



Testimony on CARES  
Funding and post-  
COVID Kansas  
Economy

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## New KDC



- ❖ The Department of Commerce has dramatically evolved to address the state's new economic landscape
- ❖ Programs, processes and personnel have all changed in rapid fashion
  - Department has utilized an all-hands-on deck approach
- ❖ This will continue as the new normal!
- ❖ The Department aims to be faster, nimbler and more aggressive Department of Commerce



# HIRE Fund



- ❖ Hospitality Industry Relief Emergency Fund to support the state’s hospitality businesses
- ❖ Launched on March 20<sup>th</sup>, 2020
- ❖ We partnered with Network Kansas to provide \$5 million in short-term, zero-interest loans for Kansas’ hospitality sector during the COVID-19 crisis
- ❖ The \$5 million in funding for HIRE came from the Job Creation Fund (“JCF”), which is the state’s deal closing fund. Typically, JCF is used for recruiting outside businesses into the state, but retention of existing businesses is a permitted use under the statute. We are proud to have deployed JCF in a manner that prioritized existing Kansas businesses.
- ❖ Examples include
  - Restaurants
  - Bars
  - Lodging
  - Conference/Event Centers



## HIRE Fund (Cont.)



- ❖ We received almost 900 applications within the first 24 hours and have received 1,800 applications to date
- ❖ 344 loans were allocated with an average loan amount of \$14,500
- ❖ Douglas, Johnson, Shawnee and Wyandotte counties: \$2 million to 136 businesses
- ❖ Sedgwick County: \$1 million to 68 companies
- ❖ The remaining \$2 million was allocated to 140 businesses throughout the state



# CARES Act Funding



- ❖ CDBG-CV
- ❖ Kansas Creative Arts Industries
- ❖ Broadband (via SPARK)
- ❖ Economic Development Grants (via SPARK)



# CDBG-CV



- ❖ CARES ACT allocated additional funding to Community Development Block Grant program through multiple rounds
  - Both entitlement and non-entitlement
  - Round 1- \$9 Million
  - Round 2- \$7.8 Million
  - Round 3- \$5.3 Million (Just Announced)
- ❖ The purpose of the funds were providing working capital for Kansas businesses and meal program support for communities
- ❖ Communities were eligible to apply for either economic development or meal program grants.
- ❖ Commerce launched the online portal on May 12<sup>th</sup> at 1PM, one week before submissions began
- ❖ Over 240 people participated in the live virtual Q&A

# CDBG Economic Development Grants

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- ❖ To be eligible to receive a CDBG-CV Economic Development grant, the recipient business must be a for-profit business and retaining jobs for low to moderate-income people.
  - 51% or more of the full-time equivalent (FTE) jobs retained must be for persons from low to moderate-income households as defined by HUD
- ❖ CDBG-CV Economic Development grants can be used to pay for the following expenses:
  - Working capital such as wages, utilities, rent, etc.
  - The purchase of 60 days' worth of inventory needed to reopen (60 days began on the day the business could reopen)
- ❖ Businesses with five or fewer employees (including the owner) are eligible to receive up to \$25,000 per FTE job in CDBG-CV Economic Development grant funding (with a maximum of \$30,000 per company)
- ❖ Businesses with between six and 50 employees are eligible to receive up to \$35,000 for each FTE job in CDBG-CV Economic Development grant funding (with a maximum of \$50,000 per company)
- ❖ Maximum amount a community could apply for was \$300,000





# CDBG Meal Program Grants



- ❖ CDBG-CV Meal Program grants are intended to provide Kansas cities and counties with funds to supplement various programs that provide access to nutritious foods during the COVID-19 crisis
- ❖ To be eligible to receive a CDBG-CV Meal Program grant, the applicant must be able to demonstrate that at least 51% of the community meets the low to moderate-income household criteria as defined by HUD
- ❖ CDBG-CV Meal Program grant funds can be directed toward organizations such as Meals on Wheels, for the replenishment of local food banks or to support organizations that provide meal programs for children impacted by the loss of school meal programs
- ❖ Maximum amount a community could request was \$100,000



