Approved March 5, 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 28, 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:

David King, Executive Vice President, United Telecommunications, Inc.
Laura Nicholl, Secretary, Department of Commerce
Wayne Byrd, Councilman, City of Overland Park
Mark Beshears, Secretary, Department of Revenue
Charles Warren, President, Kansas, Inc.

Senator Dave Kerr, Chairman, called the meeting to order and announced that the Committee would be hearing background and information about the nature of the two bills being proposed which would provide additional incentives to United Telecommunications, Inc. (UTI) relating to their proposed new campus in Overland Park.

David King provided written testimony (Attachment 1). He described the evolution of UTI and gave an overview of the Sprint/United campus project. UTI plans to build a training center, a technology planning facility and general office space on a 247-acre tract in Overland Park. It is anticipated the project will take 10-12 years to complete and result in an additional 6,000 jobs, retention of 3,000 jobs and induce the creation of an additional 11,000 service/support jobs. Mr. King discussed his company's request for legislation. One bill would change the existing apportionment factor for telecommunication companies to a single factor apportionment method. The other bill would increase funding for training for new jobs in Kansas. Chairman Kerr said it was his understanding that there would not be a net decrease in the amount of taxes presently paid under the three factor apportionment formula if the proposed change to a single factor formula is enacted. Mr. King agreed that that is correct. Senator Francisco asked about the pay range of the new jobs. Mr. King said they project that the average will be $35,000 yearly.

Laura Nicholl testified in support of the proposed incentives (Attachment 2. She gave several examples of state incentive packages offered by Kansas and other states to attract specific industries. She noted that UTI has also asked for completion of the I-435 Nall interchange and guaranteed enterprise zone tax credits at existing levels. Answering a question from Senator Salisbury, Ms. Nicholl said she supports some changes in the enterprise zone law but not total elimination.

Wayne Byrd described the incentive package offered by the City of Overland Park consisting of: a benefit district, establishment of an enterprise zone, Industrial Revenue Bonds and a property tax abatement program.

Mark Beshears told the Committee that his agency has been working with UTI and hopes to have a fiscal note ready early next week.

Charles Warren explained several tables of comparisons of taxes for Kansas and Missouri (Attachment 3).

Senator Salisbury moved that the minutes of the February 26, 1991 meeting

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,

room 123-S, Statehouse, at 8:00 a.m./p.m. on February 28, 1991

be approved. Senator Oleen seconded the motion, and the motion carried.

The meeting adjourned at 9:00 a.m. The next meeting of the Committee will be Tuesday, March 5, 1991.

Date 2/28/91

SENATE ECONOMIC DEVELOPMENT
VISITOR SHEET

(Please sign)

Name/Company	Name/Company
Ken Evans	KDOC
Bud Grant | KCCI	
Ed Rogers	
Dave King	Sprint/United
Liberty Ford	US Sprint
CLYDE ENGERT	KTEC
Bill Roche	United
Charles Warren	Kansas Inc.
MARK BESHEARS	REVENUE
MARK BURGHART	"
JOHN PARKS	"
Merle Hill	Ks Assn Community Colleges
Jamie Schwartz	United Telecom
John Boewsen	United Tel.
Pat Higgins	Leg. Affairs
Roger Christianson	KDOC
Steve Jack	KDOC
Scott Canon	K.C. Star
Scott Hessell	Kansas Inc.
Alan E. Sims	Overland Park
Wayne C. Byrd	Overland Park
ALLEN BELL	KDFA

HEARING

BEFORE THE

SENATE ECONOMIC DEVELOPMENT COMMITTEE

THURSDAY, FEBRUARY 28, 1991

8:00 A.M.

ON

UNITED TELECOMMUNICATIONS, INC. CAMPUS PROJECT

Attachment 1
2/28/91
Sen. Eco. Dev.

Good morning Mr. Chairman and members of the committee. My name is David D. King. I am an Executive Vice President with United Telecommunications, Inc., located in Westwood, Kansas (2330 Shawnee Mission Parkway, [913]676-8426). I am primarily responsible for strategic and technical planning and human resources.

The purpose of my testimony this morning is threefold. I will discuss the evolution of United Telecommunications, Inc.; the development of a 247-acre tract of land by United Telecommunications, Inc. in Kansas; and the need for certain legislation in this session that will make the Kansas business environment somewhat comparable with that enjoyed in neighboring states.

Overview of United Telecommunications

Today, United Telecommunications, Inc. is the largest publicly-held Kansas corporation headquartered in Kansas. Founded in 1898 in Abilene, Kansas, United has grown into a major communications provider of local service, long distance services provided by our U S Sprint organization, directory services, supply services, and other related telecommunications endeavors. With over 43,000 employees, an asset base in excess of $10 billion and revenues in excess of $8 billion, combined with our commitment to excellence and the provision of quality services, as evidenced by the all fiber optic U S Sprint long distance network, Sprint/United stands as an international telecommunications leader.

