

MINUTES

JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

November 17-18, 2008
Room 143-N—Statehouse

Members Present

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

Member Absent

Senator Jean Schodorf

Staff

Michael Steiner, Kansas Legislative Research Department
Jill Shelley, Kansas Legislative Research Department
Reed Holwegner, Kansas Legislative Research Department
Bruce Kinzie, Office of the Revisor of Statutes
Jason Long, Office of the Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees

Deb Miller, Secretary, Kansas Department of Transportation
Dr. Art Hall, University of Kansas
Kent Eckles, Kansas Chamber of Commerce
Tim McKee, Olathe Chamber of Commerce
Joe Lawhon, Principal Auditor, Kansas Legislative Post Audit

Lavern Squier, Chairperson, Kansas Economic Development Alliance (KEDA)
Economic Competitiveness Task Force
Senator Dave Kerr, President, Hutchinson Chamber of Commerce
Mark Turnbull, Pittsburg Economic Development
Diane Becker, Norton City/County Economic Development
Eric Depperschmidt, Finney County Economic Development Corporation
Blake Schreck, Lenexa Economic Development Council
Mike Michaelis, President, KEDA and Executive Director, Ellis County Coalition for
Economic Development
Lisa Koch, Public Transportation Manager, Kansas Department of Transportation
Tammy Dickerson, Recruiting Manager, Staff Management
Paul Shoup, Amazon
Brad Ellis, Montgomery County Action Council
Marilyn Jacobson, Director, Division of Facilities Management, Department of
Administration
Mike Taylor, Unified Government of Wyandotte County
David Kerr, Secretary, Kansas Department of Commerce
Dick Carter, Travel Industry Association of Kansas (TIAK)
John Meetz, Kansas Insurance Department
Joe Crossett, High Street Consulting Group, LLC

Monday, November 17 Morning Session

Chairperson Brownlee called the meeting to order at 10:10 a.m. and announced the topic of the meeting for the morning would be transportation's impact on the economy. Chairperson Brownlee recognized Deb Miller, Secretary, Kansas Department of Transportation (KDOT), to provide background about the current transportation formula. The Secretary then gave a summary of T-Link. Secretary Miller noted that, for a second year in a row, Kansas was recognized in 2008 as one of the top five states having the best state road systems in the country. The Reason Foundation sponsors the annual survey. Secretary Miller informed the Committee that KDOT would suspend most project lettings for the months of December 2008 and January 2009. This decision is due to shortfalls in federal highway funds, vehicle registration fees, and tax collections from motor fuels and sales taxes ([Attachment 1](#)).

Secretary Miller introduced Joe Crossett with High Street Consulting Group (HSC), LLC, the company that conducted an economic study for KDOT. Mr. Crossett stated that five finished projects were selected to evaluate the short-term and long-term benefits and to quantify their economic value to the corridors involved in the projects. Mr. Crossett highlighted the five projects listed below:

- US-400 Parsons Bypass, Parsons, Labette County, Kansas;
- K-96 Northeast Bypass, Wichita, Kansas;
- I-70 and 110th St. Interchange, Wyandotte County, Kansas;
- I-435 and Nall/Roe Ave. Interchange, Overland Park, Kansas; and
- Commerce Parkway Interchange, Hays, Ellis County, Kansas.

Mr. Crossett stated that in each case (all of which were picked at random) there was a significant generation of jobs and economic development in the corridor of the project.

Committee questions and discussion followed. Mr. Crossett noted that there was hard job data and he did look at unemployment levels before and after the project. This information can be found in the bound report. During the discussion, Secretary Miller also stated KDOT needed to be cautious when selecting projects. She stated some projects are selected for safety reasons and some for the generation of economic development.

The discussion then turned to bridges in the state and the issues with county bridges. Secretary Miller explained that states are federally mandated to inspect bridges. Kansas has been lax in this responsibility, but the agency is working to improve its inspection processes.

Secretary Miller continued with her presentation. In closing, she stated KDOT currently is in the process of making some changes in the way projects are selected ([Attachment 2](#)).

Chairperson Brownlee thanked Secretary Miller for her presentation and helpful information. The Chairperson recognized Dr. Art Hall, Kansas University, to give his testimony on the evaluation of roads as investments ([Attachment 3](#)). He also presented copies of *If You Build, Will They Come? An Examination of Public Highway Investments and Economic Growth* ([Attachment 4](#)) and *Evaluating Roads As Investments; A Primer On Benefit-Cost and Economic-Impact Analysis* ([Attachment 5](#)). Dr. Hall stated that KDOT could benefit with a benefit-cost analysis system and evaluate roads as investments. He explained the usefulness of such an analysis system. Given the large amount spent on transportation infrastructure each year, it makes sense for Kansas lawmakers to formalize and institutionalize an analytical capability that scores and prioritizes projects. The primary goal would be to improve the amount of credible and consistent information available to lawmakers and taxpayers for decision-making purposes.

