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David C. Toland, Secretary

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TO: The Honorable Governor Kelly
 House Speaker Ron Ryckman
 Senate President Susan Wagle
 House Majority Leader Daniel Hawkins
 Senate Majority Leader Jim Denning
 House Minority Leader Tom Sawyer
 Senate Minority Leader Anthony Hensley
 Senate Assessment and Taxation Committee
 Senate Commerce Committee
 House Commerce, Labor and Economic Development Committee
 House Taxation Committee

FROM: David C. Toland, Secretary of Commerce

DATE: January 31, 2020

RE: Fiscal Year 2019 JCF Annual Report

The following information is for the reporting period beginning July 1, 2018, and ending June 30, 2019 (Fiscal Year 2019), and is provided to satisfy the annual reporting requirements of K.S.A. 74-50,224 in relation to the Job Creation Program Fund.

JOB CREATION FUND (JCF) 2019 ANNUAL REPORT

January 31, 2020



Helping Grow Kansas Business

JOB CREATION FUND (JCF)

The Job Creation Fund (JCF) is the deal closing fund for the state. For example, if we know we are competing with the state of Washington for “Company X” and we know their incentive is close to ours, we will use the JCF fund to help make an offer that will put us over the top.

JCF was created in 2011 by combining IMPACT and KEOIF. The intent behind JCF and its predecessors, was to give the State of Kansas latitude to meet the needs of recruiting out-of-state jobs and businesses and also retaining companies in our state. The design is intended to be nimble, flexible and adaptable to meet the fast-paced and ever-changing needs of businesses.

Currently more than 35 states have a deal closing fund, with Missouri adding one to their incentives toolbox in 2019. Many of these funds are designed to function in the same sense as JCF, providing discretion to the economic development arm or the governor of that state to make those decisions.

Job creation funds are awarded to companies with an expectation that the company will create or retain a specific number of jobs, provide training or be used for other types of economic development. Companies who fail to meet project criteria do not receive the intended funds or are required to pay funds back depending of the structure of the agreement.

JCF funds are an integral tool for allowing the state of Kansas to be competitive regionally, nationally and globally. Because this fund is meant only as a deal closing fund, only about 2-4% of projects that the Department handles annually receive JCF. The Secretary of Commerce considers the recommendations of Commerce staff and has final approval authority of all JCF awards.

JOB CREATION FUND : OVERVIEW

In FY 2019, the Job Creation Fund (JCF) Program funded 10 projects.

TOTAL AWARDS:	\$2,025,000
NEW JOBS PROPOSED:	2,280
EXISTING JOBS TO BE RETAINED:	1,235
CAPITAL INVESTMENT:	\$144,897,823

Company Name	NAICS Code	County	Existing Jobs	Retained Jobs	Proposed New Jobs	Proposed Capital Investment	Award Amount
Union Tank Car	488210	Butler	37	37	70	\$7,000,000	\$125,000
Park Aerospace	339999	Harvey	79	79	73	\$18,300,000	\$50,000
Broderson	333923	Johnson	76	76	---	\$200,000	\$100,000
Cargill	424510	Johnson	211	211	90	\$12,452,487	\$100,000
Onspring Technologies LLC	541511	Johnson	24	24	151	\$11,925,336	\$300,000
Shamrock	488510	Johnson	664	664	1,500	\$75,000,000	\$250,000
WWEX	541614	Johnson	128	128	196	\$5,810,000	\$100,000
GHS, Inc.	311612	Rice	16	16	---	---	\$50,000
Team Kansas*	---	Shawnee	---	---	---	---	\$450,000
Overstock.com	493110	Wyandotte	---	---	200	\$14,210,000	\$500,000
			1,235	1,235	2,280	\$144,897,823	\$2,025,000

Projects awarded based on the following program eligibility requirements:

- Major expansion of an existing Kansas commercial enterprise (6 awards)
- Potential location in Kansas of the operations of major employer (1 award)
- Potential departure from Kansas or the substantial reduction of the operations of a major Kansas employer (2 awards)
- Other unique economic development opportunities (1 award)

**A three-year deal providing matching funds of \$150K annually. Team Kansas, formerly known as Kansas Calvary, is an organization of business and economic development leaders focused on marketing and developing new business leads for the state. In 2019, the Department continued the Brownback Administration's practice of funding the Team Kansas initiative through JCF. Going forward, the Department will no longer use JCF for this project; JCF dollars will be used solely for the purpose of closing deals.*

JOB CREATION FUND : PROJECT STYLE

JCF Agreements are structured in two ways – Forgivable Loans and Milestone Projects.

FORGIVABLE LOANS (2 projects)

Funds are disbursed at the time of contract execution, and forgiveness is calculated annually over a five-year period. A company is required to report jobs, payroll and capital investment annually over the term of the Agreement. One-fifth of the original principal balance is eligible to be forgiven annually. The Department of Commerce calculates forgiveness based on the percentage of jobs and payroll achieved each year. The blended percentage of the jobs and payroll is then used to determine a blended performance percentage. If the blended performance percentage is met, one-fifth of the loan will be forgiven for that particular year. If the blended performance percentage is less than required by contract, a shortfall payment will be due.

MILESTONE PROJECTS (8 projects)

A company is required to report jobs, payroll and capital investment annually over the term of the Agreement. If the company fails to achieve milestones regarding jobs and/or capital investment as listed in the Agreement payments will be withheld. In addition, a repayment could also occur at the end of the term if certain overall jobs and/or capital investment requirements are not met.