As United has grown and evolved, it has maintained its commitment and presence in Kansas. One of its subsidiaries is the United Telephone Co. of Kansas. Headquartered in Junction City, United Telephone provides local telephone service to over 125,000 customers in 63 counties and 209 communities throughout the state. This presence was increased during 1989 from 69,000 customers to 125,000 customers pursuant to an agreement with

2/28/91
1-2

Contel which resulted in United trading properties in Arkansas and Iowa for Contel's Kansas properties. This particular act was but one of many over the years which evidences our continuing commitment to and desire to do business in the state of Kansas.

Given our historic ties to the state, given the fact that it has been a very good home for the corporation, given it's excellent geographic location for a company involved in an international business, given the quality of its schools and infrastructure and commitment to good government, given the values of its work force and our employees' positive attitude towards the location, we elected to purchase a 247-acre tract in Overland Park for future business development in Kansas. It is our belief that this development will lead to a win-win-win opportunity for the state of Kansas, for the city of Overland Park, and for Sprint/United.

Overview of Sprint/United Campus Project

We purchased 247 acres of undeveloped land in Overland Park for the purpose of developing a training center for our University of Excellence, a technology planning facility, and general office space. Build-out for this site will take 10-12 years and will include over 3,300,000 square feet of office space. The cost of this project is estimated at $500 million. We estimate that this will result in an additional 6,000 jobs with Sprint/United in Kansas; in the retention of over 3,000 jobs which currently support U S Sprint's long distance division; and in the retention of the international headquarters of Sprint/United. The Johnson County Economic Research Institute estimates that the impact during construction of the campus will generate over 5,000+ construction jobs and induce the creation of an additional 6,000+

service/support jobs. These jobs are expected to increase annual household earnings by more than $230 million. When completed, the Johnson County Economic Research Institute predicts that the operating impact of the campus will generate over 9,000 Sprint/United jobs and induce the creation of an additional 11,000+ service/support jobs. It is estimated that these jobs will yield an annual increase in household earnings of $495 million.

Phase I of the campus project includes approximately 600,000 square feet for the establishment of the University of Excellence and the technology center. This educational/technical center will provide numerous potential joint educational efforts between Sprint/United and the state's universities, community colleges, and even secondary schools. We believe that this potentially unique benefit will garner particular recognition for the state and secondarily for the corporation as we work in unison.

During the past nine months, we have worked in a spirit of cooperation with the city of Overland Park to reach an agreement which would be mutually beneficial to the city, its citizens, and the company. Following the purchase of the 247 acres and during our discussions with Overland Park, we were approached on numerous occasions by other non-Kansas governmental entities seeking the location of this major business project within their particular states. Given our desire to consolidate and not relocate and thus stay in the state of Kansas, we have in all instances graciously but firmly explained our desires. It was not during these past many months or is it now our intention to turn the location and development of the campus site into a bidding contest. At the same time, I, on behalf of the entire United executive officer team, have a fiduciary responsibility to United's board of

2/28/91
1-4

directors and to its thousands of shareholders to ensure that the company receives economic development incentives for this major project which would be comparable with those offered by other states. Recognizing the significant impact that this project would have on its city and the state of Kansas, Overland Park, after extensive negotiations with the company, provided United with certain qualified property tax abatements and agreed to use reasonable efforts to have the proposed campus site designated as an enterprise zone. In January, 1991, the state of Kansas declared the campus site an enterprise zone - an important piece of the overall economic incentive package associated with the campus.

