

KANSAS DEPARTMENT OF COMMERCE

| Expenditure | Actual FY 2015 | Agency Est. FY 2016 | Gov. Rec. FY 2016 | Agency Est. FY 2017 | Gov. Rec. FY 2017 |
|--------------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| Operating Expenditures: | | | | | |
| State General Fund | \$ 245,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 98,808,735 | 98,569,769 | 95,822,190 | 90,073,784 | 87,789,016 |
| TOTAL | \$ 99,053,735 | \$ 98,569,769 | \$ 95,822,190 | \$ 90,073,784 | \$ 87,789,016 |
| Capital Improvements: | | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 181,790 | 200,000 | 200,000 | 200,000 | 200,000 |
| TOTAL | \$ 181,790 | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| GRAND TOTAL | \$ 99,235,525 | \$ 98,769,769 | \$ 96,022,190 | \$ 90,273,784 | \$ 87,989,016 |
| Percentage Change: | | | | | |
| Operating Expenditures | | | | | |
| State General Fund | (98.4) % | (100.0) % | (100.0) % | -- % | -- % |
| All Funds | (35.4) | (0.5) | (3.3) | (8.6) | (8.4) |
| FTE Positions | 149.6 | 137.6 | 137.6 | 137.1 | 137.1 |
| Non-FTE Perm.Uncl.Pos. | 119.1 | 134.8 | 134.8 | 134.8 | 134.1 |
| TOTAL | 268.7 | 272.5 | 272.5 | 272.0 | 271.2 |

AGENCY OVERVIEW

The Department of Commerce is a cabinet-level agency with a mission to empower businesses and communities through bold leadership using strategic resources to realize prosperity in Kansas. The agency serves as the lead agency for economic development through the promotion of business, industry, trade and workforce training within the state. The Department operates through the following three divisions.

- **Administration Division** is comprised of the Office of the Secretary, Human Resources, Public Affairs and Marketing, Information Technology, Fiscal Services, Building Services, Governor's Economic Council of Advisors, Legal, Regulatory Compliance and Athletic Commission.
- **Business & Community Development Division** grows the Kansas economy through the creation and retention of jobs and increased capital investment. This division works to bring new business opportunities to Kansas, and assist Kansas companies interested in opportunities to grow and expand. The division also works with Kansas communities, helping them find solutions to various infrastructure and other community needs, in order to make them stronger, more viable places to live and work. Financial incentives and programs the Division administers for businesses and communities include the following:

- Promoting Employment Across Kansas (PEAK) Program;
 - High Performance Incentive Program (HPIP);
 - Community Service Tax Credits;
 - Angel Investor Tax Credits;
 - Rural Opportunity Zones;
 - State Small Business Credit Initiative (SSBCI);
 - Community Development Block Grant;
 - Neighborhood Stabilization Program;
 - Wind and Solar Bond Financing; and
 - Sales Tax Revenue (STAR) Bonds.
- **Workforce Services Division** links businesses, job candidates, and educational institutions to ensure that employers can find skilled workers. The Division accomplishes this by partnering with Local Workforce Investment Boards and other state agencies. In addition, a robust partnership with the Kansas Board of Regents helps state universities and community and technical colleges tailor their curriculum to the needs of Kansas businesses. The result is an integrated, demand-driven statewide network in which workers receive job-specific training, and Kansas businesses can find the well-trained employees they need. Employment services are provided to employers and job candidates through the state's 23 workforce centers, online or virtual services, and the mobile workforce center. These employer-driven services include recruiting skilled workers, screening and assessing job candidates, and identifying individuals needing skill enhancement. The Division has two main organizational units: Training Services and Employment Services.

MAJOR ISSUES FROM PRIOR YEARS

The **2009 Legislature** deleted language that authorized the Kansas Wheat Harvest program in FY 2010. The Wheat Harvest program connected Kansas farmers with custom wheat cutters.

The **2009 Legislature** deleted \$454,097, all from special revenue funds, in FY 2010 for the Regional Education and Workforce Access Remote Delivery (REWARD) project. The project would use video conferencing technology to assist in training dislocated workers and businesses.

The **2011 Legislature** deleted \$500,000, all from the Economic Development Initiatives Fund, for FY 2012 for competitive grants to community colleges and shifted the funding to the Kansas Board of Regents.

The **2011 Legislature** added language requiring the Regional Economic Area Partnership (REAP) to submit an annual report to the Kansas Legislature before May 1, 2012.

The **2011 Legislature** added language requiring the Kansas Department of Commerce to conduct an independent review of the financial reports submitted by REAP and report to the Legislature before May 1, 2012.

The **2011 Legislature** added language prohibiting the Department of Commerce from charging or assessing any fees for administering the research grants for the University of Kansas, Kansas State University, and Wichita State University.

The **2012 Legislature** added \$700,000, all from the Economic Development Initiatives Fund, and 3.0 FTE positions, to fund the Kansas Creative Arts Commission. The Creative Arts Commission replaces the Kansas Arts Commission and the Kansas Film Commission and is administered by the Kansas Department of Commerce.

The **2012 Legislature** deleted \$25,000, all from the Economic Development Initiatives Fund, for the State Fair Study and added the same amount to the State Fair's budget to provide matching money for the State Fair's centennial celebration in FY 2013.

The **2012 Legislature** added \$500,000, all from the State General Fund, for a new program to provide incentives for companies to employ and train individuals with disabilities

The **2012 Legislature** deleted \$500,000, all from the State General Fund, for the Project 17 economic development initiatives project in southeast Kansas.

The **2013 Legislature** deleted \$50,000, all from the Economic Development Initiatives Fund, for the Medicaid Reform Employment Incentive program for FY 2014 and FY 2015. This would reduce the amount of grants that would be available for employers that employ and train individuals with disabilities.

The **2013 Legislature** deleted \$275,000, all from the Economic Development Initiatives Fund, for the Accelerate Entrepreneurship program for FY 2014 and FY 2015. This program is designed to increase the number of entrepreneurs in the state by providing incentives to Kansas educational institutions for each student or faculty member that starts a new company with at least one full time employee besides themselves.

The **2013 Legislature** transferred \$1.0 million for FY 2014 and \$500,000 for FY 2015 from the Reimbursement and Recovery Fund to the State General Fund.

The **2013 Legislature** deleted \$1.5 million, all from the Economic Development Initiatives Fund, in the Department of Commerce operating grant and increased the transfer from the Economic Development Initiatives Fund to the State General Fund for FY 2014 by that same amount.

The **2013 Legislature** added language directing that any appropriated funds for the Kansas Creative Arts Industries Commission in FY 2013 be reappropriated for FY 2014. In FY 2013 the recommendation for the Kansas Creative Arts Industries Commission is \$699,467 and for FY 2014 the recommendation is \$200,000.

The **2013 Legislature** reduced the limit on State General Fund transfers to the Job Creation Fund to the State General Fund by \$2.5 million from \$10.0 million to \$7.5 million. The reduction would increase revenue to the State General Fund for FY 2014 by \$2.5 million.

The **2013 Legislature** directed that the \$5.0 million for the Affordable Airfares program be directed to the counties rather than the Regional Economic Area Partnership (REAP) for FY 2014.

The **2014 Legislature** deleted \$15.0 million, all from the State General Fund, for the animal health research grant (\$5.0 million), aviation research grant (\$5.0 million), and cancer center research grant (\$5.0 million) for FY 2015 (HB 2506). These grants were appropriated directly to the Kansas State University, Wichita State University, and the University of Kansas respectively.

The **2014 Legislature** added \$250,000 from the State General Fund for global trade services grants to be awarded in FY 2015.

The **2015 Legislature** deleted \$250,000 for the operating grant and \$2.0 million for the Rural Opportunity Zone Program from the Economic Development Initiatives Fund in FY 2015.

The **2015 Legislature** added \$1.0 million from special revenue funds for the Affordable Airfare Program for FY 2016. This resulted in total program expenditures of \$5.0 million and also shifted funding from the State General Fund to the State Highway Fund. The Legislature deleted \$3.0 million from special revenue funds to eliminate the Affordable Airfare Program for FY 2017.

BUDGET SUMMARY AND KEY POINTS

FY 2016 – Current Year. The **agency** requests a revised estimate in FY 2016 expenditures of \$98.8 million, including \$14.4 million from the Economic Development Initiative Fund (EDIF). The estimate is an all funds decrease of \$14.5 million, or 12.8 percent, and an EDIF increase of \$635,185, or 4.6 percent, above the amount approved by the 2015 Legislature. The EDIF increase was entirely due to a reappropriation of money that was not spent in FY 2015 and shifted to FY 2016. The all funds decrease is due largely to a change in accounting for \$10.5 million in the Kan-Grow Engineering Program as a non-expense item in this budget and an expenditure in the Regents Institutions where the funds are transferred and the program is administered; a decrease of \$4.2 million in the federal Community Development Block Grant; a decrease of \$1.1 million in federal Workforce Investment Act (WIA) funding for dislocated workers; and a reduction of \$1.6 million in the Small Business Credit Initiative. This was offset partially by an increase in WIA funding for adult education of \$1.1 million and an increase in funding for the Kansas Health Professional Opportunity Initiative of \$995,634. The budget includes 137.6 FTE positions, a decrease of 12.0 FTE positions below, and 134.8 non-FTE unclassified positions, an increase of 15.7 non-FTE unclassified positions above, the approved FY 2016 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The **Governor** recommends FY 2016 expenditures of \$96.0 million including \$11.6 million from the Economic Development Initiative Fund. The recommendation is \$2.7 million, or 2.8 percent, less than the agency request and includes the following adjustments:

- Delete \$2.0 million of the Economic Development Initiative Fund (EDIF) reappropriation;
- Delete the Economic Development Initiative Fund (EDIF) reappropriation funding of \$750,000 for the Rural Opportunity Zone (ROZ) Program which still has funding of \$1.0 million from EDIF to meet the the student loan forgiveness obligations for FY 2016;

- Transfer the balance of the Kansas Partnership Fund of \$3.7 million to the State General Fund; and
- Transfer the balance of the Kansas Existing Industry Expansion Fund of \$1.9 million to the State General Fund; and eliminate the planned \$3.5 million transfer to the Job Creation Program Fund which is estimated to have a balance of \$10.7 million at the end of FY 2016.