Upon the conclusion of Dr. Hall's testimony, there was Committee discussion. Dr. Hall stated that there are systemwide considerations to be kept in mind when picking transportation projects, such as alternatives and opportunity costs.

Chairperson Brownlee recognized Kent Eckels, Kansas Chamber of Commerce, to give his testimony evaluating roads as investments. Mr. Eckels stated there is no question infrastructure is highly valued by both the business development communities and existing Kansas businesses, and it is clear that investments in our state's infrastructure will help make Kansas an attractive place to do business. Mr. Eckels also stated the State of Kansas does not currently use an economic weighting tool before it decides to fund a certain transportation project. The Kansas Chamber believes, especially in the current fiscal climate, such a weighting must be considered. He went on to state that the business community in Kansas has concerns regarding funding mechanisms being considered for a Comprehensive Transportation Program, should it include increased energy costs and higher taxes. Mr. Eckels referred the Committee to the *Kansas Chamber; Most Important Profitability: Including Energy Cost As An Option*, which reflects the results of its annual CEO poll. In closing, Mr. Eckles stated the Chamber believes that if the State does consider a transportation plan in the 2009 Legislative Session, it may be wise to consider one of smaller scope and time-frame that focuses on basic maintenance until the federal government acts and the state's fiscal climate improves ([Attachment 6](#)).

Upon the conclusion of Mr. Eckles's testimony, there was a short discussion regarding the T-Link group and how it could be utilized.

Chairperson Brownlee stated the Committee would break for lunch, planning to reconvene at 2:00 p.m.

Afternoon Session

Chairperson Brownlee called the meeting to order at 2:06 p.m. and recognized Tim McKee, Olathe Chamber, to give his testimony regarding the evaluation of roads as investments (Attachment 7). Mr. McKee stated that commercial investment and job creation in Kansas is directly linked to infrastructure investment in Kansas. Due to the infrastructure investment in Olathe, thousands of Kansas jobs have been created. He stated that Olathe's interchanges illustrate the value of building infrastructure to generate the growth that brings critical new jobs, new capital investment, and new opportunities into our state. In these days of economic uncertainty, road infrastructure likely will be an especially important consideration as the 2009 Ten-Year Transportation Plan is developed. Mr. McKee stated if future improvements are not made to the K-10 corridor in Olathe, economic growth will stall as traffic grows more congested.

Committee discussion followed regarding the amount of federal funding available for transportation projects and if they had been utilized. It was noted by Mr. McKee that there is a billion dollars of private investment around each interchange.

Chairperson Brownlee recognized Alan Cobb, Americans for Prosperity Foundation, to give his testimony regarding the evaluation of roads as investments (Attachment 8). Mr. Cobb stated he agrees with Dr. Art Hall in that using benefit-cost analysis would be beneficial in evaluating the evolving transportation needs of Kansas. In closing, he stated the Federal Highway Administration uses the benefit-cost analysis system on its projects.

Chairperson Brownlee called the Committee's attention to the written testimony of Allie Devine, representing the Kansas Livestock Association (Attachment 9).

A discussion followed regarding the evaluation of roads as an investment and what impact the growth of infrastructure has on the economy. The discussion moved to the economic growth of each area and that there is direct correlation to show that the transportation funding equaled the economic growth of each area. Chairperson Brownlee announced that the Committee would be working on recommendations on the subject tomorrow.

Chairperson Brownlee recognized Joe Lawhon, Principal Auditor, Kansas Legislative Post Audit. Mr. Lawhon presented written copy of the *Performance Audit Report; Economic Development: Determining the Amounts the State Has Spent on Economic Development Programs and the Economic Impacts on Kansas Counties* (Attachment 10). Mr. Lawhon stated the audit is based on three questions that he reviewed, along with the conclusions.

- **How Much State, Federal, and Local Money Has Been Spent on Economic Development Programs During the Past Five Years?**

The cost of economic development that we were able to measure is more than \$1.3 billion over the past five years. That included both spending and forgone revenues at the state and local level. However, Post Audit knows this figure is understated because they were not able to systemically capture local spending, and data limitations prevented a more complete analysis. In addition to any ongoing economic development spending they already identified, state and local government could incur an estimated \$404 million in additional costs in the next five years because of a recent repeal of the business and machinery property tax.

