

Approved February 26, 1991
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m. ~~p.m.~~ on February 21, 1991 in room 123-S of the Capitol.

All members were present except:

Senator Paul Feleciano
Senator Janice McClure (excused)

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Mark Burghart, Department of Revenue
Dennis Shockley, City of Kansas City
Bud Grant, Kansas Chamber of Commerce and Industry
Bill Thompson, Department of Commerce
Donald Seifert, City of Olathe
Randy Martin, Manhattan Chamber of Commerce
Tom Riederer, Kansas Industrial Developers Assn.
Bernie Koch, Wichita Chamber of Commerce
Ron Hein, Mesa Limited Partnership
Mary Ellen Conlee, Kansas Assn. for Small Business

SB 29 - Income tax credits and sales tax exemption for location of business in enterprise zone repealed

Senator Dave Kerr, Chairman, called the meeting to order and introduced the first conferee, Mark Burghart.

Mark Burghart explained that the difference in his agency's estimates and Dr. Redwood's figures is due to the attempt of the Department of Revenue to take into account other existing exemptions which overlap the enterprise zone law.

Dennis Shockley provided written testimony opposing SB 29 (Attachment 1). He said he would support legislation restructuring the enterprise zone law. In response to a question from Senator Petty, Mr. Shockley said he would suggest that the 10% population decrease requirement be in addition to one of the other requirements in (3) of K.S.A. 12-17,110.

Bud Grant testified in opposition to SB 29 (Attachment 2). He emphasized the the whole program should not be eliminated because of a few perceived abuses. He said that in rural communities the enterprise zone is often main street.

Bill Thompson presented written testimony on SB 29 (Attachment 3). He suggested that an indepth study be done on the issue. Senator Salisbury mentioned a study done two or three years ago by the Joint Committee on Economic Development and asked Mr. Thompson to provide a formal response to that study. It was noted that the Department of Commerce also did a study about two years ago and Mr. Thompson was requested to address that as well.

Donald Seifert testified in opposition to the bill (Attachment 4). He urged that some changes be considered to the law rather than a total abandonment. Answering a question from Senator Winter, Mr. Seifert said that local taxing entities have no knowledge of whether or not a state incentive has been utilized.

Randy Martin said he supports some fine-tuning of the enterprise zone law. He talked about the need for this type of incentive in order for Kansas to compete with other states' incentive packages. He noted that economic development means something different in every community.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,
room 123-S, Statehouse, at 8:00 a.m./~~a.m.~~^{XXX} p.m. on February 21, 1991

Tom Riederer opposed SB 29 (Attachment 5). He said that economic development needs vary from community to community. He told the Committee that he would be willing to work with them on the bill.

Bernie Koch presented testimony opposing SB 29 (Attachment 6). He talked about the need for incentives in order for Kansas to be competitive in economic development efforts.

Ron Hein expressed concern that tax exemptions already issued not be revoked by any legislation which may be passed (Attachment 7).

Mary Ellen Conlee testified in opposition to the bill (Attachment 8). She explained the application process for the incentives provided by enterprise zone law.

Senator Moran moved that the minutes of the February 20, 1991 meeting be approved. Senator Oleen seconded the motion, and the motion carried.

Committee members were also provided with: a letter from Ed Eilert, Mayor of Overland Park, opposing SB 29 (Attachment 9); a letter from Mary Turkington, Chairman of the Greater Topeka Chamber of Commerce, opposing SB 29 (Attachment 10); a newspaper article of January 5, 1991 from the Kansas City Star (Attachment 11) and a chart of the number of enterprise zone incentives for various states (Attachment 12).

The meeting adjourned at 9:00 a.m. The next meeting of the Committee will be Friday, February 22, 1991.

Date 2/21/91

SENATE ECONOMIC DEVELOPMENT
VISITOR SHEET

(Please sign)

Name/Company	Name/Company
Dennis Stackoy	CITY OF KANSAS
R ANDERSON	T
DAN STEVENS	TULSA OK TEXACO
Tom Ripston	KIDA
Ron Christian	
Bill Thompson	KDOC
Stacie Cooper	KU/IPPBR
Bernie Koch	Wichita Chamber
Donald R. Goss	Olathe Area Chamber of Commerce
Don Seifert	City of Olathe
D M Russell ^{UNION TOL} TOPEKA	
LOU GRANT KCO	
MARK A. BURGHART	DEPT. OF REVENUE
Cindy Giffin	Division of Budget
Penny Wilder	KDOC

ISSUE #16

ENTERPRISE ZONES**SUMMARY**

In 1982, the City of Kansas City, Kansas, initiated the Kansas Enterprise Zone Bill which was enacted by the Legislature that year. The original intent of the Enterprise Zone legislation stressed the need to assist distressed areas of the state in order to help them overcome their disadvantages in competing for economic growth. In the six subsequent years, the state moved farther and farther away from this original concept. The 1988 Legislature eliminated the comparative advantage of an Enterprise Zone location by extending statewide the exemption of the sales tax on the purchase of machinery and equipment directly related to manufacturing. For the three year period 1987-1989, the sales tax credit and exemption certificates accounted for \$33.5 million or 99% of all Enterprise Zone tax incentives. The Job Development and Business Investment credits accounted for \$735,000 or only one percent of Enterprise Zone tax incentives. On an annual average basis, these tax expenditures total \$19,087,175 and \$275,625 respectively. As of January 1, 1989, the new statewide sales tax exemption was available, leaving only the \$350 job tax credit and associated investment credits, in addition to the sales tax refunds and exemptions on non-manufacturing purchases, exclusive to Enterprise Zones. Of the annual tax exemptions available prior to January, 1989, only 12.6% will be available exclusively within the zones and 87.4% will be available statewide. Clearly, after January, 1989, the award of a paltry \$2.46 million in tax incentives to non-manufacturing firms administered through a total of 189 Enterprise Zones in Kansas is both inefficient in application and ineffective in contributions to the state's economic development goals. Reform is needed.

We oppose legislation which would eliminate all Enterprise Zones. We do support legislation which would restructure the Enterprise Zone law and would: 1) restrict the designation of zones to insure they are assisting truly distressed areas; 2) while restricting the zones, also greatly increase the incentives within the zones to produce maximum impact; and 3) include a grandfather clause for those businesses already receiving tax benefits.

ACTION AND COMMENTS

Monitor to achieve goals which will aid our local economic development efforts.

Introduce bill if necessary.

enterprise zone shall include the boundaries defining how the economic districting a schedule shall include financial assistance capital improvements, employee projects approved by the review the res therewith to ets the criteria amendments approve or dis-en findings of g body of the issioners sub-termination. al of the res-nit such find-such city or if the resolu-shall transmit affected state ll notify such he provisions ents thereto, ed enterprise isions of this lays from re-, approve or K.S.A. 12-, and if ap-of approval. period, if the designating ed and writ-val shall be departments such reso-ective date or five years which time submit to prescribed olution re-prise zone, of an en-hall be ap-ne manner l or disap-prise zone. enterprise artment of

economic development prior to the effective date of this act shall continue to constitute and qualify as an enterprise zone until such area is required to be reapproved as an enterprise zone pursuant to subsection (a).

History: L. 1982, ch. 75, § 3; L. 1983, ch. 67, § 1; L. 1986, ch. 79, § 2; July 1.

12-17,109a. Same; areas prohibited. The governing body of a city or the board of county commissioners of any county shall not designate an area as an enterprise zone pursuant to K.S.A. 12-17,108 *et seq.*, and amendments thereto, if within such area there is located a swine confinement facility as defined in K.S.A. 17-5903, and amendments thereto.

History: L. 1988, ch. 99, § 59; April 21.