# CDBG Award Summary



- ❖ The Department of Commerce received requests totaling \$38.8 Million from 138 communities
- ❖ Our goal was to try and make sure we reached as many communities as possible
- ❖ As a result, we were not able to honor the full request from each city/county. A decision was made that we would award around 45% of the total requested by the applicant for economic development and awarding a maximum of \$35,000 for meal programs, when requested by the applicant
- ❖ By doing this, we were able to award funds to 122 communities through rounds 1 and 2 and complete it by July 23<sup>rd</sup>
- ❖ 682 companies have retained over 2500 jobs as a result
- ❖ Kansas leads the nation as most states are still working on round two distribution
- ❖ We are awaiting guidance on round 3

# Kansas Creative Arts and Industries Commission

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- ❖ Received \$440,600 through CARES Act
- ❖ Applicants were asked to provide an annual operating budget and a one-month breakdown. Awards were then determined based on 3 months of operational expenses
- ❖ Funds could be spent on recurring operational expenses like payroll and facility costs
- ❖ Program was coordinated with concurrent CARES programs including Humanities Kansas, and Mid-America Arts Alliance, to maximize the number of cultural organizations that would receive relief
- ❖ CARES funds were supplemented with regular partnership funds to include more organizations as many events and projects were canceled in the last quarter of FY20.
- ❖ Awards were maxed at \$20,000



# Connectivity Emergency Response Grants (CEREG)

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- ❖ Created to address the increased need for internet connectivity in Kansas in response to COVID-19 pandemic
- ❖ Goal is to improve connectivity to underserved and unserved areas to address needs related to the pandemic
- ❖ A 20% match is required for total project cost
- ❖ Maximum grant amount is \$10 million
- ❖ Minimally adequate internet connectivity (residential  $\leq$  25/3 Mbps)
- ❖ All projects must comply with CARES Act guidelines
  - Mainly that project must be complete by 12/30





