

Approved: 1-23-95  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Chairperson Bob Miller at 3:30 p.m. on January 17, 1995 in Room 423-S of the Capitol.

All members were present except:

Committee staff present: Lynne Holt, Legislative Research Department  
Bonnie Fritts, Committee Secretary

Conferees appearing before the committee: Lynne Holt, Legislative Research Department  
Dr. Charles Krider, Professor, Kansas University

Others attending: See attached list

The meeting was called to order at 3:30 p.m. by the Chairperson Bob Miller. The minutes of January 12, 1995 were distributed and approved.

Lynne Holt presented staff overview of state incentives for new Cessna facility (Attachment 1)

Dr. Charles Krider addressed the committee and submitted a "Draft Report" on Economic and Fiscal Impacts of Cessna Aircraft (Attachment 2)

Meeting was adjourned at 4:20 p.m.

The next meeting is scheduled for January 23, 1995.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
GUEST LIST

DATE: 1-17-95

NAME	REPRESENTING
<del>Timothy Paris</del>	Kansas, Inc.
Mark Barcellina	KDOC & H
Cindy Empson	House member
Rebecca Rice	Cessna Aircraft
Bill Jarrell	BOEING
Bernie Koch	Wichita Chamber
Jacqueline Dakow	Independence resident
DAN HERMES	DIVISION OF THE BUDGET
<del>James Crawford</del>	Intesa
Roger Francke	KS Gov't Consulting
Michelle Peterson	KS Gov. Consulting
Mary Jane Stattelmaier	KS Farm Bureau
James Grouzek	KS Dept of Commerce + Housing

FROM: Montgomery County  
Action Council

# Kansas Incentive Review

## Cessna Aircraft

August 4, 1994

01/10/1995

FROM MCRC

132965824

P.02

HOUSE Eco. Devo.  
1-17-95  
ATTACHMENT 1

HOUSE Eco. Devo.  
1-17-95  
ATTACHMENT 1

# **Enterprise Zone Job Tax Credit**

---

## **■ Job tax credit based on 951 employees**

- **Basic credit**

**\$1,500 per job**

**\$1.43 million**

- **Enhanced credit**

**\$2,500 per job**

**\$2.38 million**

**Note: Actual level of credits will be based on the number of new jobs less transfers from existing Cessna facilities.**

# Enterprise Zone Investment Tax Credit

■ Investment credit based on \$11 million in machinery and equipment investment and a hypothetical capitalized lease of \$16.7 million. The later figure is based on 300,000 sq. ft. at \$6.94 per sq. ft. multiplied by a factor of eight.

- Total Credit

\$1,000 per \$100,000 capital investment

\$110,000 (machinery and equipment)

\$167,000 (building)

**\$277,000 Total**

# Enterprise Zone Sales Tax Exemption

---

## ■ Exemption includes state and local tax

- Based on a capital expenditure of \$31 million including \$11 million in machinery and equipment and \$20 million in facilities with a sales tax range of 4.9% - 6.9%.

### Total exemption

**\$1.519 to \$2.139 million**

144

1-4

# **High Performance Incentive**

---

## **■ Investment tax credit based on \$11 million in equipment**

- **Eligibility contingent on meeting wage and training requirements.**
- **Credit is 10% of capital investment, less first \$50,000 of investment - \$1.095 million.**
- **Cannot take both High Performance and Enterprise Zone Investment Credit.**

# **SKILL**

## **(State of Kansas Investments in Lifelong Learning)**

---

- Based on 951 new jobs at an average starting salary of \$18,442, Cessna is eligible for up to \$2 million.
  
- Maybe used to pay for instructors' salaries, travel expenses, video tape development, training manuals, textbooks, supplies, materials, and curriculum planning and development.
  
- Up to 50% of funds may also be used for equipment for the educational institution. Up to 10% may be used for the school's administrative expenses.



# **Kansas Economic Initiative Fund**

---

■ **Available for a variety of economic development needs.**

- **\$800,000 is committed to this project.**

# Small Cities CDBG Program

## ■ CDBG Regular Economic Development

Application Due	October 14, 1994
Award Date	November 28, 1994

## ■ CDBG Float/Bridge Loan

Application Due	Anytime until November 1, 1994
Award Date	90 days from Application Receipt

## ■ CDBG Section 108

Application Due	Anytime until November 1, 1994
Award Date	120 days from Application Receipt

## ■ CDBG Loan Guaranty Program

Application Due	Anytime until November 1, 1994
Award Date	90 days from Application Receipt

**\*\*Only a combination of two of these sources will be allowed in any one project.\*\***

# **Requirements**

- **All CDBG funded grants require that the following regulations be met.**
  - **The grantee must certify that Environmental Review is completed prior to release of federal funds.**
  - **Grantee must certify that Civil Rights requirements are met and a Furthering Fair Housing activity will take place.**
  - **If acquisition of property is involved, all Uniform Act requirements must be met.**
  - **Wage Rates must meet those established by U.S. Department of Labor in conformance with the Davis-Bacon Act.**
  - **The National Objective that 51% of the individuals benefitting must meet the low-and-moderate income criteria.**

# CDBG Funding Summary

- Small Cities CDBG - \$500,000
  
- Float/Bridge Loan - Amount to be determined
  
- Loan Guaranty - Amount to be determined
  
- Section 108 - Amount to be determined

TOTAL P.11

**Institute for Public Policy and Business Research  
University of Kansas**

**DRAFT REPORT  
Economic and Fiscal Impacts of Cessna Aircraft  
Independence, Kansas**

Prepared for the  
Montgomery County Action Council

by

Patricia Oslund  
Research Economist

and

Christopher J Connolly  
Research Associate

Charles Krider  
Professor of Business  
Executive Director, IPPBR

January 17, 1995

HOUSE Eco. DEVO.  
1-17-95  
ATTACHMENT 2

## Introduction

In May, 1994, the Montgomery County Action Council asked the Institute for Public Policy and Business Research at the University of Kansas to develop a model to help assess the costs and benefits associated with new business development. When a business makes a major location or relocation decision, it typically seeks economic development incentives from the communities under consideration. From the point of view of the community, these incentives may impose costs in the form of higher taxes, tax revenue foregone, or infrastructure expenditures. Community decision-makers need tools to help decide whether the benefits associated with a new business development outweigh the costs of the incentives offered. The Montgomery County Model is intended to be just such a tool.