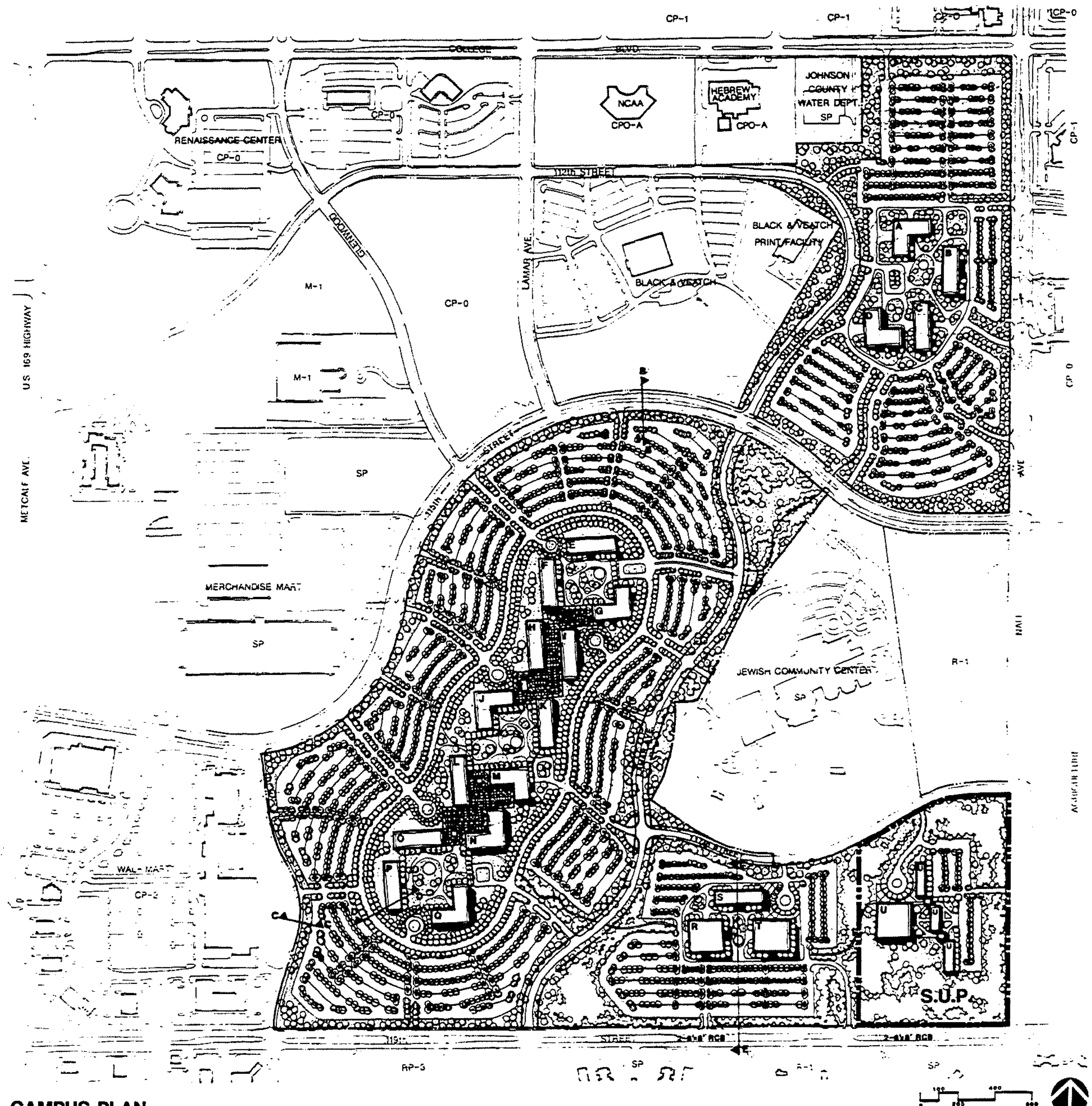
The inducement agreement between the city of Overland Park and United clearly recognizes that while the company intends to construct its campus on the proposed site, that any such construction would be conditioned upon many factors including the general condition of the economy, industry trends, and economic factors. That agreement also specifically recognizes that construction is conditioned upon the state of Kansas providing certain economic development incentives.

Legislative Issues

Until a mutually beneficial agreement was reached with the city of Overland Park, it would have been premature for us to discuss any legislative action. Given the first step in this process is completed, I am here today to request your support for a program which will benefit Kansas, its communities, and Sprint/United. I would ask your support for two pieces of legislation. The first is designed to put Kansas on a more comparable level with Missouri for corporate state income tax purposes. This income tax legislation would change the existing apportionment factor for telecommunications companies to a single factor apportionment method similar to the method currently available to telecommunications companies in Missouri. This legislation would be available only to telecommunications companies with a substantial presence in the state. It is our belief that the addition of 6,000 new professional staff and executive management positions on the campus plus the tangential job growth and related household earnings increases estimated by the Johnson County Economic Research Institute will yield personal income taxes, sales taxes, real estate taxes, and other revenues which will more than offset any potential long-term reduction in corporate tax liability. Second, we are supporting legislation designed to increase the funding for training available in Kansas for new jobs which are brought to or created in Kansas by any company or organization. This particular piece of legislation like the former piece is intended to place Kansas on a comparable footing with Missouri.

In discharging the corporation's fiduciary responsibility to its board and its stockholders, we have worked diligently to develop a plan which yields comparability to other states while preserving our long-term commitment to and involvement with the state of Kansas. I would ask that you look favorably upon our request so that we can fully develop a campus in Kansas which will be a hallmark within our state and of significant long-term benefit to all its citizens.

Thank you for the courtesy and attentiveness you have shown me this morning.