12-17,110. Enterprise zones; resolution submitted to secretary of department of economic development; criteria for approval. The secretary of the department of economic development shall approve a resolution submitted by a city pursuant to K.S.A. 12-17,109, and amendments thereto, only if:

(1) The area is within the corporate limits of a city; and

(2) the area has a population not exceeding 25% of the population of the city and a land area not exceeding 25% of the land area of the city, and the total area, including the area or areas which have been designated as an enterprise zone, included within enterprise zones does not exceed 25% of the population of the city and 25% of the land area of the city. For the purpose of determining whether the total area included within an enterprise zone or zones exceeds 25% of the total land area of a city, the land area within an industrial park located outside the corporate limits of a city shall only be considered to the extent of the land area of such park which is included within an enterprise zone; and

(3) (A) there is widespread poverty, unemployment and general distress in the area; or the average rate of unemployment in the area for the most recent eighteen-month period for which data is available was at least 1½ times the average state rate of unemployment for such eighteen-month period; or at least 70% of the residents living in the area have incomes below 80% of the median income of the residents of the city as determined under section 119(b) of the housing and community development act of 1974; or the population in the area decreased by 10% or more for any ten-year period commencing after 1970; and

(B) the governing body of the city finds that there is substantial deterioration, abandonment or demolition of commercial or residential structures in the area; or

(C) the governing body of the city finds that there are substantial tax arrearages of commercial or residential structures in the area; or

(D) the area is located wholly within a city which meets the requirements for federal assistance under section 119 of the housing and community development act of 1974.

(E) The secretary of the department of economic development shall approve a resolution submitted by a county pursuant to K.S.A. 12-17,109, and amendments thereto, only if:

(1) The area is wholly within the unincorporated portion of a county; and

(2) the area has a population not exceeding 25% of the population of the county and a land area not exceeding 25% of the land area of the county, and the total area, including the area or areas which have been designated as an enterprise zone, included within enterprise zones does not exceed 25% of the population of the county and 25% of the land area of the county; and

(3) there is widespread poverty, unemployment and general distress in the area; or the average rate of unemployment in the area for the most recent eighteen-month period for which data is available was at least 1½ times the average state rate of unemployment for such eighteen-month period; or at least 70% of the residents living in the area have incomes below 80% of the median income of the residents of the county as determined under section 119(b) of the housing and community development act of 1974; or the population in the area decreased by 10% or more for any ten-year period commencing after 1970; and

(A) the governing body of the county finds that there is substantial deterioration, abandonment or demolition of commercial or residential structures in the area; or

(B) the governing body of the county finds that there are substantial tax arrearages of commercial or residential structures in the area.

(C) There may be more than one noncontiguous area within an enterprise zone.

History: L. 1982, ch. 75, § 4; L. 1983, ch. 67, § 2; L. 1986, ch. 79, § 3; July 1.

12-17,111. Preference given to enterprise zones for certain funds, programs and services. (a) Preference shall be given to enterprise zones and businesses and other local

incentive projects located in the area; or the vision of programs, funds, and services administered by the secretary of economic development.

(b) Preference shall be given to enterprise zones and businesses and other projects located therein in the area; or the vision of programs, funds and services administered by the secretary, but which do not impact the economic viability of the area, but not limited to, but not limited to, investment capital, the provision of services for infrastructure projects, state and federal funds for such projects.

(c) All state agencies shall review the rules and regulations of the secretary of economic development under K.S.A. 12-17,109, and amendments thereto, shall review the rules and regulations which they administer which affect the economic viability of the area, and shall take the necessary steps to modify such rules and regulations to protect enterprise zones and businesses and other projects located therein, and which does not adversely affect the welfare of the public.

(d) The secretary shall use by cities and counties incentives for and reduce the economic growth within enterprise zones, and the secretary shall provide all necessary assistance to cities and counties in the implementation of the program.

History: L. 1982, ch. 79, § 4; July 1.

12-17,112. Industrial zones. As used in this section, the term "area located within a city" shall include the corporate limits of a city and have the same effect as if the area were located within the corporate limits of a city. This act shall include industrial park included in the area established and existing on the effective date of this act, which shall be included in the corporate limits of a city.

History: L. 1983, ch. 79, § 5; July 1.

Revisor's Note: For sections included in the Constitution of Sections in Constitutions

12-17,113. Annual report required; use of information. (a) Each city or county shall submit an annual report to the secretary of economic development pursuant to

2/21/91
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2. The area population does not exceed 25% of the total city population; AND

3. Widespread poverty, unemployment, and general distress is determined by meeting one of following:....; **TWO**

a) The average rate of unemployment in the area for the most recent eighteen-month period for which data is available was at least 1.5 times the average state rate of unemployment for such eighteen-month period; OR

b) At least 70% of the residents living in the area have incomes below 80% of the median incomes of the residents of the city as determined under the provisions of Section 119(b) of the Housing and Community Development Act of 1974; OR

c) The population of the area decreased by 10% for any 10 year period commencing after 1970, AND.

4. One of the following shall be met:....,

a) The governing body of the city finds that there is substantial deterioration, abandonment, or demolition of commercial and residential structures in the area(s); OR

b) The governing body of the city finds that there are substantial tax arrearages on commercial or residential structures in the area(s).

5. The legal counsel for the city has reviewed the law and the supporting evidence and certifies it is true and correct.

2. The population of the area shall be provided using the most recent census or local survey.

a) State rates of unemployment are available from the Employment Security Office of the Department of Human Resources. Local rates may be estimated from local surveys, or unemployment rates in the latest available census may be used, keeping the local/county rates ratio constant over time.

b) Evidence of incomes will be provided based on latest available federal census information or can be determined by local surveys.

c) Evidence of population changes will be provided based on 1970 and 1980 federal census information or local survey.

a) A resolution supporting this finding shall be provided by the governing body.

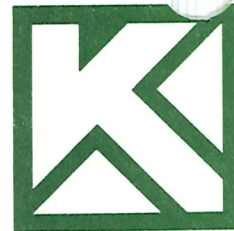
b) A resolution supporting this finding shall be provided by the governing body.

5. A written opinion.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

SB 29

February 21, 1991

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Economic Development

by

Bud Grant

Vice President

Kansas Chamber of Commerce and Industry

Mr. Chairman and members of the Committee:

My name is Bud Grant, Vice President of the Kansas Chamber of Commerce and Industry, and I appreciate the opportunity to appear before the committee and offer comments about SB 29.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Attachment 2
2/21/91
Sen. Eco. Dev.

There is little doubt but that the enhanced credits available in enterprise zones have had a positive effect on job creation in Kansas. The attraction of new business to the state, or more importantly, the expansion of existing Kansas businesses, is heavily influenced by these incentives. Kansas has many things going for it, e.g. good transportation systems, a strong work ethic, a right-to-work state, central location, outstanding educational systems, but, most of our neighboring states can make many, if not all, of these same claims.

That being the case, the state's business climate as represented by its business taxes, rises to the top of the interest list. Kansas does not now have the lowest taxes, nor does it have to. But it does have to be competitive. Unfortunately, the elimination of enterprise zone incentives would be a long step backwards in our efforts to compete.

It is recognized that in any program that is as broad as our enterprise zone program, there is the potential for abuse. Some now perceive that to be the case. If you intend to address that perceived abuse with this bill, take care not to throw out the baby with the bath water. Keep in mind that it is only because the program is working that problems develop. If there were no problems, then chances are, there would be no program.

There is one word of caution that I want to emphasize. I've heard this committee, as well as others, discuss what the state can do to promote economic development in rural areas. Please keep in mind that in many small Kansas communities, the enterprise zone is main street. While there are literally thousands of small manufacturers in rural areas, the economy revolves around main street. If, through changes to the enterprise zone incentives, these small town main streets are restricted in their use of the program, then we will have, undoubtedly, done more harm than good.

