Approved Jim D. Braden 5-7-86
Date

MINUTES OF THE Legislative COMMITTEE ON Kansas Economic Development.

The meeting was called to order by Representative Jim Braden at
Chairperson

12?30 a.m./p.m. on February 20, 1986, 19__ in room 123-S of the Capitol.

All members were present except:
Senator Michael Johnston

Committee staff present:
Tom Severn
Paul West

Conferees appearing before the committee:

Belden Daniels
Marshall Crowthers

The Chairman called the meeting to order and asked Tony Redwood to briefly explain his handout. (Attachment A) He said these were only working numbers regarding the fiscal impact of the Kansas Economic Development Study. He suggested everyone read through this report by the next meeting when he would respond to specific questions the Commission might have.

Mr. Daniels then came before the Commission to report that he is extremely anxious and optimistic in having some pretty well-defined proposals for the Commission by next week. He is bringing a working Team together. He has about 20 people intensely working with him right now and as time goes by will double that number.

The subject of the Kansas Cavalry was brought up by Senator Winter. He discussed whether it should be brought together with Kansas, Inc.

Daniels noted the $167,500 for a Center of Excellence is low. He stated that Ohio spent $70 million, $25 million in Pennsylvania and $13 million in Oregon for equivalent Centers of Excellence. Noting serious revenue issues exist in Kansas he did not propose that Kansas would be prepared to have comparable investments right away. He stressed only creating solid undertakings if Kansas is prepared to commit to funding over the next several years.

The time factor entered into discussion and Daniels expected to have draft legislation delivered to the Commission one week from today.

Discussion centered around a current list of business tax incentives (Attachments B & C) Kansas offers as compared with other states. Daniels discussed having a breakdown of the cost of existing incentives by next week.

Marshall Crowthers then spoke to the Commission and explained what KPERS has done over the past several years with regard to venture capital. Daniels stated, if the Commission does nothing on venture capital, KPERS will create 2-3 additional venture capital pools within 2-3 years. Daniels emphasized the efforts of the Commission should do nothing to disrupt present efforts going on, we should enhance those efforts, and expand those efforts.

CONTINUATION SHEET

MINUTES OF THE Legislative COMMITTEE ON Kansas Economic Development,

room 123-S, Statehouse, at 12:30 a.m./p.m. on February 20, 1986, 19__.

Daniels stated Kansas needs a new financing mechanism for the tax exempt bonds, and an outside issuer to do more complex deals. Bond counsel meetings were scheduled to be held and a recommendation will be forthcoming.

The constitutional prohibition against internal improvements is an issue to be addressed at the next meeting.

Mr. Daniels asked members of the Commission if they had any concerns with the direction so far. It was thought a meeting with organized labor would be in order.

The Chairman announced two meetings for the following week and adjourned the meeting at 2:32 P.M.

Additional information submitted by Mid-America, Inc. appears as Attachment D.

Guest list appears as Attachment E.

Approved by Commission on:

5-7-86
(date)

Feb. 20, 1986
Economic Dev. Comm.

Name	Representing
CHARLES KRIDER	KU
TONY REDWOOD	KU
Donna Voth	Sen. Johnston
RON GACHES	BMAC
Marshall Carruthers	KPERS
Christy Young	Greater Topeka Chamber of Commerce
David Barclay	KDED
J Schwartz	"

Attachment E

(A) Feb. 20, 1986
Ec. Dev. Comm.

February 20, 1986

FROM: Anthony Redwood
Charles Krider

RE: Cost Estimates of
Study Recommendations

The attached document attempts to provide ball park cost estimates for the recommendations contained in our January 1986 Kansas Economic Development Study. The estimates are intended to indicate the order of magnitude of the cost of each recommendation. They are not detailed cost estimates, nor do they allow for inflation.

Attachment A

Recommendation	FY 1987	FY 1988	FY 1989	Assumptions
	Additional Funding Above FY 86 Levels			
1. Agriculture Task Force				FY 1987 is assumed to be a planning year for the task force. These costs also assume some reallocation of the existing $11 million R & D expenditures at KSU to provide significantly greater emphasis on value added processing and crop diversification instead of production. The preferred levels assume FY 87 implementation of the KSU proposal.
Minimum	50,000	750,000	1.4M	
Preferred	500,000	1.5M	2M	
2. Sales/Use Tax Exemption on all Machinery and Equipment				No increase in the current sales tax will occur. The removal of the sales tax should be phased in over three years at $5.3 million per year. This cost could be offset by an expansion of sales tax to the service sector.
Minimum	0	0	5.3M	
Preferred	0	5.3M	10.6M	
3. Corporate R & D Income Tax Credits				These estimates presume a 5% credit or amount equal to the average of the credit allowed by other states. The credit should not exceed 20% of the total tax liability and should only be available for R & D above and beyond a corporation's average expenditure during the previous three year period.
Minimum	150,000	500,000	750,000	
Preferred	250,000	1M	1M	
4. Tax Credit for Investment in Venture Capital Funds				This recommendation is the most important of the tax measures. The estimates assume a 20% credit up to a fixed amount or some percentage of tax liability. $3 million should be the maximum cost to the state. A 20% credit with a ceiling of $3 million should generate $12 million in private funds for an annual total of $15 million (at the preferred funding level by the end of FY 1989). The differences between the minimum and preferred levels is the result of changes in the limits on the credit and targeting of credit amounts and the types of businesses that would receive the credit.
Minimum	300,000	1.5M	2M	
Preferred	500,000	2M	3M	
5. Property Tax Abatements	No cost to the state			
6. Property Tax on Inventories				

Recommendation	FY 1987	FY 1988	FY 1989	Assumptions
7. Centers of Excellence				$500,000 represents the additional cost of doubling the current funding of $167,000 for the three centers of excellence at KU, KSU & WSU. $835,000 is the cost of doubling the funding in the three existing centers plus adding one additional fully funded center at one of the three major research universities. $1,070,000 is the cost of doubling funding for the three current centers plus two new fully funded centers. $1,500,000 provides for a total of six centers. It should be noted that although this cost estimate assumes equal funding levels for each center, they would not have to fund equally.
Minimum	500,000	835,000	1.17M	
Preferred	835,000	1.17M	1.5M	
8. Research Matching Grant				The program is currently funded at $610,000. The estimates represent the increase over current funding. This additional funding would be split between the participating universities.
Minimum	200,000	400,000	400,000	
Preferred	250,000	500,000	500,000	
9. Institutes for Applied Science and Technology				$220,000 provides $120,000 to establish a Center for Technology Transfer at Pittsburg State University in lieu of a Center of Excellence at PSU as now proposed, plus $100,000 to plan the creation and areas of concentration for each institute. The ultimate desired level of funding--$10 million in FY 1989--represents the likely state commitment to match federal & private funds if these can be garnered for one or more Institutes at the research universities, plus state funding for one or more Centers for Technology Transfer at the smaller universities. The preferred funding level would expedite the development of the Institutes through initial staff appointments, equipment/instrumentation, etc., concurrent with the detailed planing process. While a $10 million commitment is substantially below the commitment in other states, it represents a solid effort for a state the size of Kansas. Less money might be required in subsequent years.
Minimum	220,000	2.5M	5M	
Preferred	1M	5M	10M	
10. Applied Social and Economic Research				$185,000 is recommended to fund the development of KU's econometric model. The $385,000 includes $185,000 for the econometric model, $100,000 for the development and maintenance of an economic data base for Kansas and $100,000 for state population projections, small business research, international trade research and other Kansas business related research. $500,000 would enable regional centers for business research to be funded to assist local communities with data needs and regional problem research.
Minimum	185,000	385,000	500,000	
Preferred	385,000	500,000	500,000	
11. Industrial Liaison				The $60,000 would fund the industrial liaison program proposed by KSU. $300,000 provides $100,000 to each of the three main universities to have an industrial liaison program. The $360,000 figure adds $60,000 for part-time industrial liaison staff at the three small Kansas universities.
Minimum	60,000	300,000	360,000	
Preferred	300,000	360,000	360,000	

Recommendation	FY 1987	FY 1988	FY 1989	Assumptions
12. Public & Higher Education				The Kansas Board of Regents Issue Papers for FY 87 indicate a funding shortfall of the order of $85-95 million in state funding for the universities.
Minimum				
Preferred				
13. Corporation of Innovation Development				The minimum level attempts to create a pool of $5 million over three years. The preferred level attempts to create a pool of $10 million over three years. It is believed that funds of this size can be generated through a 20% tax credit for investment in the corporation. (Further analysis may determine that a higher credit is needed to achieve the desired fund size.) $350,000 is based on $150,000 for staff and operations expenses plus $200,000 in tax credits given to generate a $1 million fund pool. $550,000 provides $150,000 administrative funds plus $400,000 in tax credits to generate an additional $2 million in funds. $800,000 provides $200,000 in administrative funds plus $600,000 in tax credits to generate an additional $3 million. $1 million provides $200,000 in administrative funds plus $800,000 in tax credits to generate an additional $4 million in funds. After a three year period, a determination should be made as to whether the CID can be self-supporting.
Minimum	350,000	550,000	550,000	
Preferred	800,000	800,000	1M	
14. Product Development Corporation				These funding amounts are intended to generate $5 million in available capital. The minimum funding option would reach $5 million in five years. The preferred option would grow to $5 million in three years.
Minimum	750,000	1M	1M	
Preferred	1M	2M	2M	
15. State Matching Fund for Federal Small Business Innovation Research Grants				These funds would be used to match federal $50,000 Phase I Small Business Innovation Research Grants. $200,000 would enable Kansas to match four grants; $250,000, five grants; and $300,000, six grants. By providing additional funding at the Phase I prototype stage, Kansas firms will be able to prepare better proposals for SBIR Phase II. Phase II winners receive a $500,000 federal SBIR grant to further develop the product.
Minimum	200,000	200,000	200,000	
Preferred	200,000	250,000	300,000	
16. Science & Technology Authority				These figures assume that the Science & Technology Authority will be the umbrella administrative unit for a Corporation of Innovation Development and a Product Development Corporation, as well as the other responsibilities spelled out in the Report. $220,000 provides four full time positions. $275,000 funds five FTE and $320,000 provides six FTE.
Minimum	220,000	220,000	220,000	
Preferred	275,000	320,000	320,000	
17. Financial Symposium				
Minimum	5,000	5,000	5,000	
Preferred	5,000	5,000	5,000	

Recommendation	FY 1987	FY 1988	FY 1989	Assumptions
18. Temporary Funding for Certified Development Companies				It is anticipated that the funding level for each CDC would be $50,000. The preferred level would allow eight of the 13 CDCs to receive temporary funding.
Minimum				
Preferred				
19. Secondary Market for the SBA Guaranteed Portion of Bank Loans				
Minimum	No cost to the state			
Preferred				
20. Joint House/Senate Economic Development Committee				
Minimum				
Preferred				
21. Expand KDED Small Business Division; Add Field Offices				The recommended funding level would increase the number of KDED field offices from the current two (Garden City and Hill City) to a total of five. The variations in the funding levels represent increases in the staff in each office. $350,000 provides funding for 13 FTE--three staff in each new office and two additional staff in the two current offices. (Each existing office is staffed by one person.) Staff duties will include technical assistance, financing counseling, assistance with incubators, an existing industry and business retention program, and work with the state's Small Business Development Centers.
Minimum	350,000	350,000	350,000	
Preferred	350,000	470,000	550,000	
22. Establish a KDED International Trade Division				The role of this unit is to assist Kansas companies with export/import trade problems distinct from international industrial development activities. The funding provides varying levels of staffing and some funds for contracting costs with universities. $125,000 provides for three staff positions, $175,000 provides for four FTE and $225,000 provides five FTE. The funding does not include funds for advertising.
Minimum	125,000	125,000	175,000	
Preferred	125,000	175,000	225,000	
23. Efforts to Attract Foreign Firms				The recommended amounts fund two international offices--one in Japan and one in Europe. (Kansas currently has a $40,000 contract with a consulting firm in Japan to represent the state. There is no such arrangement in Europe.) It is assumed that funds would be evenly divided between the two offices at each funding level.
Minimum	600,000	800,000	1M	
Preferred	750,000	1M	1.2M	
24. Existing Industry Program				These figures assume that two staff will be dedicated to this function. The increasing amounts are for additional travel, workshops on business retention, contracts for suveys of businesses and the development of a computer data base for a buyer/seller link program. The two staff members will work with field staff and communities across the state.
Minimum	120,000	120,000	120,000	
Preferred	120,000	135,000	155,000	

