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Commerce

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Statewide STAR Bond  
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### Commerce, Labor, and Economic Development

#### B-1 Department of Commerce

The Kansas Department of Commerce is the cabinet agency concerned with economic development. Under the Office of the Secretary of Commerce, there are two divisions and two commissions: the Division of Business and Community Development, the Division of Workforce Services, the Athletic Commission, and the Creative Arts Industries Commission.

#### Business and Community Development Division

In 2012, the Department of Commerce combined the Business, Rural, and Trade Development divisions into the Business and Community Development Division (Division). The Division works to improve the Kansas economy through the creation and retention of jobs and capital investment, as well as to improve the quality of life in communities, particularly in rural areas. The Division is composed of seven program sections: Business and Community Development Assistance, Business and Community Finance and Incentives, Business Recruitment and Relocation, Rural Opportunity Zones, Minority and Women Business Development, the Innovation Growth Program, and Trade Development.

#### ***Business and Community Development Assistance, Business and Community Finance and Incentives***

Business and Community Development Assistance determines the eligibility of various tax credits and loan funds for business clients. Commerce staff may act as a liaison with other state agencies, such as the Departments of Revenue, Labor, or Health and Environment, to ensure licensing requirements are met. Rural communities are assisted in developing community-driven strategic plans to attract businesses, workers, and investment. Financial and planning assistance may come from the following programs.

**The Kansas Downtown Redevelopment Act.** This act encourages entrepreneurs to locate and invest their businesses in central business districts or distressed neighborhoods. Property tax relief is offered in available areas designated by local governments and, subsequently, are reviewed and approved by the Department of Commerce.

**Kansas PRIDE.** This is a community-initiated effort that helps local leaders prepare for and manage change, addressing such issues as planning, community services, and enrichment; the Department of Commerce determines the eligibility for several financial incentives and tax credits. The Department then monitors the compliance of businesses and individuals for the duration of the incentive or tax credit agreement. (The Department also administers the Sales Tax and Revenue (STAR) Bond Program, which is discussed briefly in this article.) The purposes and criteria for several financial incentives are outlined below.

**Kansas Certified Development Companies (CDCs).** These companies are not-for-profit corporations that contribute to the economic development of their communities or regions. CDCs work with the U.S. Small Business Administration and private lenders to provide financing to small businesses. The 12 CDCs in Kansas can be found at [www.kacdc.com](http://www.kacdc.com). CDCs' loan packages often contain multiple sources of project funding, providing the small business customer with an optimal combination of rates and terms.

**Community Development Block Grant (CDBG) Program.** This program distributes federal funds to Kansas cities and counties looking to improve their communities. To receive funds, a project must meet at least one of the following federally mandated criteria:

- Benefits low- and moderate-income individuals;
- Removes or prevents slum or blight conditions; or
- Eliminates an urgent need created by a disaster when local funds are unavailable.

**Kansas Community Service Program (CSP).** This program gives not-for-profit organizations a way to improve capital fundraising drives for community service, crime prevention, or health care projects. Tax credit awards are distributed through a competitive application process. Based on the scope and cost of the proposed project, applicants may request up to \$250,000 in tax

credits. Applicant organizations in rural areas, defined as having less than 15,000 in population, are eligible for a 70 percent credit. Applicant organizations in non-rural areas are eligible for a 50 percent credit.

**Energy incentives.** Various incentives are offered to Kansas businesses and producers engaged in conventional and renewable energy production.

**High Performance Incentive Program (HPIP).** This program provides tax incentives to employers that commit to pay above-average wages and enhance their workers' skill development. HPIP offers employers four potential benefits:

- A 10 percent income tax credit for eligible capital investment at a company's facility that exceeds \$50,000—or \$1.0 million in the 5 metro counties of Douglas, Johnson, Sedgwick, Shawnee, and Wyandotte. The tax credit may be carried forward and used in any of the next 16 years in which the facility re-qualifies for HPIP;
- A sales tax exemption to use in conjunction with the company's capital investment at its facility;
- A training tax credit, worth up to \$50,000; and
- Priority consideration for access to other business assistance programs.