## The Scope of the Model

The Montgomery County cost and benefit model is a spreadsheet designed to help assess the impacts of granting various kinds of subsidies and tax abatements to a new (or expanding) firm. The current version of the model has been customized for Coffeyville and Independence, Kansas. The model allows the user (typically an economic development specialist) to further customize inputs based on specific information about Montgomery County communities and about firms that are considering Montgomery County locations.

The Montgomery County model employs over 200 input variables in order to estimate the various fiscal and economic impacts of a project. Among these are:

- 1) tax variables that capture the current structure of tax rates and tax bases in the various Montgomery County communities;
- 2) income and employment variables that relate income and employment to retail expenditures and sales taxes;
- 3) government cost variables that include costs for services and for infrastructure development;
- 4) residential location variables that include estimates of commuting between communities and of net migration to Montgomery county; and
- 5) multiplier variables that relate the initial income and employment generated in the community to secondary income that recycles within the community.

The model defines structural relationships between these variables, and traces the consequences of the firm's activities as they work their way through the community.

The model quantifies a wide range of costs and benefits associated with a project. Outcomes of the model include employment and income by community and net government revenue by community. However the model does not take into account

either intangible costs or benefits. For example, the model makes no attempt to measure impacts on congestion, environmental quality, or quality of life that might result from a new firm location.

As with any economic model, this model is based on a set of assumptions about basic data and about the relationships between data items. Assumptions have been chosen based on existing economic theory and on our knowledge of the Montgomery County economy. The results of the model are sensitive to the assumptions employed, and should be considered as reasonable approximations of the outcomes of the project rather than as precise values.

One critical assumption that must be entered into the model is the probability that the firm will locate in Montgomery County even without development incentives. This probability is set to zero in the current iteration of the model; it is assumed that the incentives are absolutely essential to the firm's location. If this probability is actually greater than zero, then the model overestimates net benefits.

### **The Proposed Project**

This report presents the results of the model for Cessna Aircraft which is planning to construct a manufacturing location in Montgomery County. The firm would invest about \$15 million in a new facility that would occupy a 55 acre site in the airport business park just south of Independence, and would install \$10 million in new equipment. Once it reaches full production (in about 4 years) the firm expects to have approximately 951 employees. At full production, this would result in a payroll of about \$21.9 million annually for the firm. The project is expected to yield benefits to the community over at least a twenty year period.

Three major incentives are being offered to bring this development to Montgomery County. The first incentive is a direct subsidy of \$21 million, which the firm would use for site improvements and other expenses. The county would raise the \$21 million for the subsidy through an economic development county-wide sales tax. The current plan of action calls for the sales tax funds to be channeled through the Montgomery County Action Council to the firm over a ten year period. The second incentive is a 10 year, 100 percent property tax abatement on the firm's real estate and equipment. The term and the percentage of the abatement are the maximum allowed by state law. The third incentive is a group of infrastructure improvements planned for the Independence airport, nearby roads, and public utilities. Additional state-level incentives are outlined in Appendix A.

### **Model Perspectives**

The results of the model can be looked at from two perspectives: that of Montgomery County households, and that of local governments. For each group, it is possible to define a key variable or variables to summarize the project impacts.

For households, the relevant measures of costs and benefits include income and jobs. In terms of the model, taxes paid for the subsidy are treated like an income loss; they reduce the real purchasing power of Montgomery County residents. The perspective of current Montgomery county residents (in contrast to migrants who move to the county as a result of increased job availability) deserves special consideration. It is current residents rather than migrants who would be responsible for paying most of the county-wide sales tax.

For local governments, the relevant measure is referred to as the fiscal impact. This is the net change in the local government budget surplus or deficit that results from the project. To put this in context, a net budget surplus implies that services can be increased without increasing taxes, or, alternatively, that taxes can be reduced while maintaining the current level of services. Conversely, a net deficit implies a service reduction or a tax increase.

### Assumptions about the Cessna Project

It should be emphasized that the Cessna project is in its very early stages. In order to complete our analysis, we had to make a number of assumptions to substitute for incomplete information. Some key assumptions about the project follow below:

- 1) Projected dollar amount of the firm's sales. After discussion with the Montgomery County Action Council, we estimated \$250,000,000 per year at full production.
- 2) Timing of the project. It is assumed that it will take four years for the project to hit its "full production" levels of sales and employment. In terms of the model, this means that average annual employment, sales, etc. are less than their peak values.
- 3) Firm's purchases of materials and services. We used published ratios of inputs to sales for the aircraft industry. These ratios are found in the input-output tables of the U.S., published by the U.S. Bureau of Economic Analysis.
- 4) Firm's local purchases of materials and services. For our main analysis, we made a very conservative estimate that only 2% of the firm's purchases (other than utilities) would be made in Montgomery County. It is possible that, over time, new suppliers will start business in Montgomery County, and existing suppliers to the aircraft industry might expand to Montgomery County. Hence we decided to run the model under an alternative set of assumptions, that 35% of inputs come from local suppliers.
- 5) Multipliers. The multiplier based on the conservative assumption of 2% local sales is estimated at approximately 1.4. This multiplier is used for our main analysis. IPPBR's statewide model estimates a multiplier (wage to wage) of 2.2 for the aircraft industry. The statewide multiplier serves as an upper bound on



Montgomery County impacts. For the assumption of 35% of inputs from local suppliers, we estimate a multiplier of 1.75<sup>1</sup>.