- **What Have Past Audits and Studies Shown About the Effectiveness of Economic Development Programs?**

Governments have used economic development incentives for a number of years to help spur economic growth and create jobs. Determining if those incentives are effective is a question that has been asked over and over again. Many factors, including the lack of reliable data, have hampered researchers' ability to correctly answer the question. The majority of research concludes there is a lack of demonstrated impact from the typical types of economic development assistance, and incentives are not cost effective. However, in order for the state to remain competitive, it must offer assistance.

- **What Results Can Be Seen from State Spending for Economic Development in Kansas?**

Despite the data problems that exist with some of the results related to the state's economic development programs and tax credits, including the fact that much of it is self-reported and unverified, and some is double-counted, the data that state agencies reported to Post Audit did suggest that some programs have achieved significant results. Looking at a more macro-level, Post Audit's analyses showed that economic development spending has had a small but statistically measurable relationship with job and business growth in recent years. However, other factors had a far larger impact on job growth, including pre-existing population and employment levels.

Upon the completion of Mr. Lawhon's review, questions and a lengthy discussion followed regarding the data for the audit, how it was retrieved and corrections that may be needed to be made in the audit. It was noted that there could have been some double counting. The discussion moved to cash incentives and how other states have pools of money to offer and Kansas is losing new business coming to the state or existing businesses staying in the state. Quality-of-life factors were also discussed. Chairperson Brownlee called on Secretary Kerr, Department of Commerce, asking if he had information available on each project to which the Committee could have access. Secretary Kerr referred her to page 104 in the audit, as well as pages 84 and 85.

In wrapping up the discussion and questions, Chairperson Brownlee thanked Mr. Lawhon and stated one of her main concerns is with fiscal notes on legislative bills that reflect the cost of things that do not exist yet and she understands that it is hard to evaluate. She stated the Legislature needs to make sure programs are held accountable and that they are performing as intended when created.

Upon the conclusion of the discussion, Chairperson Brownlee recognized Lavern Squier, Chairperson, Kansas Economic Development Alliance (KEDA) Economic Competitiveness Task Force, to give his testimony on how the incentive programs for economic development can be improved. Mr. Squier presented written testimony ([Attachment 11](#)). Mr. Squier introduced himself and stated KEDA is a committed, determined, and dedicated group of professionals who are willing to engage this Committee and others going forward in the pursuit of excellence in economic development for the State of Kansas. He announced to the Committee that he had several on his program to speak.

Mr. Squier introduced former Senate President Dave Kerr, representing Hutchinson/Reno County Chamber of Commerce, to give his testimony (Attachment 12). Former Senator Kerr stated that Kansas is not competitive in efforts to attract new business and increase economic growth. He stated that the present incentives programs have enabled other states to pass by the state. He went on to state that some of the existing programs, such as High Performance Incentive Program (HPIP), are so burdensome from a record-keeping standpoint and many businesses have said "never again." Most businesses want cash incentives that are front-loaded to offset the costs of start-up and early stage production. Former Senator Kerr observed that much economic development research conducted by companies for prospective business sites is done quietly, via the Internet. By the time a local chamber of commerce or economic development corporation is contacted, the community may have only a few days, if not hours, to close the deal. He believes the state should have a closing fund like most states that could be used to close the deal with cash. The state needs to be able to wrap up projects throughout the year, not just when the Legislature is in session. In closing, he stated that the Kansas Department of Commerce is competent, professional, energetic, and capable of helping local communities engineer "wins" but they must have better tools, or the state will continue to lose out on the deals it most wants to bring to the state.

Mr. Squier stated the practice of economic development can be difficult to quantify. With regard to the evaluation conducted by Legislative Post Audit, he observed that it is difficult, if not impossible, to isolate the elements of change and decision making. Local administrators of economic development initiatives have observed many things. Incentives are a critical factor in the attraction/creation of jobs and investment. The competition is increasing and Kansas has to offer competitive incentives to be in the game. He stated the state's tools and their value in the marketplace are diminishing. He also stated that KEDA wants to point out that availability of incentives and their use is only a part of the picture. Other important factors, such as flexibility in the application and administration of the state's programs in response to businesses' needs, timelines in response to projects, and a commitment to the improvement of the overall business environment are key. Other factors are focused on the availability of trained and trainable workforce, adequate transportation infrastructure, predictable regulations, efficient permitting process. Mr. Squier stated that in an effort to gather opinions from its members, KEDA asked for volunteers interested in having a future discussion about the state's economic development competitiveness at the group's fall 2008 conference held in Hays in early October. Sixty individuals signed up and met several times. Mr. Squier presented their comments and recommendations for improvements to the existing process. He reviewed the list for the Committee, stating that at the appropriate time KEDA will offer its specific thoughts and suggestions. In closing, he stated that KEDA would like to work with the Legislature to institute positive changes in economic development for the State of Kansas.