**Individual Development Account (IDA).** The IDA promotes self-sufficiency for low-income Kansans in a matched savings program. The tax credits, approximately \$500,000 awarded to selected community-based organizations, are used to leverage donations, which will serve as a match for savings in an IDA. Savings accrued in IDAs may be used for home ownership, residence repairs, business capitalization, and post-secondary education.

**Kansas Industrial Training and Retraining Programs (KIT/KIR).** These programs assist employers with training workers, whether on-site or in a classroom. The KIT Program may be used to assist firms involved in both pre-

employment and on-the-job training, giving firms and prospective employees an opportunity to evaluate one another before making employment commitments. The KIR Program helps companies that are likely to terminate employees because of obsolete or inadequate job skills and knowledge. Eligible industries include basic enterprises that are incorporating new technology into their operations or diversifying production. At least one current employee must be trained to qualify for assistance.

**Kansas Partnership Fund (Fund).** Initially funded by legislative appropriation, the Fund provides low-interest loans to cities and counties for infrastructure improvements that support Kansas basic enterprises, including manufacturing, mining, agriculture, and interstate transportation. Wholesale trade, financial services, business services, and tourism activities, if primarily undertaken for out-of-state markets, also are considered to be Kansas basic industries, as well as research and development of new products or technologies. All city and county units of government, regardless of size, are eligible to apply for loans.

Other sources of income for this revolving loan fund are the sale of revenue bonds through the Kansas Development Finance Authority (KDFA) and contributions by public or private entities. Loan interest rates are adjustable, indexed annually to either the federal discount rate or the average interest rate earned by the Economic Development Initiatives Fund during the previous year, whichever is greater.

**Private Activity Bonds (PABs).** These bonds are federally tax-exempt bonds. The types of bonds that qualify for tax-exempt status include:

- Exempt facility bonds;
- Qualified mortgage bonds;
- Qualified veterans' mortgage bonds;
- Qualified small issue bonds;
- Qualified student loan bonds;
- Qualified redevelopment bonds; and
- Qualified 501(c)(3) bonds.

Under the federal volume cap for 2018, Kansas has a bond allocation of \$311.4 million. The primary demand for bond allocation in Kansas has been for the issuance of exempt facility bonds, mortgage revenue bonds, and qualified small issue bonds, sometimes called industrial revenue bonds (IRBs). Exempt facility bonds are used to finance public infrastructure facilities pertaining to mass commuting, water, sewage, solid, or hazardous waste; heating or cooling utilities; and qualified residential rental projects. Mortgage revenue bonds (MRBs) and mortgage credit certificates (MCCs) are issued to provide first-time home buyers an enhanced opportunity to finance the purchase of a new home. Persons meeting certain financial and demographic guidelines are able to achieve substantial savings over the life of a home mortgage through the use of these programs. Kansas legislation allows cities, counties, or the KDFA to issue IRBs for industrial or other authorized purposes, such as to purchase land; pay the cost of constructing and equipping new facilities; or to purchase, remodel, or expand existing facilities.

**Promoting Employment Across Kansas Act (PEAK).** This act gives qualified companies an incentive to locate or expand business operations and jobs in Kansas by allowing them to retain Kansas payroll withholding. A company must commit to creating five new jobs in non-metropolitan counties—or ten new jobs in the metropolitan counties of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, and Wyandotte—over a two-year period. The company must also pay wages for the PEAK jobs that meet or exceed the county median or average wage or North American Industry Classification System (NAICS) average wage for that industry. Qualified applicants may include for-profit companies in eligible NAICS codes, as well as headquarters for not-for-profit organizations. Applicants must offer adequate health insurance coverage, as defined by KAR 110-21-1, to their full-time employees and pay at least 50 percent of the premium.

Depending on the number of PEAK jobs to be filled in Kansas and their wage levels, the Secretary of Commerce may approve benefit periods for a maximum of ten years. Companies that had

entered into the program prior to January 1, 2013, may request an extension of the benefit period for up to two years from the Secretary of Commerce. During the benefit period, participating PEAK companies may retain up to 95 percent of the payroll withholding tax of PEAK-eligible jobs.