6) Funding of infrastructure improvements. Our main analysis assumes that infrastructure improvements will be funded entirely from city and county tax revenues. But information provided by the Montgomery County Action Council raises the possibility that some improvements, particularly those at the Independence airport, might receive federal funding. In order to address this possibility, we run an alternative simulation under the assumption that 50% of the airport improvements are federally financed.

To summarize, we have run the Montgomery County model under three alternative sets of assumptions:

- 1) Alternative 1. Base (conservative) assumptions. 2% of purchases of the firm made locally, multiplier = 1.4, local funding of infrastructure improvements. It is the results from the base assumptions that are discussed in detail in the text.
- 2) Alternative 2. Partial (50%) federal funding of infrastructure improvements.
- 3) Alternative 3. As in alternative 2 continues to assume partial (50%) federal funding of infrastructure improvements. An additional assumption that 35% of the firms purchases are made locally is also incorporated. New supplier firms locate in Montgomery County. Multiplier = 1.75.

#### The Results of the Model: Impact on Households under Alternative 1 (base)

Averaged over a twenty year period (the minimum expected life of the project), households would experience a gain of \$25.6 million per year in income before taxes: \$18.5 million due to wages and salaries at the firm itself, and an additional \$7.1 million due to the multiplier effect (see Table 1). After subtracting out the cost of the economic development subsidy (about \$1.7 million per year), this amounts to a net gain of \$23.9 million per year, or over \$271 million in present value terms over the 20 year term of the project. In terms of employment, there would be a net increase of 1276 jobs. Approximately 64 percent of the new income and jobs would go to current Montgomery County residents, while the rest would go to migrants coming into the county.

In order to achieve these benefits, households would pay \$21 million in taxes over a ten year period, \$3 million the first year and \$2 million each of the following nine years. When averaged over 20 years (the term of the project) and discounted at a rate of 7 percent, this amounts to the equivalent of \$1.2 million per year. When multiplier effects are included, this adds up to the equivalent of a \$1.66 million income loss per year, or \$18.8 million in present value terms. From the point of view of households, the

---

<sup>1</sup> We estimate that of the statewide multiplier of 2.2, .7 is due to supplier-producer linkages. We also estimate that 70% of inputs are purchased within Kansas. The assumption that 35% of inputs are purchased in Montgomery County will increase the Montgomery County multiplier by  $5 \times .7 = .35$ . So our total result is  $1.4 + .35 = 1.75$ .

subsidy yields about a 14 to 1 return: \$271 million in net present value gained for an "investment" of \$19 million.

The wages and salaries paid by the firm are concentrated in the hands of approximately 1000 households, while the subsidy is paid by the county as a whole. Hence the incentive arrangement has consequences for the distribution of income in the county. These impacts are mitigated by the multiplier effect. The secondary spending of employees of the manufacturer spread to a variety of retail and service businesses.

### **The Results of the Model: Impact on Local Governments (Alternative 1)**

Local governments are typically concerned with the impact of a project on potential government budget surpluses or deficits. The model analyzes these impacts on several distinct government entities: four cities (Coffeyville, Independence, Cherryvale, and Caney), the county as a whole, the community college, and four school districts.

The aggregate results of this model for the Montgomery County government entities are basically neutral, with a total annualized net revenue of only \$620. The model shows positive or neutral results for Montgomery County, the city governments in Coffeyville, Cherryvale, and Caney as well as for the community college and the Coffeyville, Independence and Cherryvale school districts. The city of Independence and the Caney school districts, however, show negative results with annualized losses of (\$194,439) and (\$139) respectively. The major sources of new revenue to the cities are residential property taxes and sales taxes, both related to increased income and employment. Because the proposed development is outside of the Independence city limits, the city is unable to collect property taxes on the development itself. Similarly, the city is unable to collect franchise taxes on utility bills.

Over the 20 year period, the county and the community college district each collect substantial new revenues due to new residential property and to the new manufacturing firm. It should be pointed out, however, that taxes for the first ten years of the firm's operations are abated. The City and the county will also be responsible for more than \$5 million in improvements/developments to roads, the airport and utilities as a result of this project.

The local impacts of the development on school districts are minimal. This is because the local impacts exclude the 33 mill state levy, and because none of the districts in the region have instituted a local option school property tax.

According to information provided by the Montgomery County Action Council, this development will require the city of Independence and Montgomery County to invest in the following improvements/developments, beyond the \$21 million subsidy:

- 1) Sewer for airport industrial park. \$1 million in improvements with 30% attributed to Cessna and treated as a cost to the city utilities.

- 2) Water improvements, \$0.5 million 100% allocated to Cessna and charged to the city.
- 3) ILS: instrument landing system at the Independence airport, \$1 million allocated 100% to Cessna and charged to the city.
- 4) Apron Area: Independence airport \$720,000 allocated 100% to Cessna and charged to the city
- 5) City purchase of land: \$100,000-\$200,000 allocated 100% to Cessna and charged to the city.
- 6) Access roads: \$170,000 allocated 100% to Cessna and charged to the county.
- 7) Environmental assessment: \$100,000 allocated 100% to Cessna and charged to the city.
- 8) County Road Improvements: \$1.5 million allocated 30% to Cessna and charged to the county.