At a time when state coffers are suffering, there is great temptation to cut in those areas where there is perceived waste. However, I hope the committee will not react to a broken finger by removing the arm. Enterprise zones are one of the primary pillars

supporting our economic development program. They are far too important to eliminate, especially at a time when the economy needs all the help it can get.

Thank you Mr. Chairman for this opportunity to share our thoughts on this important bill. I would be pleased to attempt to answer any questions.

Testimony on Senate Bill 29
The Kansas Department of Commerce
February 21, 1991

The Kansas Department of Commerce would like to take this opportunity to express some views on the enterprise zone issue and the incentives associated with the current zone legislation.

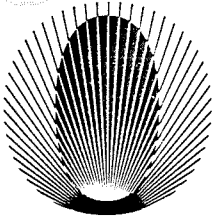
KDOC believes at the outset that the enterprise zone issue is a very complex issue since it involves a statute that has gone through a significant evolutionary process since its passage in 1982. The program began as a means to assist in the revitalization of economically distressed areas in the state. However, the program quickly evolved into a site location incentive that was used by economic developers to attract new businesses to the state and to encourage existing companies to expand. The reason this evolution occurred had to do with the regulations as outlined in the statute. The statute states that if one of three basic eligibility criteria are met then a zone can be established. The one criterion that is most often used states that a zone can be established if "the population in the area decreased by 10% or more for any ten-year period commencing after 1970." This allows for a certain flexibility and creativity in establishing zones. The major result of this situation is that the state now has 257 enterprise zones; all of which have met the eligibility requirements as stated in the statute.

The Department realizes that original intent of the legislature was to help distressed areas. Through the course of time, the enterprise zone incentives have now become an important part of the state's site location incentive package. This importance stems from Kansas' competitive stature in relation to our neighboring states, particularly Missouri.

The Department of Commerce feels that given the complexity of the enterprise zone issue, and its evolution to its present form as a site location incentive, that an indepth study should be conducted on the issue to achieve the best result for Kansas economic development. The Department urges that the economic development committees of both houses set aside the proper amount of time to study the issues surrounding these and other incentives and work for solutions that will keep the state as competitive as possible in the area of business recruitment and retention.

The Department of Commerce applauds the Senate Economic Development Committee's on-going effort to make Kansas as competitive as possible in the area of job creation.

Attachment 3
2/21/91
Sen. Eco. Dev.



City of Olathe

TO: Members of the Senate Economic Development Committee
FROM: Donald R. Seifert, Asst. Director, Administrative Services
SUBJECT: Senate Bill No. 29, Repeal of Enterprise Zone Tax Incentives
DATE: February 21, 1991

On behalf of the city of Olathe, thank you for the opportunity to appear today concerning Senate Bill 29. For several years, we have observed that some members of the legislature are concerned about the direction of the state enterprise zone program. However, we oppose this bill because it completely eliminates tax incentives for business investment within enterprise zones. In our view the cure represented by Senate Bill 29 may be far worse than the disease.

I would like to begin with a few brief comments about Olathe's enterprise zone. We believe Olathe has used the enterprise zone program in a responsible manner. As depicted on the attached map, Olathe's enterprise zone contains approximately 2850 contiguous acres, or about 9% of the city's land area. It principally includes several developing industrial and business parks in southern Olathe, and the central business district. An older commercial and industrial corridor connects these two areas. The Olathe zone was specifically drawn to encourage development and redevelopment in desired locations in our community.

We estimate there are approximately 500 businesses located in the zone. The city's local incentive to existing and prospective zone businesses is a targeted capital improvement program. On rare occasions, the city has also offered limited property tax abatement. During the last two years, the city has committed approximately \$5.4 million in capital improvement project expenditures to the zone and granted partial tax abatement in the amount of approximately \$100,000 for two development projects. Despite what the committee heard yesterday, we believe these numbers indicate a genuine local commitment to a program that is intended to be a state and local partnership.

Attachment 4
2/21/91
Sen. Eco. Dev.

Page 2

The city estimates approximately \$25 million in private investment and 500 new jobs has occurred as a result of business expansion or location within the zone. Based on our experience in working in partnership with the Chamber of Commerce, we believe enterprise zone benefits were a significant factor in the location decision of much of this investment.

Senate Bill 29 does nothing to address concerns that Kansas enterprise zones are too broad geographically or that they provide incentives to non-basic industries. Instead, this bill would completely eliminate the program from the statute book. As a border community dealing on a daily basis with economic development prospects, we believe elimination of enterprise zones would put Kansas at a severe competitive disadvantage. Missouri's enterprise zone benefits are already more liberal than ours. Our competition will undoubtedly be delighted if Kansas repeals its enterprise zone legislation.

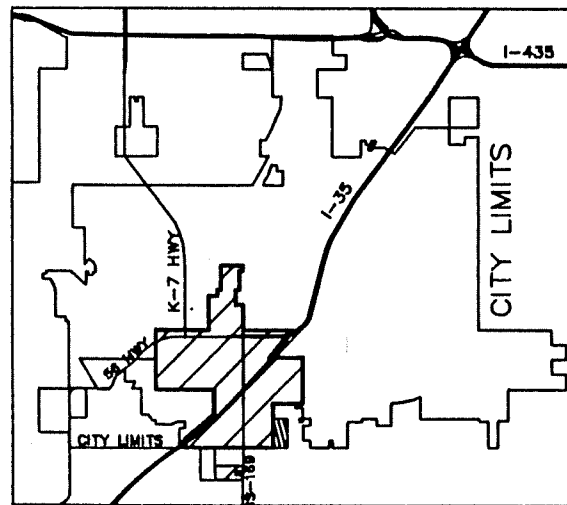
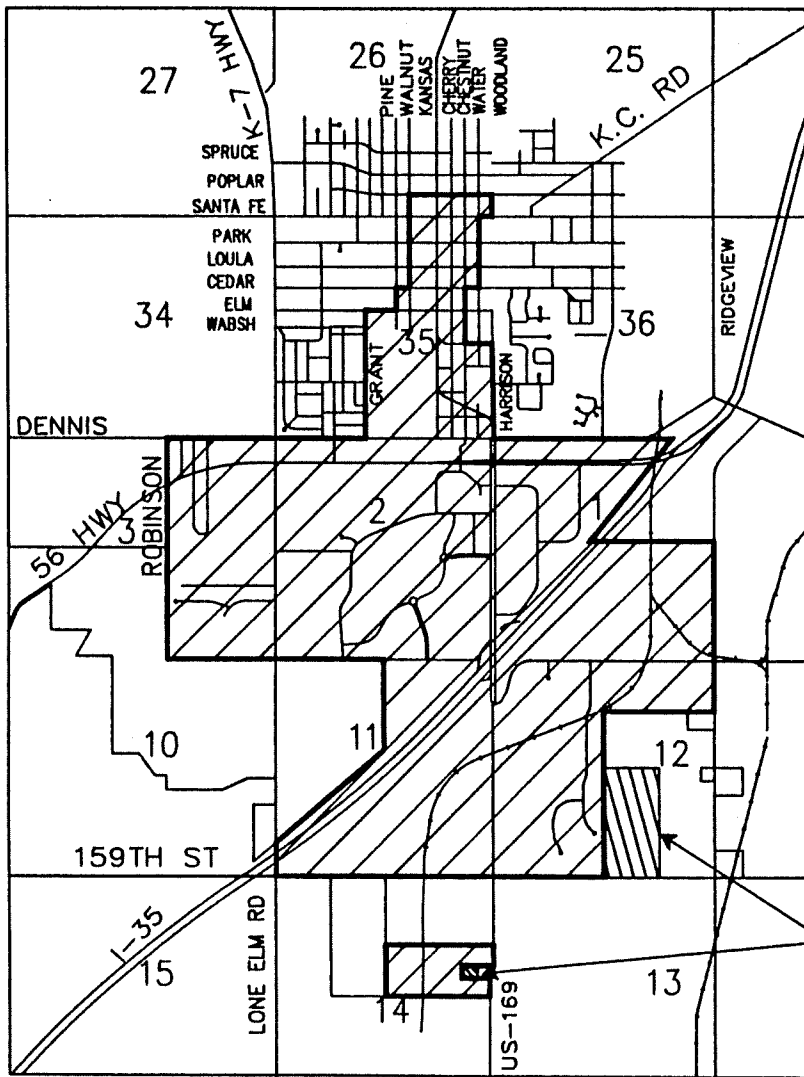
We would urge the committee to reject the wholesale abandonment of the enterprise zone program as represented in Senate Bill 29. Some change may be appropriate, but we firmly believe this bill represents a major step backwards in the state's economic development efforts.