Caps are applied on the aggregate amounts of benefits received by companies that are expanding or relocating in Kansas. In FY 2019 and subsequent fiscal years, the cap on benefits is \$42.0 million. As of July 1, 2018, PEAK benefits may not be used for retaining existing jobs.

**Small Communities Improvement Program (SCIP).** This program sets aside \$500,000 annually for small communities that are undertaking improvement projects through self-help and volunteerism. The competitive program is designed to assist communities with populations of 5,000 or less that are ineligible for other assistance and may not have the capacity to provide matching funds. The maximum award for a single project is \$125,000. Self-help and volunteerism must result in savings of at least 40 percent of the project's marketplace price. Communities must validate the impact the project will have on the quality of life for their residents.

**Sales Tax and Revenue (STAR) Bonds.** STAR Bonds allow city or county governments, subject to approval from the Department of Commerce, to issue special revenue bonds for the financing of the infrastructure necessary for a major economic development project. A form of tax increment financing (TIF), the proceeds from the incremental increase of sales tax revenue within the STAR Bond district, including state sales tax and transient guest tax revenues, may be used to pay off the bonds. (See Briefing Book article [B-2 Statewide STAR Bond Authority](#) for more details.)

**State Small Business Credit Initiative (SSBCI).** This initiative provides federal matching funds to eligible businesses through a network of partners. The Kansas Capital Multiplier Loan Fund provides businesses with matching loans, up to 9.0 percent of the private capital invested. Loans may range from \$25,000 to \$500,000. The Fund provides businesses with matching equity, up to 9.0 percent of the private equity invested. Eligible

businesses include technology and bioscience companies working with a state entrepreneurial center or a university center of excellence. Rural businesses, businesses in distressed urban areas, or businesses with local angel investment may qualify. Equity investment may range from \$25,000 to \$250,000. Additional information may be found at [www.NetWorkKansas.com](http://www.NetWorkKansas.com).

**Work Opportunity Tax Credit (WOTC).** This tax credit encourages private employers to hire within one of several targeted groups of job candidates who traditionally face barriers to employment, such as public assistance recipients, unemployed or disabled veterans, or ex-felons. The tax credit reduces an employer's federal income tax liability by as much as \$2,400 per qualified new worker in the first year of employment, with employers hiring disabled veterans saving up to \$9,600 in the first year of employment.

**Job Creation Program Fund (JCPF).** This fund, administered by the Secretary of Commerce in consultation with the Secretary of Revenue and the Governor, aims to promote job creation and economic development by funding projects related to the major expansion of an existing commercial enterprise, the relocation to Kansas of a major employer, the award of a significant grant that has a financial matching requirement, the potential departure from the state or the substantial reduction of an existing employer's operations, training activities, the potential closure or substantial reduction of a major state or federal institution, projects in counties with at least a 10 percent decline in population over the last decade, or other unique economic development opportunities.

The 2.0 percent of withholding tax receipts, which previously was dedicated to the Investments in Major Projects and Comprehensive Training (IMPACT) Program, is deposited in the JCPF, provided the current debt services, including administrative expenses, of the IMPACT Program have been met. The Secretary of Revenue annually estimates the amount of net tax savings realized under the provisions of 2011 House Sub. for SB 196, and that amount is deposited in the JCPF. The Secretary of Commerce is required to annually report to legislative leadership

and the tax and commerce committees on the expenditures from the Fund.

### ***Business Recruitment and Relocation***

The Business Recruitment and Relocation Section, working with site consultants and out-of-state businesses, promotes Kansas as a locale for businesses to move a portion or all of their operations. In each of five regions of the country (the East Coast, the Great Lakes, the Mid-Central, Missouri, and the West Coast), a regional office engages in recruitment activities, including identifying client needs, possible site locations, and available state and local resources. Emphasis is placed upon attracting businesses, both domestic and foreign, involved in the industries of alternative energy, distribution, bioscience, and advanced manufacturing.