Overall, the project is expected to yield an average of about \$620 per year in net new government revenue over a twenty year period. The project yields a positive cash flow to local governments after the fourth year (see Table 3). Once the property tax abatement term is finished (year 11), the project is expected to yield significantly higher net benefits.

### Summary (Alternative 1)

The results of the Montgomery County model indicate that the proposed project would generate substantial positive impacts for Montgomery County households, and a negligible impact on the aggregate budget for the local governments. However, as with any economic modeling activity, these results are highly dependent upon the input data and assumptions employed. The model provides an input to decision-making, not an ultimate answer. The results of the model should be interpreted as additional information on a project's consequences, not as an endorsement of a project.

### Results of Model Under Alternative 2 (federal funding of infrastructure)

When some of the airport improvements were paid for by the federal government, the combined bottom line for governments in Montgomery County would improve to \$76,487 annually. The city of Independence would still run a deficit of (\$118,571) because of remaining infrastructure purchases.

### Results of Model Under Alternative 3 (federal funding of infrastructure and 35% of materials and parts provided by local suppliers, higher multiplier)

If in fact local suppliers were to expand to meet the needs of the Cessna plant, additional income and employment will be generated in the county. We estimate that these potential local suppliers would generate almost \$7 million per year in income.

Overall, the combined bottom line for governments in Montgomery County would improve to \$185,584 annually. The city of Independence would still run a deficit of (\$75,197) because of local financing of infrastructure purchases, and because the new suppliers would themselves stimulate migration to Montgomery County, imposing additional costs.

**Table 1-1**  
**Economic Impacts Under Alternative Assumptions 1**  
 (multiplier = 1.4, local financing of infrastructure improvements)

Location: Product: Subsidy Amount	Independence Aircraft 21,000,000					
I. IMPACT ON LOCAL ECONOMY ANNUALIZED AVERAGES	Total	Coffeyville	Independence	Cherryvale	Caney	Montgomery County
<b>Personal Income</b>						
Personal income from firm	18,534,334	4,244,362	8,581,397	815,511	667,236	4,225,828
Secondary income gains	7,043,047	1,612,858	3,260,931	309,894	253,550	1,605,815
Share of new income to current reside	63.7%	63.7%	63.7%	63.7%	63.7%	63.7%
Income losses due to taxes	1,658,822	511,417	491,684	84,798	73,330	497,594
Net personal income gains: total	23,918,559	5,345,803	11,350,643	1,040,607	847,456	5,334,049
Net gains to current Mont. Co. reside	14,639,117	3,220,811	7,054,262	632,311	513,396	3,218,337
<b>Job Creation</b>						
Job gains from prospect	828	190	383	36	30	189
Secondary job gains	587	134	272	26	21	134
Job losses due to taxes	138	43	41	7	6	41
Net job gains	1,276	281	614	55	45	283
<b>Local Trade from Firm</b>						
Local wholesale and retail trade	7,597,787	1,692,785	4,740,013	234,556	203,651	726,782
<b>Taxable Retail Trade Benefit</b>						
Local taxable retail trade from firm	182,125	0	182,125	0	0	0
Retail trade due to consumer income	3,501,268	1,692,785	2,643,495	234,556	203,651	726,782
Total taxable retail trade	3,683,394	1,692,785	2,825,620	234,556	203,651	726,782
<b>Impact on Property Values</b>						
<b>Residential impact</b>						
New units constructed	177	41	82	8	6	40
Value of new units	10,962,377	2,484,432	5,130,102	480,015	391,960	2,475,869
Added value to current residences	24,253,062	3,386,227	11,581,520	1,052,077	855,755	5,377,484
Total impact on residential values	35,215,439	7,870,658	16,711,621	1,532,092	1,247,715	7,853,353
<b>Industrial facility impact</b>						
Initial value of facility	15,000,000	0	15,000,000	0	0	0
Depreciated value of facility	13,018,002	0	13,018,002	0	0	0
Initial value of equipment	10,000,000	0	10,000,000	0	0	0
Depreciated value of equipment	4,119,020	0	4,119,020	0	0	0
Land value	25,000	0	25,000	0	0	0

**Table 2-1**  
**Fiscal Impacts Under Alternative Assumptions 1**  
 (multiplier = 1.4, local financing of infrastructure improvements)