# CERG Timeline

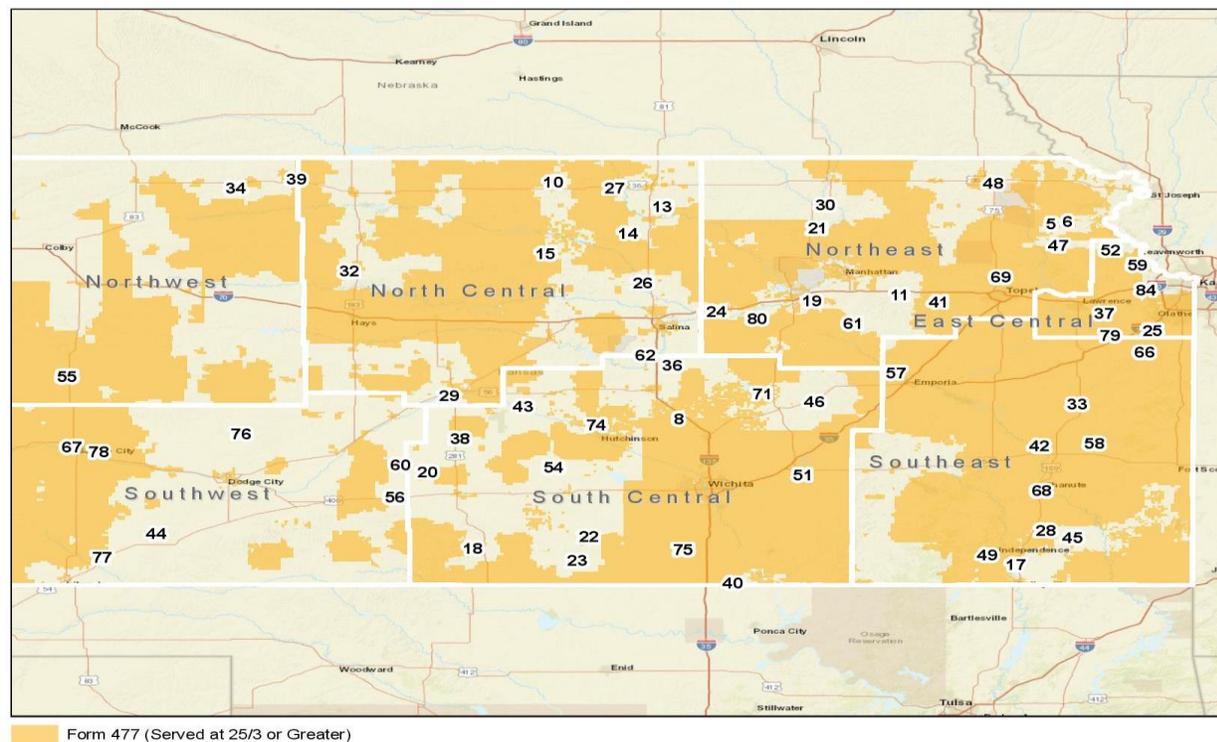


- ❖ August 3 - Legislative Budget Committee presentation
- ❖ August 10- State Finance Council approves Connectivity funding
- ❖ August 13- Applications are posted for review and questions
- ❖ August 19- Applications accepted – CERG and Partnership Adoption Grant
- ❖ August 27- Application window closes – CERG
- ❖ August 31- Application completeness reviews prepared, outreach to applicants begins
- ❖ September 10- Application Review Committee convenes
- ❖ September 17- Application Review Committee convenes again to review additional data
- ❖ September 18- Connectivity grant recommendations sent for final approval
- ❖ September 23- Notifications went out; verification required
- ❖ September 25- Agreements began to go out
- ❖ October 8- Agreements announced along with Executive Order forming Office of Broadband Development

# CERG Award Summary

- ❖ We received 84 applications
- ❖ 67 projects were approved
- ❖ Those that did not receive any funding, were due to ineligibility
- ❖ By Region:
  - Northeast Kansas - \$9.7 million
  - Kansas City region- \$8.3 million
  - Southeast Kansas- \$5.2 million
  - South Central Kansas- \$14.1 million
  - North Central Kansas- \$590,515
  - Northwest Kansas- \$402,811
  - Southwest Kansas- \$10.9 million

# Before and After CERG



# Economic Development Grants (via SPARK)

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- ❖ Business Retention and Expansion - \$61.5 million
  - Small Business Grants
  - PPE Procurement
  - PPE Manufacturing
  - Domestic Supply Chain
  - University SARS-CoV-2/Covid R&D Capacity Support Grant
- ❖ Securing Local Food Systems- \$9 million
  - Funds for meat processing, food banks, producers etc.
  - Program was housed in Commerce, but technical review was handled by Department of Agriculture as the lead
- ❖ Workforce Training and Retraining - \$8.1 million
  - IT Cybersecurity & IT Project Management Certification Training
  - Higher Education Advanced Manufacturing & IT Equipment
  - Kansas Cybersecurity



