

Approved February 28, 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.~~^{XXX} on February 26, 1991 in room 123-S of the Capitol.

All members were present except:

Senator Paul Feleciano
Senator Janice McClure (excused)
Senator Ben Vidricksen

Committee staff present:

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

Conferees appearing before the committee:

Senator Dave Kerr, Chairman, called the meeting to order and said that the Committee would be working several bills which have been heard previously.

SB 29 - Income tax credits and sales tax exemption for location of business in enterprise zone repealed

Written testimony in opposition to SB 29 from the Olathe Chamber of Commerce and the Overland Park Chamber of Commerce (Attachments 1 and 2) were distributed to the Committee. The Committee was also provided with a table showing various states and the number of high tech initiatives each has (Attachment 3).

Chairman Kerr appointed a subcommittee for SB 29: Senator Moran (Chair), Senator Winter, Senator Petty and Senator Brady.

SB 32 - Establish office of work force training in the department of commerce

Senator Salisbury moved that the bill be recommended favorably for passage. Senator Oleen seconded the motion. After discussion, Senator Brady made a substitute motion that the word "assistant" be deleted from lines 14 and 16 of the bill, and that the bill, as amended, be recommended favorably for passage. Senator Petty seconded the motion, and the motion carried.

SB 33 - Establishing Kansas skills program

Senator Salisbury moved that the words "to Kansas" be added after the word "new" in line 34 of the bill. Senator Winter seconded the motion, and the motion carried. There was discussion about the Ways and Means subcommittee report on the Department of Education and the fact that the subcommittee had recommended that funding for area vocational-technical schools be increased. Senator Winter, a member of the subcommittee, agreed to convey the Committee's recommendation that any increase in funding for vo-tech schools be targeted to the program in SB 33. Senator Oleen moved that the bill, as amended, be recommended favorably for passage. Senator Salisbury seconded the motion, and the motion carried.

Senator Salisbury moved that the minutes of the February 21, 1991 meeting be approved. Senator Winter seconded the motion, and the motion carried.

The meeting adjourned at 8:30 a.m. The next meeting of the Committee will be Wednesday, February 27, 1991.



CHAMBER
OF COMMERCE

TO: Members of the Senate Economic Development Committee

FROM: Donald R. Goss, President, Olathe Area Chamber of
Commerce

SUBJECT: Senate Bill No. 29, Repeal of Enterprise Zone Tax
Incentives

DATE: February 21, 1991

Mr. Chairman, members of the Committee, I thank you for the chance to appear before you today concerning your deliberations of Senate Bill 29. The issue encompassed by this legislation is important to our community. It is legislation that could put our community at an even greater disadvantage to our neighbors in Missouri, a mere 15 miles east.

Through the years, states, counties and municipalities have been afforded the chance to use and develop programs designed to help improve their economic well being. Such is the case with enterprise zones. The creation of these zones provides communities with a tool which allows them to target the geographic areas most needing economic development. Through this ability to target, the community can also direct other improvements to these areas more efficiently.

Of concern to our community is the ability to compete equally with our neighbors to the east. Just 15 miles from our border lies the state of Missouri. Although Missouri limits the number of enterprise zones in the state, we find that many of them are located along their western border with Kansas. Statistically, Kansas does not match up with the incentive programs Missouri provides its communities. Removing enterprise zones from the available options Kansas communities have to assist in the recruitment of new and expanding business will put our state further behind.

Alternative courses of action may be needed with respect to the use of enterprise zones. Elimination of this basic tool, in my opinion, will not resolve the economic problems of the state. It could, in fact, do just the opposite.

Attachment 1
2/26/91
Sen. Eco. Dev.

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OLATHE, KANSAS
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The solution presented in Senate Bill 29 eliminates the incentives provided companies locating in an enterprise zone. In the short term this may appear to be an appropriate approach. Its long term effect, however, could put our community in an even more uncompetitive posture with communities in Missouri, a state that already has a more liberal enterprise zone incentive portfolio.

If changes are necessary in the enterprise zone law, we need to look at the changes, not the elimination of the program. Data submitted by the Institute For Public Policy and Business Research at the University of Kansas did an excellent job of pointing to enterprise zone programs of selected states in the U.S. That document, however, did not look at Missouri's enterprise zones and the potential relationship to Kansas' border counties.

Communities on the eastern border of Kansas need to have the discretion to establish enterprise zones that make sense to the development of their economic well being. Testimony by the Assistant Director of Administrative Services of Olathe, points to the results attained by Olathe's enterprise zone. It also points to the amount of capital improvement dollars targeted by the city to this zone.

Our ability to grow and develop has been a cornerstone to the economic growth of Kansas. We, like the rest of Kansas, need to have the ability to compete with both hands free. Because we need that ability, our chamber stands opposed to elimination of enterprise zones in Kansas.