CAMPUS PLAN

PLANNING DATA

LAND USE	Corporate Office	
ZONING	CP-O	
GROSS FLOOR AREA	General Office	3,050,000 G.S.F.
	Special Use Permit	250,000 G.S.F.
	Total	3,300,000 G.S.F.
PARKING	General Office (@ 3.8):	
		11,590 spaces
	Special Use Permit	200 spaces
	Total	11,790 spaces
GROSS LAND AREA	264 Ac.	
FLOOR AREA RATIO	.29	
LAND USE INTENSITY	5.6 (0.3 bonus requested)	
OPEN SPACE	19% required 27% provided	
LANDSCAPED PARKING	6% required 18% provided	

BUILDING DATA

Building	No. Floors	Gross S.F.
A	4	88,406
B	6	132,608
C	8	176,812
D	12	265,218
E	12	265,218
F	6	132,608
G	8	176,812
H	5	110,507
I	5	110,507
J	12	265,218
K	6	132,608
L	6	132,608
M	4	88,406
N	8	176,812
O	8	176,812
P	5	110,507
Q	5	110,507
R	4	132,609
S	6	132,608
T	4	132,609
U	3&4	250,000
TOTAL		3,300,000

United Telecom

OVERLAND PARK, KANSAS

Hellmuth, Obata & Kassabaum, Inc.
St. Louis, Missouri

HOK

2/28/91

Date: JANUARY 30, 1990

p-7

TESTIMONY

TO

THE SENATE ECONOMIC DEVELOPMENT COMMITTEE

ON

THE UNITED TELECOMMUNICATIONS PROJECT

BY
Secretary Laura Nicholl
Kansas Department of Commerce

February 28, 1991

Attachment 2
2/28/91
Sen. Eco. Dev.

Kansas Department of Commerce
Testimony of Secretary Laura E. Nicholl
-- HB 2492 and HB 2536 --
Senate Economic Development Committee
February 26, 1991

Introduction

Good morning Mr. Chairman and committee members. Former President Theodore Roosevelt once said that "nine-tenths of wisdom is being wise in time." Roosevelt's proverb explicitly describes the urgency of the matter which lay before you today. An endorsement by both legislative chambers of HB 2492 and HB 2536 will indeed be a wise investment in the present and future well-being of our State. Conversely, my testimony will reveal that failure to approve these proposals will be detrimental to our long and short term economic development objectives.

Specifically, the purpose of my testimony is to demonstrate the necessity for, and by logical extension, the merit of the proposed legislation. In fact, the collective wisdom drawn from the forthcoming case studies will reveal that the continued success of our business recruitment and development efforts depends in part upon favorable action. At the same time, the committee will be pleased to note that the proposed legislation adheres to the principle of responsible stewardship, especially when compared to precedents set by other states.

Arguments in Support of HB 2492 and HB 2536

When the arguments for HB 2492 and HB 2536 are considered, perhaps the most persuasive of all is the premise that the State of Kansas Investment in Lifelong

2/28/91
2-2

Learning program (SKILL) will substantially enhance Kansas' competitive position. To illustrate this point, it is helpful to review four case studies. Each case study details actual state incentive packages offered by Kansas and other states to attract industry. First, we will look at the State of Pennsylvania's 1975 bid for a Volkswagen plant, followed by Kentucky and Kansas' offer to Toyota. Next, the Arkansas/Nucor-Yamato steel plant project will be reviewed; and finally, the Florida and Kansas attempt to entice the Time, Inc. Subscription Fulfillment Center will be considered.

Pennsylvania and Volkswagen

Figure 1 shows the incentive package assembled by Pennsylvania officials for Volkswagen. Two striking observations are readily apparent. First, the offer is enormous. One must remember that these incentives were offered in 1975 and were predominately state funded. When the $76.5 million figure is adjusted for inflation, the present value of the package is $147 million.

Next, it is sobering to note that the VW initiative never reached its promised potential. As figure 1 reveals, VW officials were only able to generate 50 percent of the actual number of jobs promised. Tragically, the plant eventually closed its doors and even the 2,500 jobs created were lost. Critics often cite the VW case as an example of an irresponsible give-away. Some experts expressed the opinion that even if the plant had survived, it is doubtful that the benefits of new construction, jobs, tax revenue and ancillary growth would have covered the incurred costs.

FIGURE 1

PENNSYLVANIA / VOLKSWAGEN
STATE INCENTIVE PACKAGE

COSTS . . .	
FACILITY PURCHASE/RENOVATION	$ 46 M
INFRASTRUCTURE IMPROVEMENT	$ 18 M
RAILROAD SPUR IMPROVEMENTS	$ 8.7 M
EMPLOYEE TRAINING	$ 3.8 M
	=====
	$ 76.5 M
BENEFITS . . .	
TOTAL NUMBER OF JOBS PROMISED	5,000
TOTAL NUMBER OF JOBS DELIVERED	2,500
AVERAGE WAGE	$ 25,000

PROJECT DATE: 1975

SOURCE: PENNSYLVANIA DEPARTMENT OF COMMERCE

2/28/91
2-4

Kentucky, Kansas and Toyota

Our second case study involves another foreign automobile manufacturing interest. Figure 2 reveals that the Toyota project occurred approximately ten years after the VW venture, and Kansas was one of the competitors for the new plant. Both the Kansas' and the eventual winner -Kentucky- incentive packages are comparatively illustrated.