Recommendation	FY 1987	FY 1988	FY 1989	Assumptions
25. KDED Targeted Industries Marketing Plan				It is assumed that these advertising funds will be used to implement the targeted industries study now being conducted. The study attempts to identify those industries particularly suited to locate in Kansas by geographic area of the state.
Minimum	750,000	?	?	
Preferred				
26. KDED National Image Promotion Campaign				The national image campaign attempts to create a favorable impression of Kansas among business leaders in positions to make company relocation decisions.
Minimum	100,000	?	?	
Preferred				
27. Internal Improvements Amendment				The future cost to the state will be determined by how narrowly a constitutional amendment is written.
28. Matching Loans to Facilitate Incubators	Costs not now available			Further research is needed on the various incubator models now in existence.
Minimum				
Preferred				
29. Loan Pool for Infrastructure Development	Costs not now available			
Minimum				
Preferred				
30. Technical Assistance to Communities				
Minimum	Costs included in recommendations 21 and 24			
Preferred				
31. Federal Community Development Block Grants	No cost to the state			
32. State Community Development Block Grant Program				These figures assume that the federal government will phase out the Community Development Block Grant program (currently funded at $16 million) and that the state will replace federal cutbacks with state funds.
Minimum	5.3M	10.6M	16M	
Preferred	5.3M	10.6M	16M	

Recommendation	FY 1987	FY 1988	FY 1989	Assumptions
33. Certified Cities Program				
Minimum				
Preferred				
34. Small Business Development Centers				The Kansas Small Business Development Centers have requested $350,000 in funds to be divided among the existing centers on an annual basis.
Minimum	350,000	350,000	350,000	
Preferred	350,000	350,000	350,000	

FINANCIAL ASSISTANCE FOR INDUSTRY

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	State Sponsored Industrial Development Authority	Privately Sponsored Development Credit Corporation	State Authority or Agency Revenue Bond Financing	State Authority or Agency General Obligation Bond Financing	City and/or County Revenue Bond Financing	City and/or County General Obligation Bond Financing	State Loans for Building Construction	State Loans for Equipment, Machinery	City and/or County Loans for Building Construction	City and/or County Loans for Equipment, Machinery	State Loan Guarantees for Building Construction	State Loan Guarantees for Equipment, Machinery	City and/or County Loan Guarantees for Building Construction	City and/or County Loan Guarantees for Equipment, Machinery	State Financing Aid for Existing Plant Expansion	State Matching Funds for City and/or County Industrial Financing Programs	State Incentive for Establishing Industrial Plants in Areas of High Unemployment	City and/or County Incentive for Establishing Industrial Plants in Areas of High Unemployment
Alabama	● 19	●			●	● 1	●	●							● 2,12			
Alaska	●	●	●	●	●	●	●	●							●	●		
Arizona					●	●	●	●							● 99			●
Arkansas	●	●			●	●					● 13	● 13			●		●	●
California		● 5	● 10	●	●	●	●	●	● 1	● 1	●	●	●	●	●		●	●
Colorado	4	4			●				● 1	● 1					4			● 1
Connecticut	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Delaware	●		●		●				●	●					●	●	●	●
Florida		●			●	● 3	● 99	● 99	●	●					● 99		● 22	●
Georgia		●			●													●
Hawaii	●		●	●	●	●	●	●							●			
Idaho		●			●	●												
Illinois	●	●	●		●		●	●			●	●			●		●	●
Indiana	●	●	●		●	●	●	●	●	●	●	●			●	●	●	●
Iowa		●	●		●													●
Kansas		●			●	●											●	
Kentucky	●	●	●		●	●	●	●							●			
Louisiana		4	● 2		●	●	4										●	●
Maine	●		●		●		●		●	●	●	●			●			●
Maryland	●	●	●		●	●	●	●	● 63		●	●			●	● 7	●	●
Massachusetts		●	●		●				●	●	●	●			●	●	●	●
Michigan	●	4	●		●	●	●	●	●	●	●	●	●	●	●			
Minnesota	●	●	●	●	●	●	●	●	● 9	● 9					●	●	●	●
Mississippi	●	●			●	●	● 15	● 15	●	●	● 15	● 15			● 2			●
Missouri	●	●	●		●	●	●	●			●	●			●		●	●
Montana		●	●		●				● 17		●	●			●			
Nebraska	●	●	●		●										● 2			
Nevada	●	●	●	●	●			●	●	●						●	●	●
New Hampshire	●	●	●		● 103	● 103			● 103	● 103	●	●	● 103	● 103	●			
New Jersey	●		●		● 10	● 10	●	●	● 10	● 10	●	●			●		●	●
New Mexico	●	●	●		●	●	●	●			●	●			●			
New York	●	●	●	●	●		●	●	●	●	●	●			●			
North Carolina					●													
North Dakota		●	●	●	●	●	●	●				●			●		●	●
Ohio	●	●	●		●		●	●	●	●	●	●			●		●	●
Oklahoma	●		●		●	●	●	●	●	●					●		●	●
Oregon	●	●	●		● 10	●	●	●	●	●			● 53	● 53	●	●	●	●
Pennsylvania	●	●	●	●	●		● 14	● 6	● 14	●			●	●	●	●	●	●
Rhode Island	●	●	●	●	●						●	●			●			●
South Carolina	●	●	●		●		●	●									● 18	● 18
South Dakota	●		●		●													
Tennessee				●	●	●									●		●	
Texas	●		●		●		●	●							●			
Utah	●	●			●	●												
Vermont	●	●	●		●	●	●	●		●	●	●			●	●		
Virginia	●		●		●												●	●
Washington	●	●			●	●												
West Virginia	●	●	●	●	●		●	●	●	●					●	●	●	
Wisconsin	●		●		●	● 16												
Wyoming	●	●	●		●	●	●	●	●	●	●	●	●		●			
STATE TOTALS	37	38	37	12	50	30	30	29	21	22	20	21	7	6	37	12	24	28
Puerto Rico	●	●	●	●	●	●	●	●			●	●			●	●	●	●

Attachment B

AX INCENTIVES FOR INDUSTRY

OTHER L S

	Corporate Income Tax Exemption	Personal Income Tax Exemption	Excise Tax Exemption	Tax Exemption or Moratorium on Land, Capital Improvements	Tax Exemption or Moratorium on Equipment, Machinery	Inventory Tax Exemption on Goods in Transit (Freeport)	Tax Exemption on Manufacturers Inventories	Sales/Use Tax Exemption on New Equipment	Tax Exemption on Raw Materials Used in Manufacturing	Tax Incentive For Creation of Jobs	Tax Incentive For Industrial Investment	Tax Credits for Use of Specified State Products	Tax Stabilization Agreements for Specified Industries	Tax Exemption to Encourage Research and Development	Accelerated Depreciation of Industrial Equipment	State Right to Work Law	State Minimum Wage Law	State Fair Employment Practice Code	Statewide Uniform Property Tax Evaluation Law	Statewide Industrial Noise Abatement Law
Alabama	●	●	●	●	●	●	●	●	●					●		●			●	
Alaska			●	●				●	●						●59		●	●	●	
Arizona	●	●				●	●		●	●					●	●		●	●	
Arkansas	●98			●11	●11	●	●	●	●	●		●20				●	●		●	
California						●	●		●	●88					●10		●	●	●	●
Colorado						●	●	●	●		●						●	●	●	●
Connecticut	●10	●25		●	●23	●	●	●104	●	●89	●89			●89	●69		●	●		●
Delaware	●		●24	●	●	●42	●42	●41	●	●	●				●		●	●		
Florida	●	●25	●24	●31	●31	●	●	●	●	●26	●26	●57		●	●100	●		●	●	
Georgia						●	●	●	●							●	●	●	●	
Hawaii		●	●			●						●			●		●	●	●	●
Idaho					●	●	●	●	●	●	●				●		●	●	●	
Illinois				●	●	●	●	●	●		●				●59		●	●	●	●
Indiana	●			●36	●39	●85	●85	●	●	●	●36			●	●		●	●	●	
Iowa	●27			●87	●82	●	●28		●29	●				●	●59	●		●	●	●
Kansas	●75			●30	●30	●	●83	●101	●84	●	●				●59	●	●	●	●	
Kentucky				●45	●31	●31	●31	●	●31	●45	●45				●		●	●	●	●
Louisiana	●32			●33	●	●		●32	●84	●90	●	●	●	●	●10	●			●	
Maine	●	●			●	●	●	●	●34	●	●			●	●59		●	●		●
Maryland				●31	●	●	●	●	●	●	●			●37	●		●	●	●	●
Massachusetts	●105	●	●105	●106	●107	●	●107	●108	●	●109	●105			●110	●		●	●	●	
Michigan	●	●		●38	●	●	●	●	●		●				●59		●	●	●	
Minnesota	●	●	●	●10	●	●	●	●40	●	●		●	●	●	●59		●	●	●	●
Mississippi	●	●		●	●	●	●	●	●	●					●59	●				
Missouri	●	●		●	●	●	●	●	●	●	●				●			●	●	
Montana	●35	●		●	●	●	●	●41		●35	●						●	●	●	
Nebraska						●	●	●	●						●59	●	●	●	●	
Nevada	●25	●25	●24			●	●									●	●	●	●	
New Hampshire		●25			●	●	●	●41	●								●	●	●	●
New Jersey				●	●	●	●	●	●	●				●			●	●	●	●
New Mexico				●	●	●	●	●	●						●59		●	●	●	●
New York	●46, 47	●46	●24	●	●48	●48	●48	●	●	●	●46			●47	●105		●	●		●
North Carolina						●43	●102	●49	●50						●	●	●	●	●	
North Dakota	●		●	●51	●48	●48	●48		●					●37		●	●	●	●	●
Ohio	●	●		●	●	●		●		●	●							●	●	
Oklahoma					●	●		●	●	●	●		●93		●59		●	●	●	
Oregon			●52	●52		●	●	●	●						●10		●	●	●	●
Pennsylvania	●95			●	●54	●55	●55	●54	●54	●				●	●		●	●		
Rhode Island				●	●	●	●	●	●		●		●	●			●	●		
South Carolina				●	●	●	●	●	●		●			●	●	●	●	●	●	
South Dakota	●25	●25	●	●		●	●		●						●	●	●	●	●	
Tennessee		●		●31		●	●	●	●76		●94	●57			●	●			●	
Texas	●25	●25		●58	●58				●							●	●			
Utah						●	●		●	●					●	●	●	●	●	
Vermont			●24			●	●	●	●				●		●			●	●	●
Virginia				●31	●31	●44	●44	●	●60	●104	●104			●61	●59	●	●		●	
Washington	●25	●25	●			●	●		●								●	●	●	
West Virginia	●	●	●					●	●	●	●			●	●		●	●	●	
Wisconsin	●62				●	●	●	●	●					●	●		●	●	●	
Wyoming	●25	●25	●			●	●		●							●	●	●	●	●
STATE TOTALS	28	22	16	32	32	46	43	38	46	27	24	6	5	19	36	20	40	43	42	18
Puerto Rico	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●	●	●	●