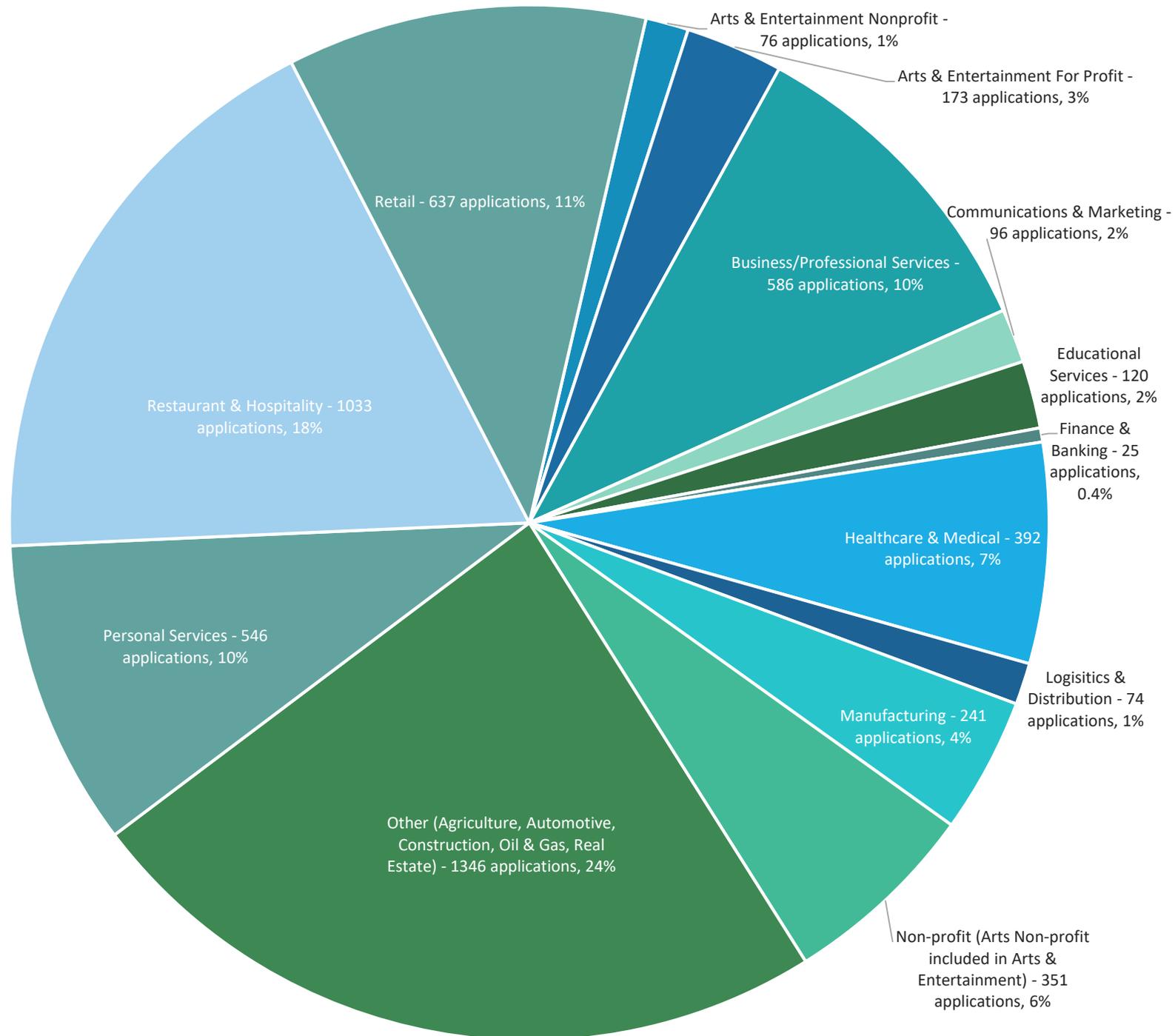
# Small Business Grants Summary - First Round Summary

