansas. I have been the full-time, economic development director for Phillips County over 10 years. I have been and still work on several executive boards which work toward improving regional development activities, such as wKREDA (western Kansas Rural Economic Development Alliance), and SSREA (Smoky-Solomon Resource Enhancement Area). First let me first say, thank you for supporting the Community Service Tax Credit Program (CSP) over many years and keeping it as a viable program for communities. It has been an incredible program development in both our rural areas but also urban areas of the State of Kansas.

Over this decade, I have seen several programs created (such as the PEAK program and the ROZ program) which have assisted in development project efforts and workforce recruitment to rural areas. These programs have been very successful. The ROZ program in Phillips County has especially been vital to new workforce recruitment and new families in our area. We had seventeen (17) approved applications in 2012 with six (6) still on the pending (approved) list due to our local matching budget being reached. Phillips County committed \$100,000 (over five years) as our local match for the ROZ student loan forgiveness program and we will be extending this amount in the near future again. We know the benefits to the community have been paid back because even though 16 received funds, there were 35 people (couples) move back and many have children. I have attached a short summary of the impacts of the ROZ to our community for the committee's general information and a short Phillips County 2012 year in review to explain some of the programs we have been created locally "grants", but are enhanced through Network Kansas loan programs supported by tax credits.

I have also seen programs with strong proven track records of success eliminated or defunded, such as the Rural Business Tax Credit Program and the Enterprise Zone Program. There were MANY other programs cut or defunded in 2012, but sometimes it is needed to "cut the strings" of government entitlement programs and then start with a fresh start to see which ones can be proven to give the best benefit back to the State. I have no doubt that the two aforementioned programs will be reconsidered in the future by you as programs which have strong merit to be help entrepreneurial development.

It is my opinion, that the majority of economic development agencies and professional staff across the State can understand and appreciate the tough decisions which have been made by our legislators during these last few budget crisis years in the State of Kansas. As a professional in the development field, I feel it is my duty to provide viable and realistic solutions to challenges that confront progression of development within Phillips County, but also those solutions which ultimately help other rural areas statewide.

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What this means in the current budgetary environment of the State, is that we must all review existing programs, such as the CSP, and work in conjunction with my regional development network and Kansas Commerce leaders to make these programs more effective to the problems addressing us now. Historically, the focus of the program has been in three (3) primary areas of support: 1) Community Services, 2) Non-governmental crime prevention, and 3) Health Care Services. Since the program has been created, there have been very few applicants or use of the crime prevention section; thus, any additional tax credits in the program have been distributed to other viable projects in the community services and health care services areas. Kansas Commerce has done a fantastic job in evaluating these projects on a yearly basis to approve community projects. Projects with matching local funds for a project (more collaboration) have stronger weight in their assessment than those without. This collaboration of local and state funding helps everyone and requires better planning and evaluation of a project and its ultimate result on the community.

Over the last two years, there has been an ever growing vocal cry by community residents and businesses to address 'lack of housing' for new residents coming back to rural areas. At this same time, there has been a strong need for trained workforce in the 'trade' fields. Local construction workers, plumbers, electricians, welders, framers, masonry workers, and other trade area workers are a RARE commodity for existing businesses; thus, it is VERY difficult to have timely repairs, service or construction work performed by existing businesses due to the list lack of ready-trained workforce. It is common for a customer with a simple plumbing or electrical job to be put on a wait list for days. The same is typical in basic construction jobs, with respectively having an eight (8) month to year waiting period, even longer if considering a new home build. Creating programs that encourage apprenticeship (technical training) for our youth (either in High School or post-secondary education) is critical. Having our youth receive this hands-on training with mentors in the field is important as it serves three main purposes: 1) provides hands on trade skills for the youth, 2) creates community interaction (involvement) for youth, 3) provides a workable trade skill for youth while in or upon graduating from High School (when project is focused on HS students).