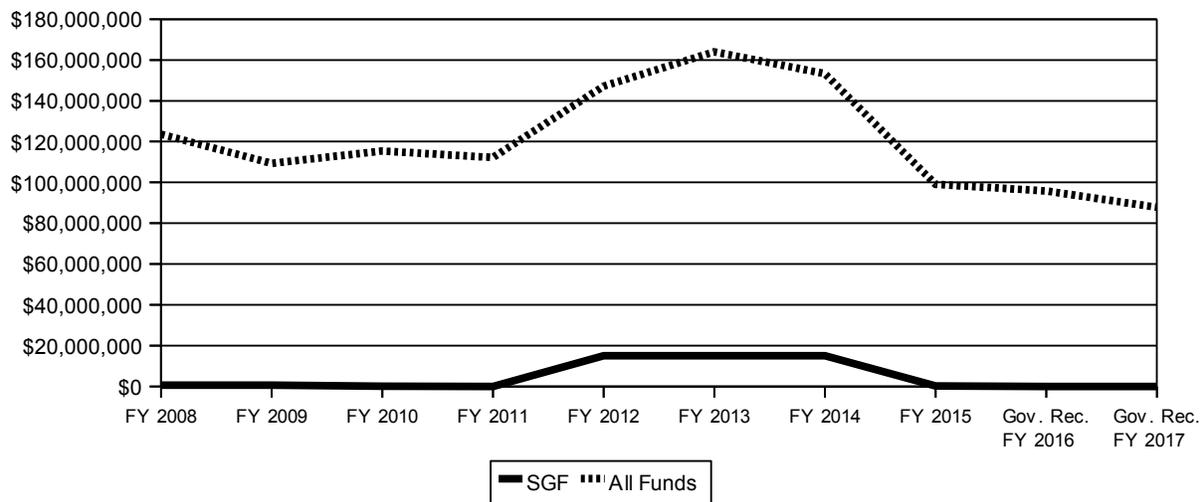
FY 2017 – Budget Year. The **agency** requests a revised estimate for FY 2017 expenditures of \$90.3 million, including \$13.7 million from the Economic Development Initiative Fund (EDIF). The revised estimate is an all funds decrease of \$16.9 million, or 15.8 percent, below the amount approved by the 2015 Legislature. The EDIF in the revised estimate is the same as the FY 2017 approved. The all funds decrease is due largely to a change in accounting for \$10.5 million in the Kan-Grow Engineering Program as a non-expense item in this budget and an expenditure in the Regents Institutions where the funds are transferred and the program is administered; a decrease of \$4.1 million in the federal Community Development Block Grant; a decrease of \$1.1 million in federal WIA funding for dislocated workers and a reduction of \$1.8 million in the Small Business Credit Initiative. This was offset partially by an increase in WIA funding for adult education of \$1.1 million and an increase in the Job Creation Program of \$1.1 million. The budget includes 137.1 FTE positions, a decrease of 12.4 FTE positions below, and 134.8 non-FTE unclassified positions, an increase of 16.7 non-FTE unclassified positions above, the approved FY 2017 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The **Governor** recommends FY 2017 expenditures of \$88.0 million including \$11.4 million from the Economic Development Initiative Fund. The recommendation is \$2.3 million, or 2.5 percent, less than the agency request and includes the following adjustments:

- Reduce the Economic Development Initiative Fund (EDIF) funding of \$500,000 for the Rural Opportunity Zone (ROZ) Program which still has funding of \$1.2 million from EDIF to meet the student loan forgiveness obligations for FY 2017;
- Delete the Disability Employment Program funding of \$431,587 from Economic Development Initiative Fund (EDIF) as the program was eliminated in FY 2016 under the authority of the special authority given in 2015 HB 2135;
- Delete the Innovation Growth Program funding of \$1.4 million from the Economic Development Initiative Fund (EDIF) and eliminate the program; and
- Eliminate the planned \$3.5 million transfer to the Job Creation Program Fund which is estimated to have a balance of \$7.3 million at the end of FY 2017.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2008 – FY 2017



OPERATING EXPENDITURES FY 2008 – FY 2017

| Fiscal Year | SGF | % Change | All Funds | % Change | FTE |
|---------------------------------|--------------|----------|-----------------|----------|---------|
| 2008 | \$ 622,463 | (86.0)% | \$ 123,636,243 | 12.2 % | 423.1 |
| 2009 | 580,607 | (6.7) | 109,330,287 | (11.6) | 314.8 |
| 2010 | 9,966 | (98.3) | 115,395,054 | 5.5 | 314.8 |
| 2011 | 0 | (100.0) | 112,236,173 | (2.7) | 314.8 |
| 2012 | 15,000,000 | -- | 147,149,558 | 31.1 | 250.0 |
| 2013 | 15,001,308 | 0.0 | 164,030,681 | 11.5 | 192.0 |
| 2014 | 15,031,976 | 0.2 | 153,298,521 | (6.5) | 163.8 |
| 2015 | 245,000 | (98.4) | 99,053,735 | (35.4) | 149.6 |
| 2016 Gov. Rec. | 0 | (100.0) | 95,822,190 | (3.3) | 137.6 |
| 2017 Gov. Rec. | 0 | -- | 87,789,016 | (8.4) | 137.1 |
| Ten-Year Change Dollars/Percent | \$ (622,463) | (100.0)% | \$ (35,847,227) | (29.0)% | (286.0) |

Summary of Operating Budget FY 2015 - FY 2017

| | Actual 2015 | Agency Estimate | | | | Governor's Recommendation | | | |
|---|----------------------|----------------------|----------------------|--------------------------------|---------------------------------|---------------------------|----------------------|--------------------------------|---------------------------------|
| | | Estimate FY 2016 | Estimate FY 2017 | Dollar Change from FY 16 | Percent Change from FY 16 | Rec. FY 2016 | Rec. FY 2017 | Dollar Change from FY 16 | Percent Change from FY 16 |
| By Program: | | | | | | | | | |
| Administration | \$ 4,258,494 | \$ 6,829,757 | \$ 4,774,660 | \$ (2,055,097) | (30.1) % | \$ 4,832,178 | \$ 4,752,298 | \$ (79,880) | -- % |
| Business & Community Development | 28,185,511 | 29,114,349 | 23,008,910 | (6,105,439) | (21.0) | 28,364,349 | 22,480,717 | (5,883,632) | (20.7) |
| Workforce Service | 66,567,955 | 62,588,763 | 62,258,064 | (330,699) | (0.5) | 62,588,763 | 60,523,851 | (2,064,912) | (3.3) |
| Debt Service | 41,775 | 36,900 | 32,150 | (4,750) | (12.9) | 36,900 | 32,150 | (4,750) | (12.9) |
| TOTAL | \$ 99,053,735 | \$ 98,569,769 | \$ 90,073,784 | \$ (8,495,985) | (8.6) % | \$ 95,822,190 | \$ 87,789,016 | \$ (8,033,174) | (8.4) % |
| By Major Object of Expenditure: | | | | | | | | | |
| Salaries and Wages | \$ 15,341,172 | \$ 16,241,970 | \$ 16,810,158 | \$ 568,188 | 3.5 % | \$ 16,241,970 | \$ 16,750,068 | \$ 508,098 | 3.1 % |
| Contractual Services | 9,156,260 | 8,505,570 | 7,875,804 | (629,766) | (7.4) | 8,432,991 | 7,825,700 | (607,291) | (7.2) |
| Commodities | 240,034 | 256,764 | 233,064 | (23,700) | (9.2) | 256,764 | 231,464 | (25,300) | (9.9) |
| Capital Outlay | 501,157 | 704,315 | 627,228 | (77,087) | (10.9) | 704,315 | 626,228 | (78,087) | (11.1) |
| Debt Service | 41,775 | 36,900 | 32,150 | (4,750) | (12.9) | 36,900 | 32,150 | (4,750) | (12.9) |
| Subtotal - Operations | \$ 25,280,398 | \$ 25,745,519 | \$ 25,578,404 | \$ (167,115) | (0.6) % | \$ 25,672,940 | \$ 25,465,610 | \$ (207,330) | (0.8) % |
| Aid to Local Units | 12,524,146 | 11,755,100 | 11,619,700 | (135,400) | (1.2) | 11,755,100 | 11,619,700 | (135,400) | (1.2) |
| Other Assistance | 61,249,191 | 61,069,150 | 52,875,680 | (8,193,470) | (13.4) | 58,394,150 | 50,703,706 | (7,690,444) | (13.2) |
| TOTAL | \$ 99,053,735 | \$ 98,569,769 | \$ 90,073,784 | \$ (8,495,985) | (8.6) % | \$ 95,822,190 | \$ 87,789,016 | \$ (8,033,174) | (8.4) % |
| Financing: | | | | | | | | | |
| State General Fund | \$ 245,000 | \$ 0 | \$ 0 | \$ 0 | -- % | \$ 0 | \$ 0 | \$ 0 | -- % |
| Economic Development Initiative Fund | 11,648,125 | 14,368,268 | 13,695,123 | (673,145) | (4.7) | 11,620,689 | 11,410,355 | (210,334) | (1.8) |
| Federal Funds | 50,161,099 | 44,732,866 | 41,893,075 | (2,839,791) | (6.3) | 44,732,866 | 41,893,075 | (2,839,791) | (6.3) |
| All Other Funds | 36,999,511 | 39,468,635 | 34,485,586 | (4,983,049) | (12.6) | 39,468,635 | 34,485,586 | (4,983,049) | (12.6) |
| TOTAL | \$ 99,053,735 | \$ 98,569,769 | \$ 90,073,784 | \$ (8,495,985) | (8.6) % | \$ 95,822,190 | \$ 87,789,016 | \$ (8,033,174) | (8.4) % |

BUDGET OVERVIEW

A. FY 2016 – Current Year

| | CHANGE FROM APPROVED BUDGET | | | | |
|--------------------|------------------------------------|-------------------------------|-----------------------------------|-----------------------------|-------------------------------------|
| | Legislative Approved FY 2016 | Agency Estimate FY 2016 | Agency Change from Approved | Governor Rec. FY 2016 | Governor Change from Approved |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| All Other Funds | 113,858,914 | 98,769,769 | (15,089,145) | 96,022,190 | (17,836,724) |
| TOTAL | \$ 113,858,914 | \$ 98,769,769 | \$ (15,089,145) | \$ 96,022,190 | \$ (17,836,724) |
| FTE Positions | 149.6 | 137.6 | (12.0) | 137.6 | (12.0) |

In August 2015, the Governor used special authority under HB 2135 for \$6.1 million in additional special revenue fund transfers to the State General Fund for the Department of Commerce. These include \$2.2 million from the Rural Opportunity Zone Program; \$1.8 million from the Economic Development Initiatives Fund; \$1.2 million from the Innovative Growth Program; and \$895,296 from the Disability Employment Incentive Program.

The **agency** requests a revised estimate in FY 2016 operating expenditures of \$98.6 million, including \$14.4 million from the Economic Development Initiative Fund (EDIF). The estimate is an all funds decrease of \$14.5 million, or 12.8 percent, below and an EDIF increase of \$635,185, or 4.6 percent, above the amount approved by the 2015 Legislature. The EDIF increase is entirely due to a reappropriation of money that was not spent in FY 2015 and shifted to FY 2016.

The all funds decrease is due to a revised estimate in special revenue funds including:

- Changes in accounting for \$10.5 million in the Kan-Grow Engineering Program as a non-expense item in this budget and an expenditure in the Regents Institutions where the funds are transferred and the program is administered;
- Decreases in the federal Community Development Block Grant of \$4.2 million;
- Decreases in federal WIA funding for dislocated workers of \$1.1 million; and
- Reduction of \$1.6 million in the Small Business Credit Initiative which was established by Congress with the adoption of the Small Business Jobs Act of 2010 to create a Loan and Venture Capital lending program that would leverage private capital at 10:1 and be targeted to help small businesses.

The decrease is partially offset by an increase in the revised estimate in special revenue funds including additional WIA funding for adult education of \$1.1 million and the addition of \$995,634 in funding for the Kansas Health Professional Opportunity Initiative.

The request includes the following categories of expenditures:

- **Salaries and Wages** expenditures of \$16.2 million, including \$3.9 million from EDIF to fund 137.6 FTE positions and 134.8 non-FTE unclassified positions. The request is an all funds decrease of \$116,651, or 0.7 percent, and an EDIF increase of \$361,118, or 10.3 percent, from the approved amount. This is largely due to shifting salary expenditures to the EDIF funds;
- **Contractual Services** expenditures of \$8.5 million, including \$2.5 million from EDIF. The request is an all funds decrease of \$457,781, or 5.1 percent, and an EDIF decrease of \$99,368, or 3.8 percent, from the approved amount. This is largely due to a decrease in expenditures for advertising and marketing offset partially by increases in other professional fees, state building operating charges, and building rents. The decrease also reflects a reduction in contracts requested for the Trade Adjustment Assistance Program;
- **Commodities** expenditures of \$256,764, including \$63,100 from EDIF. The request is an increase in all funds of \$2,981 or 1.2 percent, and an EDIF decrease of \$3,486, or 5.2 percent, from the approved amount. This is largely due to a decrease in the agency expenditures for gas and stationary and office supplies partially offset by increased expenditures for data processing supplies;
- **Capital Outlay** expenditures of \$704,315, including \$233,901 from EDIF. This is an increase in all funds of \$127,984, or 22.2 percent, and an EDIF increase of \$71,749 or 44.2 percent, from the approved amount. This is due to technology upgrades, software purchases, and computer replacements;
- **Aid to Locals** expenditures of \$11.8 million, all from federal funds. The request is a decrease in all funds of \$4.3 million, or 26.6 percent and is attributable to a decrease in the amount of funds received for the federal Community Development Block Grant; and
- **Other Assistance** expenditures of \$61.1 million, including \$7.7 million from EDIF. This is a decrease in all funds of \$9.8 million, or 13.8 percent, and an EDIF increase of \$305,172 or 4.1 percent above the approved budget. This is largely due to a change in accounting for \$10.5 million in the Kan-Grow Engineering Program as a non-expense item in this budget and an expenditure in the Regents Institutions where the funds are transferred and the program is administered.