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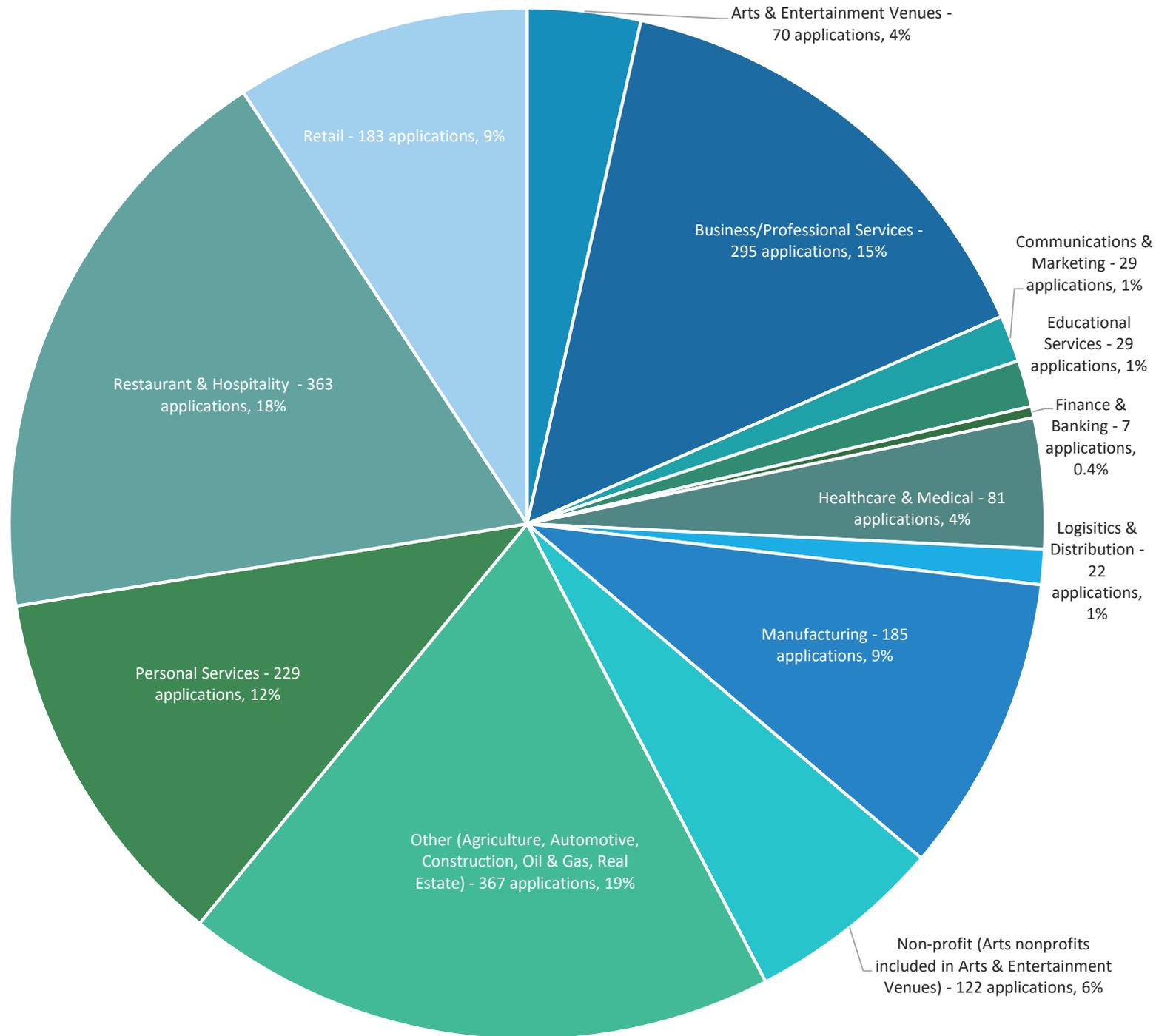
- ❖ **Number of businesses awarded SBWC Grants:** 1982 of 5696 submitted
- ❖ **Average award amount:** \$18,954
- ❖ **Number of businesses that applied and did not receive funding:** 3714
- ❖ **Declinations that applied within first 24 hours:** 2023
- ❖ **Declinations that applied within first 48 hours:** 2597 (this includes the 2023 from first 24 hours)
- ❖ We decided to also award based on 40-20-40 split
  - 40% Greater KC/Douglas/Shawnee
  - 20% Sedgwick County
  - 40% Rest of the State