DRS/tgt

Attachment

2/21/91
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OLATHE'S ENTERPRISE ZONE



PROPOSED AMENDMENT
JANUARY, 1989



OLATHE
PLANNING
JAN 1989

Σ-4
2/21/91
16/12/7

Remarks before the
Senate Economic Development Committee
in opposition of
SB29 (The elimination of Enterprise Zones)

HEARING

Thursday, February 21, 1991, 8:00 A.M., Rm 127 S

by

Tom Riederer
Kansas Economic Developers Association

Kansas Industrial Developers Association (KIDA) is an organization of over 100 economic development professionals. Our members are located throughout Kansas and represent the economic development efforts in both rural and urban Kansas. KIDA opposes Senate Bill 29, which would abolish Enterprise Zones.

Enterprise zones are used as a tool to encourage the investment of capital and the creation of jobs in the State of Kansas. In Kansas we compete most directly with the neighboring states in our region, and at the present time we find those states becoming more aggressive in the economic development area. To take this tool away at this time would hurt the State of Kansas.

I would like to mention several issues which have been discussed in reference to Enterprise Zones.

The term enterprise zone may be incorrect. They are not the federal zones which are seen in the blighted urban core areas throughout the U.S. These areas have been used to meet

individual community needs for development. Development issues and strategies are different in each community in Kansas, but the bottom line is that they are used to encourage capital investment and job creation.

The competition is getting more intense. Kansas in its economic development strategy has tried to be competitive without getting into incentive bidding wars. States surrounding Kansas have Direct Loan Funds, no cost infrastructure extension, training funds and 20 year tax abatements. KIDA has supported the efforts to develop the State's strategy and are on the front lines in its implementation.

If there are special issues which need to be addressed in the enterprise zones, then we need to sit down and discuss them. We need to keep in mind how any change may affect our over all strategy and competitiveness. KIDA would assist in any way to make the enterprise zone more effective.

In closing I would like to summarize. Enterprise zones in the State of Kansas are used as a tool to increase jobs, to encourage capital investment and to compete with neighboring states. Each community has incorporated these benefits into there development strategy. To eliminate this program will make Kansas less competitive and cost the State through the loss of business in the future.

2/21/91

TESTIMONY ON SENATE BILL 29
Feb. 21, 1991
Bernie Koch, Wichita Area Chamber of Commerce
SENATE ECONOMIC DEVELOPMENT COMMITTEE

Mr. Chairman, members of the Committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce. Thank you for the opportunity to testify on Senate Bill 29.

I had hoped not to testify today. I wanted Marvin Winn, the executive in charge of our economic development efforts with the Wichita/Sedgwick County Partnership for Growth to appear before you. He's our expert in this area. However, Marvin is in Canada today trying to recruit new jobs and new business to our area.

However, I think his absence makes a point that we sometimes forget. Economic development is a very competitive process that goes on all the time. We are often unaware that it's going on because the businesses we work with want the information to be confidential. We want the information to be confidential because we don't want economic development professionals in other states to know who we're working on. We don't want to tell those other states about a prospect which is ripe for expansion, thus increasing our competition.

The competition is keen. Sometimes we find out about it in unusual ways. My own brother is an economic development professional in Delaware. Last year, he came to Wichita seeking to convince one of our businesses to expand in his state, instead of Kansas. He had some hefty incentives to offer.

Right now, we're working with a Wichita company which plans an expansion of 350 jobs, which could increase to 800 jobs in five years. This company has a facility in another state, which also wants those jobs.

There are currently 350 jobs in the Wichita corporate office that may be in danger if the expansion does not take place.

The state we are competing with wants those jobs badly. We found out just how badly when we learned that three weeks ago, the governor of that state personally flew to Wichita to visit those corporate decision makers and offer a package of incentives to locate in their state. We don't know how often something like this happens, but I suspect it happens a lot.

One of the valuable tools we can offer this company and others like it is the enterprise zone. We cannot support elimination of this incentive and for that reason, we oppose

Senate Bill 29.

Thank you or the opportunity to appear before you today.

2/21/91
6-2

HEIN AND EBERT, CHTD.

ATTORNEYS AT LAW

5845 S.W. 29th, Topeka, Kansas 66614

Telefax 913/273-9243

913/273-1441

Ronald R. Hein
William F. Ebert
Steven D. Rosel

SENATE ECONOMIC DEVELOPMENT COMMITTEE
RE: SB 29

PRESENTED BY RONALD R. HEIN ON BEHALF OF
MESA LIMITED PARTNERSHIP
February 21, 1991

Mr. Chairman, members of the committee:

My name is Ron Hein, and I am legislative counsel for Mesa Limited Partnership.

We neither support nor oppose SB 29, but do have concern about the transition language which is set out in new section 3. We believe that the language is more vague than it needs to be, and leaves public unclear as to the availability of exemptions which have been obtained prior to the effective date of this bill.

I have discussed by concerns with the Revisor's office, and I believe that they would have language to make it more clear. My suggestion is that those businesses which have obtained sales tax exemption certificates prior to the effective date of this act should continue in existence.

We have no specific language to offer with regards to the transition language on the income tax credits under the job expansion investment credit act, but it may be that the Revisor's office has some new language on that as well.

I have spoken with Sen. Moran about this matter, and he indicated that this is consistent with the authors' intent not to revoke any tax exemptions for which a certificate has already been issued.

Thank you for permitting me to testify, and I will be happy to yield for any questions.

Attachment 7
2/21/91
Sen. Eco. Dev.

1 ~~(pp)~~ (oo) except as otherwise provided in this act, all sales of
 2 services rendered by an advertising agency or licensed broadcast
 3 station or any member, agent or employee thereof;

4 ~~(qq)~~ (pp) all sales of tangible personal property purchased by a
 5 community action group or agency for the exclusive purpose of re-
 6 pairing or weatherizing housing occupied by low income individuals;

7 ~~(rr)~~ (qq) all sales of drill bits and explosives actually utilized in
 8 the exploration and production of oil or gas;

9 ~~(ss)~~ (rr) all sales of tangible personal property and services pur-
 10 chased by a nonprofit museum or historical society or any combi-
 11 nation thereof, including a nonprofit organization which is organized
 12 for the purpose of stimulating public interest in the exploration of
 13 space by providing educational information, exhibits and experiences,
 14 which is exempt from federal income taxation pursuant to section
 15 501(c)(3) of the federal internal revenue code of 1986; and

16 ~~(tt)~~ (ss) all sales of tangible personal property which will admit
 17 the purchaser thereof to any annual event sponsored by a nonprofit
 18 organization which is exempt from federal income taxation pursuant
 19 to section 501(c)(3) of the federal internal revenue code of 1986.