The **Governor** recommends FY 2016 operating expenditures of \$95.8 million including \$11.6 million from the Economic Development Initiative Fund. The recommendation is \$2.7 million, or 2.8 percent, less than the agency request and includes the following adjustments:

- Delete \$2.0 million of the Economic Development Initiative Fund (EDIF) reappropriation;
- Delete the Economic Development Initiative Fund (EDIF) reappropriation funding of \$750,000 for the Rural Opportunity Zone (ROZ) Program which still has funding of \$1.0 million from EDIF to meet the the student loan forgiveness obligations for FY 2016;

- Transfer the balance of the Kansas Partnership Fund of \$3.7 million to the State General Fund;
- Transfer the balance of the Kansas Existing Industry Expansion Fund of \$1.9 million to the State General Fund; and
- Eliminate the planned \$3.5 million transfer to the Job Creation Program Fund which is estimated to have a balance of \$10.7 million at the end of FY 2016.

B. FY 2017 – Budget Year

| CHANGE FROM APPROVED BUDGET | | | | | |
|------------------------------------|------------------------------------|-------------------------------|-----------------------------------|-----------------------------|-------------------------------------|
| | Legislative Approved FY 2017 | Agency Estimate FY 2017 | Agency Change from Approved | Governor Rec. FY 2017 | Governor Change from Approved |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| All Other Funds | 107,204,442 | 90,273,784 | (16,930,658) | 87,989,016 | (19,215,426) |
| TOTAL | \$ 107,204,442 | \$ 90,273,784 | \$ (16,930,658) | \$ 87,989,016 | \$ (19,215,426) |
| FTE Positions | 149.5 | 137.1 | (12.4) | 137.1 | (12.4) |

The **agency** requests a revised estimate for FY 2017 operating expenditures, excluding capital improvements, of \$90.1 million, including \$13.7 million from the Economic Development Initiative Fund (EDIF). The revised estimate is an all funds decrease of \$16.9 million, or 15.8 percent, below the amount approved by the 2015 Legislature. The EDIF in the revised estimate is the same as the approved.

The all funds decrease is due to a revised estimate in special revenue funds including:

- Changes in accounting for \$10.5 million in the Kan-Grow Engineering Program as a non-expense item in this budget and an expenditure in the Regents Institutions where the funds are transferred and the program is administered;
- Decreased funding of \$4.2 million in the federal Community Development Block Grant;
- Decreased funding of \$1.8 million in the Small Business Credit Initiative which was established by Congress with the adoption of the Small Business Jobs Act of 2010 to create a Loan and Venture Capital lending program that would leverage private capital at 10:1 and be targeted to help small businesses; and
- Decreased funding in federal WIA funds for dislocated workers of \$1.1 million.

These decreases are partially offset by an increase of \$1.1 million in WIA funding for adult education and an increase of \$1.1 million in the Job Creation Program expenditures.

The request includes the following categories of expenditures:

- **Salaries and Wages** expenditures of \$16.8 million, including \$4.0 million from EDIF, to fund 137.1 FTE positions and 134.8 non-FTE unclassified positions. The request is an all funds decrease of \$66,381, or 0.4 percent, and an EDIF increase of \$368,329, or 10.1 percent, from the approved amount. This is largely due to shifting salary expenditures to the EDIF funds;
- **Contractual Services** expenditures of \$7.9 million, including \$2.2 million from EDIF. The request is an all funds decrease of \$983,135, or 11.1 percent, and an EDIF decrease of \$343,129, or 13.5 percent, from the approved amount. This is largely due to a decrease in expenditures for advertising and marketing offset partially by increases in other professional fees, state building operating charges, and building rents. The decrease also reflects a reduction in contracts requested for the Trade Adjustment Assistance Program offset partially by increases in the Job Creation program;
- **Commodities** expenditures of \$233,064, including \$63,100 from EDIF. The request is a decrease in all funds of \$20,179, or 8.0 percent, and an EDIF decrease of \$3,486, or 5.2 percent, from the approved amount. This is largely due to a decrease in expenditures for stationary and office supplies and gas partially offset by increases in data processing supplies. The all funds decrease also reflects decreased expenditures for the Employment Services Program offset partially by increased expenditures for the Dislocated Workers and Veterans Assistance programs;
- **Capital Outlay** expenditures of \$627,228, including \$159,314 from EDIF. All funds expenditures increased by \$51,119, or 8.9 percent, and EDIF expenditures decreased by \$2,616, or 1.6 percent, from the approved amount. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. This is largely due to increases in microcomputer equipment and software offset partially by a decrease in expenditures for information processing equipment and office furniture;
- **Aid to Locals** expenditures of \$11.6 million, all from federal funds. The request is an all funds decrease of \$4.2 million, or 26.5 percent and is attributable to a decrease in the amount of funds received for the federal Community Development Block Grant; and
- **Other Assistance** expenditures of \$52.9 million, including \$7.3 million from EDIF. This is an decrease in all funds of \$11.7 million, or 18.1 percent, and an EDIF decrease of \$19,098, or 0.3 percent, from the approved budget. The all funds decrease is largely due to a change in accounting for \$10.5 million in the Kan-Grow Engineering Program as a non-expense item in this budget and an expenditure in the Regents Institutions where the funds are transferred and the program is administered. This also reflects a decrease in the Innovation Growth program and a reduction of expenditures for the Governor's Council of Economic Advisors as well as decreases in federal funds for the Small Business Credit Initiative Loans. It also includes an increase in EDIF for the the Innovation Growth Program and the Strong Military Base Program.

The **Governor** recommends FY 2017 operating expenditures of \$87.8 million including \$11.4 million from the Economic Development Initiative Fund. The recommendation is \$2.3 million, or 2.5 percent, less than the agency request and includes the following adjustments:

- Reduce the Economic Development Initiative Fund (EDIF) funding by \$500,000 for the Rural Opportunity Zone (ROZ) Program which still has funding of \$1.2 million from EDIF to meet the student loan forgiveness obligations for FY 2017;
- Delete the Disability Employment Program funding of \$431,587 from Economic Development Initiative Fund (EDIF) as the program was eliminated in FY 2016 under the special authority given in 2015 Senate Sub. for HB 2135;
- Delete the Innovation Growth Program funding of \$1.4 million from the Economic Development Initiative Fund (EDIF) and eliminate the program; and
- Eliminate the planned \$3.5 million transfer to the Job Creation Program Fund which is estimated to have a balance of \$7.3 million at the end of FY 2017.

Funding Sources

| Funding Source | Agency Est. Percent of Total FY 2017 | Gov. Rec. Percent of Total FY 2017 |
|--|--|--|
| State General Fund | 0.0 % | 0.0 % |
| Economic Development Initiatives Fund | 15.2 | 13.0 |
| Federal Funds | 46.5 | 47.6 |
| All Other Funds | 38.3 | 39.4 |
| TOTAL | 100.0 % | 100.0 % |

Note: Details may not add to totals due to rounding.

Fee Fund Analysis

The Athletic Fee Fund is used to support the Kansas Athletic Commission (KAC). The KAC was created by the 2004 Legislature to regulate the state's fight-sport industry. The fund is supported through licensing and registration of fighters, promoters, referees, judges, and ringside doctors.

| Resource Estimate | Actual FY 2015 | Agency Estimate FY 2016 | Gov. Rec.. FY 2016 | Agency Estimate FY 2017 | Gov. Rec. FY 2017 |
|--|-------------------|-------------------------------|-----------------------|-------------------------------|----------------------|
| Beginning Balance | \$ 74,559 | \$ 45,253 | \$ 45,253 | \$ 35,454 | \$ 35,454 |
| Revenue | 78,682 | 90,000 | 90,000 | 99,000 | 99,000 |
| Transfers in | 0 | 0 | 0 | 0 | 0 |
| Total Funds Available | \$ 153,241 | \$ 135,253 | \$ 135,253 | \$ 134,454 | \$ 134,454 |
| Less: Expenditures | 107,988 | 99,799 | 99,799 | 104,845 | 104,845 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 |
| Off Budget Expenditures | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$ 45,253 | \$ 35,454 | \$ 35,454 | \$ 29,609 | \$ 29,609 |
| Ending Balance as Percent of Expenditures | 41.9% | 35.5% | 35.5% | 28.2% | 28.2% |
| Month Highest Ending Balance | \$ 123,491 | \$ 51,000 | \$ 51,000 | \$ 56,000 | \$ 56,000 |
| Month Lowest Ending Balance | \$ 50,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 |

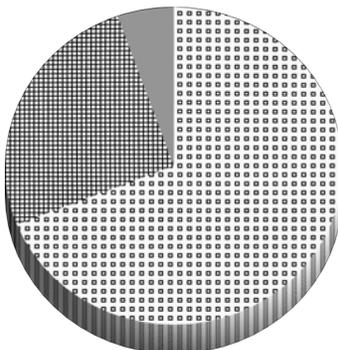
NOTE: Expenditures for FY 2015 were from an incorrect funding source prior to the year end but subsequently corrected so the amount for FY 2015 Highest Ending Balance is an anomaly.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2017 Recommendation

All Funds



Administration
 Business Development
 Workforce Services
 Debt Service

| Program | Gov. Rec. All Funds FY 2017 | Percent of Total | Gov. Rec. SGF FY 2017 | Percent of Total |
|----------------------|-----------------------------------|---------------------|-----------------------------|---------------------|
| Administration | \$ 4,752,298 | 5.4 % | \$ 0 | -- % |
| Business Development | 22,480,717 | 25.6 | 0 | -- |
| Workforce Services | 60,523,851 | 68.9 | 0 | -- |
| Debt Service | 32,150 | 0.0 | 0 | -- |
| TOTAL | \$ 87,789,016 | 100.0 % | \$ 0 | -- % |

FTE POSITIONS BY PROGRAM FY 2015 – FY 2017

| Program | Actual FY 2015 | Agency Est. FY 2016 | Gov. Rec. FY 2016 | Agency Est. FY 2017 | Gov. Rec. FY 2017 |
|----------------------|-------------------|------------------------|----------------------|------------------------|----------------------|
| Administration | 20.1 | 15.5 | 15.5 | 15.5 | 15.5 |
| Business Development | 13.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| Workforce Services | 116.5 | 110.1 | 110.1 | 109.6 | 109.6 |
| TOTAL | 149.6 | 137.6 | 137.6 | 137.1 | 137.1 |

A. Administration

The Administration Division is comprised of the **Office of the Secretary, Human Resources, Public Affairs and Marketing, Information Technology, Fiscal Services, Building Services, Governor's Economic Council of Advisors, Legal, Regulatory Compliance, and Athletic Commission.**

The goals and objectives of the Administration Division are to provide leadership, communication, and an overall high level of customer service to the agency in support of its broader mission of economic development in the state. The division strives to use progressive technology to improve productivity and efficiency in support of quality business processes.