SPECIAL SERVICES FOR INDUSTRIAL DEVELOPME

	State Financed Speculative Building	City and/or County Financed Speculative Building	State Provides Free Land for Industry	Cities and/or Counties Provide Free Land for Industry	State-Owned Industrial Park Sites	City and/or County-Owned Industrial Park Sites	State Funds for City and/or County Development-Related Public Works Projects	State Funds for City and/or County Master Plans	State Funds for City and/or County Recreational Projects	State Funds for Private Recreational Projects	State Program to Promote Research and Development	State Program to Increase Export of Products	University R&D Facilities Available to Industry	State and/or University Conduct Feasibility Studies to Attract or Assist New Industry	State Recruiting, Screening of Industial Employees	State Supported Training of Industrial Employees	State Re-Training of Industrial Employees	State Supported Training of "Hard-Core" Unemployed	State Incentive to Industry to Train "Hard-Core" Unemployed	State Help in Bidding on Federal Procurement Contracts	State Science and/or Technology Advisory Council
Alabama	●	●		● 65		●	●	●	●		●	●	●	●	●	●	●	●			
Alaska	●					●	●	●	●	●	●	●	●	●	●	●	●	●	●		●
Arizona		●				●	●	●	●		●	●	●	●	●	●	●	●	●		●
Arkansas				● 65		●			●		●	●	●	●	●	●	●			●	●
California		● 65		● 65		●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Colorado		● 65		● 65		●	●	●	●		●	●	●	●	●	●	●	●	●		●
Connecticut					●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●
Delaware	●	●			●	●	●	● 66	●		●	●	●	●	●	●	●	●	●	●	●
Florida						●	● 86				●	●	● 67	●	●	●	●	● 68	●	●	●
Georgia		●				●	●		●		●	●	●	●	●	●	●				●
Hawaii					●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Idaho						●	●		●		●	●	●	●	●	●	●	●	●	●	●
Illinois				●		●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Indiana				● 65		●	●	●		● 91	●	●	●	●	●	●	●	●	●	●	●
Iowa	● 92					●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Kansas		● 69		● 65		●					●	●	● 70	●	●	●					●
Kentucky						●	●	●	●	●		●	●	●	●	●	●	●		●	
Louisiana	4	●		● 74		●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Maine	●	●		● 71		●	●		●	● 72	●	●	● 67	●	●	●	●	●		●	●
Maryland	●	●			●	●	●		●	● 73	●	●	●	●	●	●	●	●	●	●	●
Massachusetts	●	●				●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Michigan		●		●		●	●	●	●		●	●	●	●	●	●	●	●		●	●
Minnesota		●		●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Mississippi		●		● 74	●	●					●	●	●	●	●	●	●	●	●	●	●
Missouri						●	●				●	●	●	●	●	●	●	●	●	●	●
Montana						●	● 78	● 78				●	●	●	●	●	●			●	●
Nebraska		● 69				●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Nevada				● 65	●	●					●	●	●	●	●	●	●	●	●	●	●
New Hampshire	●				●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
New Jersey	●				●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
New Mexico		●				●					●	●	●	●	●	●	●	●	●	●	●
New York		●				●	●	●	●		●	●	●	●	●	●	●	●		●	●
North Carolina	●	●				●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
North Dakota		●		●		●	●		●		●	●	●	●	●	●	●	●	●	●	●
Ohio						●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Oklahoma		●		●	●	●	● 39		●		●	●	●	●	●	●	●	●		●	●
Oregon						●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Pennsylvania	● 96	●		● 97		●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Rhode Island					●	●		●	●		●	●	●	●	●	●	●			●	●
South Carolina		●		● 65	●	●		●	●		●	●	●	●	●	●	●	●			●
South Dakota		●		●		●	●	●	●			●	●	●	●	●	●	●	●	●	●
Tennessee		●			●	●	● 80	● 81	●		●	●	●	●	●	●	●	●	●	●	●
Texas						●			●			●	●	●	●	●	●	●	●	●	●
Utah						●	●		●		●	●	●	●	●	●	●		●	●	●
Vermont	●	●				●	●	●	●			●	●	●	●	●	●	●	●	●	
Virginia		● 69				● 69	●		●		●	●	●	●	●	●	●				●
Washington						● 79	●		●			●	●	●	●	●	●	●	●	●	●
West Virginia				●		●	●		●	●	●	●	●	●	●	●	●	●	●	●	●
Wisconsin						●	●	●	●		●	●	●	●	●	●	●	●			●
Wyoming						●	●					●	●	●	●	●	●	●		●	
STATE TOTALS	13	26	0	19	12	50	42	31	40	9	43	50	50	50	50	50	49	43	34	41	45
Puerto Rico	●				●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

INDUSTRIAL REVENUE BOND FINANCING

PROJECTS PERMITTED UNDER BOND FINANCING LAWS: USES FOR PROCEEDS OF BOND FI IG

	Industrial Buildings	Industrial Parks	Office Buildings	Warehouses	Recreational Attractions*	Retail Merchandise Establishments*	Medical Facilities	Pollution Control Systems	Purchase Land	Purchase Equipment, Machinery	Refinance Existing Facilities at Lower Interest Rates	Company May Buy Bond-Financed Plant on Installment Purchase	Installation of Utilities	Engineering Fees	Landscaping of Plant Site	Construction Financing	Legal Fees Associated with Project	Financing Fees	Debt Service Reserve
Alabama	●		●	●			●	●	●	●	●	●	●	●	●	●	●	●	●
Alaska	●	●	●	●	●			●	●	●			●	●	●	●	●	●	
Arizona	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Arkansas	●	●	●	●				●	●	●	●	●	●	●	●	●	●	●	●
California	●			●				●	●	●	● 9	●	●	●	●	●	●	●	●
Colorado	●	●	●	●	●	●	●	●	●	●	● 9	●	●	●	●	●	●	●	●
Connecticut	●		●	●	●	● 2	●	●	●	●			●	●	●	●	●	●	●
Delaware	●	●	●	●	●	●	●	●	●	●	● 1	●	●	●	●	●	●	●	●
Florida	●		● 7	●	● 16	● 13	●	●	●	●	● 17	●	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hawaii	●	●	●	●			●	●	●	●	●		●	●	●	●	●	●	●
Idaho	●	●		●	●			●	●	●		●	●	●	●	●	●	●	●
Illinois	●			●		●	●	●	●	●	● 11		●	●	●	●	●	●	●
Indiana	●	●	●	●	●	●	●	●	●	●	● 1	●	●	●	●	●	●	●	
Iowa	●	●	● 12	●		● 13	●	●	●	●		●	●	●	●	●	●	●	●
Kansas	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Kentucky	●	●	● 19	● 5	● 14	● 19	●	●	●	●		●	●	●	●	●	●	●	
Louisiana	●	●	●	●		●	●	●	●	●		●	●	●	●	●	●	●	●
Maine	●	● 18	●	●	●		●	●	●	●	●	●	● 3	● 3	● 3	● 3	● 3	● 3	● 3
Maryland	●	●	●	●	● 15	● 15	● 4	●	●	●	●	●	●	●	●	●	●	●	●
Massachusetts	●	●	● 2	●		● 2	● 20	●	●	●		●	●	●	●	●	●	●	●
Michigan	●	●	●	●	●	●	●	● 6	●	●	●	●	●	●	●	●	●	●	●
Minnesota	●		●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●
Mississippi	●	●		●				●	●	●		●	●	●	●	●	●	●	●
Missouri	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Montana	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	
Nebraska	●	●	● 13	● 13	● 13	● 13	● 13	●	●	●		●	●	●	●	●	●	●	●
Nevada	●	●	●	●			●	●	●	●		●	●	●	●	●	●	●	
New Hampshire	●		●	●			●	●	●	●		●	●	●	●	●	●	●	●
New Jersey	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●
New Mexico	●	●	●	●	●		●	●	●	●		●	●	●	●	●	●	●	
New York	●	●	●	●	●	●	● 4	●	●	●	●	●	●	●	●	●	●	●	●
North Carolina	●		● 5	● 5				●	●	●			●	●	●	●	●	●	●
North Dakota	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ohio	●	●	● 8	● 8	● 8	● 8	●	●	●	●		●	●	●	●	●	●	●	
Oklahoma	●	●		● 5	●		●	●	●	●		●	●	●	●	●	●	●	●
Oregon	●	●	●	●	●		●	●	●	●		●	●	●	●	●	●	●	●
Pennsylvania	●	●	●	●		●	●	●	●	●		●	●	●	●	●	●	●	●
Rhode Island	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●
South Carolina	●			●			●	●	●	●	● 1	●	●	●	●	●	●	●	●
South Dakota	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Tennessee	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●	●
Texas	●		●	●		● 10	●	●	●	●		●	●	●	●	●	●	●	●
Utah	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	
Vermont	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●
Virginia	●	●	● 12	●		●	●	●	●	●		●	●	●	●	●	●	●	●
Washington	●	●		●				●	●	●		●	●	●	●	●	●	●	●
West Virginia	●	●	●	● 5	●	●	●	●	●	●		●	●	●	●	●	●	●	●
Wisconsin	●	●	● 7	●	●	● 10	●	●	●	●		●	●	●	●	●	●	●	●
Wyoming	●	●	●	●		●	●	●	●	●			●			●			
Puerto Rico	●	●	●	●	●		●	●	●	●	●		●	●	●	●	●	●	●

*New federal regulations may restrict the use of industrial bonds for commercial or recreational facilities.
Source: Conway Publications' survey of state development agencies.
1—Applicable when existing facility is for an entirely new type of operation.
2—In downtown urban revitalization districts only.
3—Applicable if part of total project.
4—Applicable to research facilities only.
5—Permitted only if related to manufacturing operations.
6—Applicable to any structure suitable for, intended for, or incidential to use as a factory, mill, shop, processing plant, assembly plant, fabricating plant, warehouse, research and development facility, engineering, architectural or design facility, or tourist and resort facility.
7—Applicable if structure is a national or regional headquarters facility.
8—Applicable only if facility is occupied by company obtaining bonds; not permitted by speculative buildings.
9—Refinancing is limited to 10% of net bond proceeds.
10—If located in a blighted urban renewal or UDAG area.
11—Permitted for medical facilities only.
12—Limited to multistate, regional or national headquarters buildings and operations centers.
13—Applies only in designated areas.
14—Limited to parks.
15—No more than 25% of the proceeds of the bonds may be used for commercial or recreational facilities.
16—State has recently limited the use of IRBs for public lodging and recreational facilities.
17—May be held true under a provision in the statute concerning bond refunding, but an existing firm could not use bond proceeds strictly to renegotiate a lower interest rate on older buildings.
18—Certain restrictions may apply.
19—Limited to redevelopment of downtown business districts.
20—Limited to nursing homes.