Youth apprenticeship requires trained mentors (typically in the blue collar industry – such as framing, carpentry, welding,, plumbing, bricklaying, electrical, and many more). Mentoring in these technical areas requires not only a hands-on working environment, but real life practical projects tied to a training program. With this additional section in the CSP program, it would allow local non-profit groups to coordinate with educational facilities to create working programs for enhancing the technical training of our youth. Having this additional section placed in the CSP would create a solution for both the challenges of immediate ready-trained workforce for specific trades, but also increase apprenticeship mentorship programs for our communities to get our youth involved with hands-on skilled jobs and/or business creation ideas for the future.

Adding an additional section in this program is very practical, since one of the program's sections is rarely used. Also, by leaving the non-governmental crime prevention section in the program, instead of eliminating it, allows an organization that might still need help for such a project in that specific area in the future. This provides the best of both worlds WITHOUT adding anything to the State's budget.

Kansas desperately needs to keep the programs they have currently for development, but modify some of them to work more effectively to solve problems faced by our communities. This allows the State to be streamlined and at the same time provides proactive development tools for local leadership NOW to utilize for the needs of their own community. I have attached some statistical information about the program from across the state.

I would encourage you to vote in favor of HB 2084. Phillips County would like to thank you for your time and consideration of this bill to advance the interest of not only rural Kansas but all areas of Kansas.

Respectfully submitted,



Jeff Hofaker

Phillips County Economic Development – Director
western Kansas Rural Economic Development Alliance – Executive Board & 2012 Chairman

Statistics of the Community Service Tax Credit Program:

These statistics reflect the usage of the Community Service Program since its inception (1995 to 2012) in total, then broken out between urban and rural areas:

State-Wide

• Total Tax Credits Approved for Projects	\$ 79,994,252
• Total Tax Credit Money Raised for Projects (70% tax credit)	\$ 138,729,130
• Total Investment from community to projects: *	\$ 277,458,261
• Total Projects between 1995 - 2011 (17 years)	525
• Economic Impact cumulatively for communities **	\$ 832,374,784
• Projects dedicated to Community Development:	305
• Projects dedicated to Health Services:	203
• Projects dedicated to Non-governmental crime prevention:	15
• Total Population for State of Kansas ***	2,885,905

Urban Areas:

• Total Tax Credits Approved for Urban Area Projects	\$ 30,635,324
• Total Tax Credit Money Raised for Projects (50% tax credit)	\$ 62,578,940
• Total Investment from community to projects: *	\$ 125,157,881
• Total Projects in Urban Classified areas (17 years)	225
• Economic Impact cumulatively for urban area communities:**	\$ 375,473,643
• Total Urban Counties having area projects	15
• Total Population for urban counties (15)***	1,940,548

Rural Areas:

• Total Tax Credits Approved for Urban Area Projects	\$ 49,358,929
• Total Tax Credit Money Raised for Projects (50% tax credit)	\$ 76,150,190
• Total Investment from community to projects: *	\$ 152,300,380
• Total Projects in Urban Classified areas (17 years)	300
• Economic Impact cumulatively for urban area communities:**	\$ 456,901,140
• Total Urban Counties having area projects	90
• Total Population for rural counties (90)***	945,357

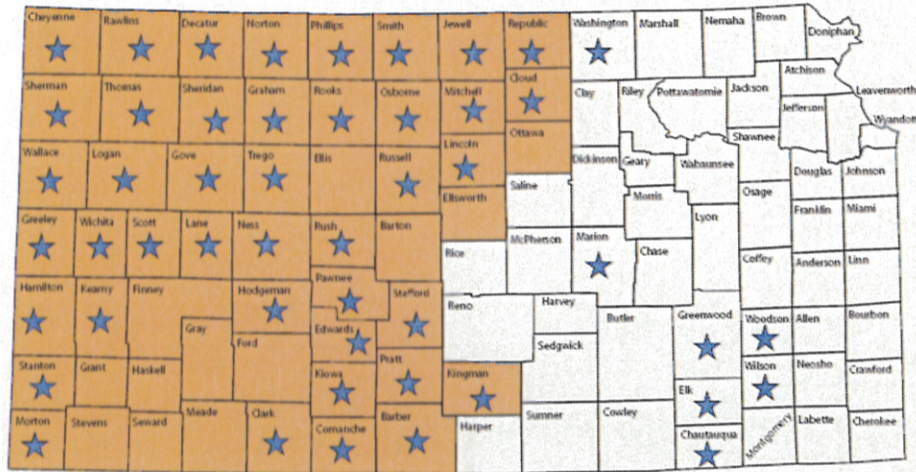
wKREDA Area:

The following picture shows wKREDA (western Kansas Rural Economic Development Alliance) counties in gold highlight with 'stars' indicating ROZ (Rural Opportunity Zone) designated counties.