Responsibilities within the division include: managing the recruitment process for the agency, including the associates located in the various workforce centers across the state; distributing press releases and developing the marketing efforts for the numerous business development and workforce services events; supporting information technology infrastructure and software; and timely and accurate processing of all fiscal related documents, including all fiscal federal reporting, budget preparation, and monitoring.

This division is also responsible for building services management for the seven state owned workforce centers; legal review and direction on the numerous contracts for leases, state funded grants, and federal funded grants; and performing the audit and compliance function for the federal grants administered through the Workforce Services Division.

| ADMINISTRATION SUMMARY OF EXPENDITURES FY 2015 – FY 2017 | | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Item | Actual FY 2015 | Agency Est. FY 2016 | Gov. Rec. FY 2016 | Agency Est. FY 2017 | Gov. Rec. FY 2017 |
| Expenditures: | | | | | |
| Salaries and Wages | \$ 2,653,205 | \$ 2,755,161 | \$ 2,755,161 | \$ 2,855,487 | \$ 2,839,486 |
| Contractual Services | 854,602 | 1,795,995 | 1,723,416 | 1,482,659 | 1,477,298 |
| Commodities | 37,276 | 31,600 | 31,600 | 31,600 | 31,100 |
| Capital Outlay | 74,797 | 229,901 | 229,901 | 155,314 | 154,814 |
| Debt Service | 0 | 0 | 0 | 0 | 0 |
| <i>Subtotal - Operations</i> | <u>\$ 3,619,880</u> | <u>\$ 4,812,657</u> | <u>\$ 4,740,078</u> | <u>\$ 4,525,060</u> | <u>\$ 4,502,698</u> |
| Aid to Local Units | 0 | 0 | 0 | 0 | 0 |
| Other Assistance | 638,614 | 2,017,100 | 92,100 | 249,600 | 249,600 |
| TOTAL | <u>\$ 4,258,494</u> | <u>\$ 6,829,757</u> | <u>\$ 4,832,178</u> | <u>\$ 4,774,660</u> | <u>\$ 4,752,298</u> |
| Financing: | | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| All Other Funds | 4,258,494 | 6,829,757 | 4,832,178 | 4,774,660 | 4,752,298 |
| TOTAL | <u>\$ 4,258,494</u> | <u>\$ 6,829,757</u> | <u>\$ 4,832,178</u> | <u>\$ 4,774,660</u> | <u>\$ 4,752,298</u> |
| FTE Positions | 20.1 | 15.5 | 15.5 | 15.5 | 15.5 |
| Non-FTE Uncl. Perm. Pos. | 26.1 | 27.8 | 27.8 | 27.8 | 27.6 |
| TOTAL | <u>46.2</u> | <u>43.3</u> | <u>43.3</u> | <u>43.3</u> | <u>43.1</u> |

The **agency** requests a revised estimate for FY 2017 operating expenditures, excluding capital improvements, of \$4.8 million, including \$3.5 million from the Economic Development Initiative Fund (EDIF). The revised estimate is an all funds decrease of \$941,821, or 16.5 percent, and an EDIF decrease of \$87,962, or 2.5 percent, below the amount approved by the 2015 Legislature.

The request is broken down by categories of expenditures below:

- **Salaries and Wages** expenditures of \$2.9 million, including \$1.7 million from EDIF, to fund 15.5 FTE positions and 27.8 non-FTE unclassified positions, a decrease of 4.5 FTE positions and an increase of 1.7 non-FTE positions from the FY 2017 approved amount. The request is an all funds decrease of \$200,868, or 6.6 percent, and an EDIF increase of \$490,745 or 39.1 percent, from the FY 2017 approved amount. This is largely due to increased expenditures for unclassified temporary positions and shifting salary expenditures to the EDIF funds;
- **Contractual Services** expenditures of \$1.5 million, including \$1.3 million from EDIF. The request is an all funds decrease of \$511,238, or 25.6 percent, and an EDIF decrease of \$333,402, or 20.0 percent, below the FY 2017 approved amount. This is largely due to a decrease in the agency operating grant from EDIF for administrative expenditures for the Strong Military Bases program;
- **Commodities** expenditures of \$31,600, including \$29,300 from EDIF. The request is an all funds decrease of \$6,336, or 16.7 percent, and an EDIF decrease of \$3,326, or 10.2 percent, from the FY 2017 approved amount. This is largely due to a decrease in the agency operating grant from EDIF and the Governor's Council of Economic Advisors;
- **Capital Outlay** expenditures of \$155,314, including \$134,714 from EDIF. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. All funds expenditures decreased by \$5,256, or 3.3 percent, and EDIF expenditures decreased by \$23,856, or 15.0 percent, from the FY 2017 approved amount. This is largely due to a decrease in the agency operating grant from EDIF; and
- **Other Assistance** expenditures of \$249,600, all from EDIF. This is a decrease of \$218,123, or 46.6 percent, from the FY 2017 approved amount. This is largely due to a decrease in the Innovation Growth program and a reduction of expenditures for the Governor's Council of Economic Advisors.

The **Governor** recommends FY 2017 operating expenditures of \$4.8 million including \$3.5 million from the Economic Development Initiative Fund. The recommendation is \$22,362, or 0.5 percent, less than the agency request all from the Economic Development Initiative Fund. This is related to the elimination of the administrative costs associated with the Disability Employment Program and Innovation Growth Program which are both being eliminated.

B. Business and Community Development

The Business and Community Development Division plays a lead role in promoting economic and rural development for the State of Kansas. The division works with existing

Kansas companies and out-of-state companies to attract new jobs and investment to the state. The program also assists city and county governments and small businesses in rural communities.

During fiscal year 2013 a consolidation took place bringing what had been known as the International Trade Division into the Business and Community Development Division. The staff involved in trade development work actively to recruit international business to establish facilities and create Kansas jobs, and also provide resources and assistance to Kansas companies seeking to sell products and services to international customers-capitalizing on global opportunities.

In addition, initiatives from the former Kansas Technology Enterprise Corporation (KTEC), which was merged into Commerce in fiscal year 2011, were moved out of the Administration Division to this Division. The Angel Tax Credits were moved to the Business & Community Development Division and aligned within Business Finance along with the other incentive programs managed by Commerce.

Lastly, the Film Commission within the Business and Community Division was renamed to the Kansas Creative Arts Industries Commission (CAIC) and its goals and objectives were expanded to focus not just on the film industry but to all creative industries in Kansas. This includes an emphasis on how the creative industries can help grow the state's economy. During fiscal year 2013, focus was on creating a strategic plan for fiscal years 2014 and 2015 and applying for an National Endowment for the Arts (NEA) grant with state funding as match.

The Division administers several programs which include the **Community Development** and **Community Assistance Services** as well as **Recruitment**. The Division also houses the **Office of Minority and Women Business, Center for Entrepreneurship, Kansas Business Development Center**, and **the Kansas Creative Arts Commission**.

Recruitment

In fiscal year 2015, the business recruitment team worked on 210 project leads and facilitated 70 successful corporate relocations and expansions, resulting in 7,827 jobs, \$456.0 million in payroll and \$911.0 million in capital investment. These results also include the international business recruitment projects as well. Retention of jobs in the state was also a significant part of the results. The office and manufacturing sectors had the highest number of project leads this fiscal year. The office sector generated the highest number of successful projects.

Kansas Exports

Kansas businesses totaled \$12.0 billion in exports in calendar year 2014, a decline of 3.7 percent. The international section provides market resources to Kansas companies empowering them to sell products and services to international customers. Staff directly helps Kansas businesses in the following areas:

- Gathering export data and foreign market research;
- Coordinating with local, state, federal and foreign agencies;
- Collaborating on export seminars;
- Recruiting and assisting company participation in international trade shows;

- Hosting foreign delegations to Kansas;
- Maintaining international consultants in key global markets; and
- Assisting with required international documentation.

State Trade and Export Promotion Grant/International Mission Activity

In fiscal year 2015, the Kansas Department of Commerce participated in two global aviation exhibitions in partnership with Kansas companies and the Greater Wichita Economic Development Coalition: the Farnborough International Air Show in July 2014 and the Paris Air Show in June 2015. Six Kansas companies joined the Kansas pavilion to promote their products at the first event and four at the second event, with additional aviation companies being highlighted through marketing at these exhibitions.

In fiscal year 2016, Kansas was awarded a total of \$296,533 from the federal State Trade and Export Promotion (STEP) program to provide assistance for Kansas companies to market and sell their products and services internationally. The Kansas grant application was a joint effort between the Kansas Department of Commerce and the Kansas Department of Agriculture. It requires a 25.0 percent match from the state. Commerce activities approved under the STEP grant include an opportunity for Kansas companies to exhibit at the Hannover Messe Industrial Fair, the world's leading trade fair for industrial technology.

Kansas International Trade Show Assistance Program

The Kansas International Trade Show Assistance Program (KITSAP) helps introduce Kansas companies to foreign markets by funding their participation in trade shows. Eligible companies are those whose product or service originates in Kansas or whose products receive substantial value-added processing in Kansas. In fiscal year 2015, the international team awarded a total of \$121,145 to 39 applications for 27 Kansas companies to attend a total of 29 international trade shows. To date, those 27 companies reported estimated sales of \$60 million, which translates to a return on investment of \$563 for every \$1 in trade show assistance. Nine of the 27 companies found new agents or distributors and two companies established a joint-venture as a result of their trade show participation.

Business and Community Development Assistance

The Business and Community Development Assistance is comprised of ten full time Regional Project Managers (RPMs) who provide face-to-face assistance to Kansas businesses and communities. To assist Kansas communities reach their full potential by increasing awareness of and access to available resources, the RPMs are a point of contact in the development of strategic plans and a connection to financial and human resources. The communities determine the direction they need to take to achieve success, after which the RPM will work with them to connect with available resources. Additionally the RPMs assist existing Kansas businesses access state incentives which are designed to help businesses grow.

In fiscal year 2015, the team worked a total of 225 business expansion or retention projects. They facilitated 104 projects that will create 1,989 new jobs, retain 3,386 existing jobs, and invest \$440 million in capital investment. Forty-nine percent of the projects were manufacturing, the rest were a mix of energy, wholesale distribution, and professional services. Of the 104 projects, 57.0 percent were located in a non-metro county.

PRIDE

PRIDE is a community-initiated effort to help local leaders prepare for and manage change through hands-on assistance with a focus on community self-improvement. The program addresses such areas as planning, housing, community services and community enrichment. Communities develop and implement a citizen-initiated plan of action. This is a cooperative program with Kansas State University Research and Extension and the Department of Commerce. The PRIDE planning approach assists smaller communities without resources to expand their community economic capacities. The Business and Community Development Assistance Regional Project Managers provide additional manpower to better assist the PRIDE communities.

Business Finance

The Business Finance unit offers a diverse portfolio of financial incentives for rural and urban communities and businesses that are looking to locate or expand in Kansas. Programs include retention of withholding taxes, investment tax credits, sales tax project exemptions and revolving loan funds for local infrastructure projects, as well as loans and grants to assist rural communities in improving infrastructure, housing and urgent needs to maintain and grow. Each specific program is outlined below.

Promoting Employment Across Kansas (PEAK)

The Promoting Employment Across Kansas (PEAK) Act (KSA 2012 Supp. 74-50,210 through 74-50,219) was created by the 2009 Kansas Legislature. The 2010 and 2011 Legislative Sessions passed subsequent changes to the Act to broaden the eligibility criteria to increase the companies that can apply. The Legislature enacted PEAK to encourage economic development in Kansas by incenting companies to relocate, locate, expand or retain a business facility/operations and related jobs. The Secretary of Commerce has discretion to approve applications of qualified companies and determine the benefit period. During the benefit period, participating PEAK companies may retain or be refunded 95 percent of the payroll withholding tax of PEAK-Eligible employees/jobs that pay at or above the county median wage where the qualified function(s) are located. Depending on the number of PEAK jobs/employees to be hired in Kansas and their wage levels, the Secretary can approve benefit periods for up to 10 years.