Mr. Squier introduced Mark Turnbull, Pittsburg Economic Development, to give his oral testimony. Mr. Turnbull stated that Pittsburg was doing very well and had several projects going. Then came the announcement from ALTEC Break that it was moving to Missouri, and Pittsburg would suffer the loss of 65 jobs. Next, they received an announcement that Superior would be closing with a loss of 605 jobs. The Pittsburg Chamber of Commerce embarked on an aggressive campaign to recruit business to Pittsburg. The community has some resources but needs more incentives. Pittsburg had to pull out of one project because of lack of funds. He stated he appreciated the Department of Commerce, but the staff needs more tools that will help bring new business to Kansas. A cash incentive would be a tool that would help increase successful recruitments.

Chairperson Brownlee recognized Diane Becker, Norton City/County Economic Development, to give her oral testimony. She stated Norton needs a retail department store for several reasons: to fill an empty building, for the increasing elderly population that cannot drive to another town to shop, and to capture much needed sales tax revenues. She stated the present incentives do not benefit rural areas that are trying to recruit businesses and, in their case, a retail department store.

In closing, she urged the Committee to make the changes in the incentives to help the rural areas of Kansas.

Eric Depperschmidt, Finney County Economic Development Corporation, gave his oral testimony. Mr. Depperschmidt stated the state needs new competitive incentive programs. He also stated that the Kansas Department of Commerce lacks the ability to develop packages, and the agency needs more flexibility when working with the smaller communities.

Mr. Blake Schreck, Lenexa Economic Development Council, was next to give his testimony (Attachment 13). Mr. Schreck stated that Lenexa is finding that the competitive value of the current incentive programs in Kansas is eroding. The nonrefundable and nontransferable tax credits Kansas primarily offers do not compete well against the cash-equivalent incentives being offered by other states. The cash-based incentives Kansas does have are very limited in both scope and funding. As a result, the state is losing projects because the incentive packages offered in Kansas have not matched competing packages from other states. In closing, he stated that he understood the state faces significant financial difficulties in the coming years and hard choices will have to be made. In such challenging times, however, private sector growth will be more important than ever. When the timing is right, he hopes the Legislature will support efforts to improve Kansas' ability to compete for economic development projects.

Mike Michaelis, President, KEDA, and Executive Director of Ellis County Coalition for Economic Development, gave his oral testimony. Mr. Michaelis stated that the present incentive programs the state offers need to be changed. He stated new incentives are needed with more flexibility and cash incentives also should be available. In closing, he offered KEDA's assistance with this process.

Mr. Squier said their presentations on potential improvements to state incentive programs were concluded. Chairperson Brownlee called the Committee's attention to the written testimonies submitted by the following:

- Allen Bell, Urban Development Director, City of Wichita (Attachment 14);
- Nicole M. Pfannenstiel, Member Services Coordinator, Sunflower Electric (Attachment 15);
- Robert L. Cole, Director, Pottawatomie County Eco Devo Corporation (Attachment 16);
- Jim Dahmen, Columbus Telephone Company (Attachment 17);
- George McCune, Director, Marshall County Economic Development Office (Attachment 18);
- James A. Martin, Executive Director, Shawnee Eco Development Council (Attachment 19);
- Olathe Chamber of Commerce (Attachment 20);
- Steve Jenkins, Senior VP, Eco Devo, Greater Topeka Chamber of Commerce (Attachment 21); and
- Mickey Fornaro-Dean, Executive Director, Harvey County Eco Devo (Attachment 22).

A question-and-discussion session followed. It was noted that, during the 2008 Session, time was spent talking about financial incentive programs. Secretary Kerr, Department of Commerce, was called upon to explain. Secretary Kerr stated there were two bills carried over from the previous year regarding IMPACT and cash incentives. The discussion moved to cash incentives and how much was needed for deal closures. The programs of the surrounding states were discussed. The

source for the money for the new programs was discussed, as well as using the Cessna bill and taking out the phrases referring to the aircraft industry. The Committee stated that it is important for local economic development officials to recognize no new money will be available, and they need to come up with a proposal after looking at what is important.

Chairperson Brownlee announced that the Committee would work on this issue again the next afternoon, after travel and tourism. She then adjourned the meeting at 4:30 p.m.