20 New Sec. 3. Any taxpayer who has invested in a qualified busi-
 21 ness facility and commenced commercial operations at such facility
 22 prior to the effective date of this act, shall be subject to the provisions
 23 of the job expansion and investment credit act of 1976 of which
 24 section 1 of this act is amendatory which were in effect at the time
 25 commercial operations commenced at such facility. Any taxpayer who
 26 has qualified for and claimed income tax credits or sales tax ex-
 27 ~~emptions~~ under the acts of which this act is amendatory prior to the
 28 effective date of this act shall continue to be subject to the provisions
 29 of the acts of which this act is amendatory which were in effect at
 30 the time the taxpayer qualified for such credits or exemptions for
 31 the entire period for which the credits or exemptions may be
 32 claimed.

been issued a
 exemption certificate

33 New Sec. 4. Except as otherwise more specifically provided, the
 34 provisions of section 1 of this act shall be applicable to all taxable
 35 years commencing after December 31, 1990.

36 Sec. 5. K.S.A. 79-32,153 and 79-3606 are hereby repealed.

37 Sec. 6. This act shall take effect and be in force from and after
 38 its publication in the statute book.



Kansas
Association
for
Small
Business

532 No. Broadway
Wichita, KS 67214
316 267-9984

SENATE ECONOMIC DEVELOPMENT COMMITTEE

February 21, 1991

Chairman Kerr, members of the committee, I am Mary Ellen Conlee representing the Kansas Association for Small Business. Several of the companies I represent have utilized the Enterprise Zone tax incentives as they expanded their businesses. I'd like to take this opportunity to explain how and why companies use Enterprise Zone incentives.

For small manufacturers this program is the only way to access state sales and income tax incentives to spur growth. Larger companies can access similar incentives as part of an IRB financing package. The minimum feasible IRB investment is \$2 million dollars.

Utilization of the Enterprise Zone benefits will result in lower costs for small business expansions through the elimination of sales taxes on all tangible personal property or services purchased for the purpose of or in conjunction with constructing, reconstructing, enlarging or remodeling a qualified business facility. Lower development costs increase the chances for growth and new jobs.

As you know there are only two state-financed tax incentives--elimination of sales tax and income tax credits for the creation of new jobs. Both are included in Enterprise Zone legislation which is equitable and simple to use. To apply, a company fills out a form verifying that it is in an enterprise zone and that it anticipates the creation of at least two new jobs. The application specifies the expected dollar value of the project. The state requests no other information about the actual details of the expansion. Therefore, projections of bypassed revenues are difficult to predict.

I recognize the original philosophical intent for the enterprise zone concept was to direct business growth to distressed areas. That being the case one could say the project has failed in Kansas. Nevertheless, I submit that these incentives are the only state-financed ones available to the small expanding business. Businessmen and women are risking their own money to grow businesses in Kansas. These incentives level the playing field with other states.

The Kansas Association for Small Business supports state sales and income tax incentives for growing businesses in Kansas. It is acknowledged that these do not necessitate a formal Enterprise Zone approach with its expectation of development in distressed areas. If 246 businesses in 1989 and 275 businesses in 1990 utilized the "Enterprise Zone" incentives, then the program's value to Kansas and its communities should be recognized.



Overland Park

February 19, 1991

Senator Dave Kerr
Chairman, and Members of the
Senate Economic Development Committee
State Capitol
Topeka, KS 66612

Dear Senator Kerr and Members of the Committee:

On behalf of the City of Overland Park, I am writing to express our opposition to Senate Bill 29, which seeks to limit the income tax credits and remove sales tax exemptions to qualifying businesses in an enterprise zone.

Approximately ten months ago, the city embarked upon an arduous process of negotiating an incentive package with a large international corporation to induce them to build a 3.3 million square foot telecommunications research and development park that would bring in approximately 6,000 new jobs to the City of Overland Park, Johnson County, and the state of Kansas. The city determined the project would in all respects benefit the people of the state of Kansas by increasing commerce and prosperity, improving living conditions, and promoting the general welfare and economic development of the city, county, and state. Since the impact of this development would be statewide, the prospective company requested the city and the state to work jointly in developing an incentive package.

In this inducement agreement, the city stipulated that it would issue economic development revenue bonds, aid in exempting the project from ad valorem taxes for a period of ten years, use reasonable efforts to have the site designated an enterprise zone, and assist the company in qualifying for such benefits to which enterprise zones in Kansas may become entitled. In lieu of taxes for personal property and buildings, the company agreed to pay approximately 50 percent of the property and ad valorem taxes that would otherwise have been due had the project not been exempted from payment of taxes.

The granting of incentive packages and enterprise zone benefits, etc., to companies that create thousands of jobs is an increasingly common practice for states. For example, after hearing Sears announce intentions to sell its 110-story, 4.6 million square foot Sears Tower and relocate 6,000 employees to an undisclosed location, a \$61 million package was given to Sears to stay in Illinois. Included within that package was \$6 million in state enterprise zone benefits. Other companies, such as the Toyota plant in Kentucky (3,000 employees)

Attachment 9

2/21/91

February 19, 1991

Page 2

and the GTE complex in Dallas (4,000 employees), were given incentive packages worth millions of dollars. It is apparent that many states place a premium on retaining and attracting companies where thousands of jobs are involved and are not reluctant to offer assistance in the form of incentives.

Our opposition to this legislation is based on the fact that Senate Bill 29 would undermine all the efforts undertaken. The entire negotiation process and resulting inducement agreement were structured around assumptions that current state benefits and incentives would be available. To modify or alter the benefits granted to enterprise zones at this stage would be punitive in nature and akin to "changing horses in the middle of the stream." We feel the state should be concerned with all the potential new tax-paying spinoff businesses and jobs that would be lost if this legislation becomes law.

If the Legislature in its wisdom feels that a review of enterprise zones is warranted, our suggestion would be to refer this subject to an interim committee for closer scrutiny. Once again, we reiterate our opposition to this legislation.

If you have any questions, please contact me.

Sincerely,



Ed Eilert
Mayor

EE:jm

2/21/91
9-2

**Greater Topeka
Chamber of Commerce**
Three Townsite Plaza
120 East Sixth Street
Topeka, Kansas 66603
913/234-2644



February 18, 1991

Senator David Kerr
Statehouse, Room 120-S
Topeka, KS 66612

Dear Senator Kerr,

The Greater Topeka Chamber of Commerce is opposed to SB 29 which removes the expanded income and sales tax incentives for business locating or expanding in enterprise zones.

Local enterprise zones have been developed to enhance the benefit of expanding or locating a firm in economically depressed areas of Topeka and Shawnee County. In addition to the state incentive, local incentives have been added: the waiver or refund of building permits, plumbing, electrical and mechanical fees, and deferment of the private sector costs of public improvements by the city council (local incentives are subject to qualifications). Enclosed are two maps of our local enterprise zones.

The establishment of enterprise zone incentives, by the legislature in 1982, was a step toward making Kansas more competitive in the business of economic development and growth. This legislative action has achieved this goal. Topeka/Shawnee County has seen the expansion of Goodyear, La Siesta Foods, Connect-It Frame, Topeka Foundry, Ohse Meats, Topeka Waste Management, Hills Pet Products, Quaker Oats, and Famous Brands in the last two years. Additionally, Reser Foods, a new company in Topeka and Kansas, is currently building a facility in an enterprise zone in east Topeka.