Footnotes for Charts on Pages 16, 17, and 18

1—Permitted only in specified municipalities.
2—State allows cities or counties to offer financial aid for existing plant expansions. In Louisiana, state financing aid is directly involved only in the case of those port authorities whose obligations are backed by the full faith and credit of the state.
3—For public projects only (water, sewer treatment, etc.).
4—Authorized but none is active.
5—State-sponsored but privately operated non-profit Regional Job Development Corporations may be established in low-income areas to provide loans to small businesses.
6—Available through the Minority Business Development Agency.
7—Limited to EDA-designated areas.
8—Loans also cover working capital, site improvements and inventories.
9—Permitted for processing products of agriculture, including forestry and timber production.
10—Applies only to pollution control equipment.
11—Exempt using Act 9 in some cities.
12—Alabama offers site grants of up to $150,000 to industries needing grading of land and roads; grants may also be applied toward drainage needs.
13—Guarantee applies to Act 9 industrial revenue bonds up to $1 million.
14—State and local program of participation in building construction.
15—Small business program.
16—For acquiring and developing sites.
17—Authorized if a one-mill, multi-purpose tax levy is approved by local voters.
18—State funds are available to local governments to help industry in the 16 poorest counties.
19—State grants to assist in industrial site preparation.
20—7-year ad valorem tax exemption on textile plants.
21—Law allows reduction in taxes but not exemption. Goods in transit, inventories and raw materials are assessed at 5%.
22—Corporate income tax credits of 50% of contributions to eligible community development projects, 25% of wages of employees hired from designated areas and an economic revitalization tax incentive credit to new or expanding business located in designated areas.
23—Equipment and machinery acquired after the 1973 assessment date is exempt from local property tax.
24—Delaware, Florida and New York do not collect an excise tax.
25—Nevada, South Dakota, Texas, Washington and Wyoming do not tax corporate or personal income. Connecticut, Florida and New Hampshire do not tax personal income.
26—Corporate income tax credit equal to 25% of wages paid by business employing residents from designated areas and a corporate income tax credit for investment in new or expanded business in designated areas.
27—50% of federal tax paid is exempt from corporate income tax on profits from sales outside Iowa. Corporate income tax is figured only on profits from sales in Iowa. Iowa has adopted the Federal Accelerated Cost Recovery System.
28—Personal property taxes are being phased out. First $175,000 of assessed taxable value of personal property is exempt. An additional exemption is added by the county, and the amount varies by county.
29—Inventory, goods in process and finished goods are taxed only the value of raw materials.
30—Applicable to Industrial Revenue Bond financed property only. A 10-year exemption is allowed.
31—In Kentucky, the exemption is applicable at the local level only. In Maryland, the exemption may be applicable at the county or local level. In Tennessee, the exemption is applicable to plants financed with industrial revenue bonds. In Virginia localities have the option of totally or partially exempting certified pollution control, facilities and equipment, certified solar energy equipment and facilities and energy conversion equipment of manufacturers from taxation. In Florida, the exemption is a local option, and school and special district taxes are excluded from the exemption.
32—Applicable under the tax equalization law, Enterprise Zone Act and Flood, Fire and Famine Act.
33—Exemption applicable to capital improvements only.
34—Allowed except for sales/use tax when purchased for use as an ingredient in tangible personal property for sale.
35—A 1% tax credit, based on wages paid, is allowed for the first three years to new and expanding industry engaged in the mechanical or chemical transformation of materials or substances into new products. "Expanding" means to expand a present operation so as to increase total permanent jobs by 30%.
36—10-year partial property tax abatement in designated areas of all cities and towns for renovation or new construction of facilities.
37—R&D equipment is classified as manufacturer's machinery and equipment and, as such, is eligible for tax exemptions.
38—Local option, in designated redevelopment areas.
39—For industrial access roads only.
40—Exemption is allowed on separate, detachable accessory tools and equipment which have a useful life of less than 12 months.
41—State does not collect sales/use tax.
42—State has no inventory tax.
43—Applicable to goods stored in bonded warehouses.
44—Applies to imported goods if they have not lost their status as imports and to inventory which is imported or scheduled for export and is located in a foreign trade zone.
45—Limited to state designated enterprise zones.
46—A tax credit equal to 6% of qualified capital invested in new production facilities may be applied against the business corporate franchise tax or personal income tax liability. The tax credit is restricted to investment in buildings, equipment and facilities which have a useful life of at least four years and are used in manufacturing, processing, assembling, refining, mining, agricultural, commercial, fishing, or specified retail activities. Experimental research and development facilities may elect this option in place of the write-off described in footnote 47. A particular investment is not eligible for both the investment credit and other state tax incentives, except that eligible firms maintaining or increasing employment in the state may deduct an additional credit of one-half of the original credit in each of the three years succeeding the investment. This results in a potential credit of 15% over four years. Corporate franchise taxpayers must pay the minimum tax of $250 but may carry unused credits forward until exhausted. New firms may elect to receive as a refund any unused part of the earned tax credit.
47—Costs paid or incurred in a taxable year by incorporated business for experimental R&D facilities, for industrial waste treatment facilities and/or for air pollution control facilities may be deducted from net income for tax purposes. The credit described in footnote 46 may be taken in lieu of this credit. In lieu of all other credits, a firm may take a credit against the corporate franchise/income tax of 10% of the cost of tangible personal property purchased for R&D use.
48—Tangible and intangible personal property is not subject to ad valorem taxes.
49—Manufacturing machinery is allowed a preferential rate of 1%, with a maximum tax of $80 per article.
50—Stored leaf tobacco, vinous and other fruit products are allowed an exemption of 40% of property tax rate; peanuts, an 80% exemption; and baled cotton, a 50% exemption. No property tax exemption is allowed for other raw materials. All raw materials used in manufacturing are exempt from sales and use tax.
51—In North Dakota, exemption extends only to new construction. In Oregon, exemption is allowed while facility is under construction only.
52—Tax credits allowed to manufacturers and processors for property taxes paid on goods in process.
53—In city of Portland and in Coos, Curry and Douglas counties from EDA revolving loan fund.
54—Exclusion from sales and use tax on industrial purchases used directly in industrial production and research.
55—Exclusion of tangible personal property from taxation at local level. State has no inventory tax.
57—In Tennessee, tax credits are allowed for products of state soil. In Florida, tax credit applies only to alcoholic beverages produced from specified Florida-grown agricultural products.
58—Seven-year annexation or de-annexation exemption.
59—Allowable depreciation is similar to that which is permitted under federal laws.
60—Exempt from sales/use tax, but not from intangible personal property tax.
61—Local governments may classify separately the tangible personal property of research and development firms from that of other taxpayers and tax it at different rates. Sales and use tax exemptions are allowed for research and development.
62—A credit is allowed for sales tax paid on energy.
63—Has been used in city of Baltimore.
64—Purchases of equipment and machinery are exempted from the state sales tax.
65—Provided only in rare instances. In California, a few cities and counties will lease land they own at nominal rates.
66—Limited to technical assistance.
67—Facilities available on contract basis.
68—State vocational education program keyed to federally funded program.
69—Carried out through local development corporations.
70—Available to industry on a contract and/or consulting basis.
71—City-owned land only. Cities may not purchase land for purpose of providing free land to industry.
72—Highway Commission will build first two miles of road into new ski areas.
73—Maryland Industrial Development Financing Authority will guarantee up to 80% of the mortgages for land and 70% for equipment for recreational projects.
74—Activity limited to certain units.
75—An income tax credit is allowed for a period of 10 years against the income taxes generated by the operation of a new business activity. The credit is based on the number of new jobs created as well as the capital investment involved.
76—Raw materials for processing are exempt from sales and use taxes. However, a personal property inventory tax is levied at the local level on raw materials a manufacturer has on hand on Jan. 1. Finished goods are exempt from taxation.
77—Credit allowed for federal taxes pa
78—A coal tax fund is available to rectly impacted by coal development.
79—Port districts only.
80—Funds are from Public Health for solid wastes disposal projects.
81—State matches funds from U.S. Dept. of Housing and Urban Development.
82—70% reduction on property tax on newly acquired computers and manufacturing equipment/machinery.
83—Applicable to goods stored in licensed and bonded warehouse, provided that 35% or more of the previous year's sales or shipments from the storage area were shipped in interstate commerce to a point outside the state.
84—Sales/use tax exemption.
85—Finished goods stored in public or private warehouses destined for out-of-state shipment are exempt.
86—Specially appropriated funds for economic development road projects and other targeted projects.
87—Five-year local option tax exemption on new industrial building construction and expansions.
88—Targeted jobs tax credit program.
89—Connecticut Urban Jobs Program, available in 18 "distressed" and 29 "high unemployment" communities.
90—$100 per job created by any business enterprise. However, in high unemployment areas $225 per job can be credited. The Rural Enterprise Zone Act allows a tax credit of $2,500 per job.
91—State matching funds for private non-profit organizations for recreational projects.
92—State pays interest on spec buildings until they have been sold or leased.
93—A gross production tax on textile mills in lieu of property tax.
94—1% of investment in industrial machinery against corporate excise tax. Fully effective 7/1/84.
95—Pennsylvania has adopted ACRS.
96—Pennsylvania provides loans for small business incubators on a limited basis.
97—Selectively, in Pittsburgh and Philadelphia.
98—A $100 credit for each employee hired because of new plant location or a plant expansion. Total yearly credit may be up to 50 percent of corporate tax and may be carried over three years.
99—State manages federal SBA 503 program.
100—State corporate tax code is "piggy-backed" to the federal internal revenue code.
101—Applicable to permanent or fixed property financed with industrial revenue bonds.
102—No exemption, but limited income tax credit allowed where qualifying inventories are excessive.
103—By special statute in specified communities.
104—Applies in urban enterprise zones.
105—A tax credit equal to 3% of qualified capital invested in depreciable capital assets may be applied against the business cororate excise tax during the year in which the facilities are used and situated in Massachusetts. Unused portions of the credit may be carried forward up to 3 years.
106—Chapter 121A of the Massachusetts General Laws allows municipalities to negotiate 15 to 40 year tax agreements with businesses. The companies are taxed primarily on an income basis rather than assessed valuation. The minimum tax due under such an agreement is 5% of gross income plus $10 per $1,000 of assessed valuation annually. A contract must be approved by the mayor or city manager in a city or the board of selectmen in a town, by the local planning board, and the state department of community affairs.
107—Machinery, equipment, and inventory are exempt from local property tax. Inventory, machinery, and equipment are subject to a levy at the state level of $2.60 per $1,000 valued at federal adjusted basis.
108—Machinery, equipment, replacement parts, materials, tools, and fuel used directly and exclusively in an industrial plant, in furnishing power to an industrial plant or a corporation primarily engaged in research and development, and in agricultural production and commercial fishing are exempt from sales and use taxes.
109—Corporations claiming TJTC tax credits on federal tax returns may treat these claims as deductible expenses on the state corporate excise tax. In addition, in the state's apportionment formula, the method by which Massachusetts calculates the allocated net income for multi-state corporations, a ceiling has been placed on the amount allocated to the payroll factor so that the entire payroll is not counted for taxation purposes. This ceiling, set at the 1972 payroll level, plus 5% of actual payroll, whichever is greater, also eases the financial burden of new corporations, whose allocated payroll starts with 75% of actual payroll.
110—In general, Massachusetts follows federal tax provisions in allowing corporations to expense research and development expenditures. There is also a five year tax exemption on gross income derived from the development in the state of patents useful for energy conservation or from activities related to such development. Corporations making donations of scientific equipment to institutions of higher education in the state are allowed an additional deduction of 25% of the federal charitable deduction for gifts of qualified scientific property, on the Massachusetts corporate excise tax. Manufacturers are exempt for sales or use tax for gifts of scientific equipment to educational institutions.

STATE INCENTIVES FOR POLLUTION CONTROL

	Real Property Tax Exemption	Personal Property Tax Exemption	Sales/Use Tax Exemption on Purchase of Pollution Control Facilities	Sales/Use Tax Exemption Applicable to Lease of Pollution Control Facilities	Credit against Corporate Income Tax	Maximum Dollar Limit of Credit	Accelerated Depreciation of Pollution Control Equipment	Exclusion of Pollution Control Investment from Corporate Franchise Tax	Exemption Applicable to Cost of Operating Pollution Control Facility	State Financing Program for Purchase and Installation of Pollution Control Facilities
Alabama	●	●	●	●	●	No Limit	●	●		● 1
Alaska										● 1
Arizona							●			● 1
Arkansas	●	●	●							● 1
California							●			● 1
Colorado										● 1
Connecticut	● 4	5	●	●	●	No Limit	●			●
Delaware	● 4	5	● 19	● 19			●			● 6
Florida		● 7	●			No Limit		● 12		● 8
Georgia	●	●	●	●						
Hawaii		5					●			● 9
Idaho			●	●			●	●		● 8
Illinois	●	●	●	●	●	43	●			● 1
Indiana	●	●	●	●			●	● 12		● 1
Iowa	●	●					●			● 1
Kansas	● 37	● 37			●	38	●			● 1
Kentucky	● 39		●				●	● 40		● 1
Louisiana	● 42	●	●	●			● 17			● 41
Maine	●	●	●	●				● 12		● 11
Maryland		●	●				●	● 12		● 13
Massachusetts	●	5	●	●	●	No Limit 43	● 44	● 45		● 1
Michigan	●	●	●	●	●	No Limit	●			● 1
Minnesota	●	● 14			●	$75,000 16	● 17			● 1
Mississippi	● 15	● 15	● 18				●			● 1
Missouri			●	●			●			● 1
Montana	●	●	19	19					●	● 1
Nebraska			● 20							● 1
Nevada	●			●						●
New Hampshire	●	●	19	19	●		●			● 1
New Jersey	● 4	●	●							● 1
New Mexico	●	5			●	No Limit		●		● 29
New York	● 22	5	● 23	● 23	● 24	No Limit 24	● 25	● 25		● 1
North Carolina	●	●	● 21	● 21			●	●		● 1
North Dakota	●	5			● 26	26	● 17			● 27
Ohio	●	●	●	●	●	No Limit	●	●		●
Oklahoma					●		●			● 1
Oregon	●	●	19	19	●	50% of Investment	● 28	●		● 1
Pennsylvania	●	● 5	●				●	●		● 29
Rhode Island	● 30	●	●	●	●	2%/Year	●			● 31
South Carolina	● 4	● 32	●	●					●	● 1
South Dakota	●									● 1
Tennessee	● 4,39	●	● 33				●			● 1
Texas										●
Utah			●	●						● 1
Vermont	●	●	●				●			● 34
Virginia	● 35	● 35	● 36	● 36			●			● 1
Washington						50% of Investment				
West Virginia		●	●	●	●	43	●	●	●	●
Wisconsin	●	●	●		●	No Limit	●	● 12		● 1
Wyoming	●					No Limit				● 1
Puerto Rico										●

1—Industrial revenue bond issues.
2—State grants for municipalities only.
3—Act 9 Industrial Revenue Bonds. The Act authorizes municipalities and counties to issue special obligation revenue bonds to be used for securing and developing industry. The bonds may mature at any time up to 30 years and may not carry an interest rate in excess of 8%.
4—No state real estate tax is levied.
5—No personal property tax is levied.
6—May be included in industrial revenue bond issues or state guaranteed bond issues in certain cases.
7—Pollution control devices are assessed at a salvage commercial value. Devices may be exempt on local option basis.
8—Local government unit.
9—Hawaii Capital Loan Program can assist up to a maximum of $50,000.
10—Municipal revenue bonds and Kentucky Industrial Development Finance Authority loans.
11—Maine Industrial Building Authority loan guarantees.
12—State does not levy franchise tax.
13—Industrial Development revenue bonds. Also Maryland Industrial Development Finance Authority loan guarantee if pollution control equipment is part of a total project.
14—Only affects public utilities.
15—Exempt from ad valorem tax when financed with pollution control bonds.
16—Absolute $75,000 with no refund.
17—Pollution control equipment is treated the same as other capital assets all of which are eligible for accelerated depreciation.
18—When equipment is sold to a manufacturer, rate is 1% in lieu of 5%.
19—State does not levy sales tax.
20—Purchaser of water pollution equipment may apply for sales tax refund.
21—New equipment is allowed a preferential rate of 1%, with a maximum tax of $80 per article.
22—Buildings exempt from local real property tax.
23—Pollution control equipment and utilities which are an integral part of the production system are exempt from the state portion of the sales tax and from any local sales tax except that of New York City. Real estate is not subject to the sales/use tax.
24—Credit based on new investment in depreciable property (buildings and or equipment.) No limit, but credit may not cancel the $250 minimum corporate income tax payable.
25—One-year write-off as an alternative to the new investment credit described in footnote 24.
26—Credit is equal to 1% of gross expenditures for wages and salaries during each of the first 3 years of operation. Credit is applicable to any new facility, not just pollution control equipment.
27—Industrial revenue bonds. Bank of North Dakota participation and statewide development credit corporation.
28—No depreciation allowed in year credit is taken.
29—Industrial revenue mortgages and bonds.
30—Exempt from ad valorem tax when financed with industrial revenue bonds.
31—Industrial revenue bonds and insured mortgage financing.
32—Applies to air, water and noise pollution control equipment.
33—May qualify for a reduced tax rate of 1.5%.
34—State loan guarantees and revenue bonds.
35—Local option on certified equipment and facilities.
36—Must be certified.
37—Applicable to facilities financed with industrial revenue bonds. A 10-year exemption is allowed.
38—$50 per $100,000 of investment up to a maximum of 50% of state income tax liability.
39—Real property exempt from local property taxes.
40—Pollution control facilities are excluded from the property tax factor in allocation of capital for franchise tax and allocation of income for income tax.
41—Available at local level.
42—Improvements to land and facilities operated in conjunction with manufacturing establishments can be exempted for 10 years.
43—Excess above depreciation.

