

FY 2013

HOUSE AGRICULTURE AND NATURAL RESOURCES BUDGET COMMITTEE

Department of Commerce


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House Budget Committee Report

Agency: Kansas Department of Commerce **Bill No.** 2760

Bill Sec. 25

Analyst: Steiner

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Expenditure Summary	Agency Request FY 2013	Governor Recommendation FY 2013	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 15,000,000	\$ 16,000,000	\$ (1,000,000)
Other Funds	118,693,827	131,087,824	0
Subtotal	\$ 133,693,827	\$ 147,087,824	\$ (1,000,000)
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	165,000	165,000	0
Subtotal	\$ 165,000	\$ 165,000	\$ 0
 TOTAL	 \$ 133,858,827	 \$ 147,252,824	 \$ (1,000,000)
 FTE positions	 250.0	 235.0	 0.0
Non FTE Uncl. Perm. Pos.	63.0	63.0	0.0
TOTAL	313.0	298.0	0.0

Agency Request

The **agency's** request for FY 2013 operating expenditures is \$133,693,827. Included in the agency's request is \$15,000,000 from the State General Fund and \$17,183,871 from the EDIF. The request is an all funds decrease of \$39,279,595, or 22.7 percent, and an EDIF decrease of \$1,207,781, or 6.6 percent, below the FY 2012 revised estimate. The State General Fund request of \$15.0 million remained unchanged from the agency's FY 2012 estimate. The all funds decrease is attributable to a decrease in federal funding in FY 2012. Included in the decrease was a 5.0 percent operating reduction of \$859,194, the elimination of Engineering Expansion Grants which total \$950,000, and the removal of the Kansas Film Commission, which totals \$104,030, from the EDIF block grant.

Governor's Recommendation

The **Governor** recommends FY 2013 operating expenditures of \$147,087,824, including \$16.0 million from the State General Fund and \$15,368,584 from the EDIF. The recommendation is an all funds increase of \$13,393,997, or 10.0 percent, a State General Fund increase of \$1.0 million, or 6.7 percent, and an EDIF decrease of \$1,815,287, or 10.6 percent, from the agency's FY 2013 request. The all funds increase is partially attributable to the Kan-Grow Engineering Grant initiative which provides additional funding for engineering programs at the University of Kansas, Kansas State University, and Wichita State University. Also included in the all funds increase is funding for the Air Service Incentive Fund. The State General Fund

increase is attributable to a new program to provide incentives for companies to employ and train individuals with disabilities as well as a program to provide additional economic development initiatives in Southeast Kansas. The EDIF decrease is attributable to a 5.0 percent shrinkage reduction as well as the elimination of the Engineering Expansion Grants which were included in the Governor's FY 2012 budget proposal during the 2011 Legislative Session. The Governor recommended the deletion of 7.0 FTE positions and there was a decrease of 11.0 FTE as a result of the Voluntary Retirement Incentive Program. Additionally, the Governor did recommend 3.0 FTE to support new initiatives in the department.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustment and notations:

1. Delete \$500,000, all from the State General Fund, for the Southeast Kansas economic improvement initiative, or Project 17, and consider adding at Omnibus. The initiative is designed to establish a long-term economic development strategy for southeast Kansas.
2. Delete \$500,000, all from the State General Fund, for the pilot program to enhance employment opportunities with developmental and physical disabilities and consider adding at Omnibus.
3. The Budget Committee notes that funding of \$2.0 million, all from the Economic Development Initiatives Fund, for the Air Service Incentive Fund was moved from FY 2013 to FY 2012 through the Governor's Budget Amendment No. 1, Item No. 2.
4. The Budget Committee expresses concern regarding the data collection and mapping methods for Broadband. In particular, the Budget Committee feels that the current methods used for data collection and mapping may not adequately address the need for Broadband in rural communities. The Budget Committee is concerned that using providers of Broadband instead of consumers does not provide the most accurate information relating to the extension of Broadband in rural areas. Additionally, the Budget Committee requests Omnibus review of the latest plans developed by the Department of Commerce for Broadband development.
5. The Budget Committee requests the Department of Commerce report to the House Budget Committee on Agriculture and Natural Resources before Omnibus regarding the benefits of the Investments in Major Projects and Comprehensive Training (IMPACT) Program. As the IMPACT program is being wound down, the Budget Committee would like to see statistics on whether the IMPACT program accomplished the goals established by the Department of Commerce.
6. The Budget Committee requests the Department of Commerce report to the House Budget Committee on Agriculture and Natural Resources before Omnibus regarding the contracts maintained by the Department in Chicago, New York, Los Angeles, Beijing, and Mexico City. The Budget Committee would like more information on the metrics used to determine the effectiveness of the contracts maintained by the Department for trade and business development in the aforementioned cities.
7. The Budget Committee notes the Angel Tax Credit program currently administered by the Kansas Department of Commerce. The Angel Tax Credit program was previously administered by the Kansas Technology Enterprise Corporation. The Kansas Angel Tax

Credit allows an investor to take a 50.0 percent tax credit on their cash investment of up to \$50,000, in a certified Kansas business. In FY 2011 328 investors received credits through the Angel Tax Credit program and the tax credits issued in FY 2011 totaled \$6.5 million. Additionally, in FY 2011 34 companies received investments from angel investors.

8. The Budget Committee notes concern regarding the Energy Efficiency Revolving Loan Grant. During FY 2011 the Department indicated the State would be unable to use the full allocation of American Recovery and Reinvestment Act (ARRA) funds on the initially targeted projects. The Department indicated that three projects initially identified by the Department were not funded through ARRA. The two projects that were funded includes the Western Plains Energy digester, which would allow company's onsite power plant to be converted to use biomethane produced from cattle manure instead of natural gas to power the bio-fuel production process. The second project funded was the Kansas Alliance for Biorefining and Bioenergy, which will allow for the purchase of advanced harvesting and transportation equipment which allows more efficient delivery of biomass feedstock to the plant.
9. The Budget Committee would like to note that the Department of Commerce has undergone significant change during the last two years. The agency has seen numerous changes in funding and programming. The Department of Commerce has absorbed the duties and functions of two previous state agencies, Kansas, Inc. and KTEC and the Department, under the Governor's FY 2013 recommendation has been charged with administering the University Engineering Initiative Act, the Rural Opportunity Zones program, and the newly created Creative Industries Commission. Additionally, the Department has seen several programs transferred to other agencies include the Division of Travel and Tourism and the Kansas Commission on Disability Concerns. The Budget Committee would note that at the end of January, 2012, the Rural Opportunity Zones program has received 211 applications and according to the Department of Commerce 75.0 percent of applications are approved.