### ***Rural Opportunity Zones***

Started in 2011, Rural Opportunity Zones (ROZs) are designed to reverse population declines in rural areas of Kansas. Statute designates 77 counties as ROZs, including Allen, Anderson, Barber, Bourbon, Brown, Chase, Chautauqua, Cherokee, Cheyenne, Clark, Clay, Cloud, Coffey, Comanche, Decatur, Doniphan, Edwards, Elk, Ellsworth, Gove, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Haskell, Hodgeman, Jackson, Jewell, Kearny, Kingman, Kiowa, Labette, Lane, Lincoln, Linn, Logan, Marion, Marshall, Meade, Mitchell, Montgomery, Morris, Morton, Nemaha, Neosho, Ness, Norton, Osborne, Ottawa, Pawnee, Phillips, Pratt, Rawlins, Republic, Rice, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stafford, Stanton, Stevens, Sumner, Trego, Thomas, Wabaunsee, Wallace, Washington, Wichita, Wilson, and Woodson.

The program has two incentives:

- A state income tax exemption for up to five years to individuals who move to a ROZ county from outside the state. Individuals must not have lived in Kansas for the past five years nor have an income of more than \$10,000

per year over the past five years from a Kansas source; and

- Student loan forgiveness, up to \$3,000 per year with a \$15,000 maximum benefit, for individuals who graduate from an accredited post-secondary institution and move to a ROZ county. The incentive is a county-state partnership, and counties must choose to participate.

As of 2018, 75 county governments or employers in the ROZ counties have joined the student loan forgiveness program. The income tax waiver is solely available in Chase and Wabaunsee counties.

### ***Minority and Women Business Development***

The Office of Minority and Women Business Development encourages the development of minority- and women-owned businesses. Information and referrals are provided in the areas of procurement, contracting and subcontracting, financing, and business management. The Office partners with other business advocates to sponsor business education workshops and seminars.

**Kansas Statewide Certification Program.** The Office also administers the Kansas Statewide Certification Program in which women and minority businesses can be certified as a Disadvantaged Business Enterprise, Minority Business Enterprise, or Women Business Enterprise. Certification may increase opportunities for those businesses to gain contracts and subcontracts from governmental and private entities committed to the inclusion of less advantaged persons. Program services are free.

### ***Innovation Growth Program***

The Innovation Growth Program provides Kansas entrepreneurs and technology companies with technical expertise, research, and other services designed to help those businesses grow and succeed. The Program, comprised of elements of the former Kansas Technology Enterprise

Corporation (KTEC), offers expertise in four basic areas.

**Research to Support Industry.** University-based centers of excellence provide access to research and technical expertise for companies and entrepreneurs seeking to develop new products or solve problems with new technologies.

**Entrepreneurial Centers.** These business incubators provide services to technology companies in their early-stage development phase. Services range from preparing entrepreneurs to approach capital partners, to forming joint ventures and new companies around technologies, to accessing expertise housed at state universities.

**Mid-America Manufacturing Technology Center (MAMTEC).** MAMTEC works to increase the competitive position of small- and mid-sized Kansas manufacturers by helping to improve their productivity and expand their capacity.

**Angel Investment Resources.** Regional networks of angel investors and angel tax credits help to meet the financing needs of Kansas entrepreneurs by serving as a catalyst to stimulate the flow of private investment capital in promising early stage ventures. Angel networks identify and fund promising start-up business opportunities. Kansas income tax credits are available to individuals who provide seed-capital financing for emerging Kansas businesses engaged in the development, implementation, and commercialization of innovative technologies, products, and services.

### ***Trade Development***

The Trade Development Section works to increase the international sales of goods and services produced in Kansas. Private companies can receive counseling regarding exports, marketing, international regulations, and searches for agents or distributors. International trade representatives are utilized on a contractual basis to provide contacts in Brazil, China, India, Japan, Mexico, South Korea, and Taiwan, and other countries in Asia, Europe, and Latin America. Kansas vendors are recruited to attend international trade shows.

The Section organizes trade missions and hosts foreign delegations when they visit Kansas.