We encourage caution as you study removing or reducing enterprise zone incentives. The last thing Kansas needs to do is eliminate benefits to locating or expanding businesses in this state. We are not experiencing a statewide economic boom, therefore must be aggressive in capturing what growth we can from business and industry.

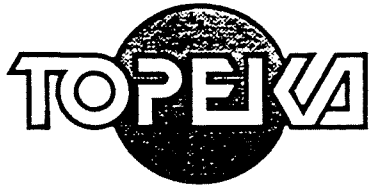
The Topeka Chamber is opposed to SB 29 and urges the Senate Economic Development Committee to reject this legislation.

Sincerely,

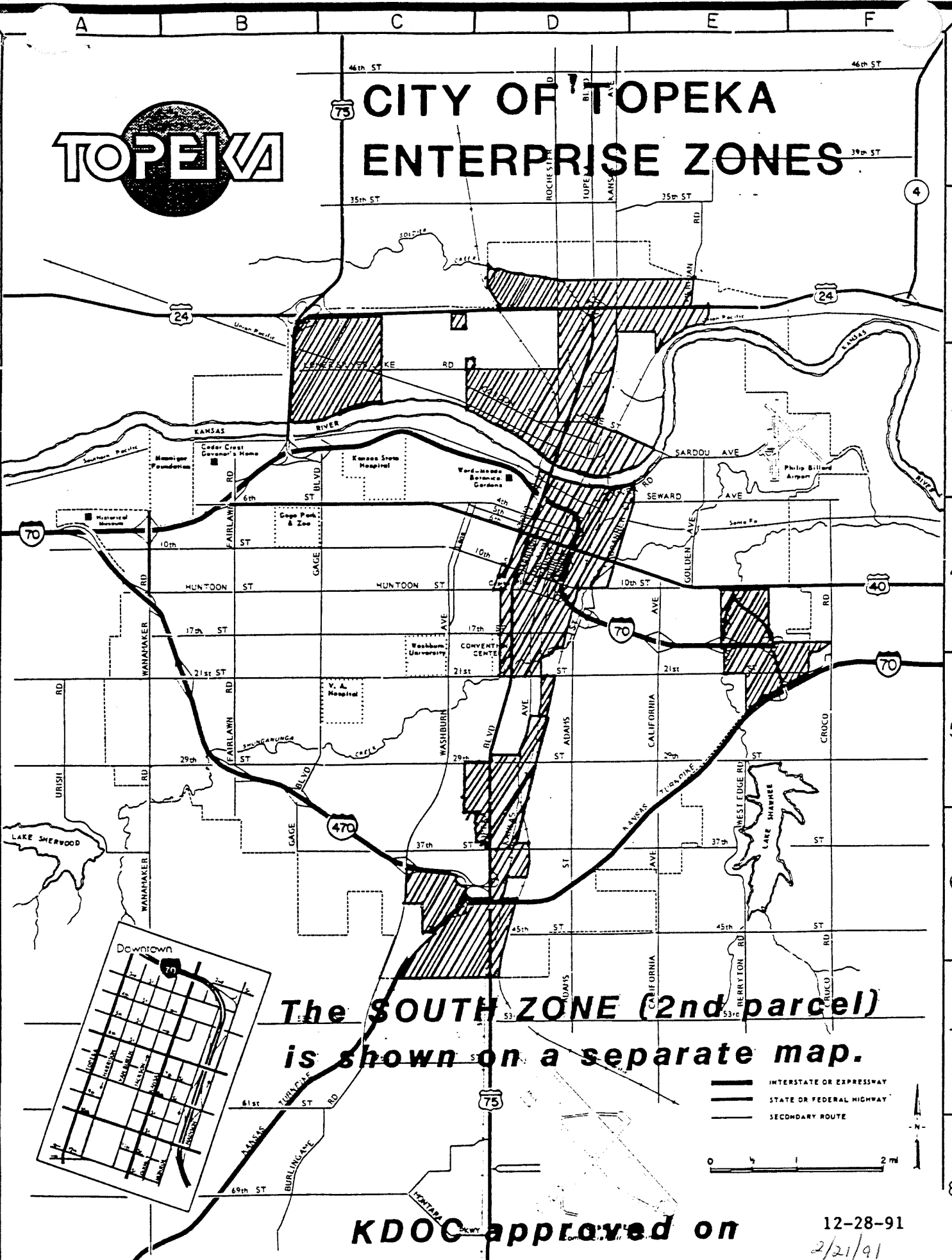
A handwritten signature in black ink, appearing to read "Mary".

Mary E. Turkington
Chairman of the Board

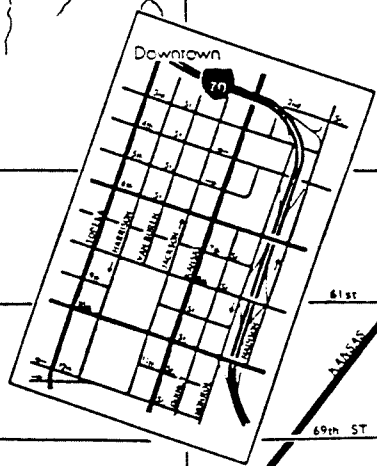
Attachment 10
2/21/91
Sen. Eco. Dev.