II. LOCAL GOVERNMENT REVENUES AND COSTS: ANNUALIZED AVERAGES	Total	Coffeyville	Independence	Cherryvale	Caney	Montgomery County	Comm. College
<b>CITIES, COUNTY, COMMUNITY COLLEGE</b>							
Sales Tax							
Retail trade sales tax	69,843	16,928	28,256	2,346	3,564	18,749	0
Sales tax on utilities	31,500	0	0	0	0	31,500	0
Total sales tax	101,343	16,928	28,256	2,346	3,564	50,249	0
Franchise Fees							
On utilities	0	0	0	0	0	0	0
Property Taxes							
From residential property	422,485	40,958	81,601	8,150	6,320	145,184	140,271
From firm	78,366	0	0	0	0	40,355	38,009
Industrial facility	66,488	0	0	0	0	34,240	32,248
Equipment	11,731	0	0	0	0	6,041	5,690
Land	147	0	0	0	0	76	71
Total property tax	500,851	40,958	81,601	8,150	6,320	185,541	178,281
Other Revenue							
Fees, charges, motor vehicle tax, etc	176,312	21,162	77,197	5,628	530	73,795	0
Costs							
Costs to service households	389,759	41,026	82,947	7,883	6,449	251,154	0
Costs to service firm	353,241	0	298,546	0	0	54,695	0
Total cost	743,000	41,026	381,493	7,883	6,449	306,149	0
Net Revenue							
Cities, county, commun. college	35,506	38,022	(194,439)	8,241	3,965	1,436	178,281
<b>MUNICIPAL UTILITIES</b>							
New Revenue to Municipal Utilities							
From households	41,076	12,185	24,635	2,341	1,915	0	0
From firm	130,000	0	180,000	0	0	0	0
Costs							
Costs to service households	41,076	12,185	24,635	2,341	1,915	0	0
Costs to service firm	220,574	0	220,574	0	0	0	0
Net Revenue							
Municipal Utilities	(70,574)	0	(70,574)	0	0	0	0
<b>SCHOOL DISTRICTS</b>							
Property Taxes: School Districts							
From residential property	27,560	5,175	20,268	2,117	0	0	0
From firm	10,041	0	10,041	0	0	0	0
Other Revenue: School Districts							
Supplemental state aid, capital aid,	900	0	754	146	0	0	0
Costs							
Operations in excess of \$3600/pupil	0	0	0	0	0	0	0
Capital costs	2,812	832	1,473	168	139	0	0
Net Revenue							
School districts	35,688	4,343	29,390	2,095	(139)	0	0
<b>SUMMARY</b>							
Total Annualized Net Revenue Gained							
City, County, College, Utilities, School		620					

**Table 3-1**  
**Year by Year Analysis Under Alternative Assumptions 1**  
 (multiplier = 1.4, local financing of infrastructure improvements)

YEAR BY YEAR ANALYSIS	Net Income Gain	Net Job Gain	Primary + Secondary Income Loss	Sales Tax (net of sub payment)	Residential Property Tax*	Firm Property Tax*	Net Gain to Local Govt.
	(502,872)	-126	3,519,000	2,752	0	0	(568,049)
year 1	9,718,512	472	2,346,000	43,474	54,886	0	(484,782)
year 2	18,766,896	972	2,346,000	80,950	219,545	0	(294,989)
year 3	27,815,280	1473	2,346,000	118,426	384,204	0	(105,195)
year 4	27,815,280	1473	2,346,000	118,426	548,864	0	59,464
year 5	27,815,280	1473	2,346,000	118,426	548,864	0	59,464
year 6	27,815,280	1473	2,346,000	118,426	548,864	0	59,464
year 7	27,815,280	1473	2,346,000	118,426	548,864	0	59,464
year 8	27,815,280	1473	2,346,000	118,426	548,864	0	59,464
year 9	27,815,280	1473	2,346,000	118,426	548,864	0	59,464
year 10	30,161,280	1668	0	124,919	548,864	248,545	314,501
year 11	30,161,280	1668	0	124,919	548,864	244,279	310,235
year 12	30,161,280	1668	0	124,919	548,864	240,098	306,054
year 13	30,161,280	1668	0	124,919	548,864	236,001	301,957
year 14	30,161,280	1668	0	124,919	548,864	231,986	297,942
year 15	30,161,280	1668	0	124,919	548,864	228,051	294,007
year 16	30,161,280	1668	0	124,919	548,864	224,195	290,151
year 17	30,161,280	1668	0	124,919	548,864	220,415	286,372
year 18	30,161,280	1668	0	124,919	548,864	216,712	282,669
year 19	30,161,280	1668	0	124,919	548,864	213,083	279,039
year 20							
Annualized Average	23,918,559	1,276	1,658,822	101,343	422,485	78,366	620
Net Present Value	271,131,099	14,468	18,803,735	1,144,779	4,789,121	888,321	7,025

\* does not include school districts

2-11

**Table 1-2**  
**Economic Impacts Under Alternative Assumptions 2**  
 (multiplier = 1.4, partial federal financing of infrastructure improvements)

Location: Product: Subsidy Amount	Independence Aircraft 21,000,000	Total	Coffeyville	Independence	Cherryvale	Caney	Montgomery County
<b>1. IMPACT ON LOCAL ECONOMY</b>							
<b>ANNUALIZED AVERAGES</b>							
Personal Income		18,534,334	4,244,362	8,581,397	815,511	667,236	4,225,828
Personal income from firm		7,043,047	1,612,858	3,260,931	309,894	253,550	1,605,815
Secondary income gains		63.7%	63.7%	63.7%	63.7%	63.7%	63.7%
Share of new income to current reside		1,658,822	511,417	491,684	84,798	73,330	497,594
Income losses due to taxes		23,918,559	5,345,803	11,350,643	1,040,607	847,456	5,334,049
Net personal income gains: total		14,639,117	3,220,811	7,054,262	632,311	513,396	3,218,337
Net gains to current Mont. Co. reside							
Job Creation		928	190	383	36	30	189
Job gains from firm		587	134	272	26	21	134
Secondary job gains		138	43	41	7	6	41
Job losses due to taxes		1,276	281	614	55	45	281
Net job gains							
Local Trade from Firm		7,597,787	1,692,785	4,740,013	234,556	203,651	726,782
Local wholesale and retail trade							
Taxable Retail Trade Benefit		182,125	0	182,125	0	0	0
Local taxable retail trade from firm		9,501,268	1,692,785	2,643,493	234,556	203,651	726,782
Retail trade due to consumer income		9,683,394	1,692,785	2,825,620	234,556	203,651	726,782
Total taxable retail trade							
Impact on Property Values							
Residential impact		177	41	82	8	6	40
New units constructed		10,962,377	2,484,432	5,130,102	480,015	391,960	2,475,869
Value of new units		24,253,062	5,386,227	11,581,520	1,052,077	855,755	5,377,484
Added value to current residences		35,215,439	7,870,658	16,711,621	1,532,092	1,247,715	7,853,353
Total impact on residential values							
Industrial facility impact		15,000,000	0	15,000,000	0	0	0
Initial value of facility		13,018,002	0	13,018,002	0	0	0
Depreciated value of facility		10,000,000	0	10,000,000	0	0	0
Initial value of equipment		4,119,020	0	4,119,020	0	0	0
Depreciated value of equipment		25,000	0	25,000	0	0	0
Land value							