• Total Tax Credits Allocated	\$ 22,629,185
• Total Tax Credit Money Raised for Projects (70% tax credit)	\$ 35,458,699
• Total Investment from community to Projects (est. 50% match)*	\$ 70,917,397
• Total Projects between 1995 - 2011 (16 years) within wKREDA	145
• Economic Impact cumulatively for communities in wKREDA**	\$ 212,752,191

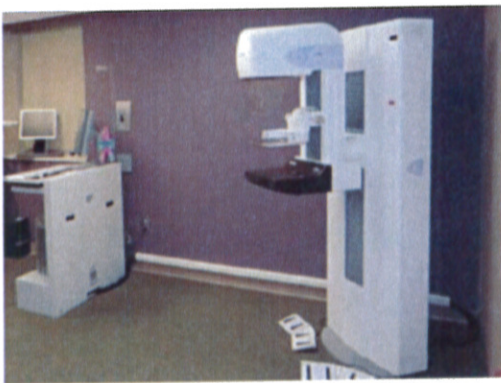
- * Communities using the CSP raise additional matching funds locally will average 50% more leveraged than just Tax credits, so this is funding above and beyond the purchase of the CSP income tax credits sold.
- **Economic impact for communities typically show a 3:1 ratio (\$ brought into community – tax credit \$ raised)
This is due to many reasons, including: increases business traffic, new/retained labor, increase in incidental Sales, new professionals moving into areas, increased in valued assets, and other aspects of economic measures.
- ***Latest population figures received from US Census estimates based on 2010 census calculations

western Kansas Rural Economic Development Alliance (wKREDA)



CSP Project Close-up:

Two projects, equivalent in size, rural population size for location, infrastructure need and tax credits allotted which are shown as examples are located in Norton County and Scott County. "It is very difficult to even consider the loss of a program that is so wildly successful across the state of Kansas" states Scott Sproul, Norton County Economic Development. Scott added, "Norton County Hospital recently has used these credits to raise funds for new equipment essential for patient care."



Katie Eisenhour, Scott City Chamber of Commerce director stated, "It would be a travesty for rural Kansas to lose the assistance provided through the Community Service Program tax credits available through the Kansas Department of Commerce.

Scott County has found the availability of CSP tax credits to be a "make-or-break" incentive for many local projects. The rural quality of life issues are dramatically enhanced through this program. Whether providing a state-of-the-art environment for learning and reading at the Scott County Library, helping children heal from the trauma of sexual abuse at Western Kansas Child Advocacy Center or assisting with the purchase of essential hospital equipment and updates, the CSP tax credit program has been perfectly suited to assisting our small town of 3,816 to accomplish more than survival.... the CSP tax credit program is helping Scott City come back and thrive!"



2012 Economic Development Summary

Core Values:

The Phillips County Economic Development (PCED) department staff, and board endeavors to exemplify the following characteristic traits: Technical Competency, Respect & Dignity, Accountability, Integrity, Trustworthiness, and Servant Leadership. These trait values are completed and improved upon through collaboration, commitment, communication, and confidentiality.

Core Purpose:

To provide direction and support as a catalyst for programs/projects that will provide continued stability and future expansion of the Phillips County economy.

Mission:

To enhance economic opportunities through community development and/or the retention, expansion, recruitment and creation of business throughout all of Phillips County.



This year was a very active year in entrepreneurial development activity for Phillips County. We visited with thirty-five (35) individuals about business development ideas, grants, and loans; of which, sixteen (16) came to be established or are in the process of expansion/development. Many of these individuals will be carrying forward their business development projects into 2013.