In fiscal year 2015, 57 agreements were signed with companies to participate in PEAK for a 7.0 percent decrease from fiscal year 2014. Approximately 6,199 new jobs and over \$408 million in additional payroll are projected over a five to ten year period from FY 2015 agreements. For FY 2016 to-date, three agreements have been executed and 14 are currently in process. At this writing, there are 231 (up 13 percent from FY14) active agreements to maintain including review of quarterly and annual compliance reports.

High Performance Incentive Program

The Kansas High Performance Incentive Program (HPIP) is an incentive program which can provide tax benefits to businesses who, in return, are willing to expand the scope of their capital investments, pay a higher than average wage, and make a significant investment in employee training.

During fiscal year 2015, the HPIP program certified or re-certified 285 worksites. This is only slightly below the 300 for fiscal year 2014. Of these 285 certifications, 50 or 17.0 percent, were first time certifications indicating new work sites. During fiscal year 2015, the HPIP program acknowledged receipt of 336 project description forms which identify anticipated future capital investment. This is 21.0 percent more than the number for fiscal year 2014. The total anticipated capital investment pre-identified on these forms was approximately \$2.5 billion. The expected new jobs as a result of these new projects totaled 8,190 with a projected additional payroll of \$505 million or about \$62,000 per new job.

Community Service Tax Credit Program

This program encourages cash and non-cash contributions to nonprofit organizations for certain community service activities. Kansas income tax credits are awarded yearly on a competitive basis for nonprofits to use as a fund-raising tool to encourage individuals, businesses, financial institutions, and insurance companies to donate. Nonprofit recipients must provide services for children, health care, and nongovernmental crime prevention. A tax credit of 70 percent is allowed in communities of fewer than 15,000 residents and 50 percent in communities greater than 15,000. The minimum donation is \$250. The program builds nonprofit community capacity to serve the needs of the targeted Kansas recipients.

The application requests for Community Service tax credits are always greater than the annual \$4.1 million allocation. For FY16, 23 nonprofits (of which 11 were in communities with populations of 15,000 or more and 12 were in communities of less than 15,000) were awarded the maximum available tax credits of \$4.1 million. Twenty-eight nonprofits received tax credits in FY15.

Angel Investor Tax Credit Program

The purpose of the Kansas Angel Investor Tax Credit Act (KSA 74-8131 – 74-8137) is to facilitate the availability of equity investment in businesses in the early stages of commercial development and to assist in the creation and expansion of Kansas businesses, which are job and wealth creating enterprises, by granting tax credits against Kansas income tax liability of investors investing in these businesses. The primary goal is to encourage accredited investors to provide seed-capital financing for emerging Kansas businesses engaged in the development, implementation and commercialization of innovative technologies, products and services.

The Program provides tax credits to technology and bio-technology startups that they may, in turn, offer to potential angel investors. Credits are valued at 50 percent of the eligible investment and each qualified investor may receive up to \$50,000 in tax credits per taxable year. These credits help reduce the inherent risk of the investment and encourage investment in potentially high-growth companies.

Up to \$6.0 million in tax credits are offered annually on a calendar year basis. Any unused credits may roll over to the next year. In calendar year 2014, \$6.2 million tax credits were allocated to 44 companies with 365 qualified investors. For calendar year 2015, it is estimated that the same amount of tax credits will be issued.

Rural Opportunity Zones

The Rural Opportunity Zones (ROZ) program facilitates the population growth of rural Kansas communities in 77 designated counties through the use of tax relief and student loan reimbursement. Under this program, qualified individuals could be eligible to receive Kansas state income tax abatements and student loan reimbursements provided by both the county and state on a matched basis.

Qualified individuals establishing new residency in one of the 77 Kansas counties will receive a credit for the entirety of their Kansas state income tax liability for any year in which they qualify beginning in taxable year 2012 and ending in taxable year 2022. Additionally, qualified individuals may receive student loan payments in equal shares over a maximum term of five years. The annual payments will be equal to 20.0 percent of the individual's outstanding student loan balance up to a maximum of \$15,000.

As of August 2015, the agency had received approximately 2,525 total applications representing an increase of 770 applications during FY15. The rate of applications may begin to accelerate in FY16 as a result of the 2013 Legislature's expansion of the program by 27 counties. Also in 2013, the program began allowing employers to directly sponsor ROZ applicants.

State Small Business Credit Initiative

The State Small Business Credit Initiative (SSBCI) was established by Congress with the adoption of the Small Business Jobs Act of 2010. In June of 2011, the Kansas Department of Commerce was awarded an allocation of approximately \$13.2 million dollars to create a Loan and Venture Capital lending program that would leverage private capital at 10:1 and be targeted to help small businesses. The Loan program received approximately \$10.5 million of the allocation while the Venture Capital lending program received approximately \$2.6 million. Each program augments private capital by providing 9.0 percent matching funds to small business projects that may never be realized without these funds.

In fiscal year 2015, the program funded 15 projects under the Loan program using \$2.6 million SSBCI funds to leverage \$40.3 million in private investment. For the Venture program, three projects were funded utilizing \$360,450 to leverage \$4.2 million in private investment.

Community Development Block Grant

The Small Cities Community Development Block Grant (CDBG) program receives approximately \$13 to \$15 million in federal funds annually. The state's allocation has decreased gradually over the past few years, from \$20.1 million in 2004 to \$13.3 million in fiscal year 2015. Awards made through this program pay for water and sewer systems, bridges, roads, community facilities, housing rehabilitation and economic development activities. Awards help build vital infrastructure and serve all areas of Kansas, except the entitlement zones of Topeka, Kansas City, Wichita, Lawrence, Leavenworth, Manhattan, Overland Park and Johnson County.

U.S. Department of Housing and Urban Development (HUD) provides federal funds to local units of government based on a population formula. One of three objectives must be met: benefit to low- and moderate-income individuals; removal or prevention of slum or blighted conditions; or resolution of an urgent need or immediate threat to health or safety where local funds are not available. These funds are used for a wide variety of activities. The CDBG

program awards grants in six categories: economic development; water/sewer; community facilities; urgent need; housing; and Kansas Small Town Environment Program (KAN STEP). Unlike other states, Kansas does not provide state funds for the administration of this program.

Neighborhood Stabilization Program

The Neighborhood Stabilization Program (NSP 1) was established to stabilize communities suffering from foreclosures and abandonment. Through the purchase, rehabilitation, and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized. The State of Kansas was issued \$21.0 million in NSP 1 funding through HUD, which administers the program at the federal level.

Contracts were signed with nine counties and 10 cities to invest these dollars to stabilize their neighborhoods. As of August 2015, the State of Kansas NSP 1 program has generated \$7.5 million in program income which brings the total investment of \$28.4 million into the State. To date, twelve additional allocations have been made to NSP 1 sub-grantees. Fiscal year 2015 accomplishments include: 172 properties were purchased or donated; 128 housing units sold (94 rehabilitated houses and 34 new constructions/redevelopments); 43 units of single family rental housing built or renovated; and one domestic violence shelter constructed. In fiscal year 2016, grantees will finish construction on two new duplexes and a single-family unit. In fiscal year 2016, projects will complete rehab/redevelopment of ten properties and sell or rent ten new properties. The NSP 1 program will not receive any new allocations after October 31, 2016; however, Commerce will still be responsible for the ongoing management of the program income.

Office of Minority and Women Business

The Office of Minority and Women Business exists to assist small minority- and women-owned businesses in their business development activities by providing resources to include technical, financial, business management, federal certification and procurement information. The Office of Minority and Women Business Development developed an online directory of certified minority and women owned businesses, which can be accessed from the Kansas Department of Commerce website.

Center for Entrepreneurship

The division partners with the Kansas Center for Entrepreneurship by providing pass-through budget dollars and by meeting on a regular basis. The mission of the Kansas Center for Entrepreneurship is to foster an entrepreneurial climate in Kansas and create a single-source network to link entrepreneurs to business support services. It operates under the supervision of a board of directors named by the Secretary of Commerce through a contract administered by the Department of Commerce. In addition to creating policies to foster entrepreneurship, the Center, under the name **NetWork Kansas**, establishes and maintains a website and toll-free number as a seamless resource center clearing house and referral source. The Center also manages the Kansas Community Entrepreneurship Fund and is responsible for outreach entrepreneurial education delivery to rural communities.

Kansas Small Business Development Center

The Division also partners with the Kansas Small Business Development Center (KSBDC) through budget pass-through dollars and cooperative projects. The mission of the KSBDC is to increase economic prosperity in Kansas by helping entrepreneurs and small business owners start and grow their businesses through professional consulting, training and sharing of resources. The KSBDC network includes more than 35 team members at locations across the state, committed to providing services to Kansas entrepreneurs.

Kansas Creative Arts Industries Commission

The Kansas Creative Arts Industries Commission (CAIC) is focused on the creative industries sector of the Kansas economy. The advisory board is dedicated to measuring, promoting, supporting and expanding the creative industries to grow the state's economy and create creative industry-related jobs.

CAIC also takes advantage of the state's amazing natural landscape to attract film crews to Kansas. Assistance often includes location scouting, serving as a liaison or facilitator and lending support during production. CAIC provides direct assistance to film companies in finding appropriate Kansas locations, identifying available industry professionals and services and works to promote Kansas to the film industry concentrated in out-of-state locales. Benefits of filming in Kansas include diverse natural scenery and architecture, a cooperative CAIC staff and a knowledgeable crew of industry professionals. CAIC also supports and encourages the local film industry through participation in film industry events. In fiscal year 2015, CAIC provided assistance to several productions, including: independent features, cable television shows, commercials, documentaries, shorts/music videos.

In fiscal year 2015, CAIC was awarded a NEA partnership awarded of \$586,200 based on its strategic plan and planning process. Due a reduction in state appropriations, that amount was reduced to \$430,691. The terms of this agreement extends until June 30, 2016. Under this agreement, CAIC administered three grant programs: Creative Economy Project Support, Strategic Investment, and Arts Integration. To date, CAIC has awarded grants to over 49 organizations totaling \$406,155. In addition, KCAIC has begun an arts integration pilot program, A+ Schools, at two Kansas schools and a professional development program, Artist, Inc., in Lawrence.

In fiscal year 2016, CAIC will continue to fulfill NEA federal grant requirements through the administration of professional development programs. In addition, the Commission will begin receiving data on fiscal year 2014 grant programs that support the arts and the role they play in enhancing local economies and the quality of life for all Kansas. While outcomes may vary from project to project, the measures created will provide data on how funded projects impact Kansas communities both culturally and economically. These measures may include: the number of citizens effected by the program, increase in local cultural tourism, the number of jobs created, and increased revenue to participating organizations and businesses.

Public Broadcasting Council

In 1993 the Kansas Public Broadcasting Council (PBC) was established by the Kansas legislature and charged with coordinating public broadcasting activities in the state. More broadly they are charged with achieving the goal of every Kansan having access to public media.

Each year the council is charged by statute to bring recommendations to the legislature on the needs of the public broadcasting system in Kansas. Specific to the goal of ensuring public broadcasting availability to all Kansas citizens, the council developed the following objectives for how the dollars allocated for operations, equipment, and cooperative efforts are spent.