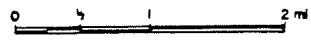
CITY OF TOPEKA ENTERPRISE ZONES



**The SOUTH ZONE (2nd parcel)
is shown on a separate map.**

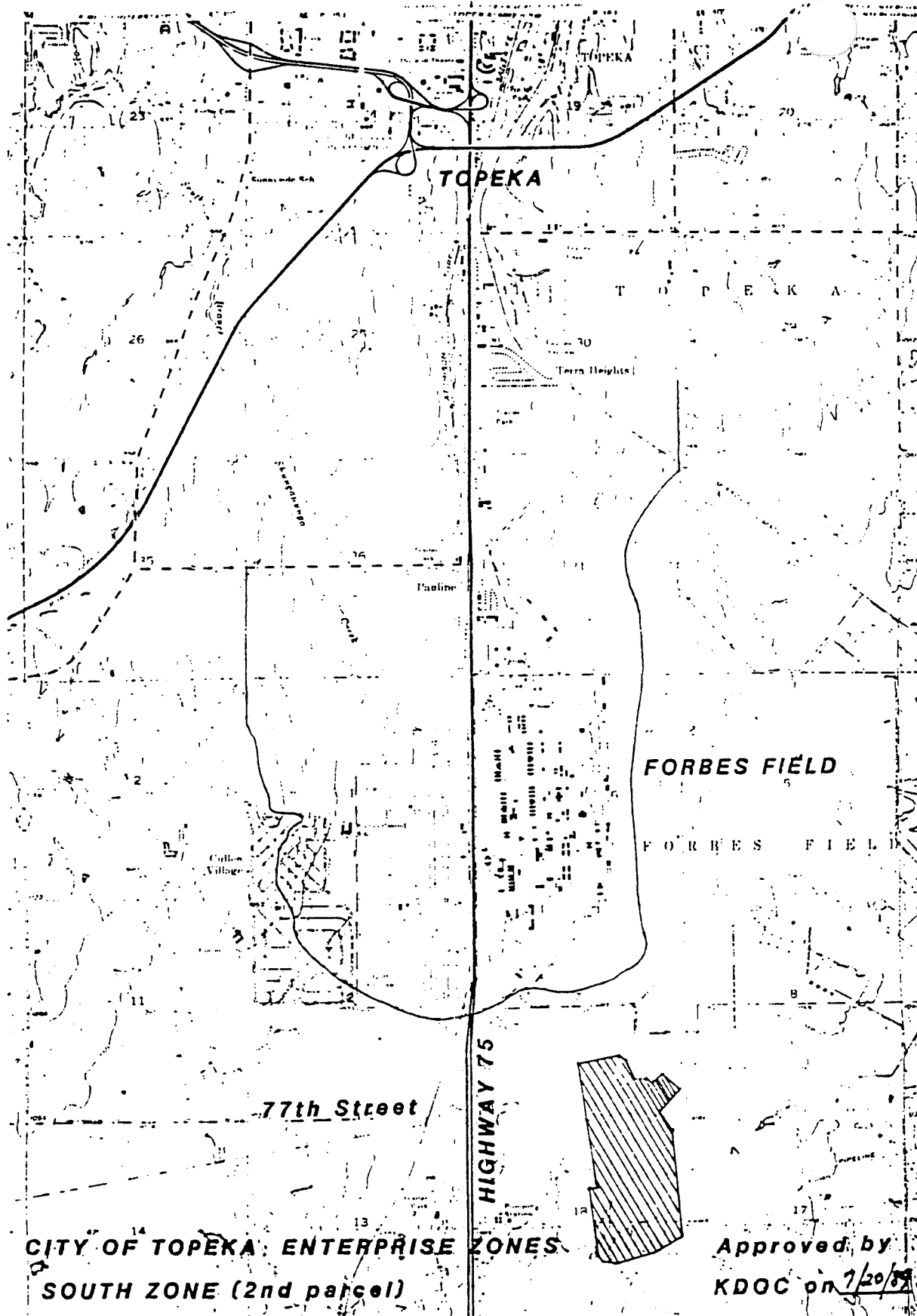


- INTERSTATE OR EXPRESSWAY
- STATE OR FEDERAL HIGHWAY
- SECONDARY ROUTE



KDOC approved on

12-28-91
2/21/91
10-21



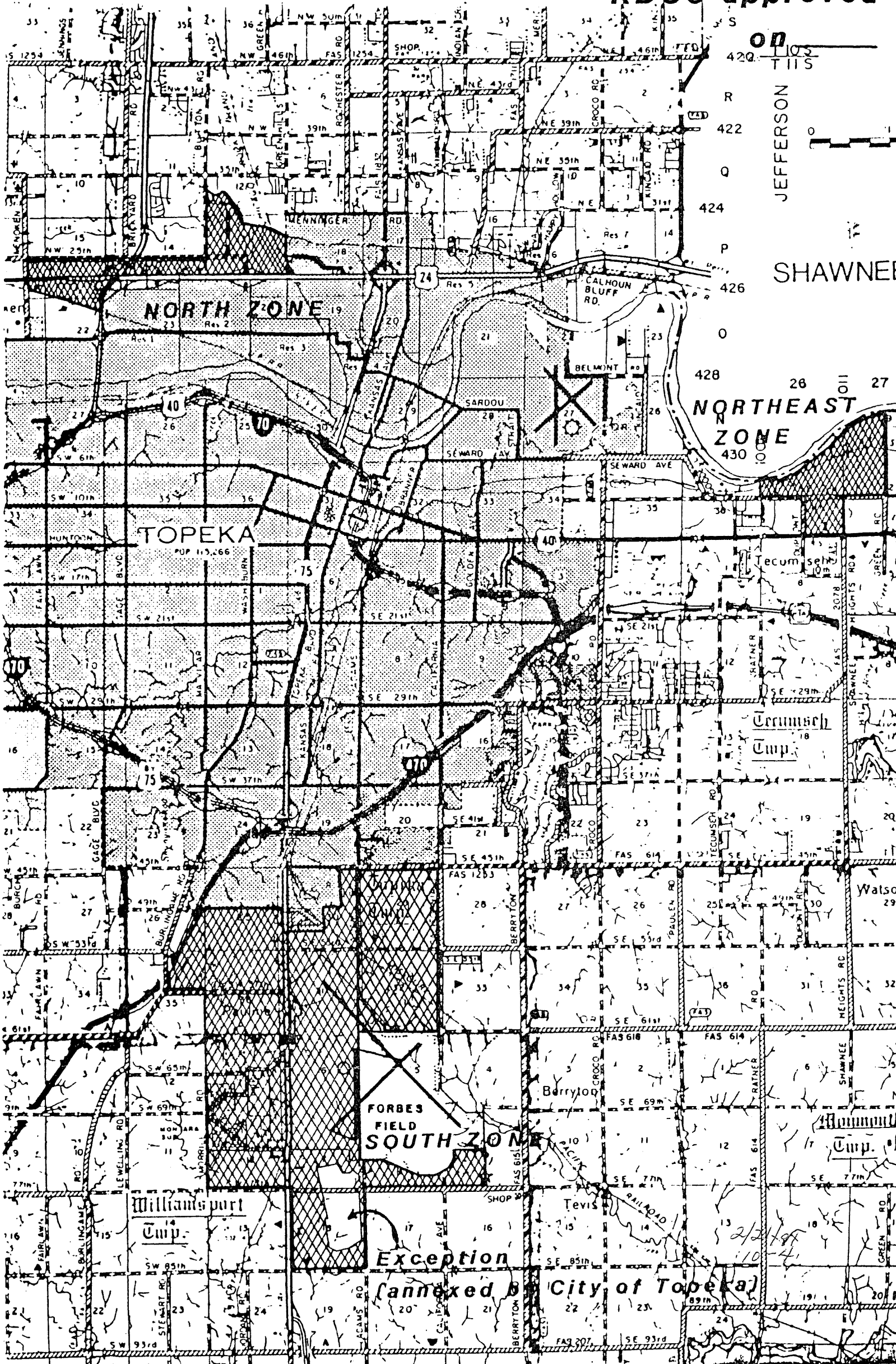
CITY OF TOPEKA ENTERPRISE ZONES
SOUTH ZONE (2nd parcel)

Approved by
KDOC on 7/20/89

2/21/91
10-3

SHAWNEE COUNTY ENTERPRISE ZONES

KDOC approved



Christmas, its budget chairmen say. **C-1**

The pickup of business-partners marriages is a phenomenon of the times. George Gurley, **C-1**

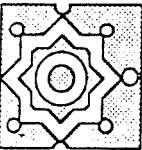
OPINION

If Iraq can be persuaded that only its total withdrawal from Kuwait can bring peace, then much bloodshed can be averted. **C-6**

STYLE

The year 2000 will bring our millenium to its end. The 1,000-year span saw its saints and sinners, great truths and big lies, innovations and milestones. **E-1**

THE WEATHER



Freezing rain, sleet changing to light snow, freezing drizzle. High 29. Mostly cloudy tonight.

Light snow, freezing drizzle possible. Low 13. Possible flurries Sunday. High 30. **D-10**

DEPARTMENTS

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Report a crime — Dial 474-TIPS to report any information about crimes to the Kansas City Crime Commission. You can remain anonymous.

THOUGHT FOR TODAY

As good almost kill a man as kill a good book: who kills a man kills a reasonable creature, God's image; but he who destroys a good book kills reason itself.

— John Milton

Ice makes I-635 disaster



After escaping injury in a collision on I-635, Bill Lynch, an attorney from Prairie Village, calls for a ride home. Lynch said his car was struck several times. He fled his vehicle just before a semi-truck plowed into its rear, he said.

By **MARK BOCCHETTI**
Staff Writer

Freezing drizzle transformed a half-mile stretch of Interstate 635 into an icy chute Friday afternoon, sending about 40 cars into a pileup in which at least five persons were injured.

The southbound lanes of I-635 between Parallel Parkway and State Avenue in Kansas City, Kan., were closed for about 90 minutes.

The bad weather was expected to continue through this morning, leaving roads treacherous.