Once again, the data clearly illustrates that the competition for industrial clients is stiff. Many states are willing to employ unusual methods and commit substantial resources to entice the targeted business. The $7 million dollar allocation for the Saturday schooling of Japanese dependents and the total dollar value of Kentucky's proposal lend credibility to this assertion (see figure 2).

Obviously, in this instance, the Kansas proposal was not in serious contention. Several states, in addition to ours, simply cannot or will not finance such a large scale risk. Unlike Pennsylvania, however, this time the gamble resulted in a substantial dividend for Kentucky. Toyota has already exceeded its original job and capital investment projections, apparently with much more to come.

Arkansas and Nucor-Yamato

The Nucor-Yamato project is a joint venture steel mill between an American and a Japanese firm. A quick review of the figure 3 reveals a notable difference between the Arkansas initiative and the previously highlighted case studies. Unlike

FIGURE 2

KANSAS - KENTUCKY / TOYOTA
STATE INCENTIVE PACKAGE

COSTS . . .

	KANSAS	KENTUCKY
FACILITY RENOVATION/LAND ACQUISITION	$ 14 M	$ 35 M
INFRASTRUCTURE IMPROVEMENT	$ 4 M	$ 47 M
EMPLOYEE TRAINING	$ 2.5 M	$ 33 M
TOYOTA CENTER OF EXCELLENCE (TRAINING/R & D)	$ 10 M	$ 10 M
SATURDAY SCHOOLING FOR JAPANESE DEPENDENTS	---	$ 7 M
TAX REFUNDS AND CREDITS (ENTERPRISE ZONE CREDITS & SALES TAX EXEMPTIONS)	$ 35 M (EST.)	---
SPECIAL ALLOCATION (REIMBURSE JTPA)	---	$ 15 M
	=====	=====
	$ 65.5 M	$ 150 M

BENEFITS . . .

TOTAL NUMBER OF JOBS PROMISED	3,000	3,000
TOTAL NUMBER OF JOBS DELIVERED	---	3,500
ADDITIONAL EXPANSION JOBS	---	1,500
AVERAGE WAGE	$ 21,500 TO $ 28,000	$ 21,500 TO $ 28,000

NOTE: 500 ADDITIONAL JOBS HAVE BEEN CREATED WITH 1,500 MORE EXPECTED WITHOUT ADDITIONAL INCENTIVES.

TOTAL CAPITAL INVESTMENT (ORIGINAL)	---	$ 400 M
TOTAL CAPITAL INVESTMENT (EXPANSION)	---	$ 1.1 B

PROJECT DATE: 1985

SOURCE: KANSAS DEPARTMENT OF COMMERCE
KENTUCKY CABINET FOR ECONOMIC DEVELOPMENT

2/28/91
2-6

FIGURE 3

ARKANSAS / NUCOR-YAMATO
STATE INCENTIVE PACKAGE

COSTS . . .

ENDORSEMENT OF THE FOLLOWING LEGISLATIVE PROVISIONS:

- ELIMINATION OF SALES AND USE TAX ON GAS AND ELECTRICITY
- EXTENSION OF ENTERPRISE ZONE CORPORATE INCOME TAX CREDITS
- EXTENSION OF STATE INCOME TAX OPERATING LOSS CARRY FORWARD FROM 3 YEARS TO 10 YEARS (STEEL MILLS ONLY)
- PROVISION OF $700,000 FOR EMPLOYEE TRAINING

BENEFITS . . .

- TOTAL NUMBER OF JOBS PROMISED: 600
- TOTAL NUMBER OF JOBS DELIVERED: 600
- AVERAGE WAGE: $32,000
- TOTAL CAPITAL INVESTMENT: $175 M

PROJECT DATE: 1986

SOURCE: UNIVERSITY OF OKLAHOMA, ECONOMIC DEVELOPMENT INSTITUTE STUDENT THESIS

2/28/91
2-7

Pennsylvania and Kentucky, Arkansas officials did not extend a large bankroll of dollar incentives to their prospect. Actual up-front costs only amounted to $700,000 in employee training funds. Instead, their efforts focused almost exclusively upon the elimination of perceived barriers to the successful operation of a steel mill in Arkansas. Similar to the current United Telecom proposal, the state of Arkansas was simply asked to remove these barriers through the enactment of appropriate legislation.

Florida, Kansas and Time, Inc.

Our final case study is perhaps the most valuable because the prospect, Time, Inc., hired a consultant to assist them with the site selection process. Moran, Stahyl, & Boyer (MSB) was asked to identify an optimal location for the company's magazine and book fulfillment operations. The choice was eventually narrowed to two locations: the Kansas City/Manhattan area and Tampa, Florida.