2-12



**Table 2-2**  
**Fiscal Impacts Under Alternative Assumptions 2**  
 (multiplier = 1.4, partial federal financing of infrastructure improvements)

	Total	Coffeyville	Independence	Cherryvale	Caney	Montgomery County	Comm. College
<b>II. LOCAL GOVERNMENT REVENUES AND COSTS: ANNUALIZED AVERAGES</b>							
<b>CITIES, COUNTY, COMMUNITY COLLEGE</b>							
Sales Tax	69,843	16,928	28,256	2,346	3,564	18,749	0
Retail trade sales tax	31,500	0	0	0	0	31,500	0
Sales tax on utilities	101,343	16,928	28,256	2,346	3,564	50,249	0
Total sales tax							
Franchise Fees	0	0	0	0	0	0	0
On utilities							
Property Taxes	422,485	40,958	81,601	8,150	6,320	145,184	140,271
From residential property	78,366	0	0	0	0	40,356	38,009
From firm	66,488	0	0	0	0	34,240	32,248
Industrial facility	11,731	0	0	0	0	6,041	5,690
Equipment	147	0	0	0	0	76	71
Land	500,851	40,958	81,601	8,150	6,320	185,541	178,281
Total property tax							
Other Revenue	176,312	21,162	77,197	5,628	530	71,795	0
Fees, charges, motor vehicle tax, etc							
Costs	389,759	41,026	82,947	7,883	6,449	251,454	0
Costs to service households	277,373	0	222,678	0	0	54,695	0
Costs to service firm	667,133	41,026	305,626	7,883	6,449	306,149	0
Total cost							
Net Revenue	111,373	38,022	(118,571)	8,241	3,965	1,436	178,281
Cities, county, commun. college							
<b>MUNICIPAL UTILITIES</b>							
New Revenue to Municipal Utilities	41,076	12,185	24,635	2,341	1,915	0	0
From households	150,000	0	150,000	0	0	0	0
From firm							
Costs	41,076	12,185	24,635	2,341	1,915	0	0
Costs to service households	220,574	0	220,574	0	0	0	0
Costs to service firm							
Net Revenue	(70,574)	0	(70,574)	0	0	0	0
Municipal Utilities							
<b>SCHOOL DISTRICTS</b>							
Property Taxes: School Districts	27,560	5,175	20,268	2,117	0	0	0
From residential property	10,041	0	10,041	0	0	0	0
From firm							
Other Revenue: School Districts	900	0	754	146	0	0	0
Supplemental state aid, capital aid,							
Costs	0	0	0	0	0	0	0
Operations in excess of \$3600/pupil	2,812	832	1,673	168	139	0	0
Capital costs							
Net Revenue	35,688	4,343	29,390	2,095	(139)	0	0
School districts							
<b>SUMMARY</b>							
Total Annualized Net Revenue Gained	76,487						
City, County, College, Utilities, School							

2-13

**Table 3-2**  
**Year by Year Analysis Under Alternative Assumptions 2**  
 (multiplier = 1.4, partial federal financing of infrastructure improvements)

YEAR BY YEAR ANALYSIS	Net Income Gain	Net Job Gain	Primary + Secondary Income Loss	Sales Tax (net of sub payment)	Residential Property Tax*	Firm Property Tax*	Net Gain to Local Govt.
	(502,872)	-126	3,519,000	2,752	0	0	(492,182)
year 1	9,718,512	472	2,346,000	43,474	54,886	0	(408,915)
year 2	18,766,896	972	2,346,000	80,950	219,545	0	(219,122)
year 3	27,815,280	1473	2,346,000	118,426	384,204	0	(29,328)
year 4	27,815,280	1473	2,346,000	118,426	548,864	0	135,331
year 5	27,815,280	1473	2,346,000	118,426	548,864	0	135,331
year 6	27,815,280	1473	2,346,000	118,426	548,864	0	135,331
year 7	27,815,280	1473	2,346,000	118,426	548,864	0	135,331
year 8	27,815,280	1473	2,346,000	118,426	548,864	0	135,331
year 9	27,815,280	1473	2,346,000	118,426	548,864	0	135,331
year 10	30,161,280	1668	0	124,919	548,864	248,545	390,368
year 11	30,161,280	1668	0	124,919	648,864	244,279	386,102
year 12	30,161,280	1668	0	124,919	548,864	240,098	381,922
year 13	30,161,280	1668	0	124,919	548,864	236,001	377,825
year 14	30,161,280	1668	0	124,919	548,864	231,986	373,809
year 15	30,161,280	1668	0	124,919	548,864	228,051	369,875
year 16	30,161,280	1668	0	124,919	548,864	224,195	366,018
year 17	30,161,280	1668	0	124,919	548,864	220,415	362,239
year 18	30,161,280	1668	0	124,919	548,864	216,712	358,536
year 19	30,161,280	1668	0	124,919	548,864	213,083	354,907
year 20	30,161,280	1668	0	124,919	548,864	213,083	354,907
Annualized Average	23,918,559	1,276	1,658,822	101,343	422,485	78,366	76,487
Net Present Value	271,131,099	14,468	18,803,735	1,148,779	4,789,121	888,321	867,025