Objective #1 Rural and Economic Development - Continue to make available public broadcasting services and resources aimed at improving the economy, quality of life, and entrepreneurial opportunities in local communities, while ensuring equal access to those resources, statewide. Media groups from larger metropolitan areas do not find it economically feasible to cover western Kansas due to the lack of population and advertisers. PBC continues to provide residents of western and other rural areas of Kansas with local content and coverage that supports economic and rural development initiatives.

Objective #2 Literacy Achievement - PBC will contribute to the improvement of literacy and reading rates by providing access to educational programming for children in their preschool and early learning years. Based on independent research, public broadcasting has demonstrated positive outcomes in educational programming for over thirty years. An ever-growing body of independent research affirms that public broadcasting content develops critical academic skills. Literacy is a critical component in developing a skilled and ready workforce. Without this competency, it is nearly impossible to access and advance, through education and career pathways, to jobs that pay a family-sustaining wage. Stations can serve as a focal point ensuring statewide access to important and valuable learning opportunities.

The member stations receive funding from three main sources, Corporation for Public Broadcasting or federal dollars; state dollars, and private funding. The following chart breaks down all funding sources for all stations for FY 2014 and the state funding for FY 2015.

| Stations – Funding Sources | | | | | |
|-----------------------------------|---|--|--|--------------------------------------|--------------------------------------|
| <u>Station</u> | <u>FY 2014 Operating Budget</u> | <u>FY 2014 Private Funding</u> | <u>FY 2014 Federal Funding</u> | <u>FY 2014 State Funding</u> | <u>FY 2015 State Funding</u> |
| KTWU - TV | \$ 2,500,000 | \$ 1,700,000 | \$ 756,000 | \$ 55,536 | \$ 60,368 |
| KPTS - TV | 2,400,000 | 1,694,000 | 653,000 | 78,433 | 64,458 |
| KCPT - TV | 8,700,000 | 5,600,000 | 1,142,000 | 43,498 | 43,500 |
| SHP - TV | 1,900,000 | 915,107 | 739,874 | 209,931 | 206,052 |
| KRPS - Radio | 519,000 | 354,633 | 146,618 | 24,499 | 18,080 |
| KMUW - Radio | 2,100,000 | 1,911,000 | 147,000 | 35,532 | 37,613 |
| KHCC - Radio | 1,450,000 | 1,200,000 | 220,000 | 33,472 | 36,169 |
| HPPR - Radio | 1,200,000 | 948,000 | 168,000 | 89,698 | 87,104 |
| KPR - Radio | 2,100,000 | 1,700,000 | 278,000 | 29,402 | 31,051 |
| TOTAL | \$ 22,869,000 | \$ 16,022,740 | \$ 4,250,492 | \$ 600,001 | \$ 584,395 |

All federal appropriations through the Corporation for Public Broadcasting (Community Service Grants) assume the local communities will provide local financial assistance to match the federal dollars allocated. State matching funds help to access federal dollars and they also serve to provide an incentive to local business and individuals to invest their local stations. In essence, the more local or state investment, the greater the opportunity to access more federal funds.

**BUSINESS AND COMMUNITY DEVELOPMENT
SUMMARY OF EXPENDITURES FY 2015 – FY 2017**

| Item | Actual FY 2015 | Agency Est. FY 2016 | Gov. Rec. FY 2016 | Agency Est. FY 2017 | Gov. Rec. FY 2017 |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Expenditures: | | | | | |
| Salaries and Wages | \$ 2,520,176 | \$ 2,471,547 | \$ 2,471,547 | \$ 2,559,274 | \$ 2,534,675 |
| Contractual Services | 2,161,338 | 1,338,233 | 1,338,233 | 1,105,478 | 1,102,584 |
| Commodities | 73,424 | 80,900 | 80,900 | 58,800 | 58,200 |
| Capital Outlay | 59,227 | 51,700 | 51,700 | 51,400 | 51,300 |
| Debt Service | 0 | 0 | 0 | 0 | 0 |
| <i>Subtotal - Operations</i> | <i>\$ 4,814,165</i> | <i>\$ 3,942,380</i> | <i>\$ 3,942,380</i> | <i>\$ 3,774,952</i> | <i>\$ 3,746,759</i> |
| Aid to Local Units | 12,524,146 | 11,755,100 | 11,755,100 | 11,619,700 | 11,619,700 |
| Other Assistance | 10,847,200 | 13,416,869 | 12,666,869 | 7,614,258 | 7,114,258 |
| TOTAL | <u>\$ 28,185,511</u> | <u>\$ 29,114,349</u> | <u>\$ 28,364,349</u> | <u>\$ 23,008,910</u> | <u>\$ 22,480,717</u> |
| Financing: | | | | | |
| State General Fund | \$ 245,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| All Other Funds | 27,940,511 | 29,114,349 | 28,364,349 | 23,008,910 | 22,480,717 |
| TOTAL | <u>\$ 28,185,511</u> | <u>\$ 29,114,349</u> | <u>\$ 28,364,349</u> | <u>\$ 23,008,910</u> | <u>\$ 22,480,717</u> |
| FTE Positions | 13.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| Non-FTE Uncl. Perm. Pos. | 21.0 | 25.0 | 25.0 | 25.0 | 24.7 |
| TOTAL | <u>34.0</u> | <u>37.0</u> | <u>37.0</u> | <u>37.0</u> | <u>36.7</u> |

The **agency** requests a revised estimate for FY 2017 operating expenditures, excluding capital improvements, of \$23.0 million, including \$6.3 million from the Economic Development Initiative Fund (EDIF). The revised estimate is an all funds decrease of \$5.0 million, or 17.7 percent, below and an EDIF increase of \$350,399 above the amount approved by the 2015 Legislature. This is largely due to a reduction in funding of \$4.2 million in the federal Community Development Block Grant and a decrease of \$1.8 million in the Small Business Credit Initiative.

The request is broken down by categories of expenditures below:

- **Salaries and Wages** expenditures of \$2.6 million, including \$1.6 million from EDIF, to fund 12.0 FTE positions and 25.0 non-FTE unclassified positions, a decrease of 1.0 FTE positions and an increase of 4.0 non-FTE positions from the FY 2017 approved amount. The request is an all funds decrease of \$17,672, or 0.7 percent, and an EDIF decrease of \$11,466 or 39.1 percent, from the FY 2017 approved amount. This is largely due to decreased expenditures for classified regular positions offset partially by increases for unclassified temporary;
- **Contractual Services** expenditures of \$1.1 million, including \$772,670 million from EDIF. The request is an all funds increase of \$133,178 or 13.7 percent, and an EDIF decrease of \$39,713, or 4.9 percent, below the FY 2017 approved amount. This is largely due to increases in other professional fees, state building operating charges, and building rents offset partially by a decrease in expenditures for advertising and marketing;

- **Commodities** expenditures of \$58,800, including \$30,500 from EDIF. The request is an decrease in all funds of \$22,075, or 27.3 percent, and an EDIF decrease of \$2,494, or 7.6 percent, from the FY 2017 approved amount. This is largely due to a decrease in the agency expenditures for food for conferences hosted and gas, partially offset by increases in data processing supplies;
- **Capital Outlay** expenditures of \$51,400, including \$15,500 from EDIF. All funds expenditures increased by \$46,775 or 1011.4 percent, and EDIF expenditures increased by \$13,390, or 634.6 percent, from the FY 2017 approved amount. Capital outlay expenditures are largely used for technology upgrades and computer replacements. This is largely due to a shift in expenditures from commodities to capitol outlay within this division. The increase was for passenger cars, software and computer equipment;
- **Aid to Locals** expenditures of \$11.6 million, all from special revenue funds. The request is a decrease in all funds of \$4.2 million, or 26.5 percent, from the FY 2017 approved amount and is largely attributable to a decrease in the amount of funds received for the federal Community Development Block Grant; and
- **Other Assistance** expenditures of \$7.6 million, including \$1.3 million from EDIF. The request is an decrease in all funds of \$894,298, or 10.5 percent, and an EDIF increase of \$386,482, or 12.6 percent, from the FY 2017 approved amount. This is largely due to decreases in federal for the Small Business Credit Initiative Loans offset by an increase from EDIF for the the Innovation Growth Program and the Strong Military Base Program.

The **Governor** recommends FY 2017 operating expenditures of \$22.5 million including \$5.7 million from the Economic Development Initiative Fund. The recommendation is \$528,193, or 2.3 percent, less than the agency request all from the Economic Development Initiative Fund and includes the following adjustments:

- Reduce the Economic Development Initiative Fund (EDIF) funding by \$500,000 for the Rural Opportunity Zone (ROZ) Program which still has funding of \$1.2 million from EDIF to meet the student loan forgiveness obligations for FY 2017; and
- Eliminate the planned \$3.5 million transfer to the Job Creation Program Fund which is estimated to have a balance of \$7.3 million at the end of FY 2017.

C. Workforce Services

The Workforce Services Division links businesses, job candidates and educational institutions to ensure that employers can find skilled workers. The Division accomplishes this by partnering with Local Workforce Development Boards and other state agencies. In addition, a robust partnership with the Kansas Board of Regents helps state universities and community and technical colleges tailor their curriculum to the needs of Kansas businesses. The result is an integrated, demand-driven statewide network in which workers receive job-specific training, and Kansas businesses can find the well-trained employees they need.

Employment services are provided to employers and job candidates through the state's 22 workforce centers, online or virtual services and the mobile workforce center. These employer-driven services include recruiting skilled workers, screening and assessing job candidates and identifying individuals needing skill enhancement. The Division has two main organizational units: Training Services and Employment Services.

TRAINING SERVICES

Registered Apprenticeship Program

Registered Apprenticeship is a structured system for training employees in a variety of occupations that require a wide range of skills and knowledge. It is an ideal way for employers to build and maintain a skilled workforce. It combines full-time employment, through on-the-job learning, under the supervision of experienced journey-level workers, and related technical instruction. The related instruction may be provided through community or technical colleges, correspondence, online, distance learning, contract vendors or apprenticeship training centers to both educate and develop business' and industries' workforce.

Competency and hybrid models have been developed to complement the traditional time-based apprenticeship models. In addition to broadening the flexibility for program sponsors, competency and hybrid Registered Apprenticeship models increase apprentices' opportunities for interim credentials and technology-based learning. Many Registered Apprenticeship programs now combine the ability to earn an associate's or higher degree (often paid for by the employer).

In fiscal year 2015, the Kansas Registered Apprenticeship Program registered 515 new apprentices at an average starting wage of \$14.56 per hour. Additionally, 10 new employers or program sponsors registered a program and 5 programs were revised. There were 101 people who completed apprenticeships at an average wage of \$24.58 per hour.

Early Childhood Associate Apprenticeship Program (ECAAP)

ECAAP, a Kansas Registered Apprenticeship Program, is a training model based on the skills and knowledge the early childhood industry needs from its employees. It combines RTI with planned, day-by-day training on the job under the supervision of a skilled worker. Apprentices start at a reasonable wage, determined by the employer. As their skills and value increase, so do their wages. ECAAP is a training model that gives the employer the opportunity to train workers in child care centers, preschools or group homes.

This program is funded with the state's Child Care and Development Block Grant funds and is administered through an inter-agency agreement between Commerce and the Kansas Department for Children and Families. In fiscal year 2015, ECAAP had 69 active apprentices in this two-year training program. The average wage for all apprentices is \$9.42 per hour. ECAAP has 45 registered sponsors with 22 who had active apprentices during fiscal year 2015. There were 18 new apprentices registered in fiscal year 2015 with an average starting wage rate of \$8.66 per hour. There were 7 people who completed programs in fiscal year 2015 with an average completion wage rate of \$10.31.

Kansas Industrial Training and Kansas Industrial Retraining (KIT & KIR) Programs

The KIT and KIR programs assist eligible employers, train workers for new jobs, and retrain existing workers who would otherwise be displaced because of obsolete job skills or knowledge. The KIT and KIR programs are funded through the Economic Development Initiatives Fund.