JOB CREATION FUND : PROJECT SUMMARIES



BRODERSON MANUFACTURING CORPORATION – JOHNSON COUNTY

Award Justification: potential departure from Kansas or the substantial reduction of the operations of a major Kansas employer

Broderson Manufacturing received \$100,000 in JCF funds as a forgivable loan to assist in retaining its existing workforce. The company will retain 76 existing jobs through September 2023 and invest \$200,000 over the term of the Agreement. The existing positions include engineers, assemblers, material handlers, painters, production control, quality control, purchasing, service technicians, sales, sales, supervisors and managers. Since 1973, Broderson Manufacturing has produced industrial carry deck and rough terrain cranes for companies across the United States.



UNION TANK CAR COMPANY – BUTLER COUNTY

Award Justification: major expansion of an existing Kansas commercial enterprise

Union Tank Car Company is a manufacturer, lessor and maintainer of rail tank cars. They are expanding their El Dorado facility with the addition of exterior blast and paint operations, as well as adding new welding and valve repair equipment. The company will receive \$125,000 in milestone payments from JCF to create 70 net new jobs and retain 37 existing jobs through October 2021. Positions to be retained and created will include maintenance technicians, material handlers and laborers. Union Tank will invest \$7,000,000 in capital as a part of the project. This expansion was competitive, and the company selected Kansas over Iowa.



PARK AEROSPACE TECHNOLOGIES CORP. – HARVEY COUNTY

Award Justification: major expansion of an existing Kansas commercial enterprise

Park Aerospace develops and manufactures solution and hot-melt advanced composite materials used to produce composite structures for the global aerospace market. Park Aerospace will expand its facility in Newton, Kansas, and is expected to invest \$18,300,000 in capital, create 73 net new jobs and retain 79 existing employees by November 2023. The new and existing jobs will include lab technicians, manufacturing operators, production, engineering and R&D staff. The company received JCF funds in the amount of \$50,000 in the form of a milestone project. The company could have done this expansion in several other states.

JOB CREATION FUND : PROJECT SUMMARIES



CARGILL, INC. – JOHNSON COUNTY

Award Justification: major expansion of an existing Kansas commercial enterprise

Cargill Inc. is expected to invest \$12,452,487 in capital, create 90 net new jobs and retain 211 existing jobs at its facility in Overland Park over a five-year period. This site will serve as the operational headquarters for Cargill Feed Nutrition Enterprises. This was a competitive project, and the company received \$100,000 in JCF funds as a milestone project. All positions at this location are office/administrative positions to support the headquarters functions.



ONSPRING TECHNOLOGIES LLC – JOHNSON COUNTY

Award Justification: major expansion of an existing Kansas commercial enterprise

Onspring Technologies, LLC provides a flexible, no-code software platform for business process automation, workflow and reporting for customers across the United States. Onspring received \$300,000 in program funds and will create 151 net new jobs, retain 24 existing jobs and expend \$11,925,336 in capital investment over the next five years. New and retained position will include sales, customer support, service consultants and management. The funds awarded for this project will be in the form of a milestone project to assist with the growth of this existing Kansas company.



SHAMROCK TRADING CORPORATION – JOHNSON COUNTY

Award Justification: major expansion of an existing Kansas commercial enterprise

Shamrock Trading provides services for the transportation industry, including logistics, financing, software technology, transportation logistics, international trade finance, fuel card programs, trucking software and more. The company will create 1,500 net new jobs, retain 664 existing jobs and invest \$75,000,000 in capital investment by June 2023. New and existing positions will include account representatives, administrative support and customer service jobs. Shamrock received \$250,000 in JCF funds for this expansion project in Overland Park. They will receive funding as milestones are achieved. Competitive sites for this expansion included Missouri, Tennessee, Texas and Illinois.

JOB CREATION FUND : PROJECT SUMMARIES



WWEX FRANCHISE HOLDINGS, LLC- JOHNSON COUNTY

Award Justification: major expansion of an existing Kansas commercial enterprise

WWEX provides logistics services, small package, truckload and shipping solutions to clients worldwide. The company will create 196 net new jobs, retain 128 existing jobs and invest \$5,810,000 in capital through August 2023. The company will receive \$100,000 in milestone payments from JCF funds for this expansion in Overland Park. This project was competitive with Texas and Atlanta. Positions will include account executives, account managers, logistic coordinators, sales and service positions.

GHS, INC.

GHS, INC. - RICE COUNTY

Award Justification: potential departure from Kansas or the substantial reduction of the operations of a major Kansas employer

GHS, Inc. is a drug discovery and development company focused on generating clinically useful molecules for today's most challenging diseases, with an initial focus on pancreatic adenocarcinoma, head and neck squamous cell carcinoma and glioblastoma multiforme. The company received \$50,000 in JCF in the form of a forgivable loan and will retain 16 existing jobs through September 2023. Funds were awarded in order to retain the jobs in Sterling, Kansas. Positions at this site include chemists, researchers, scientists and developers.



TEAM KANSAS DBA KANSAS CALVARY - SHAWNEE COUNTY

Award Justification: other unique economic development opportunities

Over the years, funding for marketing within Commerce decreased, and a partnership was formed with Team Kansas to provide additional outside resources to the state's marketing efforts to attract new business to Kansas. Team Kansas receives matching funds from Commerce in an effort to enhance overall marketing capabilities and strengthen partnerships between Commerce and other economic development entities located across the state. Team Kansas will receive a total of \$450,000 over three years for these activities and is required to provide annual progress reports regarding their marketing activities.



OVERSTOCK.COM, INC. - WYANDOTTE COUNTY

Award Justification: potential location in Kansas of the operations of major employer

Overstock.com is one of the world's largest online home goods and furniture retailers. The company will open and operate a new warehouse and distribution center in Kansas City, Kansas. This was a competitive project. Overstock.com will receive milestone payments up to \$500,000 over five years as it creates 200 net new warehouse and distribution positions. The company will also invest \$14,210,000 in capital.