• Phillips County Grant Programs:

- Entrepreneurial Business & Enhancement Program (EBEP): This grant program is open to all existing for-profit businesses and those businesses being created for matching support for a needed project. In 2012, there were sixteen (16) requests out of the forty-three (43) made since the program's creation. A cumulative total of \$372,850 in grants was given. The cumulative total dollar cost of all the projects in 2012 was \$3,971,815. This equated to 33.5 jobs created by these businesses due to assistance and 12 retained jobs. The cost benefit analysis ratio for this program over its five years has shown it creates \$9 to every \$1 grant injected. The average economic development program hopes for a 2:1 ratio.
- Special Request Program (SRP): This grant program is typically used to help non-profits fill the final financing gaps with community development projects or to help for-profit businesses with unique requests which do not fit under the EBEP. There were four (4) non-profit groups and one (1) for-profit business that requested assistance this year. Total authorized was \$63,500 with the cumulative total projects cost at \$401,980
- Research Grant: One (1) research grant was given this year to Pioneer Hotel, Inc. to investigate the feasibility of establishing a new hotel in Phillipsburg.

• Loan Programs:

- Phillips County E-Community Loan Program: This loan program is managed by Network Kansas specifically for use for Phillips County businesses. An advisory committee (separate from PCED) reviews and authorizes loan requests. PCED is a Network Kansas partner which is involved directly with each of these development projects. This is a low-interest loan program which is matched by the Network Kansas partner and/or a local bank. There were eleven (11) requests and approvals with a total cumulative loan amount given of \$213,553 in 2012. The program funds are raised from Kansas Income tax credits sold to businesses and individuals.
- Start-Up Kansas Loan Program: This loan program is managed by Network Kansas as a state-wide, monthly competition. These funds come from Kansas Income tax credits sold to businesses and individuals across

the State of Kansas through the Center of Entrepreneurship. There were eleven (11) requests and approvals with a total cumulative loan amount given of \$234,250 in 2012.

- Northwest Kansas Rural Business Loan Program: This loan program covers 18 counties in northwest Kansas is available via Northwest Kansas Planning and Development Commission. This higher interest loan program can provide up to 100% of the cost of a project and can help fund start-up operational expenses. We have directed three entrepreneurs to this program this year. All were able to utilize the program with cumulative assistance amounting to around \$110,000 dollars in loan support.
- Kansas Capital Multiplier Loan Program: Although, this unique lower-interest loan program through Network Kansas was considered by three (3) businesses in our area, due to changes in the federal regulation of the program, their projects did not meet the minimum loan amount request. It is a good back-up program.
- HowSmart Program: This energy efficiency program through Midwest Energy was used by two (2) businesses referred by PCED to help with immediate financial support to allow new cooling/heating systems in their businesses. This loan program financed through the utility cumulatively provided around \$30K in new HVAC equipment to these businesses.
- **Rural Opportunity Zone**: This Kansas program designated 50 of the 105 counties to be ROZ areas, with Phillips County being one. The Student Loan Forgiveness program is supported by both county (alternative sources) and the State of Kansas. Phillips County Economic Development initially committed \$75,000 over five years, but recently due to positive recruitment of professionals back to the area has increased the budget to \$100K over the same five years. There have been sixteen (16) new residents utilize the program with seven (7) on the approved/pending list. Other than Kansas recruits, we have seen new residents from Idaho, Minnesota, Virginia, and Nebraska. Of those using the program, fourteen (14) out of the (18) stated this incentive was 'important or very important' to their decision to move back to Phillips County. The base professional categories of which the ROZ recipients for our county fit into were: Health (5), Education (3), Mftr./Eng. (3), Acct./Finance (3), Ag. (2), Retail (1), and Other (1).
- **Neighborhood Revitalization Program**: This program provides a property tax rebate on property improvements appraised at or above \$10,000. This program was accomplished by the county commission approving the plan and was pursuant to meetings with taxing districts across the county for their involvement and agreement. There have been eighteen (18) projects with direct improvement, cumulative costs on all projects at \$2,114,000 dollars. Eleven (11) were commercial/business related and seven (7) were residential. Ten (10) stated they would not have conducted the improvement if it had not been for the local.
- **Community Reinvention Program – Schallert Bootcamp**: Phillips County was first in the U.S. to make a four-year commitment (through PCED) to the Community Reinvention Program. This commitment pays the \$1,500 registration fee for participants to attend the Bootcamp held in Longmont, Colorado. In 2012, six business owners and a community coordinator went to the program, which included: Stacie Wenzl, Deb Dillon, Dustin Cheney, Erik Willer, Ginger Tweedy, Setul Parikh, and Kera Nuckolls. From its beginning now, twenty (20) business owners and three (3) community leaders have attended this marketing advancement program. When owners come back, they continue to work with Jon Schallert, and it's simply remarkable to see the aspect of their businesses change. They improve their business image, increase marketing, clientele and revenues. Some retail businesses have increased sales upwards of 45%, with that average being 15-20%.
- **Marketing Phillips County**:
 - Destination for Opportunity "DO" Radio Program: This 30 minute radio program is aired twice a month on Wednesday 'live' to inform our residents, businesses and those outside the area about our development programs and activities. It's open to 'live' questions to be heard and answered. We have had 27 shows.
 - Career Fairs: Many of the businesses have been searching for employees to fill new or open positions. To better share these opportunities, the ROZ program, and new business development incentives Phillips County have are shared at career fairs in the area, which included: Colby Community, Fort Hays State University, University of Kearney, Barton County Community College, and Fort Riley Job Fair.
 - Western Kansas Magazine: This year we have been working with Journal Communications to put an 8-page special article in the 1st ever western Kansas Economic Development magazine which will be given out nationally and be on-line digitally. Assistance in funding this special article (which will come out in January