In fiscal year 2015, KIT and KIR combined to fund 108 projects involving 95 companies in 24 counties. Funding of these projects totaled \$1.9 million. These funds leveraged \$4.8 million in private sector matching funds. Once training is complete, these projects will result in the training of 8,156 individuals. The KIT program will cover the training of 3,595 newly created jobs. Through the KIR program, 4,561 will be retrained and the positions retained.

EMPLOYMENT SERVICES

Wagner-Peyser Act

For program year 2015, Kansas received \$5.5 million from the U.S. Department of Labor to provide Wagner-Peyser services. The Wagner-Peyser Act establishes a national employment system to provide workforce services including assessment, testing, counseling, occupation and labor market information, referral to job openings, employment services for groups with special needs, and recruitment services and special technical services for employers. Customers seek services electronically or receive staff assistance by visiting a workforce center.

Although the Wagner-Peyser Act provides universal access to a full range of workforce services, it also mandates job search and placement services be provided specifically to unemployment insurance (UI) claimants. To focus resources on UI claimants most in need of assistance, the Worker Profiling Reemployment System (WPRS) identifies those with a greater than 50 percent probability of exhausting benefits prior to obtaining employment. It is the responsibility of Wagner-Peyser staff to schedule staff assisted reemployment services for identified claimants.

| STAFF ASSISTED REEMPLOYMENT SERVICES | | | |
|---|----------------|----------------|----------------|
| FY 2011 - FY 2013 | | | |
| Category of Service | FY 2013 | FY 2014 | FY 2015 |
| Registered for Employment Services | 214,477 | 211,561 | 219,279 |
| Received Workforce Information | 205,765 | 202,836 | 211,406 |
| Received Staff Assisted Services | 57,511 | 56,059 | 61,104 |
| Referred to Employment | 14,889 | 18,931 | 20,740 |
| Entered Employment Rate | 64.8 % | 66.0 % | 68.9 % |
| Employment Retention Rate (6 mo.) | 84.0 % | 84.5 % | 85.5 % |

Reemployment and Eligibility Assessment (REA)

A number of studies note that attention to claimants' efforts to find new jobs and awareness of their reemployment service needs will result in shorter claim durations and fewer erroneous payments by utilizing the REA program. The reemployment of UI claimants and the reduction of erroneous payments are high priorities for Kansas. The REA initiative addresses

both these priorities. Kansas received an additional allocation of \$594,107 in Fiscal Year 2015 to provide REA services through December 2015. This includes funding that will assist Kansas in transitioning to Reemployment Services and Eligibility Assessments (RESEA) beginning in 2016.

Providing reemployment services to UI claimants has gained even greater momentum in Kansas with the receipt of the REA grant awarded to the Kansas Department of Labor. Through a memorandum of understanding, Commerce provides contractual staff to deliver workforce services to a minimum of 8,500 eligible claimants in Local Areas 2, 3, and 4.

Jobs for Veterans Grant

For fiscal year 2015 Commerce received \$1.5 million, from the U.S. Department of Labor (USDOL) to administer the grant, in support of the Jobs for Veterans Act (JVA). This funding supports the State Veteran Services Manager, the Intensive Services Coordinator (ISC), the Local Veterans' Employment Representatives (LVER), and the Disabled Veterans Outreach Program (DVOP) Specialists. Some support services are also paid through this grant for the USDOL Director of Vets Service (DVET). During fiscal year 2015, the grant staff were realigned from 21 DVOPs and 6 LVERs to 19 DVOPs and 5 LVERs. This realignment supported the increase in veterans requiring intensive employment services on Fort Riley, Fort Leavenworth, and Fort McConnell military facilities, as the military downsized and service members returned home from Afghanistan and Iraq; and to help those veterans overcome significant barriers preventing employment.

During fiscal year 2015, there were approximately 10,697 new veteran KANSASWORKS accounts created. Additionally, approximately 6,170 veterans received staff assisted services from veteran representatives, located across the state. The Veterans unemployment rate for the state of Kansas went from 5.5 percent in FY 2014 (April), to 4.3 percent in FY 2015 (April). For fiscal year 2014, the Veteran Entered Employment Rate was approximately 60 percent, and had increased to 68 percent, in FY 2015. The FY 2014 Veteran Employment Retention Rate was approximately 82 percent, and it had increased to approximately 85 percent, in FY 2015.

For FY 2016, the agency anticipates receiving a federal grant of \$1.5 million. With this decrease in funding, the agency anticipates decreasing staff, through vacancies and attrition, to 17 DVOPs and 5 LVERs.

Migrant and Seasonal Farm Worker Services

Federal regulation mandates equitable levels of Wagner-Peyser services be provided to Migrant and Seasonal Farm Worker (MSFW) customers defined as follows:

- Migrant Farm Worker – During the preceding 12 months worked at least 25 or more days or parts of days in farm work; earned at least half of income from farm work; was not employed year round by the same employer; had to travel to the work and was unable to return to permanent residence the same day. Full-time students traveling with groups other than their families are excluded;
- Migrant Food Processing Worker – During the preceding 12 months worked at least 25 or more days in food processing; earned at least half of income from food processing work; was not employed year round by the same employer; had to travel to the work and was not able to return to permanent residence the same

day. Full-time students traveling with groups other than their families are excluded; and

- Seasonal Farm Worker – During the preceding 12 months worked at least 25 or more days or parts of days in farm work; earned at least half of income from farm work; and was not employed year round by the same employer. Full-time students are excluded.

Workforce centers provide outreach services by partnering with other agencies and volunteer workers to inform farm workers of services available. This outreach network is further supported by the State Monitor Advocate, who is an employee of the Department of Commerce. The State Monitor Advocate conducts on-site visits to ensure equitable levels of Wagner-Peyser services are provided to the farm worker community. Expenses incurred by the State Monitor Advocate to monitor compliance with federal regulations and maintain a centralized procedure to process complaints filed by or on behalf of MSFWs are funded through the regular Wagner-Peyser grant.

Foreign Labor Certification

Kansas receives funding from the USDOL to administer the Foreign Labor Certification (FLC) program. Commerce provides the following services for employers having difficulty finding qualified U.S. workers to fill job openings:

H-2A visas are granted to foreign workers for temporary agricultural jobs. Commerce assists employers by posting their job orders on KANSASWORKS.com to recruit U.S. workers. During the recruitment process, it is the responsibility of Wagner-Peyser staff to conduct pre-occupancy safety and suitability inspections whenever housing is furnished by the employer. In Fiscal Year 2015, Commerce assisted 111 employers, posted 111 job orders and inspected 158 housing units in all parts of the state. If the recruitment process reveals no U.S. workers are available or willing to take the job, and the employer-provided housing meets all safety standards, the Foreign Labor National Office provides the employer a certification permitting them to bring foreign workers into Kansas.

H-2B visas are granted to foreign workers for temporary low-skilled non-agricultural jobs such as construction, landscaping, painting, remodeling, and roofing. Commerce assists employers by posting their job orders on KANSASWORKS.

Older Kansans Employment Program (OKEP)

The Older Kansans Employment Program provides specialized training, career assessment, job-matching, and job search assistance to Kansans age 55 and older regardless of their income and facilitates the development of job opportunities for older Kansans in private industry. This funding is provided to Kansas' Area Agencies on Aging and other community-based organizations who administer the program on the agency's behalf. During program year 2015, OKEP served a total of 1,804 participants and placed 1,113 into full-time or part-time private sector employment at an average wage of \$10.46 an hour for an average of 24 hours per week, resulting in \$14.5 million in wages paid, fifty-seven times greater than the amount allocated for the program.

Senior Community Services Employment Program (SCSEP)

The federal Senior Community Services Employment Program provides skills training through subsidized part-time employment to older Kansans who live at or below the poverty level. SCSEP served 100 participants, placing them in community organizations for training. Commerce paid \$800,000 in federal aid payments contributing to case management, service delivery and participant wages while the participants completed on-the-job training.

Workforce Investment Act Services

The Workforce Investment Act of 1998 (WIA) provides the framework for a national workforce preparation and employment system designed to meet the needs of business and job candidates wishing to further their careers. The most important aspect of the law is its focus on providing easy access, information and services through a “One-Stop” system empowering customers to obtain training, education, and employment services at a single neighborhood location. This program is federally funded and is designed to serve targeted populations.

WIA services continue to improve the skills of Kansas workers. Through workforce centers and the well-established One-Stop system, local workforce investment boards and their partner agencies provided services to 164,890 adult participants, 1,341 dislocated worker participants and 1,101 youth participants in fiscal year 2015. Of the 165,576 adults who accessed services through the One Stop system, 160,725 were “self-serve.”

WIA Youth program projects continue to provide youth with opportunities to finish their education and receive employment training. In each of the five local areas, WIA-eligible youth are assisted through programs affiliated with Kansas’ public schools, community colleges, employer-operated training programs and programs located at the local youth providers training sites.

National Emergency Grants (NEG) are discretionary awards by the U.S. Secretary of Labor that temporarily expand service capacity at the state and local levels through time-limited funding assistance in response to significant dislocation events. Significant events are those that create a sudden need for assistance that cannot reasonably be expected to be accommodated within the ongoing operations of the formula-funded Dislocated Worker program, including the discretionary resources reserved at the state level. Kansas had one active NEG, the On the Job Training NEG with close-out activity, on the grant through September 30, 2015.

Rapid Response Program

During the past year, the Department of Commerce received 28 WARN notices impacting 3,717 worker and 37 non-WARN notices impacting 1,320 workers. Rapid Response is a pro-active business-focused and flexible strategy designed to respond to layoffs and plant closings by quickly coordinating services and providing immediate aid to companies and their affected workers. Rapid Response services are available regardless of the size of the company impacted. The state Rapid Response Coordinator works closely with the five local area Rapid Response Coordinators to contact the companies, ensure timely response, and provide the best services possible to assist the workers in making a smooth transition to new employment.

Trade Adjustment Assistance Program

The Trade Adjustment Assistance (TAA) program provides training and re-employment services to U.S. workers who have lost their jobs as a result of foreign trade. The TAA program provides trade-affected workers with opportunities to obtain the skills, resources, and support necessary to become re-employed. TAA offers a variety of benefits and services to support workers in their search for reemployment, which includes training, job search and relocation allowances, income support, and assistance with healthcare premium costs.

During FY2015, Kansas saw five petitions certified with an additional three amendments; petitions include B/E Aerospace, Inc. (Lenexa), Southwire Company, LLC, (Coffeyville), Senior Aerospace Composites (Wichita), LSI Corporation (Wichita), Day & Zimmerman, Inc. (Parsons).

Work Opportunity Tax Credit Program

The Work Opportunity Tax Credit program (WOTC) encourages the hiring of targeted employees so they move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers. Participating employers receive compensation by reducing their federal income tax liability. For fiscal year 2015, Commerce received \$175,301 from USDOL to carry out WOTC program activities.

In program year 2014, or fiscal year 2015, a total of 32,170 certification requests were received, resulting in 18,307 eligible for tax credits. This is a federal tax savings to Kansas businesses of almost \$55 million. The largest number of workers certified as eligible were recipients of Supplemental Nutrition Assistance Program (SNAP), followed by Designated Community Residents, recipients of Temporary Assistance for Needy Families (TANF) and Ex-Felons.

Incumbent Worker Training Program

The Incumbent Worker Training program is funded by the Federal Workforce Investment Act (WIA) and administered by the Workforce Services Division within the Kansas Department of Commerce and the Local Workforce Investment Boards. The purpose of the program is to provide grants to employers to assist with certain expenses associated with skills upgrade training for full-time employees of the company. The grant amount is subject to availability of funds. Training must be for the purpose of averting layoffs, but should also be for the purpose of improving employee retention, increasing employee earning potential through the upgrade of skills and to assist in staying competitive.