We need to carefully evaluate any changes proposed in our enterprise zone laws to make sure our ability to compete isn't impaired. We must rely on the wisdom of our elected community officials to use the incentives we receive for development fairly and with integrity. All we can ask of you today is that you continue to give us a chance to use our enterprise zones for the improvement of our community's economic well being.

2/26/91



OVERLAND PARK

chamber of commerce

February 20, 1991

Senator Dave Kerr
Chairman, Economic Development Committee
c/o State House
Topeka, KS 66612

Dear Senator Kerr and Members of the Committee:

I've been asked on behalf of the Overland Park Chamber of Commerce to express our opposition to SB 29 limiting the benefits currently available within enterprise zones in the State of Kansas.

The Chamber heartily concurs with comments received by you from Mayor Ed Eilert and the City of Overland Park concerning our particular situation and the impact this legislation could have on 9000 base office jobs, the resulting spin-off firms and employment.

However, the Chamber would like to address the broader philosophical issue of Enterprise Zones and their use. Enterprise Zones are one of many tools used to attract or keep companies and jobs in a state. Their use has evolved over the past several years as the need to use them has increased.

There are several reasons to oppose SB 29:

1. Kansas could no longer compete regionally or nationally without the benefits from the zones. Already this state is very non-competitive in the business tax area.
2. Kansas is still an extremely conservative state as far as incentive packages are concerned, even with the Enterprise Zone left as it is. Toyota, Sears and GTE are all startling examples of this.
3. Many companies have located or expanded their operations as a result of being able to access Enterprise Zone benefits. Some firms plan to expand with their use. Changing the rules in the middle of the game would be detrimental to many communities and the State.

Attachment 2
2/26/91
Sen. Eco. Dev.

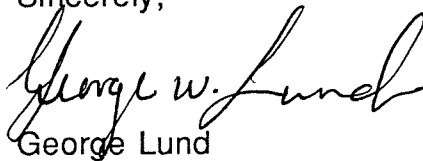
Page 2.

4. Many local communities are offering some sort of package on their part and this should be coupled with significant state participation. New jobs benefit the entire State of Kansas. The base employers in these zones create a multiple of spin-off firms and jobs to the benefit of not only the local community but the state as well.

The Chamber feels strongly that the State of Kansas must continue to compete for new jobs if it is to survive the economic challenges at hand.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "George W. Lund".

George Lund
Chairman of the Board

GL:MB:rt

2/26/91

2-2

High Tech Incentives: The number of states with special incentives to promote high technology business has been growing rapidly. A spring 1990 survey reviewed the states with each of nine incentives. Every state reported that it made university R&D facilities available to industry. Entrepreneurial assistance was provided to high-tech companies by all but one state, while technology transfer centers or other activities were provided by all but two states. State science or technological advisory councils exist in all but nine states. There is also substantial grant and tax exemption money available in the form of tax exemptions for R&D (30 states), venture capital (31 states), R&D grants (37 states), incubators (33), and state funds for research parks (24). All told the survey listed nine polices a state could follow. Most of the larger states were pursuing all nine approaches. The other states appear on Table 2.

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Table 2: Number Of State High Tech Initiatives, Nine Possible
NOTE: States Not Shown Have All Nine Initiatives

<u>State</u>	<u>Number</u>	<u>State</u>	<u>Number</u>	<u>State</u>	<u>Number</u>
Alabama	8	South Dakota	7	Idaho	5
Colorado	8	Virginia	7	Kentucky	5
Maine	8	Arkansas	6	Massachusetts	5
Montana	8	Delaware	6	Texas	5
Ohio	8	Hawaii	6	Washington	5
Oklahoma	8	Minnesota	6	West Virginia	5
Oregon	8	Mississippi	6	Arizona	4
Utah	8	Nebraska	6	New Hampshire	4
California	7	New Mexico	6	North Dakota	4
Georgia	7	Rhode Island	6	Tennessee	4
Louisiana	7	Vermont	6	Nevada	3
New Jersey	7	Wyoming	6	Alaska	2

Border Wars And Commodity Exchanges: The Wall Street Journal (10/30) called the offers "lucrative even by the standards of recent contests." The prize was the location decision of a group of commodity trading exchanges now located in New York City, with as many as 12,000 jobs at stake. The winner, New York. The price was not disclosed, but the New York Times reported "a construction grant of \$82 million, tax and rent subsidies worth \$56 million and energy savings of nearly \$7 million." One source reported the New Jersey offer as a \$100 million capital grant, but New Jersey officials didn't publicize their offer. That state's Commerce Commissioner said after the decision was announced, "We knew all along that the exchanges were really using New Jersey as leverage to get a better deal out of New York."

New Jersey claims continued success in drawing firms from New York. The New Jersey development agency counts 51 announced relocations from New York in 1990, with each one representing an average of 140 jobs. The 1990 count is up from the levels of 1988 and