## **Division of Workforce Services**

### **KANSASWORKS**

The Department of Commerce is responsible for the State's workforce system called KANSASWORKS. Established through the federal Workforce Investment Act (WIA) of 1998 and Gubernatorial Executive Order No. 01-06, KANSASWORKS links businesses and employers with job seekers and educational institutions that provide training. KANSASWORKS' goal is to provide persons looking for work a "one-stop shop" to find employment, training, and information about Unemployment Insurance benefits. Workforce Services determines employers' eligibility for several of the employee-related incentives and training programs previously mentioned in this article. If a business faces mass layoffs, a rapid response team can be sent out to the employer's facility to provide job counseling for soon-to-be displaced workers. The Division also administers the following programs.

**Business Executive and Industry Liaisons (BEILs).** Liaisons work closely with the Business Development Division to identify the workforce demands of companies either planning to expand or locate to Kansas.

### ***Federal Bonding Program***

This program provides individual fidelity bonds to employers for applicants who are denied coverage because of a criminal record, history of chemical abuse, lack of employment history, or dishonorable discharge. Each bond's coverage is for \$5,000 for six months. The program is free to employers and job applicants.

### ***Older Kansans Employment Program (OKEP)***

This program assists Kansans over 55 years of age with employment placement services.

### ***Kansas Registered Apprenticeship***

This program combines classroom instruction with on-the-job training. Apprenticeships may last one to six years, depending upon the occupation and the industry's standards. A specialized form of Apprenticeship Program is the Early Childhood Association Apprenticeship Program, which, in partnership with community colleges, certifies people working in childcare and early education.

### ***Incumbent Worker Training Program***

Financed by WIA, this program provides grants to employers for training expenses associated with avoidance of mass layoff, the development of a best practice model, industries endorsed by a local workforce board, or a significant occupational demand.

### ***Foreign Labor Certification***

This certification qualifies an employer to hire foreign or alien workers if an employer cannot find qualified U.S. workers available to fill vacancies.

Workforce Services works with an advisory State Board, which is appointed by the Governor and composed of 19 members, including employers, human resources specialists, higher education administrators, and state officials. At the local level, the state is divided into five areas. Each area has a local board of directors with headquarters in Great Bend (Area I), Topeka (Area II), Kansas City (Area III), Wichita (Area IV), and Pittsburg (Area V). The five areas provide workforce services at 28 workforce centers across the state.

### ***Agency Funding from the Economic Development Initiatives Fund (EDIF)***

The statutes governing the EDIF provide that it shall be used to finance programs "supporting and enhancing the existing economic foundation of the state and fostering growth . . . to the state's economic foundation." With the exception of a statutory \$2.0 million transfer to the State Water Plan Fund, the Legislature annually appropriates the EDIF for individual projects and programs

deemed to support and enhance the State's economic foundation.

The EDIF is funded through the State Gaming Revenue Fund (SGRF). A portion of state revenue from both the Kansas Lottery and parimutuel wagering is transferred to the SGRF. That fund is used essentially as a holding fund from which further transfers are made on a monthly basis. No more than \$50.0 million may be credited to the SGRF in any fiscal year. Amounts in excess of \$50.0 million are credited to the State General Fund.

The Kansas Athletic Commission and the Kansas Creative Arts Industries Commission, both statutorily created, are organized within the Department of Commerce.

### ***Kansas Athletic Commission***

This commission, composed of five members appointed by the Governor and serving four-year terms, administers the laws governing wrestling and regulated sports, including professional boxing, kickboxing, and mixed martial arts. The Commission, in cooperation with the Boxing Commissioner, works to ensure the health and safety of contestants, fair and competitive bouts, and the protection of the general public. Regulatory responsibilities include the licensing and supervision of referees, judges, physicians, managers, contestants, timekeepers, seconds, promoters, and matchmakers for contests as well as event oversight.

### ***Kansas Creative Arts Industries Commission***

This commission, composed of 11 members appointed by the Governor and legislative leadership, promotes the growth of creative industries in Kansas. This is pursued through two grant programs: the Strategic Investment Program, which supports the development and operation of art organizations, and the Arts Integration Program, which facilitates

the involvement of the arts in education and community development goals.

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