Taxes/Incentives

Feb. 13, 1986 (C)
Economic Dev. Comm

KANSAS

The legislative and executive branches of the Kansas state government are committed to providing an equitable tax environment for business. Kansas' corporate income tax rate was last changed in 1970.

Job Expansion and Investment Act

The establishment of new business facilities is an important factor in the growth of the Kansas economy. As a result, the State of Kansas grants an income tax credit to encourage new business facilities.

The Job Expansion and Investment Credit Act, as set forth in K.S.A. 79-32,153, allows for a qualifying business to receive the tax credit for a period up to ten years. The act authorizes the credit to individuals, corporations, and fiduciaries meeting the provisions of the statute.

In order to qualify for the credit, a new business must meet certain conditions:

- First, the new business must be a taxpayer in the state.
- Second, the new business must be a revenue producing enterprise. A revenue producing enterprise is one involving assembly, fabrication, manufacture, or processing of any agricultural, mineral, or manufactured product; storage, warehousing, distribution, or sale of any products of agriculture, mining, or manufacturing; feeding of livestock in a feedlot; operation of laboratories of research, development, or testing; performance of services of any type; or the administrative management of any of the above activities.
- Third, the new business must establish a new business facility. This includes any factory, mill, plant, refinery, warehouse, feedlot, or other building, and all accompanying land, machinery, equipment, and other real and tangible personal property.
- Fourth, the new facility must employ at least two new employees.

Once these conditions are met, the new business is allowed an income tax credit of $100 per each new employee, plus $100 for each $100,000 of new capital investment. This tax credit cannot exceed more than 50% of the total income tax liability for the year the credit is taken. The credit is recomputed each year during the 10-year period to reflect any changes in the amount of jobs or capital investment.

The Job Expansion and Investment Credit Act is not only applicable to new business, but also to certain facility expansions. Facility expansions are eligible for the credit if the amount invested in the expansion exceeds $1,000,000, or if less, exceeds 100% of the investment in the original facility. In addition, the expansion must fall within the definition of a new business facility.

Coupled with the aforementioned standard provisions, other provisions allow for individual flexibility:

- First, a business may elect to delay the start of the 10-year period for up to three years.
- Second, a business may transfer or retain the credit if the facility is acquired by, or leased to, another entity.

Corporate Income Tax

For corporations whose facilities are solely within the state boundaries, the following computation is used: The tax is computed at a rate of 4½% of net income. Net income in excess of $25,000 is subject to a 2¼% surtax.

For those corporations having facilities both inside and outside the state, the net income attributed to the Kansas operations is a proportion based upon the percentage of the corporation's business that is located in

Attachment C

Kansas. This is based on a "three-factor formula" of the proportion of sales, property, and dollar payroll attributed to the Kansas facility.

The following example demonstrates how the state corporate income tax interfaces with the Job Expansion and Investment Credit Act. This example is based on 100 employees, $1,000,000 capital investment, and $200,000 Kansas taxable net income:

1. Kansas taxable net income		**$200,000.00**
2. Kansas corporate income tax		**$ 12,937.50**
(a) 4½% × $25,000	**$ 1,125.00**	
(b) 2¼% × excess of $25,000, i.e.,	**$11,812.50**	
3. Credit		**$ 6,468.75**
(a) $100/employee	**$10,000.00**	
(b) $100/$100,000 capital investment	**$ 1,000.00**	
(c) TOTAL credit	**$11,000.00**	
NOTE: Total credit cannot exceed 50% of corporate income tax.		
4. Total income tax liability—line 2 minus 3		**$6,468.75**

Since the tax credit can be taken for up to 10-years, the total amount saved can be quite substantial. If the aforementioned example were to remain constant for the 10-year period, a total savings of $64,687.50 would be realized.

Enterprise Zone Act

The Enterprise Zone Act, as set forth by K.S.A. allows for the establishment of enterprise zone areas in eligible communities. Special incentives are provided to both new businesses locating in designated zone areas and existing companies expanding in such areas.

Zone area companies receive expanded credits under the Job Expansion and Investment Credit Act:

- $350 for each new business facility employee.
- $350 for each $100,000 of new investment within the enterprise zone.
- $500 for each new business facility employee that qualifies the employer for the Federal Targeted Jobs Tax Credit.

Increased job credits apply only for employees who are residents of Kansas. Tax credits may not exceed 50% of the company's state income tax liability.

In addition, all sales tax paid on the purchase and installation of machinery and equipment in a zone area facility shall be refunded. A sales tax refund is also provided for materials and services used in constructing, reconstructing, or enlarging such a facility.

Unemployment Insurance

Employer contribution rates in Kansas range from 0.06% to 4.8% on the first $8,000 in wages paid annually to an employee. Subject to eligibility, there is a one week waiting period prior to a person receiving any unemployment benefits. The maximum benefit is $190 per week.

There are special provisions involving an employee that is discharged by the employer. Depending on the specific circumstances, an employee will either be disqualified from receiving benefits for an additional ten weeks after the one week waiting period, or an employee will be totally denied benefits.

New legislation in 1985 established total disqualification for unemployment benefits to an employee who voluntarily quits without good cause attributable to the work or the employer. The disqualification would continue for the duration of the unemployment. Requalification for unemployment benefits will occur when the worker is re-employed and has earned at least three times the worker's weekly benefit amount.

The contribution rate assigned to each employer is based on the experience rate of the employer. If an employer already has a facility in Kansas and has established an experience rating, the employer can elect the same tax for a new facility.

Under Kansas law, a unique approach has been devised for assigning tax rates to new employers by industry division. This allows the entering establishment to benefit by the experience of existing Kansas employers in the same industry division, and normally permits a more favorable tax rate than the standard entry rate. The industry rate is applicable to new employers until there have been 24 consecutive months immediately or shipments from the storage area were shipped in interstate commerce to a point outside the State of Kansas.

The business must furnish the county assessor a report of the monthly average inventory for the preceding calendar year and a report of the value of shipments for final destination outside the state for each month of the previous calendar year.

The business is entitled to an exemption based on a ratio of the value of shipments that were made in interstate commerce to the value of total shipments. This ratio is then multiplied by the average monthly inventory to obtain the entitled exemption.

Tax Exemptions for Industrial Revenue Bonds

Businesses utilizing industrial revenue bonds (IRB's) as a financing mechanism can realize certain tax exemptions:

- Property financed with IRB's can be exempt from ad valorem taxation for a period of 10-years after the bonds are issued. Since this is a local decision, some municipalities require varying percentages of normal taxes to be paid during the 10-years in the form of "payments in lieu of taxes."
- The cost of building materials and items of equipment permanently installed are exempt from state and local sales taxes.

Sales and Use Tax

The Kansas sales and use tax is 3% of the sale price of tangible personal property and taxable services sold at retail to the final user or consumer.

Both counties and cities have the option of adding a local sales tax. Cities and counties can each levy either a .5% or 1% sales tax.

Sales tax paid on the purchase of manufacturing machinery and equipment for use in a plant facility is refundable if at least $50,000 has been expended for such purchase, and at least two new full-time production employees were added for each $50,000 of expenditure.

Sales taxes paid on the purchase of machinery, equipment and certain other tangible property may be refunded [illegible]e applicant business qualifies for job and investment tax credits and is located within a state designated Enterprise Zone.

In addition, there are several sales tax exemptions which are beneficial to business:

- Tangible personal property purchased by a railroad or public utility for consumption or movement directly and immediately in interstate commerce.
- Tangible personal property which becomes an ingredient or component part of tangible personal property or services produced, manufactured, or compounded for ultimate sale at retail either inside or outside of Kansas.
- Tangible personal property (including power and fuel) which is immediately consumed or dissipated in the actual production, manufacture, processing, mining, drilling, refining, or compounding of tangible personal property for ultimate sale at retail either inside or outside Kansas.
- Purchases of animals, fowl, and fish, the primary purpose of which is used in agriculture, the production of food for human consumption, the production of animal, dairy, poultry or fish products, fiber or fur, or the production of offspring for use of any such purpose.
- Labor charges in connection with the original construction of a building or facility.
- Tangible personal property purchased by a city from the proceeds of industrial revenue bonds. The cost of the building and all items of fixed equipment are entitled to exemption from Kansas sales tax at time of initial purchase. This exemption does not extend to items of machinery and equipment which can be moved.

Franchise Tax

Corporations in Kansas are assessed an annual franchise tax at the rate of $1 per $1,000 of the corporation's shareholder's equity attributable to Kansas. Shareholder's equity equals the sum of (1) paid in capital stock less treasury stock; (2) capital paid in, in excess of par; and (3) retained earnings. No tax shall be less than $20 nor more than $2,500.

To compute that portion of the shareholder's equity attributable to Kansas, a "three-factor formula" is used. This formula calculates the proportion of sales, property, and dollar payroll attributable to the Kansas facility.

Application and Recording Fees

At the time of filing its articles of incorporation, each domestic corporation—any corporation organized under Kansas law—shall pay to the Secretary of State an application and recording fee of $75.

A corporation classified as foreign—any corporation organized under the laws of another state—shall pay to the Secretary of State a filing fee of $95 to obtain a certificate of authority to do business in Kansas.

Foreign Trade Zones

Foreign trade zones in Kansas provide a duty-free and quota-free entry of foreign goods into specific areas under customs' supervision for an unlimited period of time. One such zone has been designated in Kansas City, Kansas, where over 400,000 sq. ft. of space is available for storage and/or processing.

Goods brought into a zone or sub-zone may be stored, manipulated, or mixed with domestic or foreign materials used in manufacturing processes or exhibited for sale. Anything shipped out of a zone into the United States customs' territory is then subject to duties. Goods reshipped to foreign nations are never subject to U.S. Customs' duties.

Individual Income Tax

The annual tax rate is graduated depending on the level of earnings. This results in a tax rate ranging from 2% to 9% on an individual's net income. Federal income tax, personal exemptions, itemized deductions, or the standard deduction can be deducted to arrive at net taxable income.

Tangible Property Tax

All local taxing districts, comprising city, county, and school, set their own levy which reflects the ratio of needed funds to maintain public services in the districts to the total valuation of all taxable property in the districts.

Kansas law requires that personal property be assessed annually at 30% of fair market value. The assessment of property is done at the county level with state assistance and close supervision.

Real property is also required to be assessed at 30% of fair market value. However, in actuality, the ratio of assessment value to sales price of real property in Kansas falls below the statutory 30% in many cases.

The reason the assessment/sales ratio is less than 30% is linked to when property was last reappraised. In Kansas, the most recent reappraisals were done between 1963 and 1971. As a result, the present assessment/sales ratio is below the statutory 30%. In 1984, the overall state average was 6.95%. A further breakdown shows rural property with a 5.81% ratio and urban property with a 7.97% ratio.

Intangible Property Tax

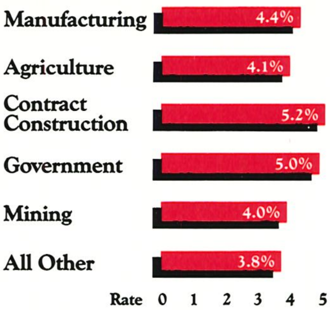
The tax is 3% of the income derived from intangible property. However, counties, cities, and townships have the options of reducing or eliminating the tax.