2013) was given by the Phillips County E-Community committee, Morgan Foundation and Cole Foundation. We will receive 10,000 copies of specially bound copies to use for our mailing packets and career fairs.

- Discover Phillips County video: There were two long (4 minute videos) and three short (30 second videos) made to help promote our county to visitors and individuals interested in relocating to our area. One is on our website and soon to be showing on television advertisements outside the area in early 2013; the other is geared toward activities for visitors and currently is located in the Discover Phillips County Welcome Center.
- Marketing Packet: PCED has been sending out marketing packets, which include ROZ & NRP information, and all county brochures (PCED incentives, PC E-community, Kirwin Wildlife Refuge, E-center, Discover Phillipsburg Main Street, City of Logan brochure, Phillips County Brochure, Welcome Home brochure, and Destination for Opportunity outline). These have been very useful to send to ROZ applicants, at career fairs, business meetings for recruitment, and overall business development marketing.
- Destination for Opportunity Trailer: The semi-truck trailer has traveled in all 48 states and has logged over 300,000 miles in just under two years. It was a highlight in the Kansas 150 parade in Wichita a few years ago.
- DiscoverPCED website: We do our very best to provide the latest information and activities on the PCED website. The most notable usage of the website is for gathering information about incentives and for job opportunities. Job opportunities for all Phillips County businesses are listed by our staff as a free service, and are also connected and uploaded to www.westernksjobs.com which covers 54 counties and is connected to the KansasJobs website. There were 56 new jobs posted on the website in 2012, which does NOT include the Convergys job recruitment listing. It was our understanding that at least twelve (12) people were hired in Phillips County for these Convergys at-home, full-time representative positions.
- Nation Job website: The newest marketing tool for our area spiders into our website for jobs opportunities and places them on this national job listing website.



- **New Business Creation:** Although there were more entrepreneurs who came into PCED office and discussed plans for new businesses and those that the PCED assisted directly with business development grants or loans are listed: Bainter Construction for Independent Living Complex (Phillipsburg), Kester Automotive Collision Repair (Phillipsburg), Farmer & Rancher Outlet (Phillipsburg), Blossoms & Butterflies (Phillipsburg), and Phillipsburg Floral & Greenhouse (Phillipsburg).
- **Business Succession:** Succession activities are categorized as new business development with a twist. As our business owners come up on or cross beyond retirement age, it is VERY important to keep these businesses open with new owners. In most all succession events, there is a mix of job creation and jobs retained to the area. The following businesses fit into this category of which were helping in 2012: Gingerbread House Preschool (Phillipsburg), Pabst Ag & Auto Repair [Steinke Repair] (Logan) and Hair Etc. (Phillipsburg)
- **Business Expansion:** Ron's Restoration (Glade), Angel's Paradise (Logan), The Hair Company (Phillipsburg), Jacobs & Rowland Construction (Phillipsburg), Midwest Family Health (Phillipsburg), and Long Island Redi-Mix (Long Island)
- **Business Retention/Improvements:** Shelly Ann's Café (Phillipsburg), Phillipsburg Laundry (Phillipsburg), Hair Etc. (Phillipsburg)
- **Business Recruitment:** Although large scale business recruitment is a challenge in Phillips County due to low workforce availability; we still were successful in the recruitment of Convergys for hiring many at-home representatives for their call-center outreach for Kansas in late 2011 and early 2012. We have also laid the networking groundwork for the strong possibilities of a small manufacturing business from Virginia to consider Phillips County as a leading candidate for expansion.