\* DOES NOT include school districts

2-14

**Table 1-3**  
**Economic Impacts Under Alternative Assumptions 3**  
 (multiplier = 1.75, partial federal financing of infrastructure improvements)

Location: Product: Subsidy Amount	Independence Aircraft 21,000,000					
	Total	Coffeyville	Independence	Cherryvale	Caney	Montgomery County
<b>1. IMPACT ON LOCAL ECONOMY</b>						
<b>ANNUALIZED AVERAGES</b>						
Personal Income	19,534,334	4,244,362	8,581,397	813,511	667,236	4,225,828
Personal income from firm	13,900,750	3,183,272	6,436,047	611,633	500,427	3,169,371
Secondary income gains	63.7%	63.7%	63.7%	63.7%	63.7%	63.7%
Share of new income to current reside	1,658,822	511,417	491,684	84,798	73,330	497,594
Income losses due to taxes	30,776,262	6,916,217	14,525,760	1,342,346	1,094,334	6,897,606
Net personal income gains, total	19,008,855	4,221,481	9,077,451	824,580	670,707	4,214,637
Net gains to current Mont. Co. reside						
Job Creation	828	190	383	36	30	189
Job gains from firm	1,158	265	536	51	42	264
Secondary job gains	138	43	41	7	6	41
Job losses due to taxes	1,848	412	879	80	65	411
Net job gains						
Local Trade from Firm	43,767,613	2,188,288	40,073,559	302,809	263,078	939,822
Local wholesale and retail trade						
Taxable Retail Trade Benefit	318,719	0	318,719	0	0	0
Local taxable retail trade from firm	7,078,540	2,188,288	3,384,487	302,866	263,078	939,822
Retail trade due to consumer income	7,397,259	2,188,288	3,703,206	302,866	263,078	939,822
Total taxable retail trade						
Impact on Property Values						
Residential impact	223	51	103	10	8	51
New units constructed	12,315,326	2,794,257	5,756,517	539,544	440,666	2,784,342
Value of new units	32,996,751	7,388,531	15,629,848	1,438,799	1,170,528	7,371,045
Added value to current residences	45,312,077	10,182,788	21,386,365	1,976,344	1,611,194	10,155,387
Total impact on residential values						
Industrial facility impact	15,000,000	0	15,000,000	0	0	0
Initial value of facility	13,018,002	0	13,018,002	0	0	0
Depreciated value of facility	10,000,000	0	10,000,000	0	0	0
Initial value of equipment	4,119,020	0	4,119,020	0	0	0
Depreciated value of equipment	25,000	0	25,000	0	0	0
Land value						

**Table 2-3**  
**Fiscal Impacts Under Alternative Assumptions 3**  
 (multiplier = 1.75, partial federal financing of infrastructure improvements)

II. LOCAL GOVERNMENT REVENUES AND COSTS: ANNUALIZED AVERAGES	Total	Coffeyville	Independence	Cherryvale	Caney	Montgomery County	Comm. College
<b>CITIES, COUNTY, COMMUNITY COLLEGE</b>							
Sales Tax							
Retail trade sales tax	91,618	21,883	37,032	3,029	4,604	35,070	0
Sales tax on utilities	31,500	0	0	0	0	31,500	0
Total sales tax	123,118	21,883	37,032	3,029	4,604	66,570	0
Franchise fees							
On utilities	0	0	0	0	0	0	0
Property Taxes							
From residential property	543,415	52,990	104,427	10,513	8,162	186,810	180,512
From firm	78,366	0	0	0	0	40,356	38,009
Industrial facility	66,488	0	0	0	0	34,240	32,248
Equipment	11,731	0	0	0	0	6,041	5,690
Land	147	0	0	0	0	76	71
Total property tax	621,780	52,990	104,427	10,513	8,162	227,167	218,522
Other Revenue							
Fees, charges, motor vehicle tax, etc	221,092	26,537	96,803	7,058	664	90,030	0
Costs							
Costs to service households	488,750	51,445	104,014	9,885	8,087	315,319	0
Costs to service firm	264,141	0	209,446	0	0	54,695	0
Total cost	752,891	51,445	313,460	9,885	8,087	370,013	0
Net Revenue							
Cities, county, comm. college	213,099	49,964	(75,197)	10,713	5,342	3,763	218,522
<b>MUNICIPAL UTILITIES</b>							
Net Revenue to Municipal Utilities							
From households	51,509	15,279	30,892	2,936	2,402	0	0
From firm	150,000	0	150,000	0	0	0	0
Costs							
Costs to service households	51,509	15,279	30,892	2,936	2,402	0	0
Costs to service firm	220,574	0	220,574	0	0	0	0
Net Revenue							
Municipal Utilities	(70,574)	0	(70,574)	0	0	0	0
<b>SCHOOL DISTRICTS</b>							
Property Taxes: School Districts							
From residential property	35,406	6,695	25,979	2,733	0	0	0
From firm	10,041	0	10,041	0	0	0	0
Other Revenue: School Districts							
Supplemental state aid, capital aid,	1,128	0	945	183	0	0	0
Costs							
Operations in excess of \$3600/pupil	0	0	0	0	0	0	0
Capital costs	3,516	1,041	2,095	208	172	0	0
Net Revenue							
School districts	43,059	5,653	34,871	2,707	(172)	0	0
<b>SUMMARY</b>							
Total Annualized Net Revenue Gained							
City, County, College, Utilities, School	185,584						

2-16

**Table 3-3**  
**Year by Year Analysis Under Alternative Assumptions 3**  
 (multiplier = 1.75, partial federal financing of infrastructure improvements)