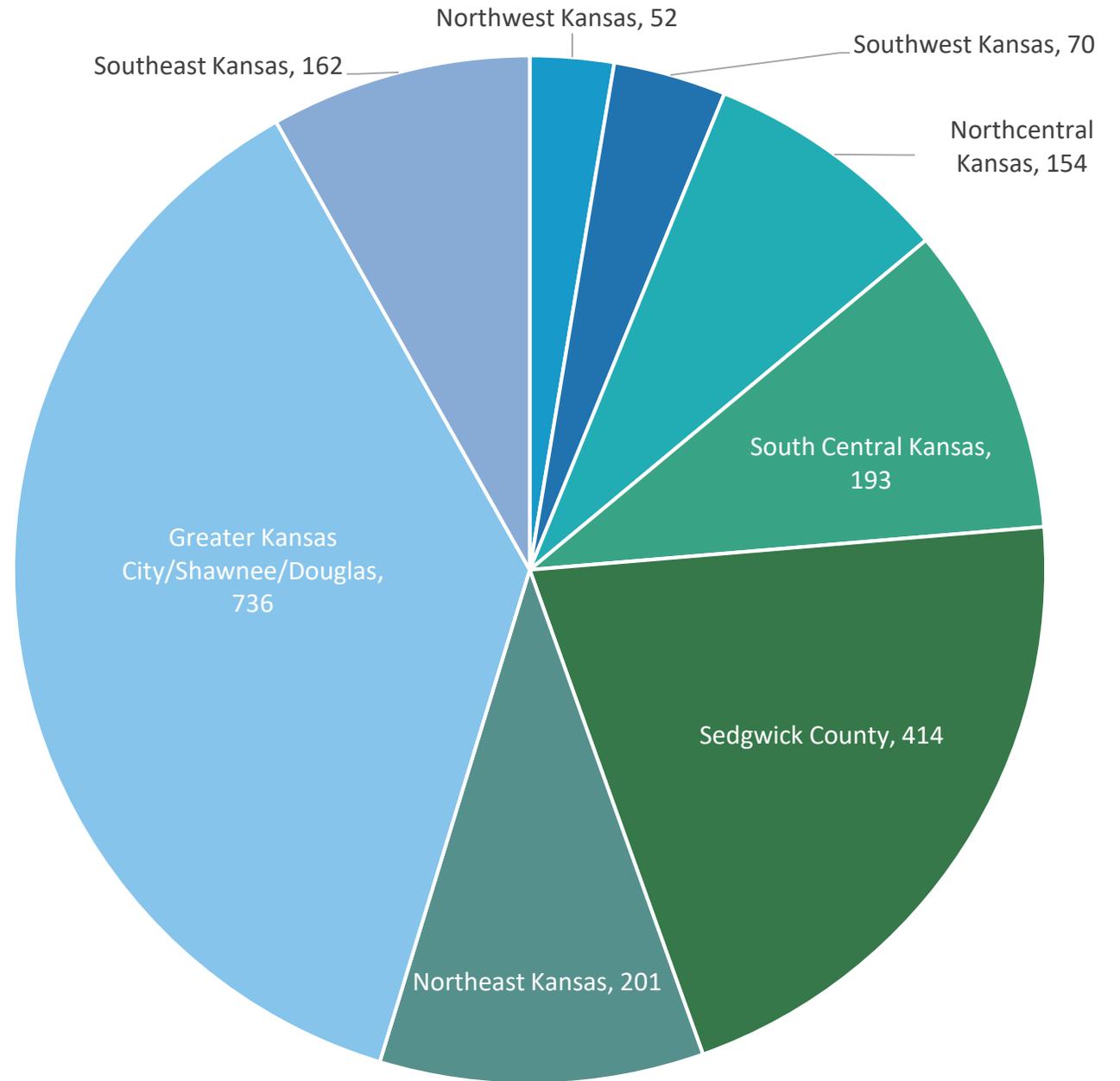
# Small Business Working Capital Application Breakdown by Sector



