

MINUTES OF THE HOUSE COMMERCE, LABOR AND ECONOMIC DEVELOPMENT  
COMMITTEE

The meeting was called to order by Chairperson Mark Hutton at 1:30 pm on Wednesday, January 28, 2015, 346-S of the Capitol.

All members were present except:

Representative Gene Suellentrop – Excused

Committee staff present:

Reed Holwegner, Legislative Research Department

Linda Herrick, Kansas Legislative Committee Assistant

Jason Thompson, Office of Revisor of Statutes

Chuck Reimer, Office of Revisor of Statutes

Conferees appearing before the Committee:

Kristen Rottinghaus, Senior Auditor, Legislative Post Audit

Others in attendance:

[See Attached List](#)

**Presentation on:**

**Performance Audit Report - Economic Development**

Kristen Rottinghaus, Legislative Post Audit, gave a presentation ([Attachment 1](#)) on the Performance Audit Report, Economic Development Determining Which Economic Development Tools are most Important and Effective in Promoting Job Creation and Economic Growth in Kansas, Part 3. (This report may be obtained from the Kansas Legislative Division of Post Audit.) Included were the highlights of the audit, and a statement from the Department of Commerce agreeing to the findings of the Economic Development Audit ([Attachment 2](#)).

Ms. Rottinghaus explained the original statement for this audit had five questions. Questions one through four were answered in Parts 1 and 2 of the audit. This report responds to question five: has the implementation of major Kansas economic development programs been successful? The short answer is "yes."

The State's six main economic development incentive programs were evaluated from fiscal year 2006 to fiscal year 2011. Forty-two projects were included in the sample with ten or more agreements from each of the state's six major economic development programs. Most of the projects were located in Johnson, Douglas, Sedgwick, Shawnee, and Wyandotte counties.

The two units of analysis utilized were: 1) economic effects that measure the economic activity a business creates by increasing its production of goods and services and spending power of its employees; and 2) tax revenue that measures state and local tax revenues from taxes on employee compensation, production, households, and corporations.

The findings of the audit were:

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--All programs appeared to generate significant returns on investment, which means the business activities programs generated greatly exceeded the incentives they contributed.

-- The programs also appeared to generate more business activities in Kansas than an across-the-board tax cut equal to the incentive.

Ms. Rottinghaus gave the following responses to questions asked by Committee members:

-- On Page 19, Table 1-2, the return on investment is projected out to year 2030. The level of confidence in the economic modeling by the consultant is high, since professors across Kansas were visited before this consultant was selected.

-- Regarding the HPIP program, responsibilities are split between DOC and DOR, and companies were selected by the level of investment.

-- The Docking Institute reported a much higher return. Post Audit methodology was compared to theirs but hit some roadblocks. The Docking Institute only looked at the Promoting Employment Across Kansas (PEAK) program while Post Audit reviewed six programs.

-- In response about no upfront money program like other states. Ms. Rottinghaus explained that outside the scope, oftentimes, a high dollar program is used for a high dollar project.

-- Of the 42 projects, there were only a handful of businesses that left the State. A variety of jobs were created.

-- Johnson County had the most jobs and was selected based on the methodology to pick up more projects.

-- Differences occur between The Docking Institute and Post Audit because of the many decisions made during the study. It was asked if there was differentiation on PEAK between the two studies, and Ms. Rottinghaus replied that regardless of the assumptions made, the results of both were positive which was encouraging.

-- Ms. Rottinghaus will furnish Parts 1 and 2 of this economic development audit to Committee members.

-- On Page 19, the first bullet point says based on the self-reported data, the actual jobs and investments may vary and that the data is generally unaudited. The forms from which the information was obtained were either quarterly or annual reports, and staff did not go out to businesses to count employees in the 42 projects. Some checks were done, but there is no way of knowing if 100% of the numbers are

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correct.

### **Possible bill introductions**

Chairperson Hutton asked if there were any bills to be introduced. There were none.

### **Adjournment**

The next meeting will be on Monday, February 2 with a hearing and possible action on **HB2096** **Kansas Uniform Common Interest Owners Bill of Rights Act**. Chairperson Hutton added that next week, there may be other bills assigned to this Committee, and there could be changes to the agenda to accommodate those.

The meeting adjourned at 2:00 p.m.