YEAR BY YEAR ANALYSIS	Net Income Gain	Net Job Gain	Primary + Secondary Income Loss	Sales Tax (net of sub payment)	Residential Property Tax*	Firm Property Tax*	Net Gain to Loc. Govt.
year 1	(637,700)	-138	4,462,500	2,674	0	0	(532,370)
year 2	12,324,200	689	2,975,000	52,501	70,597	0	(421,680)
year 3	23,798,600	1391	2,975,000	98,147	282,387	0	(173,978)
year 4	35,273,000	2094	2,975,000	143,793	494,177	0	73,724
year 5	35,273,000	2094	2,975,000	143,793	705,967	0	285,514
year 6	35,273,000	2094	2,975,000	143,793	705,967	0	285,514
year 7	35,273,000	2094	2,975,000	143,793	705,967	0	285,514
year 8	35,273,000	2094	2,975,000	143,793	705,967	0	285,514
year 9	35,273,000	2094	2,975,000	143,793	705,967	0	285,514
year 10	35,273,000	2094	2,975,000	143,793	705,967	0	285,514
year 11	38,248,000	2342	0	152,154	705,967	248,545	542,420
year 12	38,248,000	2342	0	152,154	705,967	244,279	538,154
year 13	38,248,000	2342	0	152,154	705,967	240,098	533,973
year 14	38,248,000	2342	0	152,154	705,967	236,001	529,876
year 15	38,248,000	2342	0	152,154	705,967	231,906	525,861
year 16	38,248,000	2342	0	152,154	705,967	228,051	521,926
year 17	38,248,000	2342	0	152,154	705,967	224,195	518,070
year 18	38,248,000	2342	0	152,154	705,967	220,415	514,291
year 19	38,248,000	2342	0	152,154	705,967	216,712	510,587
year 20	38,248,000	2342	0	152,154	705,967	213,083	506,958
Annualized Average	30,331,503	1,811	2,103,579	123,118	543,415	78,366	105,684
Net Present Value	343,823,669	20,526	23,845,316	1,395,610	6,159,930	886,321	2,103,703

\* does not include school districts

**Appendix A**

**State Incentive Information  
Provided By  
Montgomery County Action Council**

2-18

# **Kansas Incentive Review**



## ***Cessna Aircraft***



**August 4, 1994**

# **Enterprise Zone Job Tax Credit**

---

## ■ Job tax credit based on 951 employees

- **Basic credit**

\$1,500 per job

\$1.43 million

- **Enhanced credit**

\$2,500 per job

\$2.38 million

**Note: Actual level of credits will be based on the number of new jobs less transfers from existing Cessna facilities.**



# Enterprise Zone Sales Tax Exemption

---

## ■ Exemption includes state and local tax

- Based on a capital expenditure of \$31 million including \$11 million in machinery and equipment and \$20 million in facilities with a sales tax range of 4.9% - 6.9%.

### Total exemption

**\$1.519 to \$2.139 million**

# Enterprise Zone Investment Tax Credit

---

- Investment credit based on \$11 million in machinery and equipment investment and a hypothetical capitalized lease of \$16.7 million. The later figure is based on 300,000 sq. ft. at \$6.94 per sq. ft. multiplied by a factor of eight.

- Total Credit

\$1,000 per \$100,000 capital investment

\$110,000 (machinery and equipment)

\$167,000 (building)

**\$277,000 Total**

# **High Performance Incentive**

---

- **Investment tax credit based on \$11 million in equipment**
  - **Eligibility contingent on meeting wage and training requirements.**
  - **Credit is 10% of capital investment, less first \$50,000 of investment - \$1.095 million.**
  - **Cannot take both High Performance and Enterprise Zone Investment Credit.**

# **SKILL**

## **(State of Kansas Investments in Lifelong Learning)**

---

- **Based on 951 new jobs at an average starting salary of \$18,442, Cessna is eligible for up to \$2 million.**
  
- **Maybe used to pay for instructors' salaries, travel expenses, video tape development, training manuals, textbooks, supplies, materials, and curriculum planning and development.**
  
- **Up to 50% of funds may also be used for equipment for the educational institution. Up to 10% may be used for the school's administrative expenses.**

2-24

# **Kansas Economic Initiative Fund**

---

■ **Available for a variety of economic development needs.**

- **\$800,000 is committed to this project.**

# Small Cities CDBG Program

## ■ CDBG Regular Economic Development

Application Due	October 14, 1994
Award Date	November 28, 1994

## ■ CDBG Float/Bridge Loan

Application Due	Anytime until November 1, 1994
Award Date	90 days from Application Receipt

## ■ CDBG Section 108

Application Due	Anytime until November 1, 1994
Award Date	120 days from Application Receipt

## ■ CDBG Loan Guaranty Program

Application Due	Anytime until November 1, 1994
Award Date	90 days from Application Receipt

**\*\*Only a combination of two of these sources will be allowed in any one project.\*\***

2-26

# Requirements

- All CDBG funded grants require that the following regulations be met.
  - The grantee must certify that Environmental Review is completed prior to release of federal funds.
  - Grantee must certify that Civil Rights requirements are met and a Furthering Fair Housing activity will take place.
  - If acquisition of property is involved, all Uniform Act requirements must be met.
  - Wage Rates must meet those established by U.S. Department of Labor in conformance with the Davis-Bacon Act.
  - The National Objective that 51% of the individuals benefitting must meet the low-and-moderate income criteria.

# **CDBG Funding Summary**

---

- **Small Cities CDBG - \$500,000**
  
- **Float/Bridge Loan - Amount to be determined**
  
- **Loan Guaranty - Amount to be determined**
  
- **Section 108 - Amount to be determined**

2-28