Intangible property is defined as monies and credits including, gold and silver coin; United States Treasury notes; certificates evidencing shares of stock otherwise taxable to the owner or holder; notes, bonds, and debentures; claims secured by deed; liquidated claims and demands for money, accounts receivable, and all written instruments; contracts or other writings evidencing, calling for, fixing, or showing a fixed obligation in favor of the owner.

"One-Stop" Clearinghouse

The "one-stop" clearinghouse, as set forth by K.S.A. 74-5037, centralizes all information needed to establish or operate a business in Kansas within the Kansas Department of Economic Development.

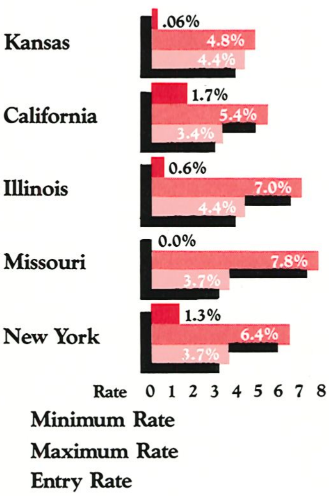
1985 Industry Rate for New Employers



NOTE: 1984 percentage rates are based upon the first $8,000 of annual wages. 1983 rates are based on the first $7,000 of annual wages.

SOURCE: Kansas Department of Human Resources, Division of Employment.

Unemployment Insurance Rates for Selected States



NOTE: Percentage rates are based upon the first $7,000 of annual wages in Oklahoma; $7,500 in Arkansas; $8,000 in Kansas and Colorado; and $9,800 in New Mexico.

SOURCE: Kansas Department of Economic Development, Telephone Survey; Kansas Department of Human Resources, Division of Unemployment Insurance.

preceding the rate computation date of June 30th, throughout which benefits could have been charged against such employer's account. Once eligibility has been established for an experience rating, the employer would then qualify for an adjusted rate. This rate would range from 0.06% to 4.8% contingent upon the reserve ratio of his account relative to all eligible employers.

State Unemployment Trust Fund Accounts

	Trust Balance per Covered Worker—12/84	Loan Balance As of 12/84 ($000)
Kansas	$245.79	$ 0.0
California	260.29	0.0
Illinois	(366.81)	1,707,232.4
Missouri	45.90	0.0
New York	171.59	0.0

NOTE: The State Unemployment Trust Fund is the account from which weekly unemployment benefits are paid. The loan balance reflects the amount that has been borrowed from the Federal Government.

SOURCE: Unemployment Insurance Service, U.S. Dept. of Labor

Workers' Compensation

Workers' Compensation Rates for Selected States
Rates as of July 15, 1985

Code	Classification	5/1/85 KS	3/1/85 CA	1/1/84 IL	10/1/84 MO	7/1/84 NY
3808	Auto manufacturing or assembly	3.32	7.87	4.51	2.43	3.61
3647	Battery manufacturing	3.57	11.61	7.27	4.93	6.26
4243	Box manufacturing—folding paper	2.76	6.25	4.06	3.17	3.21
3066	Door, door frame or sash manufacturing	4.25	7.96	5.21	3.13	4.67
3179	Electrical apparatus manufacturing	2.26	3.37	2.90	1.83	2.67
2014	Feed manufacturing	4.70	10.42	6.06	4.00	7.87
2883	Furniture manufacturing—wood	2.72	10.63	3.65	3.77	3.79
3681	Instrument mfg.—professional/scientific	.91	2.39	2.14	.89	1.87
3632	Machine	2.87	5.45	4.17	2.69	3.52
3400	Metal goods manufacturing	4.98	8.60	6.03	4.32	7.42
4150	Optical goods manufacturing	.85	1.99	1.02	.69	1.18
4558	Paint	3.22	7.54	3.33	3.48	3.51
4279	Paper goods manufacturing	2.39	8.09	4.88	2.65	3.50
4611	Pharmaceutical preparation	1.65	4.34	2.31	1.26	2.37
3028	Pipe or tube manufacturing—iron or steel	3.38	7.19	6.31	5.72	5.26
4299	Printing	1.91	4.57	2.21	1.21	1.86
8292	Warehousing	4.30	10.05	5.50	3.44	4.22
3257	Wire goods manufacturing	3.12	5.98	3.72	3.22	3.67

SOURCE: National Council on Compensation Insurance; California Workers' Compensation Insurance Rating Bureau

Premiums for workers' compensatic insurance in Kansas are determined by applying the rate for a specific occupation, per $100 payroll, to the annual wage per employee.

Businesses can obtain workers' compensation insurance from private insurance companies or, upon application, by becoming self-insured.

The current maximum weekly benefit is 75% of the state average weekly wage for a specific occupation. This benefit cannot exceed $239 per week.

Freeport Law

The Kansas Freeport Law, as set forth in K.S.A. 79-201F, is designed to provide property tax relief to interstate businesses. Under the provisions of the law, certain personal property is exempt from ad valorem taxation:

- Personal property which is moving through Kansas in interstate commerce.
- Personal property which has been shipped into Kansas and stored in a licensed and bonded warehouse if the final destination of the property is unknown at the time o storage in Kansas, or the interstate movement of the property has been interrupted for not more than five years.
- Goods, wares, and merchandise which are manufactured, assembled, joined, processed, packaged or labeled within Kansas during the period of time in which they are stored in a licensed and bonded warehouse. Records must be kept showing point of origin, date of receipt, type and quantity, date of withdrawal, and ultimate destination.

A bonded and licensed warehouse is a warehouse that is licensed by the Kansas Secretary of State. A warehouse of this type is one that is engaged in the business of storing goods for hire. A business, such as a manufacturing firm, can become a bonded and licensed warehouse and store its own goods.

In order to qualify for a Freeport Law exemption, a business must show by verified statement that the final destination of at least 30 percent of the previous year's sales

The clearinghouse serves as a liaison between businesses and state agencies. The main purpose of the office is to help expedite the establishment or expansion of any business.

The clearinghouse provides all necessary applications and forms required by agencies which license, regulate or tax business. addition, questions can be answered regarding the procedures relating to starting or expanding a business in the state.

Taxes Affecting Specific Industries

1

Privilege Tax—
Financial Institutions
Statute: K.S.A., Ch. 79, Art. 8
Basis and Rate: Banks—4¼%, and 2⅛% in excess of $25,000;

Savings and Loans—4½%, and 2¼% in excess of $25,000.

Both based on net incomes attributable to Kansas operations.

Privilege Tax—
Domestic Insurance Companies
Statute: K.S.A., Ch. 4, Art. 8
Basis and Rate: 5% of net income attributable to Kansas operations, less interest exempt in K.S.A. 40-2803, 40-2804, and 60-2309.

2

Insurance Premiums Tax—
Domestic Corporations
Statute: K.S.A., Ch. 40, Art. 2
Basis and Rate: 1% of gross premiums from business done in Kansas, less U.S. Internal Revenue Code exemptions.

Insurance Premiums Tax—
Foreign Corporations
Statute: K.S.A., Ch. 40, Art. 2
Basis and Rate: 2% of gross premiums from business done in Kansas less U.S. Internal Revenue Code exemptions.

3

Express Companies Tax
Statute: K.S.A., Ch. 79, Art. 8
Basis and Rate: 4% of gross receipts from business done in Kansas.

Motor Fuel Tax
Statute: K.S.A., Ch. 79, Art. 34
Basis and Rate: Gallons of fuel received, delivered, or used, minus losses in handling—11¢ per gallon on gasoline; 13¢ per gallon on diesel; and 7¢ per gallon on gasohol.

4

Motor Vehicle
Registration Tax
Statute: K.S.A., Ch. 8, Art. 1
Basis and Rate: Gross weight of vehicle. Trucks and truck tractors: $27.50 for 12,000 lbs. or less, or $1,475 for up to 85,000 lbs.
Trailers and semi trailers—
$10.00 for 8,000 lbs. or less, to $25.00 for over 12,000 lbs.

Motor Carriers Property Tax
Statute: K.S.A., Ch. 79, Art. 6a
Basis and Rate: The average rate of property tax levies for all purposes in the taxing districts of the state for the preceding year; applied to the assessed valuation of over-the-road motor vehicles.

For full details contact:
Roger Christianson, Director
Industrial Development

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

Capitol Tower Office Building
400 West 8th Street, Ste. 500
Topeka, Kansas 66603-3957, U.S.A.
Telephone: 913/296-3483
Telex: 437231 KS KDED TPK

minis[...] the newly elected center-left govern[...] of Peru, said it was "quite a surprise" that news of the meeting had leaked out. He said he was only a "guest" at the meeting and added, "You'll have to talk with the Mexicans." After saying he would call one of the organizers to the phone, he left the receiver off the hook and promptly exited the premises, the hotel telephone operator said.

Mexican finance minister Jesus Silva Herzog didn't return telephone calls. But an aide of Angel Gurria, Mexico's chief debt negotiator, said Mr. Gurria has been in Oaxtepec most of last week meeting with "several people from Latin America." One source familiar with the meeting said representatives from Brazil, Venezuela, Colombia, Peru, Panama, Ecuador and the Dominican Republic were among those who attended. Notably absent was Argentina, which in the past has repeatedly threatened to take some unilateral action against its creditors.

It's unclear why Argentina stayed away. But several sources noted that Buenos Aires is trying to implement a dramatic overhaul of its economy, and its financial officials are reluctant to leave the country. Moreover, Argentina might not want to be associated with a meeting that might displease its creditor banks just as it is trying to get bankers to agree to $4.2 billion in emergency bank loans.

Last week Mexico cut its oil prices in an effort to boost sales, which account for about 7% of its export earnings. June exports were only about half of Mexico's target of 1.5 billion barrels daily. Moreover, revenue from non-oil exports has declined from a year earlier; the government hasn't been able to stem capital flight, and inflation is exceeding government projections.

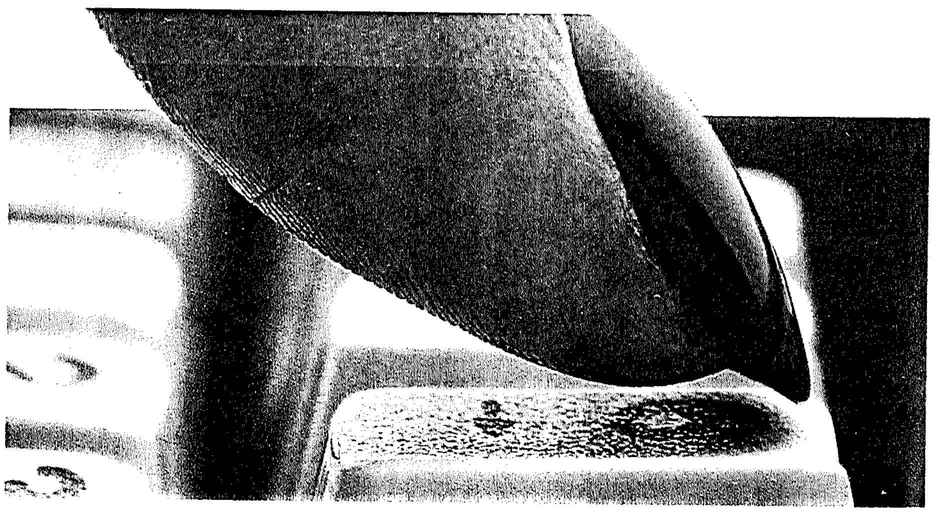
The deteriorating economy has tarnished Mexico's image as the star performer of the current debt strategy implemented by the International Monetary Fund and the Fed to contain the international debt crisis. That strategy calls for the debtor countries to submit to economic austerity in return for IMF credits and for banks to postpone principal payments and grant new loans.

STATE OF KANSAS • HOUSE OF REPRESENTATIVES

JAMES D. BRADEN

MAJORITY LEADER
Room 381-W, Capitol Building
Topeka, Kansas 66612-1591

memorandum



There are lots of good reasons to do business in Louisiana. And we can show you exactly what they are with the push of a button.

We're ready to demonstrate the benefits of our 10-year property tax exemption, our Enterprise Zones, free pre-employment training program, venture capital tax credits, tax equalization incentives, low-interest finance packaging, small business assistance centers and university technology transfer system.

Today, call Dave Bowman at (504) 342-5369. Or write him at the Louisiana Office of Commerce and Industry, Dept. ER-2-6, P.O. Box 94185, Baton Rouge, LA 70804-9185.

Out of the South comes a new center of technology, research and business achievement.

LOUISIANA

DEAN D[illegible]
Pres[illegible]

JERRY D. [illegible]SON
President-Elect

Mid-America, inc.