Federal Bonding

The Federal Bonding program provides individual fidelity bonds to employers who hire job applicants who have been, or may be, denied coverage by commercial carriers. Job candidates benefit because they are provided a second chance to prove themselves as valuable employees. Employers benefit because they provide an avenue to hire skilled job candidates who might not be hired due to their ineligibility for bond coverage.

Kansas Health Profession Opportunity Project (KHPOP)

In FY 2015, \$3.4 million was made available through the Kansas Health Profession Opportunity Project (KHPOP) to provide education, training and employment in the healthcare sector to over 1000 Temporary Assistance for Needy Families (TANF) recipients, Supplemental Nutrition Assistance Program (SNAP) recipients, and other low income individuals. Beside offering an improved quality of life through education, these services will also reduce healthcare labor shortages, as well as reduce the number of individuals on public assistance in Kansas. KHPOP is in the fifth and final year of the grant. To date the grant has served 2,831 Kansans.

Kansas Disability Employment Initiative

Kansas was awarded a second three-year Disability Employment Initiative grant in October 2014. The project goals include providing work-based or postsecondary technical education and training for up to 175 Kansans who have disabilities. A partnership with Cerebral Palsy Research Foundation, a non-profit organization in south central Kansas serving individuals with various disabilities, was finalized to expand adapted computer skills training in Wichita and to develop the training and classroom space within the Prairie Band Potawatomi Nation, as well as a third site in Western Kansas. Commerce has also partnered with two school districts and community partners to establish Project SEARCH for adults in Salina and Johnson County. These internship programs, based on a work-based training model for serving high school students, will be among the first Project SEARCH programs designed to serve adults. Three of the five Workforce Investment Areas hired a Disability Resource Coordinator to facilitate the implementation of the grant.

H-1B Technical Skills Training Grant

In November 2011, Commerce received nearly \$5 million from the US Department of Labor Technical Skills Training Grant competition. Using H-1B user fees, rather than tax dollars, Commerce is providing funds to employers to help reduce the cost of training engineers on the job. Funds are available to employers which hire new, dislocated or otherwise unemployed engineers. The purpose of the grant is to encourage employers to hire American workers rather than use H-1B VISA holders to meet their talent needs. As of June 30, 2015, 190 engineers have begun on-the-job training and 120 have completed on-the-job training with over 30 Kansas employers. Each employer is eligible to receive up to \$25,000 per hire.

Second Chance Act Grant

Commerce received a Second Chance Act from the US Department of Justice (US DOJ) in October 2014 to provide postsecondary technical skills training to inmates incarcerated at Topeka Correctional Facility. In partnership with Washburn Institute of Technology, Commerce projected 104 inmates would achieve at least one post-secondary credential by September 30, 2015. In July, 2015, that goal was met with 104 women earning at least one industry-recognized credential and earning a combined 1290 hours of college credit, just under 13 credit hours each. Due to efficiencies of service delivery and leveraging other resources, Commerce will be able to serve an additional 50 women and has been granted a no-cost extension from US DOJ through May 31, 2016, to do so.

**WORKFORCE SERVICES
SUMMARY OF EXPENDITURES FY 2015 – FY 2017**

| Item | Actual FY 2015 | Agency Est. FY 2016 | Gov. Rec. FY 2016 | Agency Est. FY 2017 | Gov. Rec. FY 2017 |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Expenditures: | | | | | |
| Salaries and Wages | \$ 10,167,791 | \$ 11,015,262 | \$ 11,015,262 | \$ 11,395,397 | \$ 11,375,907 |
| Contractual Services | 6,140,320 | 5,371,342 | 5,371,342 | 5,287,667 | 5,245,818 |
| Commodities | 129,334 | 144,264 | 144,264 | 142,664 | 142,164 |
| Capital Outlay | 367,133 | 422,714 | 422,714 | 420,514 | 420,114 |
| Debt Service | 0 | 0 | 0 | 0 | 0 |
| <i>Subtotal - Operations</i> | <u>\$ 16,804,578</u> | <u>\$ 16,953,582</u> | <u>\$ 16,953,582</u> | <u>\$ 17,246,242</u> | <u>\$ 17,184,003</u> |
| Aid to Local Units | 0 | 0 | 0 | 0 | 0 |
| Other Assistance | 49,763,377 | 45,635,181 | 45,635,181 | 45,011,822 | 43,339,848 |
| TOTAL | <u>\$ 66,567,955</u> | <u>\$ 62,588,763</u> | <u>\$ 62,588,763</u> | <u>\$ 62,258,064</u> | <u>\$ 60,523,851</u> |
| Financing: | | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| All Other Funds | 66,567,955 | 62,588,763 | 62,588,763 | 62,258,064 | 60,523,851 |
| TOTAL | <u>\$ 66,567,955</u> | <u>\$ 62,588,763</u> | <u>\$ 62,588,763</u> | <u>\$ 62,258,064</u> | <u>\$ 60,523,851</u> |
| FTE Positions | 116.5 | 110.1 | 110.1 | 109.6 | 109.6 |
| Non-FTE Uncl. Perm. Pos. | 72.0 | 82.0 | 82.0 | 82.0 | 81.8 |
| TOTAL | <u>188.5</u> | <u>192.1</u> | <u>192.1</u> | <u>191.6</u> | <u>191.4</u> |

The **agency** requests a revised estimate for FY 2017 operating expenditures, excluding capital improvements, of \$62.3 million, including \$3.9 million from the Economic Development Initiative Fund (EDIF). The revised estimate is an all funds decrease of \$11.0 million, or 15.1 percent, and an EDIF decrease of \$262,437, or 6.2 percent, below the amount approved by the 2015 Legislature.

The request is broken down by categories of expenditures below:

- **Salaries and Wages** expenditures of \$11.4 million, including \$274,347 from EDIF, to fund 109.6 FTE positions and 82.0 non-FTE unclassified positions, a decrease of 0.5 FTE positions from the FY 2017 approved amount. The request is an all funds increase of \$152,159, or 1.4 percent, and an EDIF decrease of \$110,950 or 28.8 percent, from the FY 2017 approved amount. This is largely due to increased expenditures for unclassified temporary positions and shifting salary expenditures from the EDIF funds;
- **Contractual Services** expenditures of \$5.3 million, including \$96,897 from EDIF. The request is an all funds decrease of \$605,075, or 10.3 percent, and an EDIF increase of \$29,986, or 44.8 percent, from the FY 2017 approved amount. This is largely due to a decrease in expenditures for advertising and marketing offset partially by increases in other professional fees, state building operating charges, and building rents;

- **Commodities** expenditures of \$142,664, including \$3,300 from EDIF. The request is a decrease in all funds of \$1,600, or 1.1 percent, below the FY 2017 approved amount. This is largely due to a decrease in expenditures for stationary, office supplies and gas, partially offset by increases in data processing supplies;
- **Capital Outlay** expenditures of \$420,514, including \$134,714 from EDIF. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. All funds expenditures increased by \$9,600, or 2.3 percent, and EDIF expenditures decreased by \$2,750, or 500.0 percent, from the FY 2017 approved amount. This is largely due to increases in microcomputer equipment and software, offset partially by a decrease in expenditures for information processing equipment and office furniture; and
- **Other Assistance** expenditures of \$45.0 million, including \$3.6 million from EDIF. This a decrease in all funds of \$10.6 million, or 19.1 percent, and an EDIF decrease of \$187,457, or 5.0 percent, from the approved budget. The all funds decrease is largely due to a change in accounting for \$10.5 million in the Kan-Grow Engineering Program as a non-expense item in this budget and an expenditure in the Regents Institutions where the funds are transferred and the program is administered, and a decrease in the agency operating grant from EDIF.

The **Governor** recommends FY 2017 operating expenditures of \$60.5 million including \$2.2 million from the Economic Development Initiative Fund. The recommendation is \$1.7 million, or 2.8 percent, less than the agency request all from the Economic Development Initiative Fund and includes the following adjustments:

- Delete the Disability Employment Program funding of \$431,587 from Economic Development Initiative Fund (EDIF) as the program was eliminated in FY 2016 under the authority of the special authority given in 2015 Senate Sub. for HB 2135; and
- Delete the Innovation Growth Program funding of \$1.4 million from the Economic Development Initiative Fund (EDIF) and eliminate the program.

CAPITAL IMPROVEMENTS

| CAPITAL IMPROVEMENTS | | | | |
|--|------------------------|----------------------|------------------------|----------------------|
| Project | Agency Est. FY 2016 | Gov. Rec. FY 2016 | Agency Est. FY 2017 | Gov. Rec. FY 2017 |
| Rehab and Repair: | | | | |
| Elevator #1 Improvement Project-TPKWFC | \$ 100,000 | \$ 100,000 | \$ 0 | \$ 0 |
| Re-Roof Project- SALWFC | 0 | 0 | 32,000 | 32,000 |
| Parking Lot Improvement Project #1-TPKWFC | 0 | 0 | 20,000 | 20,000 |
| HVAC Controls Project- TPKWFC | 0 | 0 | 24,000 | 24,000 |
| Int Doors & Hardware Replacement -TPKWFC | 0 | 0 | 24,000 | 24,000 |
| Debt Service Principal: | | | | |
| Topeka Workforce | 100,000 | 100,000 | 100,000 | 100,000 |
| TOTAL | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| Financing: | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| All Other Funds | 200,000 | 200,000 | 200,000 | 200,000 |
| TOTAL | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |

FY 2016 – Current Year. The agency requests FY 2016 capital improvements expenditures of \$200,000, all from special revenue funds, the same as the approved amount. The agency requests funding for the following projects:

- **Rehabilitation and Repair.** The agency requests \$100,000 for repairs and rehabilitation for the Topeka Workforce Center Elevator #1 Improvement Project.
- **Debt Service Principal.** The agency requests \$100,000 for debt service principal payments for the Topeka Workforce Center.

The **Governor** concurs with the agency request.

FY 2017 – Budget Year. The agency requests FY 2017 capital improvements expenditures of \$200,000, all from special revenue funds, the same as the approved amount. The agency requests funding for the following projects:

- **Rehabilitation and Repair.** The agency requests \$100,000 for repairs and rehabilitation for the agency’s Workforce Center Buildings.
 - Re-Roof — Salina Workforce Center;
 - Parking Lot Improvement —Topeka Workforce Center;
 - HVAC Controls — Topeka Workforce Center; and
 - Interior Doors Replacement — Topeka Workforce Center.

- **Debt Service Principal.** The agency requests \$100,000 for debt service principal payments for the Topeka Workforce Center.

The **Governor** concurs with the agency request.

| PERFORMANCE MEASURES | | | | |
|---|--------------------------|-------------------|----------------------|----------------------|
| Measure | Gov. Rec. for FY 2015 | Actual FY 2015 | Gov. Rec. FY 2016 | Gov. Rec. FY 2017 |
| Events sanctioned by the Athletic Commission | 60 | 56 | 62 | 68 |
| Number of fighters, promoters, referees, judges, and doctors certified | 670 | 583 | 620 | 680 |
| Jobs created or retained through Business and Community Development Programs | 11,000 | 7,827 | 11,000 | 11,000 |
| Capital investments resulting through Business and Community Development Programs (in billions) | \$1.2 | \$0.9 | \$1.2 | \$1.2 |
| Rural opportunity zones applications | 960 | 770 | 800 | 800 |
| Individuals trained through Workforce Services | 37,938 | 40,639 | 45,432 | 50,083 |
| Jobs created or retained through Workforce Services | 13,207 | 18,165 | 19,797 | 20,213 |