MSB filed a report in support of their site recommendation and through this report, objective insight concerning Kansas' recruitment strategy was obtained. Figure 4 summarizes the key factors that were evaluated by MSB during the decision making process. Kansas outranked Florida in all but three of the eight factors. Tampa was considered to have superior airport accessibility, postal capabilities, and labor supply. According to the report, Kansas was ranked as "virtually even" in "postal capabilities." Since Tampa offered the use of dedicated zip codes and Kansas could not commit to the same, Tampa narrowly won the postal issue.

2/28/91
2-8

FIGURE 4

KANSAS - FLORIDA / TIME, INC.
CASE STUDY

PROJECT DATE: 1986

FINALISTS: KANSAS AND FLORIDA

TOTAL DOLLAR OF INCENTIVES OFFERED:

KANSAS: $ 1.9 M PLUS $1 M SUPPLEMENTAL KIT FUNDS, IF APPROVED

FLORIDA: $ 4 M IN TRAINING FUNDS

AT STAKE . . .

- 1,500 JOBS
- AVERAGE WAGE $ 22,000
- INCREASED TAX REVENUES FOR THE STATE

KEY FACTORS CONSIDERED . . .

- LABOR SUPPLY
- LABOR COSTS
- POSTAL CAPABILITIES
- INCENTIVES
- OPERATING ENVIRONMENT (SUPPLIERS)
- QUALITY OF LIFE (HOUSING, EDUCATION, COLA)
- ACCESSIBILITY (AIRPORT)
- START-UP COSTS

LOCATION DECISION RATIONALE FOR TAMPA, FLORIDA . . .

- AIRPORT ACCESSIBILITY
- AVAILABILITY OF DEDICATED ZIPCODES
- PERCEIVED QUALITY OF TRAINING PROGRAMS
- AVAILABILITY OF TRAINING FUNDS

SOURCE: MS&B CONSULTANTS
MANHATTAN CHAMBER OF COMMERCE

2/28/91
2-9

Factored in as part of the "labor supply" category was the quality and capacity of the state training programs. In the final analysis, the training issue may have cost Kansas the Time, Inc. bid. MSB considered the quality of the Tampa program to be "a major asset for that locality" and recommended that the program be "weighted heavily in consideration of incentive programs." In contrast, the consultant described the Kansas Industrial Training (KIT) program as trailing "in terms of quality and certainty of funding." MSB went on to express its reluctance to risk the additional $1 million in needed supplemental training funds. They were simply not convinced that the legislature would approve the funds.

Lessons Learned From Other States' and Kansas' Experiences

What can we learn from our past experience and the combined experiences of others? Plenty. First, the Pennsylvania/Volkswagen experience demonstrates that a blank check policy can backfire (See figure 5). Moreover, massive give-aways represent poor judgement in the very least, and at most, a violation of the public trust. Arkansas, on the other hand, demonstrates the inverse principle. Flexibility, responsiveness, and partnership with business is preferred over out-right capitulation.

At the same time, however, the Kentucky/Toyota case study reveals that other states can and will out-spend Kansas. Often, political realities outweigh prudent behavior. Chances are that we will always compete with the big spenders, so we must discover creative ways to increase the likelihood of success.

FIGURE 5

LESSONS FROM OTHER STATES

PENNSYLVANIA . . .

- FULL SCALE GIVE-AWAYS CAN BACKFIRE AND REPRESENT POOR STEWARDSHIP OF THE PUBLIC TRUST.

KENTUCKY . . .

- MANY OTHER STATES ARE ABLE AND WILLING TO OFFER MORE DOLLAR INCENTIVES THAN KANSAS. WE MUST REPLACE $ WITH INGENUITY AND CREATIVITY.

ARKANSAS . . .

- AS ARKANSAS ILLUSTRATES, FLEXIBILITY AND RESPONSIVENESS ARE KEY COMPONENTS OF A SUCCESSFUL MARKETING STRATEGY.

FLORIDA . . .

- OUR CURRENT TRAINING PROGRAMS' CAPACITY CONSTRAINTS MAY HAVE COST KANSAS THE TIME, INC. BID.

2/28/91
2-11

If the Pennsylvania incentive package is a good example of a "give-away", then the Time, Inc. study provides an excellent example of a "take-away." Kansas' experience with this prospect confirms that capacity and political constraints can be costly. KIT's limited resource base combined with the uncertainties of the political decision making process, are viewed as liabilities by the private sector. Clearly, private enterprise will, where possible, avoid any linkage of their future success to political outcomes.

Your endorsement of HB 2492 and HB 2536 will not solve all of Kansas' long term competitive problems; but it will help to improve our position by "leveling the playing field." Passage of this legislation will help Kansas compete more effectively with the big spenders. More important, however, the new job training program in particular will help resolve our current training system capacity limits. Since the new program is completely independent of the budget appropriation process, potential prospects will not be inclined to disqualify Kansas as a place of business because of funding uncertainties.