Tuesday, September 18 Morning Session

Chairperson Brownlee called the meeting to order at 9:15 a.m. and stated the Committee would study options for assisting large employers in transporting employees to and from the work site.

Chairperson Brownlee recognized Lisa Koch, Public Transportation Manager, Kansas Department of Transportation, to give her testimony on KDOT's Worker Transportation initiative (Attachment 23). Ms. Koch stated federal funding is available through the Federal Transit Administration. Job Access/Reverse Commute (JARC) Program is a funding pool. The JARC Program's goal is to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to get and keep jobs, especially making job access to new entry-level jobs located in suburban areas. Access to late-night or weekend employment, when conventional transit services are not available. The urban component of the JARC Program has been used to supplement the Olathe Taxicab Voucher Program and the Wichita Transit System for late-night and weekend service. For the Lawrence and Topeka Metro, funding has been used to supplement fixed route service.

In the rural areas, the JARC Program provides transportation service to worksites for the developmentally disabled. She stated the following entities have workforce transportation needs:

- Armour Eckrich (Junction City, KS);
- Foot Locker Distribution (Junction City, KS);
- Fort Riley;
- Russell Stover (Abilene, KS); and
- Kansas State University.

The following workforce transportation needs were identified through T-LINK:

- Tyson Meats (Holcomb, KS);
- Amazon Distribution (Coffeyville, KS); and
- The Legends (Kansas City, KS).

A question-and-discussion period followed. The workforce transportation needs of southeast Kansas were discussed. The best use of JARC funds also was discussed, along with all the funding available across the state. The upcoming workshop on public transportation was discussed, and it will be open to the public.

Chairperson Brownlee thanked Ms. Koch for her presentation and valuable information and recognized Tammy Dickerson, Southeast Kansas (SEK) Public Transportation Project, to give her testimony ([Attachment 24](#)). Ms. Dickerson stated she is the recruiting manager for Amazon.com for southeast Kansas. The company has a problem getting the needed workforce because of the lack of public transportation, and at this time, workers are bused from Oklahoma and Missouri. Amazon would like to be able to employ more of the local workforce. She stated there is a bill in the U.S. Congress which would authorize \$100 million for federal fiscal years 2008 and 2009 for public transportation grants in non-urban areas. This bill has yet to be heard in the U.S. Senate. She stated that there is a need for a regional public transportation system that encompasses more than just one city. In closing, she asked the Legislature to consider a fuel tax credit for the workforce transportation companies, similar to what school districts receive. She believes that Kansas has the opportunity to set the example in achieving a regional busing program that services multiple cities and counties, promotes a better quality of life for Kansans, and retains tax revenue through increased job opportunities for local citizens.

A question-and-discussion period followed regarding Amazon providing transportation and the reasons why it cannot. Several solutions were suggested and Ms. Dickerson noted that they currently had someone that would open a private transportation company in Coffeyville if it would be profitable, but they would need certain financial incentives. It was noted that they were going to be asking for a bill that would allow a fuel tax credit for private transportation companies during the next session. A regional transportation system was also the topic of the discussion. During the discussion it was noted by Ms. Dickerson that Amazon had lost 150 to 180 employees due to transportation needs. Ms. Dickerson also noted that if a company furnishes transportation for its employees, the company is liable for each person if there is an accident; each person injured would be counted as an OSHA recordable for the company.

Upon the conclusion of the discussion, Ms. Dickerson announced to the Committee that Paul Shoup, Amazon, was unable to make the meeting to give his testimony, due to a work emergency.

Chairperson Brownlee recognized Brad Elitis, Montgomery County Action Council, to give his testimony ([Attachment 25](#)). Mr. Elitis stated that there is a need for a publicly supported regional transportation system in Kansas. A regional transportation system would have tremendous potential for benefit to the citizens and businesses of Montgomery County, Southeast Kansas and the entire state. In Montgomery County, Amazon.com, Cessna, John Deere Coffeyville Works, Standard Motor Products, and Acme Foundry are just a few examples of businesses that have tremendous capacity for growth, but each questions the ability to get the workforce that it needs. A publicly supported regional transportation system would help match businesses needing labor with people looking for jobs without a vehicle, with families owning only one vehicle, or with unreliable transportation alternatives. It also would assist people seeking better career opportunities without the financial means to commute in a car. Mr. Elitis strongly supports a publicly supported regional transportation system that would benefit the state in so many ways. He urged the Committee to please give this system its attention.

Discussion followed regarding the publicly provided regional transportation system in Kansas. The company that Amazon has lined up to bring workforce busing to Coffeyville was discussed.