- **Special Economic Committees:**
 - Legacy Committee: This committee consists of volunteer leaders across the county which suggest ideas toward the PCED office/board in order to help with certain development projects geared toward the mature demographic of Phillips County. It designed the 8 ½ x 11 page sized informational magnet and placed these magnets in 18 locations across the county for residents. Recently provided in October and November, the free service of Medicare D insurance comparisons by volunteers. The Legacy volunteers helped 112 people over that time period with at least \$25,000 plus dollars cumulatively saved for all these individuals.
 - Scholarship Committee: This committee reviews applicants for the Non-traditional PCED scholarship recipients on a yearly basis. This year \$4000 dollars in scholarships were given to three (3) applicants.

- **Community projects or organizations assisted:**
 - E-Center: The E-center has aggressively been working on 'My Own Business' classes and the ESI (EntrepreneurShip Investigation) curriculum and summer camp for teaching our youth.
 - Fischer Building: This building is owned by the PCCF Landholdings, Inc. of Phillips County Community Foundation. In 2012, the foundation was provided financial assistance for two projects: a vertical lift to ensure handicap accessibility to the 2nd floor where NCKSEP is located AND assistance toward equipment for the "Discover Phillips County - Welcome Center" which promotes the entire county to visitors.
 - Discover Phillipsburg Main Street (DPMS): PCED has given \$20,000 dollars of support to the DPMS each year over the last five years for general start-up operational costs. This has allowed the organization to lead many successful endeavors for the downtown district of Phillipsburg, but also provide educational information toward other towns of the county who may want to utilize the information.

- **Technical Support:** Besides the general activities of an economic development office known by the public, the PCED office worked behind the scenes with networking and technical direction. Over the course of the year, PCED staff had approximately 152 in-office discussions with individuals about development programs/plans/ideas and 28 conference calls with development groups.

- **Notes of Appreciation/Quotes from Organizations:**
 - "By gathering customers away from home, a new synergy is created for those business owners, which is why Phillips County's ongoing program has been a great investment It really builds momentum for the community and creates a strong entrepreneurial environment for others", Jon Schallert.
 - " E-Community funds will be available for communities that are doing two things: a) using their funds actively and b) partnering closely with NetWork Kansas to work on initiatives we suggest like (monthly meetings, brochure, website marketing steps, participation in statewide conference, etc...) as well as initiatives of their own at the local level Phillips County certainly qualifies at the top of the list for both of the above, Erik Pedersen, Network Kansas.
 - "A huge THANK YOU for supporting our mission to reintroduce the Gingerbread House Preschool to Phillipsburg and our surrounding community. Your grant and expeditious follow thru allowed us to finalize the purchase of the preschool the last week of July and to open our doors on August 21 for our first day of school. Without your technical and program support this would not have been possible", Julie Fischer.
 - "When we were looking to purchase the stations from my family's estate and operate them as a sole proprietor, we worked with our bank and PCED to line up seven funding sources. PCED staff gave us the grant guidelines, and we completed a new business plan and other documentation which was required. We could not have done it all with regular financing. Having the local grant program via PCED and access to the low-interest loan options through the Phillips County E-community, Network Kansas loans and our bank made the purchase possible and more attractive to cash flow in the long term. I know that we would not have completed the purchase without these funds", Bob Yates, owner of KKAN 1490 & KQMA 92.5 radio stations.