There are a number of reasons, in addition to the long term benefits, which should also be considered. More specifically, the project's long and short term costs are slight, compared to the benefits. Enactment of the proposed legislation will bring 6,000 new, high-quality jobs to Kansas as well as retain 3,000 current jobs (see figure 6). In addition, United Telecom's proposed University of Excellence and new Technology Center will leverage additional programs and encourage innovative

2/28/91
2-12

FIGURE 6

UNITED TELECOM PROJECT

REQUESTS . . .

- ENTERPRISE ZONE STATUS
- COMPLETION OF THE NALL INTERCHANGE ON I-435
- IMPLEMENTATION OF A ONE-FACTOR TAX APPORTIONMENT
- ESTABLISHMENT OF A LARGE CAPACITY TRAINING PROGRAM SIMILAR TO THE IOWA AND MISSOURI INITIATIVES

SELECTED BENEFITS (DIRECT) . . .

- CREATION OF 6,000 NEW JOBS
- RETENTION OF 3,000 CURRENT JOBS
- AVERAGE WAGE: $25,000 TO $30,000
- NEW TRAINING PROGRAM WILL BENEFIT ALL EMPLOYERS, BOTH EXISTING AND POTENTIAL
- UNITED TELECOM'S PROPOSED *UNIVERSITY OF EXCELLENCE* AND *TECHNOLOGY CENTER* WILL LEVERAGE ADDITIONAL PROGRAMS AND ENCOURAGE QUALITY BUSINESS/EDUCATION PARTNERSHIPS

2/28/91
2-13

business and education partnerships. Next, the legislation, particularly the new job training program, is in step with the Joint Committee on Economic Development's desire to encourage efficient use of resources.

In return, United Telecom has asked the State to complete I-435 Nall Interchange, guarantee enterprise zone tax credits at existing levels, and pass into law the two bills currently before you. You will probably agree that these requests are quite reasonable and responsible, especially when compared to the wild give-aways described earlier.

Conclusion

In summary, using selected case studies, I have attempted to demonstrate that the proposed legislation is critically linked to our future success. Kansas' continued ability to compete in the global marketplace is contingent upon our finding creative and responsible ways to balance the odds, or if you will, "level the playing field." We can do little to stop the give-aways, yet we must do more to ensure that other opportunities do not slip away from our grasp. The legislation before you will help us achieve this first objective.

Equally important however, is the immediate impact of the legislation. Six thousand quality jobs and countless other spin-off benefits, at comparatively low cost, are too lucrative and too costly to overlook. It is too costly because if this legislation is defeated, we will lose 3,000 United Telecom jobs already in Kansas. So I urge you then to consider President Roosevelt's advice: Be wise now, and act in support of this legislation. Thank you.

2/28/91
2-14

COMPARISON OF RATES AMONG MAJOR TAX SOURCES
KANSAS AND MISSOURI, SUMMER 1990.

	KANSAS	MISSOURI
Property Tax:		
Average Mill Rate	111.41	47.4
Assesment Ratio	0.3	0.32
Effective Tax Rate*	3.34%	1.80%
Sales Tax:		
State Tax	4.25%	4.13%
Local Tax	May be levied at 0.5% or 1% by both counties and cities	May be levied, not to exceed 3%
Corporate Income Tax:		
Tax	4.25% - First $25,000 6.75% - Over $25,000	5% - Flat Rate**
Fed. Tax Deductibility	No	Yes
Adjusted Rate (to account for Federal Tax Deductibility)	4.25% 6.75%	3.30%

* Missouri effective tax rate based on 1988 mill levy. Missouri currently has a 10.2 percent surcharge on business real estate.

** Through December of 1991, Missouri has a temporarily bracketed corporate income tax these rates are 5% for income less than $100,000, 6% for income between $100,000 and $350,000, and 6.5% for income greater than $350,000.

SOURCE: Institute for Public Policy and Business Research, "Costs and Taxes for Selected Kansas Industries, Volume One: Overview of State and Local Taxation in the Region" (1990).

Attachment 3
2/28/91
Sen. Eco. Dev.

Table 9

Tax Liability Rank For Individual Urban Areas

Taxes Based on Fifteen Selected Industries
(1 = Lowest Tax Liability)

New Firms

Kansas City, Missouri	1
Tulsa, Oklahoma	2
Oklahoma City, Oklahoma	3
Johnson County, Kansas	4
Sedgwick County, Kansas	5
St. Louis, Missouri	6
Des Moines, Iowa	7
Wyandotte County, Kansas	8
Davenport, Iowa	9
Omaha, Nebraska	10
Denver, Colordo	11

Existing Firms

Tulsa, Oklahoma	1
Oklahoma City, Oklahoma	2
Des Moines, Iowa	3
Kansas City, Missouri	4
Davenport, Iowa	5
St. Louis, Missouri	6
Omaha, Nebraska	7
Denver, Colorado	8
Johnson County, Kansas	9
Sedgwick County, Kansas	10
Wyandotte County, Kansas	11