Chairperson Brownlee recognized Marilyn Jacobson, Director, Division of Facilities Management, Department of Administration, to give her testimony regarding the State Van Pool Program ([Attachment 26](#)). She stated that the purpose of the program, which began in 1980, is to promote conservation of petroleum resources, reduce traffic and parking congestion, and diminish air pollution by facilitating the creation of self-supporting commuter vanpools. The program has grown from 10 vans to 21 vans and 319 riders, which include state and non-state employees. The

average cost is \$0.68 a mile, and the average cost per rider is \$7.57 per month. In closing, she stated that each van carries insurance coverage of \$1,000,000 liability and a \$500 to \$1,000 deductible on damage.

Discussion followed regarding the vanpool system. It was noted that each van is self-supporting, and the drivers do not have to have a commercial drivers license. The state does run a driver's license check on the drivers. Ms. Jacobson stated that if each van is still self-supporting, the program will not be cut. The Committee discussed if there was a possibility to set this program up in Southeast Kansas. Director Jacobson noted the requirement for the van pool is that six of the eight riders must be employees of the state. She also noted that administrative rule allows the drivers to pay less, but at this time, none of the drivers are taking advantage of the lower rate. The liability of the state also was discussed, and Director Jacobson noted that they had not had a catastrophic accident since the program was implemented. There is not a limit on the number of vans the van pool can have, as long as they are self-sufficient.

Chairperson Brownlee introduced Mike Taylor, Unified Government of Wyandotte County, to give his testimony regarding public transportation and workforce development (Attachment 27). He stated that public transit plays a major and vital role in getting the growing number of Wyandotte County workers to their jobs. A number of workers use the Unified Government Transit to get to work, and many more would use it if the days and hours of service could be expanded to serve evening and nighttime work shifts. Recently, the Unified Government Transit, with the cooperation of the Kansas City Area Transportation Authority, was able to launch Sunday bus service, making it possible to get from downtown Kansas City to Village West on public transportation seven days a week. The Unified Government Transit will provide nearly 1.3 million rides this year. Mr. Taylor stated the Unified Government strongly supports re-investment in new and existing highway and transportation infrastructure by implementing a new statewide transportation plan.

Mr. Taylor stated the Unified Government Transit is starting a new program called the HEART Project which is a program creating hospitality, education, and retail training. This program also will create a bigger need for a public transportation system (Attachment 28).

Discussion followed regarding the Unified Government Transit System. It was noted that some businesses purchase bus passes for their employees and the Unified Government sells to them at a discount. The discussion then focused on the ways available to fund a transit system. The discussion then turned to STAR bond projects and when the first project would be paid. Mr. Taylor stated that the first project will be paying off in 2013 as opposed to the original date of 2021. During the discussion, Mr. Taylor noted that the funding for the Sunday transit service came from a federal grant program through Midwest. Mr. Taylor stated the Sunday bus service only has been in place for four weeks and they have about 400 riders every Sunday. The discussion moved to the casino project, which will be located outside turn two of the outer edge of the racetrack. Mr. Taylor stated that the footprint of the casino would not be on any land acquired by eminent domain or STAR bonds. The Committee expressed its strong disapproval of locating a casino on the race track grounds due to the benefit provided by STAR bonds. The Committee believes this to be in direct opposition to legislative intent.

Chairperson Brownlee asked the Committee members what they wanted to say in their report regarding workforce transportation. A lengthy discussion followed with Chairperson Brownlee calling on Jason Long, Office of the Revisor of Statutes, to explain the liability issue for businesses furnishing workforce transportation. Mr. Long stated that it was his understanding that because of OSHA, when employers furnish workforce transportation the employee is still on the job as long as that person is in a vehicle furnished by the employer. The discussion continued regarding liability, and Chairperson Brownlee called on Bruce Kinzie, Office of the Revisor of Statutes. He stated that

in 1989, the Coordinated Transportation Act was passed. This act applies to the elderly, disabled, and the general public. It allowed \$6 million to the state for transportation and to work with different agencies to the extent possible. The statute citation is KSA 75-5032 to 5039. The discussion moved to the enforcement of the statute. The discussion resulted in the Committee making the following points:

- JARC funding is relatively new, and the Committee should monitor its effectiveness. KDOT's pilot project in the Flint Hills is clearly needed, and it will all be federally funded;
- Encourage KDOT to conduct a study on monies spent on public workforce transportation;
- Encourage KDOT to pursue and monitor federal funding streams; and
- Encourage private employers to purchase transportation passes for their employees. This also would limit the transportation liability for companies.