# Small Business Working Capital Approvals by Sector



# Small Business Grant Awards by Region

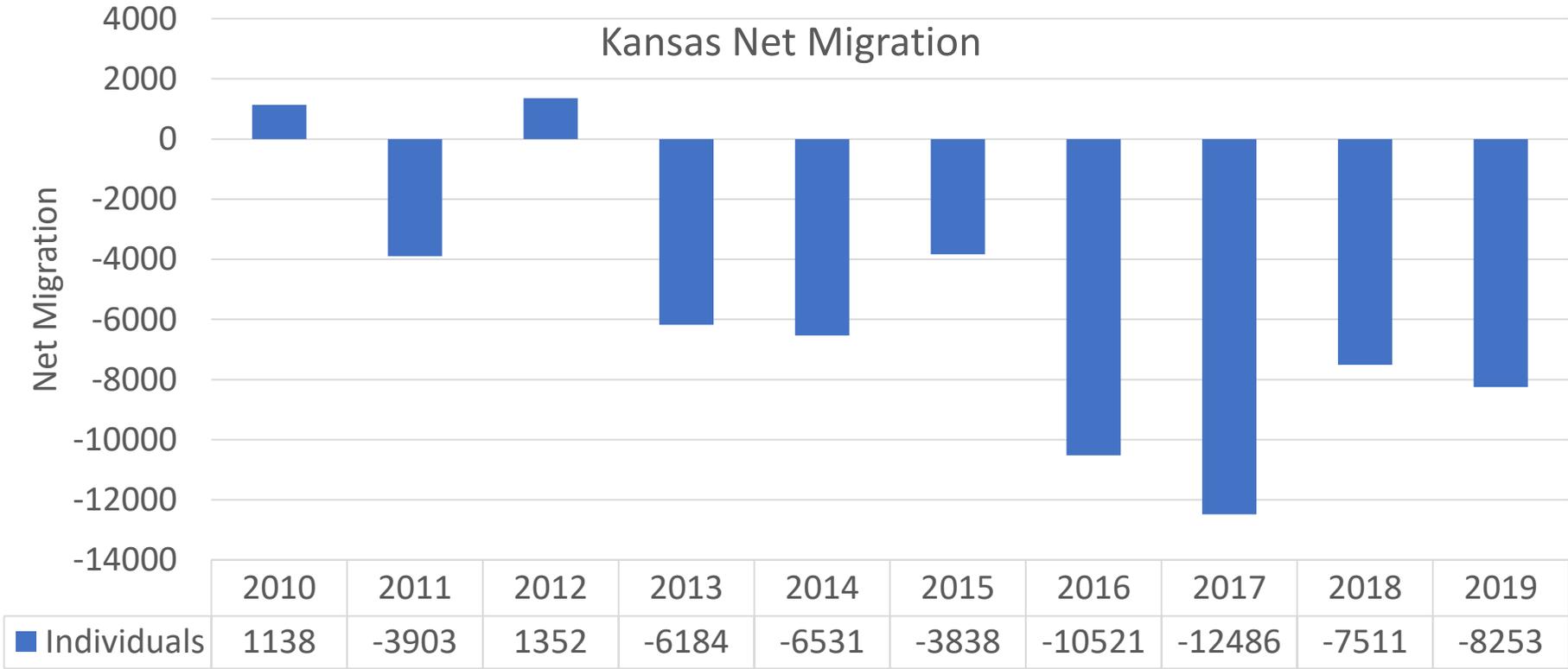


# Pre-COVID trends and what they mean for the future

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# Where Kansas was headed in February 2020



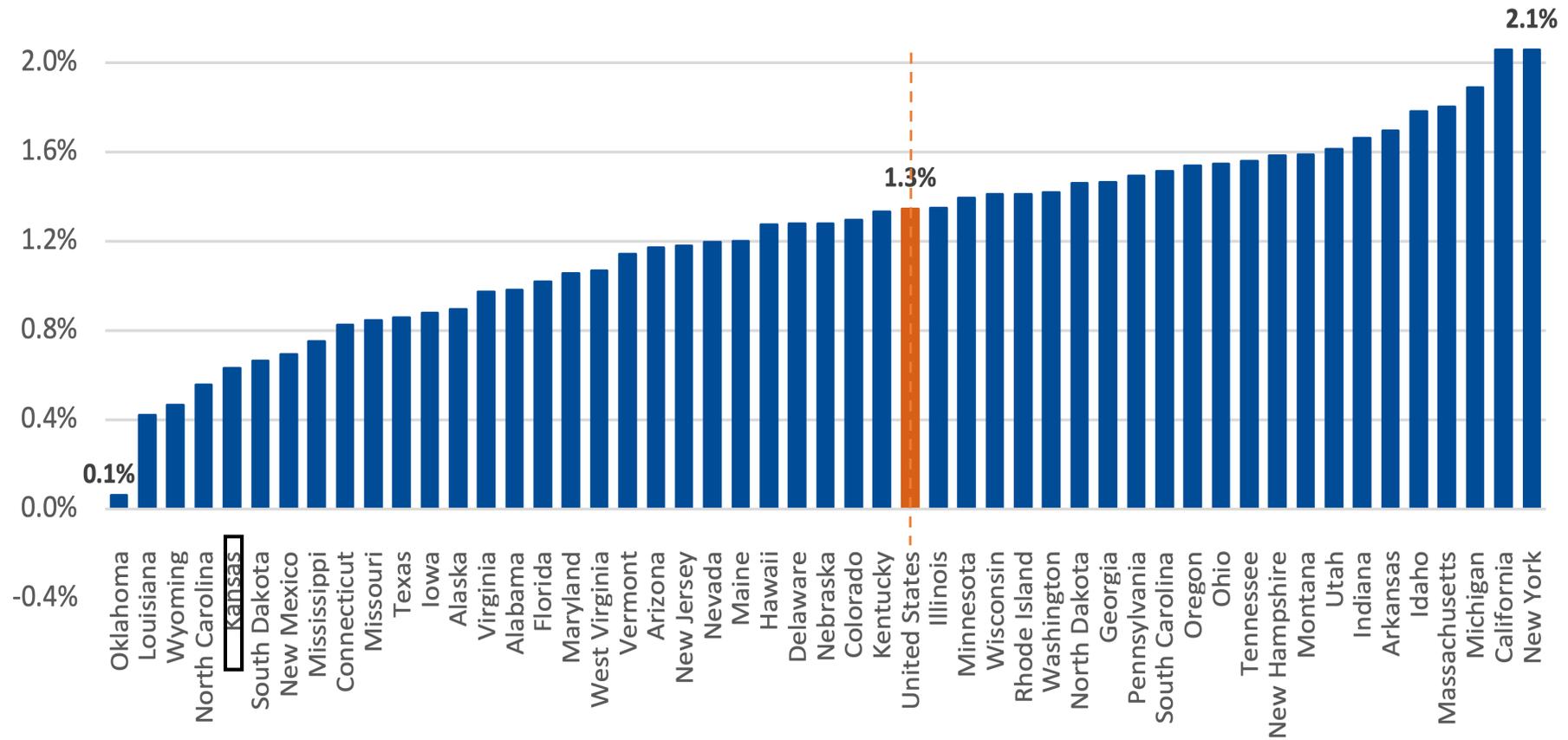
# Where Kansas was headed in February 2020