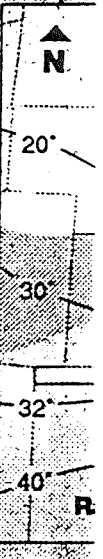
At least 28 vehicles were damaged in the accident Friday, but the scene was such a mess that officials were unsure exactly how many vehicles were involved. Some people drove away after they determined their cars had not been seriously damaged.

"I quit counting around 40-some, and I thought there were more over the hill," said Trooper Jim Todd, as he surveyed the highway. "It's not a pretty sight."

The road surface was littered with debris. **See SUDDEN, A-10, Col. 1**

More to c

More snow much of it receive a Tempera Road cor



Source: Weather

Kansas use of breaks for business criticized

Enterprise zones don't mix with country clubs, official argues.

By **JILIAN MINCER** and **ANN SPIVAK**
Staff Writers

Kansas and Johnson County, Dick Cowden says, are giving blight a black eye.

As one of only six states in the nation that do not limit enterprise zones to blighted or impoverished areas, Kansas has created 256 such zones to lure business. Example: Overland Park's proposal this week to designate 247 acres as an enterprise zone so that United Telecommunications Inc. will build an office campus there.

But designating valuable land as

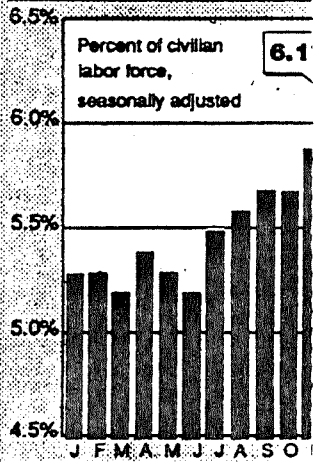
an enterprise zone for the sole purpose of attracting companies such as United Telecom is wrong, said Cowden, executive director of the American Association of Enterprise Zones in Washington.

The idea of creating enterprise zones, Cowden said, was to "target development in areas that are aging or dilapidated."

Cowden, who recently visited the Kansas City area, said he is appalled at the way Kansas designates certain parcels of land as enterprise zones. He said a piece of land should be in an economically depressed area before it qualifies for the tax breaks offered to businesses in an enterprise zone.

In order to be classified as an enterprise zone in Kansas, an area **See OFFICIAL, A-11, Col. 1**

Jobless rate



Percent by group Dec.

White men	5.0%	4
White women	4.4%	4
Hispanic	9.3%	8
Black men	10.9%	11
Black women	10.6%	10

Source: Bureau of Labor Statistics

Knight-Ridder Tribune

Kansas City Star

January 5, 1991

Attachment 11
2/21/91
Sen. Eco. Dev.

Official of group decries Kansas' use of special zones

Continued from A-1

either must have deteriorated or abandoned buildings or must experience a loss of tax revenue.

But that doesn't really disqualify any area, state officials said. A building removed from the land at any time in the past, officials said, can be construed as a loss of tax revenue.

The Overland Park land on which United Telecom plans to build, and an 8-acre site in Mission Woods that has been designated an enterprise zone for the company to expand its headquarters this year, do not fit the general criteria for enterprise zones, Cowden said.

"I don't know how they can justify this," Cowden said. "You can just about throw a rock and hit the Mission Hills Country Club" from the Mission Woods site.

If states want to give tax incentives to businesses, Cowden said, "that's fine, but we as an association oppose them calling it an enterprise zone."

But United Telecommunications Inc. has made it clear to Overland Park that building an office campus in the city hinges on receiving tax breaks from the state.

The city plans to help the process Monday by voting to ask the state to designate the company's 247 acres as an enterprise zone, making it eligible for a long list of tax breaks.

All but six of the 38 states with enterprise zone laws require them to be designated in blighted or impoverished areas. Kansas is not one of them, but does have certain criteria that cities must meet.

State and local officials say the zones are an important economic development tool to lure businesses that otherwise might locate in other cities or states. It matters little whether the land is in an economically depressed area, officials said.

"I think the term 'enterprise zone' means something different in every state, said D. Wayne Zimmerman, deputy secretary of the Kansas Department of Commerce. "If the area meets those criteria, we can designate it a zone."

Another state official said parts of any community could probably

fall into an enterprise zone designation.

"The program is used primarily as an economic development tool," said Department of Commerce official David Ross.

"The law doesn't necessarily state that it has to be a blighted area, although some states have chosen to do this."

Where the area's zones are

Johnson County cities that have enterprise zones are Lenexa, Roeland Park, Olathe, Shawnee, Merriam, Mission Woods, De Soto, Spring Hill and Gardner. In Kansas City, Kan., part of the

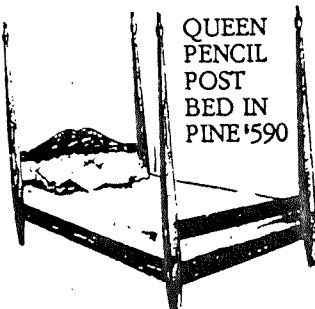
Fairfax Industrial District is designated as an enterprise zone.

Most cities in Johnson County are eligible for enterprise zones because population in those areas has decreased by at least 10 percent during a 10-year period — one of the state requirements.

Mission Woods Mayor William Sanders said Cowden is "comparing apples and oranges. . . . When you're dealing with Kansas, it's not the same as New Jersey."

In Kansas, existing businesses that expand in the zones and those that locate there are eligible for state tax credits and city incentives.

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2/21/91
11-2

purposes as is the case with a local chamber of commerce or state development agency. In one of the latest texts on development (Economic Development Programs For Cities, Counties And Towns, Praeger, 1990), John Levy (Virginia Polytechnic) makes an educated guess. He counts 15,000 to 18,000 organizations devoted to promotion of local economic growth. He calculates that this high number would imply operating costs of these agencies to be in the neighborhood of \$4 billion a year. To this figure would be added state outlays for all economic development purposes, local outlays for industrial parks and other projects, federal "tax expenditures" for industrial development bonds, and federal outlays for economic development programs.

Enterprise Zones: Some state governments are continuing to emphasize enterprise zones, even though the original impetus for state action was anticipating a federal program thought likely to pass in the early 1980s that never has been implemented. The states typically designate zones based on criteria of economic hardship such as unemployment and/or low income. Companies that expand employment in a zone are given tax incentives and/or capital financing. In a few states, public infrastructure investments are also targeted for the zones. Conway's inventory (see above) has a supplement detailing 15 different policies states pursue for their enterprise zones. Most of the zone incentives are forms of tax incentives. A rough idea of how intensively the states with zone programs have been supporting them is indicated by Table 1, which shows the number of the possible 15 in effect in each state that uses zones.

Table 1: Number of Enterprise Zone Incentives, 1990

<u>State</u>	<u>Incentives</u>	<u>State</u>	<u>Incentives</u>	<u>State</u>	<u>Incentives</u>
California	11	Missouri	6	Michigan	3
Indiana	9	Vermont	5	Mississippi	3
Illinois	8	Alabama	4	New York	3
Kansas	8	Delaware	4	Ohio	3
Maryland	8	Nevada	4	Tennessee	3
Connecticut	7	Texas	4	Virginia	3
Florida	7	Utah	4	West Virginia	2
Louisiana	7	Arkansas	3	Arizona	1
Minnesota	7	Colorado	3	Georgia	1
New Jersey	7	Kentucky	3	Hawaii	1
Wisconsin	7	Maine	3		

Enterprise zones continue to get mixed reviews among policy analysts (see Technical Notes). The states are making modifications in zone programs as they gain experience with them. For example, this year Tennessee converted from tax credits to reimbursements that are subject to the availability of appropriations.