Chairperson Brownlee adjourned the meeting for lunch at 12:05 p.m.

Afternoon Session

Chairperson Brownlee called the meeting to order at 1:45 p.m. and announced the Committee would be working on tourism initiatives. She opened the floor for discussion and questions and announced that Secretary Kerr, Department of Commerce, was present to answer any questions.

Representative Tietze expressed concerns and requested that some of the facts be sorted out regarding the tourism initiative. She asked what the Department of Commerce is doing to address some of the issues of the tourism initiative. Secretary Kerr responded by stating that the Department has not cut the Travel and Tourism budget, and the Department of Commerce has allocated \$500,000 out of its budget for Travel and Tourism. He stated he will meet with TIAK on a regular basis to keep the industry involved. They met about an hour last week and had a very positive meeting. The Department of Commerce has a rural travel and tourism program, and it will be providing additional funds to rural travel and tourism.

Representative Gordon stated the previous issues in restructuring the Department of Commerce so as to allow travel and tourism to be held to a higher level. Secretary Kerr stated he could do that immediately if that would address all the issues of TIAK. Senator Kelly asked if the restructuring could be done without additional costs, and Secretary Kerr said it could.

Senator Jordan asked Secretary Kerr questions regarding the advertising budget for marketing Kansas tourism. Secretary Kerr stated he did not have that information, but he would get it to the Committee this afternoon. Senator Jordan commented that Kansas tourism is not being marketed as well as it could be because of a lack of funds. He wanted to know if the present system was the best and would it stand as time goes by and there are new secretaries of Commerce. Secretary Kerr stated he is listening to the industry in terms of how to spend the money. He believes it can be done in the current structure. Senator Jordan said that for 20 years travel and tourism have

suffered and have not been held as important as they could be to the economy of Kansas. Senator Jordan said that things need to change and a way needs to be found to obtain proper funding.

The marketing budget was discussed. Secretary Kerr stated he would reorganize Travel and Tourism directly under the Secretary of Commerce if it would solve the issues of TIAK.

Senator Barone stated he is frustrated by a lack of aggressiveness by the state regarding travel and tourism. He stated maybe it was time this next session to decide what to do and how to obtain funds for travel and tourism.

Chairperson Brownlee recognized Representative Hill, who made a motion to reintroduce the contents of 2008 HB 2827. Senator Jordan seconded the motion.

Discussion followed regarding the bill and the fiscal note. The suggestion was made that the funding could be phased in since there are concerns with next session's budget. Some of the Committee members want Secretary Kerr to make the changes he can first and see how that works before making a new government agency.

Chairperson Brownlee called for a vote by show of hands. The vote was four ayes and six nays. The motion failed.

Discussion followed with Representative Gordon stating they should see what Secretary Kerr can do and have him report back on a regular basis. Chairperson Brownlee stated the Division of Travel and Tourism should report directly to the Secretary of Commerce and maybe that should be put in statute. Senator Kelly stated that perhaps the Committee should strongly encourage the Department of Commerce to consider reorganizing and evaluate the Travel and Tourism Division in a couple of years to see if it works. Some of the Committee members expressed concern about putting it in statute. Chairperson Brownlee stated that the Committee would put in its report that the Department of Commerce is to be encouraged to elevate the Division of Travel and Tourism Program to its own division and to report directly to the Secretary of the Department of Commerce.

Capturing a funding stream based upon the NAICS codes also was discussed. It was noted that the Council of Tourism meets on December 3. It also was noted by the Committee that the Secretary of Commerce is a member of the Council and should attend the meetings. Secretary Kerr stated he did not think he was on the Council, but he would begin attending the meetings. During the discussion Secretary Kerr stated that while in the meeting last week with TIAK, he asked what the issues are and what falls through the cracks, and he stated that TIAK replied that it has no issues. Chairperson Brownlee called on Dick Carter, TIAK, to answer questions and join the discussion. Mr. Carter stated that "the present Department of Commerce is doing as good a job as they can with what they have."

Senator Kelly requested that the Department of Commerce be strongly encouraged to collaborate with the Kansas Department of Wildlife and Parks to promote Kansas. Senator Kelly added that the Committee report should also strongly encourage the Department of Commerce to elevate the Division of Travel and Tourism and allow it to report directly to the Secretary of the Department of Commerce.

Representative Hill made a motion to introduce legislation based upon a funding stream, based upon the NAICS codes to the Division of Travel and Tourism, beginning in January of 2010 with a four-year sunset, without losing existing funding. Representative Craft seconded the motion. Following discussion, Chairperson Brownlee called for a vote by show of hands. With a count of three ayes and five nays, the motion failed.