Source: IPPBR/Kansas Inc. Tax Simulation Model - 1990

2/28/91
3-2

R/ AMONG 11 URBAN COUNTIES FOR JACKSON AND JOHNSON COUNTIES
NEW FIRMS BY 15 SELECTED INDUSTRIES

(1 = LOWEST TAXING URBAN COUNTY)

	JACKSON CO. MISSOURI	JOHNSON CO. KANSAS
201 Meat Products	2	8
204 Grain Mill	1	5
267 Converted Paper Products	1	3
275 Commercial Printing	8	3
283 Pharmaceuticals	8	3
307 Misc Plastic Products	1	4
344 Fab Structural Metal	8	3
353 Construction Machinery	4	1
367 Electrical Components	8	3
371 Motor Vehicles	8	3
481 TELEPHONE COMMUNICATION	4	8
508 Wholesale Machinery	1	3
737 Comp/Data Procces. Services	1	9
873 Res./Development/Arch./Mgmt.	9	2
CORPORATE HEADQUARTERS	1	9
Average	4.3	4.5

SOURCE: Data files, Institute for Public Policy and Business Research, Fall 1990.

2/28/91
3-3

ESTIMATED TAXES PAID BY INDIVIDUAL TAX FOR NEW FIRM
JOHNSON CO. (KS) AND JACKSON CO. (MO)
TELECOMMUNICATION FIRM AND CORPORATE HEADQUARTERS

	JOHNSON COUNTY KANSAS	JACKSON COUNTY MISSOURI	DIFFERENCE
ANNUALIZED TAXES:			
NEW TELECOMMUNICATIONS FIRM			
Federal Taxable Income	$29,571,907	$29,600,118	($28,211)
Federal Income Tax	$10,054,448	$10,064,040	($9,592)
State Income Tax	$39,293	$0	$39,293
Unemply/Workers' Comp.	$44,890	$60,845	($15,955)
Property	$105,533	$60,719	$44,814
Franchise	$1,830	$915	$915
Sales	$36,907	$38,531	($1,624)
TOTAL	$10,282,901	$10,225,050	$57,851
STATE TOTAL	$228,453	$161,010	$67,443
NEW CORPORATE HEADQUARTERS			
Federal Taxable Income	$5,689,708	$5,706,091	($16,383)
Federal Income Tax	$1,934,501	$1,940,071	($5,570)
State Income Tax	$8,554	($6,476)	$15,030
Unemply/Workers' Comp.	$22,239	$16,909	$5,330
Property	$55,668	$31,590	$24,078
Franchise	$1,187	$622	$565
Sales	$8,877	$23,121	($14,244)
TOTAL	$2,031,026	$2,005,837	$25,189
STATE TOTAL	$96,525	$65,766	$30,759

ASSUMPTIONS:

Firms are taking advantage of all incentives/abatements and are in enterprize zones.

Firms are part of a larger company.

Federal taxes are based on entire income including out-of-state operations.

State income estimate uses the allocation formulas specific to each state. Missouri has allocation option of sales only.

The Telecommunication firm is assumed to be a public utility and ineligible for enterprise zone credits in Kansas.

SOURCE: Ms. Pat Oslund and various data files, Institute for Public Policy and Business Research, Fall 1990.

2/28/91
3-4

ESTIMATED TAXES FOR NEW FIRM
JOHNSON CO. (KS) AND JACKSON CO. (MO)
TELECOMMUNICATION FIRM AND CORPORATE HEADQUARTERS

ASSUMING A TOTAL WORK FORCE OF 3,000

	Telecommunication	Corporate Headquarters
Johnson Co., Kansas:		
Taxes	$616,974,159	$121,861,532
Jackson Co., Missouri:		
Taxes	$613,503,016	$120,350,233
Difference (positive number = Johnson County higher):		
Taxes	$3,471,143	$1,511,300

SOURCE: Data files, Institute for Public Policy and Business Research, Fall 1990.

2/28/91
3-5

ESTIMATED TAX AND NON-TAX COSTS FOR NEW FIRM
JOHNSON CO. (KS) AND JACKSON CO. (MO)
TELECOMMUNICATION FIRM AND CORPORATE HEADQUARTERS

ASSUMING A TOTAL WORK FORCE OF 9,000

	Telecommunication	Corporate Headquarters
Johnson Co., Kansas:		
Taxes	$1,850,922,477	$365,584,597
Jackson Co., Missouri:		
Taxes	$1,840,509,048	$361,050,698
Difference (positive number = Johnson County higher):		
Taxes	$10,413,429	$4,533,899

SOURCE: Data files, Institute for Public Policy and Business Research, Fall 1990.

2/28/91
3-6