P.O. BOX 708/PARSONS, KANSAS 67357
PHONE 316-421-6350

February 20, 1986

Representative James D. Braden
Sixty-Fourth Dist. House Majority Leader
Room 381-West
State Capitol
Topeka, KS 66612

Dear Jim:

Please find enclosed 12 copies of A Development Strategy for Mid-America Kansas prepared by Battelle Institute, Columbus, Ohio.

The Mid-America, Inc. Board of Trustees representing ten Southeast Kansas counties has approved an aggressive 3-year target marketing program as a result of Battelle's research.

As stated earlier, I would be glad to come and address your joint legislative commission on our regional efforts for industrial development.

Very truly yours,

Don Munsell

Don Munsell
Exec. Vice President

DM/jn
Encl:

Attachment D

Battelle
Columbus Division

Report

A DEVELOPMENT STRATEGY FOR MID-AMERICA KANSAS

Prepared For

MID-AMERICA, INC.

November, 1985

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A DEVELOPMENT STRATEGY FOR MID-AMERICA KANSAS

Prepared For

MID-AMERICA, INC.

CHAPTER I: INTRODUCTION

The purpose of this report is to describe an action-oriented strategy to be implemented by Mid-America, Inc. designed to facilitate the attraction, retention, and creation of jobs in the region. The strategy addresses goals and objectives, organizational issues and considerations, an attraction strategy, a retention/expansion strategy, new business creation strategy, and other actions to be taken to improve the competitiveness of the Mid-America region. The strength of any economic development program rests primarily upon the soundness of its development plan and the commitment to carry out the required steps associated with that plan. This proposed strategy for Mid-America presents a sound approach--one based upon the analysis of regional resources and development potentials, as well as barriers which must be recognized and addressed if local growth potential is to be realized. The strategy provides realistic and specific activities to be undertaken by both Mid-America, Inc. and other development organizations within the Mid-America region as a focused and coordinated "team" effort.

Background

Battelle's research program, "The Preparation of a Forward Looking Economic Development Strategy for Southeast Kansas" is near completion. Two major reports have been submitted to Mid-America, Inc: the Strengths and Weaknesses Report and the Target Industries Report.

The first report provides an objective assessment of the strengths and weaknesses of the Mid-America area. It also includes a comparative evaluation of how the Mid-America area compares with locations across the country. The results of this report indicated that in many respects, the Mid-America area possesses a number of comparative advantages for the attraction and expansion of economic activities. The strengths and weaknesses associated with the Mid-America area are summarized below.

- Strengths: Overall the Mid-America area is characterized by a wide range of positive factors. These include:

  - Strategic location for easy access to the markets and resources of the rapidly growing West South Central region as well as the West North Central region.

  - A large and productive work force characterized by very good labor/management relationship, low turnover rate and an excellent work ethic.

  - Dependable and affordable energy and generally good municipal services.

  - Good vocational/technical schools as well as a highly regarded state university.

  - Relatively low cost of living.

  - Very good transportation linkages with major highway and rail systems.

  - A quality of life characterized by an easy, family-oriented lifestyle, good schools, many community and recreational activities, and other favorable attributes.

- Weaknesses: Some of the weaknesses that have been identified include:

  - A lack of suitable structures for industrial location in some areas.

  - A rural highway system.

  - A need for an "area-wide" awareness of the advantages of growth, though a gradual change is occurring within the region.

  - Outmigration of young people, especially the university educated.

  - Lack of forward-looking technical and engineering educational programs, although the infrastructure is in place through the university, area community colleges, and technical school.

In conclusion, the situation in Mid-America is generally positive. The area demonstrates a number of strengths, especially in regard to its location, labor force, and quality of life. The weaknesses are those frequently associated with the transition from a predominantly agricultural economy to one that is more industry and service oriented.

One critical point that is evident from this assessment is that leaders in the Mid-America area must assert control over their future, and implement the type of development program that will facilitate the promotion of the Mid-America area as a desirable location for expansion and growth.

The second report identified target industries most appropriate for the Mid-America area. An analysis was carried out that screened over 400 industries and services in terms of feasibility, growth, and market and supply linkages resulting in a recommended list of target activities (Table 1). In terms of general industry categories, the most important are printing and publishing, fabricated metal products, machinery, and electrical equipment and supplies.

The Mid-America area will benefit significantly from an aggressive, carefully focused area-wide development thrust, designed to strengthen the local economy through retention and expansion of existing firms and attraction of new employers.

The Importance of the Strategy

The design and implementation of a pragmatic and forward looking economic development program for the Mid-America, Kansas region is an important undertaking for a number of reasons. These include:

- Competition. It should be recognized that many of the cities which may compete with the Mid-America area for new firms and expansion of activities have begun to implement far reaching programs. Cities such as Charlotte, Atlanta, Jacksonville, Houston, Dallas, New Orleans, and Tulsa have initiated aggressive development efforts.

  For the past decade the dominant trend across the United States has been the rapid expansion of manufacturing industries and services in the "Sun Belt". Initially the movement toward the south was by industries looking for cheap

TABLE 1. RECOMMENDED THRUSTS

SIC	Industry
	Very Strong - III
252	Office Furniture
271	Newspapers
275	Commercial Printing
307	Miscellaneous Plastic Products
344	Fabricated Structural Metal Products
3441	Fabricated Structural Metal
353	Construction and Related Machinery
354	Metalworking Machinery
356	General Industry Machinery
3573 & 4	Electronic Computing and Calculating Equipment
366	Communication Equipment
367	Electronic Components and Accessories
372	Aircraft and Parts
	Strong - II
243	Millwork
259	Miscellaneous Furniture and Fixtures
264	Converted Paper Products
276	Business Forms
2821	Plastic Materials and Synthetic Resins
284	Detergents and Toiletries
304	Rubber, Plastic Hose and Belting
342	Cutlery, Hand Tools and Hardware
3482 & 3	Ammunition
349	Miscellaneous Fabricated Metal Products
359	Miscellaneous Nonelectrical Machinery
3621	Motors, Generators
369	Miscellaneous Electrical Supplies
384	Medical, Surgical, and Dental Equipment, Instruments, and Supplies

TABLE 1. (Continued)

SIC	Industry
	Potential - I
201	Meat Products
232	Men's and Boys' Garments
233	Women's and Misses Outerwear
239	Miscellaneous Fabricated Textile Products
251	Household Furniture
273	Books
279	Service Industry for Printing Trade
281	Industrial Inorganic Chemicals
286	Industrial Organic Chemicals
314	Footwear, except Rubber
324	Cement, Hydraulic
325	Structural Clay Products
329	Miscellaneous Nonmetallic Products
346	Metal Forgings and Stampings
352	Farm and Garden Machinery
355	Special Industry Machinery
358	Refrigeration/Service Industry Machinery
371	Motor Vehicles and Equipment
376	Guided Missiles, Space Vehicles, and Parts
381	Engineering and Scientific Instruments
382	Measuring and Controlling Devices
399	Miscellaneous Manufacturing

Source: Battelle's "Report II: The Identification of Target Activities for the Mid-America, Kansas Region, October 1985.

labor and land, a cultural and political climate generally opposed to union-related activities, and numerous tax breaks. The movement is more currently characterized by a shift in high technology production, administrative activities, research and development, financial institutions, and other related highly desirable and high growth employment sectors. The magnitude and speed of these relocations are directly related to the fact that many of the Sun Belt's preeminent growth centers have developed "images" of attractiveness, job creation, feasibility, and improved quality of life style all of which have led to a significant growth momentum. In recent years, this momentum has been reinforced by a rapid transference of economic activity to the southwest especially Texas, Oklahoma, and Louisiana.

Further, some of the most rapidly growing cities of the Sun Belt have even more elaborate and aggressive growth programs, especially Atlanta, Jacksonville, Orlando, Knoxville, New Orleans, Houston, Dallas, Phoenix, and Denver. Not only are these programs well funded (averaging $1.5 million annually), but they are especially powerful and diverse, and include thrusts such as: venture capital pools, technology councils, technology parks, very aggressive advertising programs, public relation thrusts, elaborate and intensive direct mail efforts, strong retention and expansion programs, the aggressive support by local colleges and universities, the implementation of incubator and small business suppport centers, and perhaps most important--creation of teams and networks that effectively focus the resources and strengths of both the public and private sector.

- Need. A significant need exists in the Mid-America region for focusing and strengthening the development effort and the implementation of those steps that will preserve, create, and attract new jobs. As pointed out in the Strengths and Weaknesses Report, the Mid-America region and Kansas as a whole have experienced decline in several major sectors of employment, a deterioration in the traditionally strong agricultural economy, an outmigration of population, and low to moderate growth in support functions such as retail trade and services. To reverse this trend, it is increasingly important to have a strong, well supported, forward looking economic development program and strategy.

- New Growth Opportunities for the Future. If Mid-America is to realize its relative share of new jobs over the next 10 to 20 years, its leaders must recognize that a number of industries, services, and technologies must be evaluated and identified as new targets for development. It is clear from recent employment trends that significant changes have taken place in the job creation potential of various economic sectors. This implies a possibility of continued erosion in manufacturing,

> construction, and transportation employment. It also suggests that the future is likely to continue to provide increases in employment in the services, trade and financial institutions' industries. Further, within each of the major employment sectors, shifts in employment between various industries can readily be observed. For instance in manufacturing, it is anticipated that continued declines will occur in many industries associated with wood products, metal forgings, steel and rubber. On the other hand, continued growth is expected in certain manufacturing industries such as instruments, chemicals, certain types of machinery, electronics, and drugs.

In summary, for the reasons just noted, it is essential that a realistic and action-oriented economic development program be designed specifically for the Mid-America area; and that its implementation begin as soon as possible.

Goals, Objectives and Responsibilities

It is important for Mid-America to establish economic development objectives and to reinforce these objectives with attainable goals if the region is to have a sound economic development program. One of the most serious mistakes a community can make is to design a narrowly scoped program that emphasizes only the "attraction of manufacturing". Although this is a critical element in any economic development plan, it would be a major mistake to underestimate the need for retention and expansion programs and the need for the creation and expansion of new companies within the region. Accordingly, development efforts should extend beyond attraction, to incude retention and expansion, and focus on manufacturing, services, trade, and financial activities.

Establishing Employment Goals

It is important that Mid-America have a clear understanding and indication of the number of jobs that need to be created in the future. Based upon Battelle estimates, a total of 7,700 jobs need to be created in the Mid-America region between 1985 and the year 2000. This estimate is based upon population projections for the Mid-America region and assumed labor force participation rates and unemployment rates. Labor force participation rates were based on historic averages and anticipated future changes while the unemployment rate was based upon theoretical studies indicating that full employment equates to an unemployment rate of 6 percent of the civilian labor force.

In establishing job creation goal strategies, it is important to recognize that there will be different types of growth associated with job creation. Based upon studies of employment growth, it is recommended that Mid-America's job creation strategy be based upon the following: attraction activities accounting for 20 percent of the region's employment growth, expansion from existing employers 70 percent, and the creation of new locally-owned businesses 10 percent. The extent to which employment growth may actually result from attraction, retention/expansion, and creation programs depends upon many factors including the basic economic structure and overall viability of the region. Recent studies clearly indicate the necessity of all three job creation strategies: attraction, expansion, and creation of new locally-owned business firms.

Finally, in establishing job creation goals it is important to take into consideration the changes that are occurring between various economic sectors nationally, regionally, and in the Mid-America region. In general, these major trends can be characterized as follows:

- Agriculture and mining employment are expected to continue to decline.
- Employment within manufacturing is anticipated to decline, however, several industries within the manufacturing sector will continue to expand.
- Rapid growth is expected to continue in the service industries, especially business support services.
- Substantial growth should be seen in trade and financial sectors.
- Slight to moderate growth is anticipated in construction, transportation, and communications.

By relating these anticipated trends to specific job requirements of the Mid-America region, overall job creation goals can be established.

Table 2 presents Mid-America job creation goals for the years 1985 to 2000 by type of strategy and sector.

It is important to understand that the level of effort associated with each of the strategies does not necessarily correspond to the number of jobs created. Although it is often overlooked, by far the greatest number of jobs created in an area are normally through support of expansion and retention programs. When done correctly these are the easiest and most cost effective mechanisms to facilitate job growth. On the other hand, especially in terms of national competition, the attraction strategy is by far the most competitive, difficult, and expensive. Further, as many economists and developers recognize, the creation of jobs in certain sectors such as finance, trade, and services is often dependent upon and driven by expansion in basic industries. In summary, it is important to understand the need for a broad-based approach to economic development planning in the Mid-America region, recognizing not only the contribution of attraction programs which are appropriately centered in Mid-America Inc., but also expansion and creation programs which are best administered at the local level.

Establishing Objectives

It is suggested that Mid-America establish an overall development objective of "fostering an environment conducive to the attraction, retention, and expansion of job creating opportunities within the Mid-America region". This overall objective should be reinforced by the establishment of similar objectives by each local development organization within the Mid-America region.