Senator Kelly said that by her voting no she was not targeting Travel and Tourism. The budget is going to be incredibly tight this next session, she explained, and maybe for years to come. The Legislature will be looking at budget cuts.

Chairperson Brownlee recognized John Meetz, Government Affairs Liaison, Kansas Insurance Department ([Attachment 29](#)). He stated that the Insurance Department investigates every workers compensation complaint that reaches the office. Since January 1, 2008, the Insurance Department opened a total of 44 cases. At this time, 25 cases are pending, with four of those in the process of an order being written. There were 69,211 occupational injuries and illnesses reported to the Division of Workers Compensation during FY 2007. The amount of complaints compared to the amount of overall claims is relatively small. Mr. Meetz explained all of the steps involved in the process.

Discussion followed regarding what constitutes fraud and abuse. Jason Long, Office of the Revisor of Statutes, joined the discussion and read from the statute what constitutes fraud. The Committee wanted to know why there was a cap on the fine. Chairperson Brownlee previously had called on Larry McGill in the Insurance Department to respond, but he has not returned the call. Chairperson Brownlee asked Mr. Meetz to inform Bob Tomlinson, Insurance Department, that she is very disappointed that the Committee did not get better information. Chairperson Brownlee stated there is no data to prove that there is a problem with workers compensation insurance companies failure to pay, and this is not a critical issue as previously reported. The Committee found Mr. Meetz's testimony confusing. Chairperson Brownlee asked him to get the information to the Committee on the total number of complaints by e-mailing each member. The Committee noted that they did not need to mandate prompt pay because it is already in the statute.

Chairperson Brownlee stated she wanted the report regarding workers compensation to note that if the Legislature decides to make changes, the legislation would attempt to be revenue neutral. A discussion followed regarding the charge the Committee made to the Work Comp Advisory Committee regarding worker's compensation, and the Committee decided to leave it as it stands in the Work Comp Advisory Committee.

Chairperson Brownlee stated that one thing she thought should be noted in the Committee report was that Secretary Kerr had written a letter to the Unified Government of Wyandotte County addressing the issue of using land acquired by eminent domain and STAR Bonds for the casino.

The Committee then turned its attention to the Bioscience Authority Index. Chairperson Brownlee said that the report should reflect that the Committee was very pleased with the way that Kansas has improved its ranking to tenth in the country for bioscience. The Committee recommends that funding streams should remain untouched, even in difficult times.

Senator Jordan stated that the legislators should not add responsibility to the Bioscience Authority. The Authority should be allowed to accomplish the charge originally given without interference. Chairperson Brownlee said to add this to the report as well.

Chairperson Brownlee asked the Committee what it wanted to do about the proposal from the Regents. She suggested that the Regents should encourage expansion of engineers in all fields. The Committee supports the efforts of the deans, but the Committee is concerned with additional funding during challenging economic times. The Committee heard the concerns of the industry about the tremendous needs for more engineers in Kansas.

Chairperson Brownlee stated she would like for the report to reflect the Committee's appreciation for the information presented by Stan Ahlerich, Kansas, Inc., and Alison Felix, Federal Reserve Bank of Kansas City.

The Committee moved on to transportation's impact on the economy and stated that the information from KDOT shows the agency is changing the project selection process to include the economic value of projects. The Committee encourages an economic study to be done before a project is started. The Committee is pleased with the direction that KDOT is moving in considering the economic impact.

Chairperson Brownlee stated that the Post Audit report measures things that are not typically considered economic development tools. She stated that the report should show there are several weaknesses in the Post Audit Report on economic development. Chairperson Brownlee stated that the report should reflect there is a tremendous collaborated effort across the state to have the state's incentives changed. There is a need for cash incentives, and it is important that those incentives meet the needs of rural areas. She went on to state that the Legislature should not have to be involved in every economic development opportunity that comes along. The Committee sees a need for a closing fund to use in efforts to bring new businesses to Kansas and keep the existing ones in the state.

The Committee would urge the Secretary of the Department of Commerce and the local economic development officials to make recommendations for proposed legislation.

The minutes from the September meeting were discussed and several changes were noted.

Chairperson Brownlee thanked Senators Jordan and Barone for all the good work they have done for the state while serving in the Senate and wished them luck in their future endeavors.

The meeting was adjourned at 4:00 p.m by Chairperson Brownlee with no further meetings scheduled.

Prepared by Jackie Lunn
Edited by Reed Holwegner

Approved by Committee on:

March 2, 2009
(Date)