Geographic Area	Population Estimate (as of July 1)		Change, 2018 to 2019		National Ranking of Regions and States			
	2018	2019	Number	Percent	Population Estimate (as of July 1)		Change, 2018 to 2019	
					2018	2019	Number	Percent
Kansas	2,911,359	2,913,314	1,955	0.1	35	35	38	39
Colorado	5,691,287	5,758,736	67,449	1.2	21	21	7	8
Missouri	6,121,623	6,137,428	15,805	0.3	18	18	19	29
Nebraska	1,925,614	1,934,408	8,794	0.5	37	37	25	22
Oklahoma	3,940,235	3,956,971	16,736	0.4	28	28	18	23
United States	326,687,501	328,239,523	1,552,022	0.5				

U.S. Census

# Personal Income Growth

Average Annual Changes in Real Per Capita Personal Income by State, 2008-2017



<https://apps.bea.gov/well-being/>

# Challenges we had coming into COVID

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- ❖ Population decline/Losing talent to other states
- ❖ Boeing 737-Max
  - Spirit Furloughs in January, Textron in March
- ❖ Our sector mix alignment with future automation
- ❖ Rural out-migration
- ❖ Ranked 38<sup>th</sup> in startup job creation



# Challenges as COVID hit Kansas

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- ❖ Immediate hurt felt by aviation and hospitality industry
- ❖ Broadband capacity, especially in rural areas
- ❖ Venues and live events put on pause
- ❖ Consumer confidence declined sharply
- ❖ Lacked enough workers in sectors requiring certification
- ❖ Dramatic increase in unemployment



# Commerce Immediate Response

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- ❖ HIRE Fund
- ❖ Train staff and assist small businesses in applying for PPP and EIDL
- ❖ Build on relationships with our Small Business/business associations
- ❖ Take a broader approach to strengthen our economy
- ❖ Emphasis on Reshoring
- ❖ Governor executive orders to reduce regulations





# Where are we today



- ❖ **\$1B increase in new Capital Investment!!!!!!**
  - \$1.3B last year compared to \$2.3B this year
  - 77% increase year over year
- ❖ Able to work with SPARK and Recovery Office to get over \$50M to small businesses
- ❖ Construction is keeping regional economies strong
  - Not an RV park available in Saline County
  - Over 600 workers currently working on Urban Outfitters facility
  - \$8B Grain Belt Express transmission line coming



# Where are we today



- ❖ Building up Supply Chain in Kansas
  - Plastikon
  - KRS Corp.
- ❖ Working to keep aviation workers here in Kansas through Trade Adjustment Assistance Program
- ❖ Over \$50M in Broadband grants/launch of State grant program
- ❖ Working with various groups to encourage mask wearing to help encourage consumer confidence to shop and spend safely

# Commerce: Moving Kansas Forward

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- ❖ Aviation industry
  - MRO is a real opportunity
  - Regardless a diversification of SC Kansas economy is needed long term
- ❖ Better alignment between higher education and businesses
- ❖ Keeping talent in Kansas
- ❖ Speed recovery by leveraging the assets we already have
- ❖ Continuing to advocate for more assistance for our small businesses
- ❖ Must work to build high growth innovative sector



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# Questions