Second, it is suggested that Mid-America establish an objective of "creating an environment and forum for effective communication, interaction, and coordination of development program activities between Mid-America, Inc. and local development organizations located throughout the Mid-America region".

Third, it is suggested that Mid-America, Inc. establish the objective of "undertaking an economic development program that will foster

TABLE 2. MID-AMERICA JOB CREATION GOALS, 1985 TO 2000

Strategy	All Sectors	Manufacturing	Trade	Services	Other
Attraction (20%)	1,540	550	420	230	340
Expansion (70%)	5,390	1,940	1,460	810	1,180
Creation (10%)	770	280	200	120	170
TOTAL (100%)	7,700	2,700	1,080	1,160	1,690

Source: Battelle-Columbus Division.

the attraction and location of manufacturing activities, manufacturing support services, and large employers (over 200 employees) in the service and trade sectors". Mid-America, Inc. should have and maintain the major responsibility for the attraction of manufacturing and other related large employing firms. A strategy for the retention of businesses, however, is often best conducted at the local level.

Accordingly, a fourth suggestion is that local development organizations in the Mid-America region establish the objective of "fostering an environment conducive to the retention and expansion of existing employers in manufacturing, trade, service, and finance sectors". Although the retention strategy can best be conducted at the local level, it is suggested that Mid-America, Inc. provide overall leadership support to this objective.

Fifth, it is suggested that Mid-America, Inc. in coordination with local development organizations, establish the objective of "fostering an environment conducive to the establishment and expansion of new locally-owned businesses within the Mid-America region". It is considered that Mid-America, Inc. should have overall leadership responsibility for this objective, however, specific actions and plans could be conducted at the local level.

Responsibilities

Mid-America, Inc. has served southeastern Kansas well during its history. Interviews with business and community leaders across southeastern Kansas indicate that Mid-America, Inc. is well respected throughout the region. The Mid-America organization provides a collective strength and efficient utilization of scarce resources for all of the 10 counties located within the region. The capabilities and competence of this multi-county regional development organization could not be afforded at the local level, given the limited resources of communities and counties within the Mid-America region. Accordingly, this study strongly supports the continuation of Mid-America, Inc. and related funding by its members as the regions leading economic development organization. But to ensure a viable and successful program is important for community leaders to recognize the need for a coordinated economic development effort with appropriate responsibility assignments at both the regional and local levels. While several communities also are considering the establishment of an industry attraction program for their community, this activity should be encouraged as long as it is complementary to the attraction efforts of Mid-America, Inc. and does not reduce the level of financial support for Mid-America, Inc.

Organization

In the remaining sections of the Strategy Report, the following topics are discussed:

- Trends in Economic Development
- Organization, Staffing, and Facilities
- Preliminary Activities
- Elements of the Strategy.

CHAPTER II: TRENDS IN ECONOMIC DEVELOPMENT

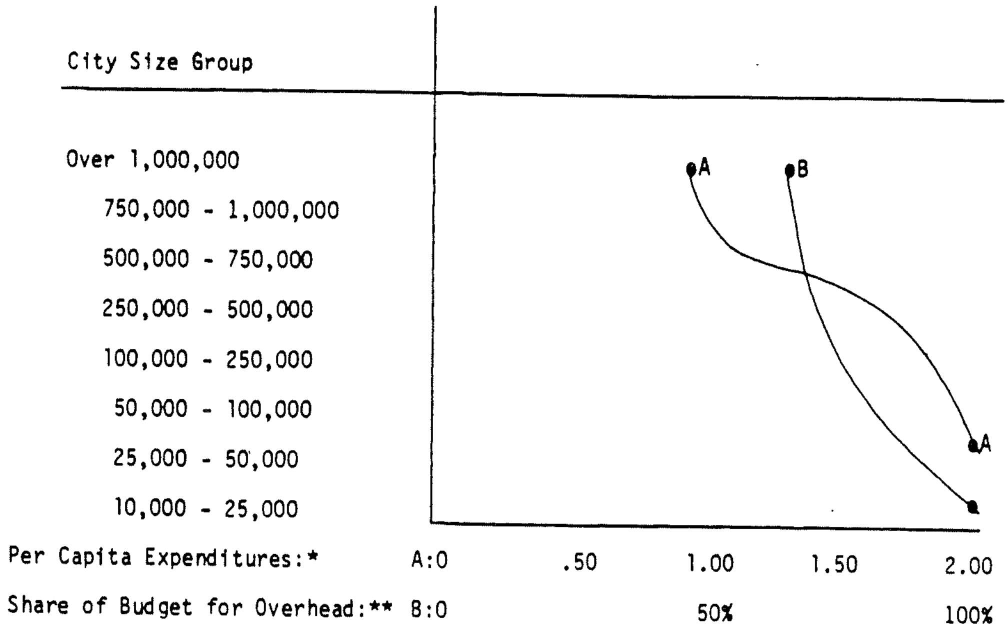
Introduction

As noted above, a number of changes are underway in the conduct of economic development programs in the United States, but perhaps the most significant characteristic is the greatly expanded interest in, and support of, these programs. Further, with a reduction in available Federal funding for "planning-oriented" economic development programs, cities, counties, and especially private sector groups functioning through Chambers of Commerce and Industrial Development Authorities have assumed greater responsibility for these programs--usually with a result-oriented perspective. In order to place the strategy that is evolving for Mid-America in the proper perspective, it is appropriate to examine some of the general trends associated with these developments--nationwide.

- Perhaps the most important characteristic of these programs is the extent to which they are proliferating, and becoming much stronger. It should be recognized that the major growth centers of the Sun Belt are leading the nation in terms of expenditures for economic development efforts.

- In terms of budgets, these programs are being supported very aggressively. Increasingly, professional fund raisers are being employed, or "Committees of 100" are being formed to facilitate the raising of monies. Also, many of the development programs are organized around a non-profit structure, to facilitate the use of city and county monies as well.

  It is not unusual to read in the press that Fort Wayne, Indiana is raising $6 million for economic development, Houston is raising $7 million, Tulsa, $1 million, and so on. There are several elements in these budgets which should be recognized: some of the funds go for staff and operation, some for promotion, and in the case of the very large budgets--to acquire industrial sites and provide incentives. To place the Mid-America project in a realistic perspective, the study team carried out a survey of development programs across the United States, and the general results of that inquiry are summarized in Figure 1. Economic development organizations representing a population base of approximately 100,000-250,000 people or more, are supporting development efforts where the levels of funding are in the range of $1.85 to $2.00 per person. That is, medium-sized areas are raising economic development



A* : $ in Development Expenditures, Per Person
B**: Relative Share of Promotion to Operational (Staff) Costs

Source: An Assessment of Trends in Local Development Programs, National Scientific Foundation Data, 1985.

FIGURE 1. DEVELOPMENT COSTS AND POPULATION

budgets that include both promotion and operational monies, generally in the neighborhood of $185,000 to $500,000 per year. In many cases, the precise economic development budget is difficult to ascertain because the costs of space and equipment may be included in an overall Chamber budget, staff expenses may not be factored in entirely, and in some cases--convention activities provide advertising support. The smaller the development organization--the greater the share of the budget that is devoted to operations--facilities, staff, and general operational needs. The bottom line is this, to be competitive and in line with other areas--the effective promotionally-oriented economic development budget for Mid-America, Inc. should be approximately $1.85 per person per year. To be competitive with other development organizations throughout the country consideration should be given to a budget appropriation of $2.00 to $2.25 per person (see Table 3). Based upon the NSF survey, local development organizations should consider funding their development programs at a rate of $1.00-1.50 per person per year.

- In a majority of communities, a number of entities are involved in economic development, and very strong efforts are being made to relate their programs. In at least three out of four of the cities examined, economic development programs existed within local government, the Chamber of Commerce, utilities, and often--a local development corporation.

- In terms of general budget allocations, most of the expenditures associated with the budgets for the cities may be broken down as follows: salaries and benefits, 60 to 65 percent; equipment, 5 percent; advertising, 20 percent; promotional materials, 10 percent; and other expenditures, less than 5 percent.

- In terms of special facilities, over three-fourths of these Chambers have research/data processing-oriented computers, text processing equipment, libraries, conference rooms, special briefing facilities for prospects, and others.

- Over 85 percent of these economic development programs have official plans and long-term economic development strategies. In almost every case, the leadership role in preparing these strategies was provided by the local Chamber/Economic Development Corporation; with local government being the primary backup.

- Targeted advertising programs are the most important means of promoting the communities. In terms of advertising thrusts, the most important activities in declining order of importance include: advertising and development publications, participation in trade shows and exhibitions, advertising in trade journals, advertising in business periodicals, advertising in R&D-oriented periodicals, direct mail, and combined programs that relate to advertising, mail, and forwarding various types of gifts. In terms of effectiveness, the top three activities, respectively, include: advertising and development publications, business periodicals advertising, and direct mail.

In summary, economic development programs have become quite complex, are receiving much greater attention across the United States, and increasingly involve marshalling a wide range of community resources--much as was suggested in regard to the delineation of responsibilities noted above. The implications of these trends are very clear for Mid America:

TABLE 3. AVERAGE AND COMPETITIVE BUDGETS FOR ECONOMIC DEVELOPMENT

Organization	1984	1990	2000
Mid-America, Inc.			
Average $1.85 per capita	$380,000	$383,000	$392,000
Competitive $2.00 per capita	410,000	414,000	424,000
Highly Competitive $2.25 per capita	461,000	466,000	477,000
Local Development Organizations			
Minimum $1.00 per capita			
Competitive $1.50 per capita			

Amounts expressed in 1985 dollars.

there is no substitute for a top notch, action-oriented, development program in the area, and the situation is such--that decision makers and public officials must move quickly and aggressively in this area--simply to keep up.

CHAPTER III: ORGANIZATION, STAFFING, AND FACILITIES

Introduction

The strategy for stimulating the attraction, expansion, and retention of industrial and service activities in Mid-America is complex, and will involve the establishment of new programs pertaining to each of these areas. Accordingly, certain types of organizational changes may be desirable in Mid-America to focus local economic development resources. Several recommendations pertaining to this topic are discussed in this Chapter.

It should be noted that, in most respects, the various types of development and supporting activities that exist in the Mid-America area are highly regarded especially Mid-America, Inc. However, the Mid-America area also has a number of resources that may not have been fully integrated into the development thrust--so it is appropriate to investigate ways in which this may be accomplished. In the remaining sections of this Chapter, three specific topics are discussed: Organizational considerations, staffing, and facilities. The end of the Strategy Report presents a suggested set of budgets and schedules (Table 4 and Figure 5).

Organizational Considerations

The first issue to be evaluated, and perhaps most important overall, concerns the structure of the growth group that will guide the Mid-America area's expanded economic development program. Over the past several years, Battelle has evaluated a number of different organizational structures of development groups. An overview of general organizational considerations is presented in the following discussion, with an assessment of the Mid-America situation.

The first step that should be taken to finalize planning for Mid-America's more aggressive development thrust, and to facilitate and monitor implementation, is to make several "organizational adjustments". In brief, it is suggested that an expanded Mid-America, Inc. serve as the region-wide "umbrella" organization for economic development in the region, with active participation and support from the area's Chambers of Commerce, local development-related groups, and the county governments. In addition, active participation by representatives of the private sector (employers, bankers, others) should take place--to a greater extent than has been the case in the past.

Indicators of Success

Before continuing, it is appropriate to review patterns of initiatives that are characteristic of communities across the United States that have successful growth industry programs.

The Office of Technology Assessment of the U.S. Congress recently completed a detailed survey of local initiatives designed to encourage high technology and growth industry development. Three of the specific findings are important to mention here:

- Community Types. It was determined that there are several different types of communities in terms of their developmental potential. First, there are recognized "high technology centers", that already have a high concentration of research-oriented companies and major research-oriented industry (such as Silicon Valley and Boston). The large companies and universities often spin-off smaller companies--many of which are founded by researchers who have developed an idea for a product and want to carry on with its development. These communities also have a highly skilled work force, a very powerful university setting, a large pool of basic researchers, and usually provide easy access to venture capital.

  Second, there are "diluted high technology centers"; cities with a large base of technology-oriented companies, skilled work forces, research universities, and venture capital firms. Here, in cities such as New York and Chicago, the high technology employment is spread across an exceptionally large geographic area.

  Third, "spill-over communities" are those located adjacent to high technology centers. While these cities lack many of the ingredients associated with the high technology center, they are close enough to benefit from many resources--such as universities, venture capital firms, pools of engineers, excellent transportation services, ties to private and governmental labs, and other factors (suburban Washington, D.C. and the western suburbs of Chicago fall into this category).