

Commerce, Labor, and Economic Development

B-1 Department of Commerce

The Kansas Department of Commerce (Department) is the cabinet agency concerned with economic development. Under the Office of the Secretary of Commerce, there are seven program groups: Business Incentives and Services, Community Development Assistance, Exporting and International Business, Commerce University Partnerships, Minority and Women Business and Development, Investor Programs and Services, and Workforce Services. The Athletic Commission and the Creative Arts Industries Commission also are organized within the Department. This article, while not exhaustive, summarizes the variety of programming and services designed to stimulate economic growth in Kansas.

Business Incentives and Services

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 location of the 12 CDCs in Kansas can be found at 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.

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 10.0 percent income tax credit for eligible capital investment at a company's facility that exceeds \$50,000 or \$1.0 million in the five 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.

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.

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 Kansas Development

Finance Authority 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 a portion of Kansas individual income withholding tax. 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 50.0 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 95.0 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 cannot be used for retaining existing jobs.

Sales Tax and Revenue (STAR) Bonds. STAR Bonds allow city or county governments, subject to approval from the Department, 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 NetWorkKansas.com.

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 10.0 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, 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.

Property tax abatement assistance. The Department may assist businesses and governmental entities with the application for industrial revenue bond tax abatements.

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

Community Development Assistance

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.

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 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 purposes and criteria for several financial incentives are outlined below.

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 70.0 percent credit. Applicant organizations in non-rural areas are eligible for a 50.0 percent credit.

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 2019, 77 county governments or employers in the ROZ counties have joined the student loan forgiveness program. The income tax waiver is solely available in Chase County.

Exporting and International Business

The Department encourages international investment and increasing the export of goods and services produced in Kansas. Private companies can receive counseling regarding exports, marketing, international regulations, and searches for agents or distributors. Kansas vendors are recruited to attend international trade shows. The Department organizes trade missions and hosts foreign delegations when they visit Kansas.

EB-5 Visas. The Kansas Regional Center, designated by the U.S. Citizenship and Immigrations Services as a pilot participant, raises foreign investment capital for the Kansas economy *via* the issuance of EB-5 Visas. This visa allows a foreign investor and that individual's spouse and minor children to enter and stay in the country. A two-year green card is issued, allowing time for an investment of \$1.0 million or \$500,000 in targeted employment areas, such as rural areas, to be made and a minimum of ten jobs to be created.

Foreign Trade Zones. These zones, located in the Wichita and Kansas City areas, provide a duty- and quota-free entry point.

Exporting. The Department provides various services to small businesses to establish contacts with international buyers and potential markets. Programs and services include trade show assistance, certification of free sale (*i.e.*, documentation verifying that specified imported

goods are freely sold and approved for export), credit reports, and trade expansion grants.

Commerce University Partnerships

Entrepreneurs and technology companies are able to partner with Kansas State University and its Technology Development Institute, the University of Kansas and its Bioscience Technology Business Center, Wichita State University and its Technology Corporation, Pittsburg State University, or Kansas Manufacturing Solutions (previously known as the Mid-America Manufacturing Technology Center or MAMTC) for the acquisition of technical expertise, applied research, and other services intended to improve productivity and capacity.

Office of Minority and Women Business Development

The Department encourages the creation and growth of minority- and women-owned businesses, providing information regarding procurement, contracting, commercial education, financing, and business management. The Department provides a directory of certain certified enterprises for purchasing agents, contractors, and others.

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.

Investor Program Services

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 postsecondary education.

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 early stage ventures. Angel networks identify and fund 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.

Workforce Services

KANSASWORKS. The Department 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. Workforce Services also administers the following programs.

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.

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 the 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 5 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 5 areas provide workforce services at 28 workforce centers across the state.

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.

Workforce AID. The program helps employers find the technical training necessary for employees to meet employment needs.

KanVet. The program is a clearinghouse of resources and benefits for veterans.

Commissions

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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