

Approved: March 23, 1999  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT .

The meeting was called to order by Chairperson Bill Mason at 3:30 p.m. on March 4 , 1999 in Room 522-S of the Capitol.

All members were present except: Representative Campbell  
Representative Henderson  
Representative Sharp  
Representative Stone

Committee staff present: April Holman, Legislative Research Department  
Lynne Holt, Legislative Research Department  
Renae Jefferies, Office of Revisor of Statutes  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:  
Representative Shari Weber  
Representative Jerry L. Aday  
Steve Kelly, Kansas Department of Commerce & Housing  
Charles Ranson, Kansas Inc.  
Robert Marcusse, K.C. Area Development Council

Others attending: See Attached

**HCR 5030: A resolution requesting a study on the function of housing as an economic development activity.**

April Holman, briefed the committee on the resolution that requests the LCC to appoint a special committee to study the function of housing as an economic development activity and that the special committee complete its study and submit its report to the Legislature by no later than December 1, 2000. There is no fiscal note at this time.

Representative Shari Weber appeared before the committee in support of **HCR 5030**. She stated that there appears to be a direct correlation between economic development and housing in the state (Attachment 1). She asked for support of the resolution and the stock/economic development study information it would provide. Discussion followed regarding whether this is a statewide or rural issue.

Representative Jerry Aday stated that his resolution was the result of conversations with the Speaker of the House, Representative Weber and others. He stated that from his experiences it appeared that without available housing and/or the ability to build new housing growth in any Kansas community would be limited (Attachment 2). The proposed study would look at the following: 1) Why building isn't happening 2) type of residents needed 3) relationship between building and the population trends 4) local governmental entities building enhancement opportunities 5) types of programs needed 6) comparison with other states that have a state financing or housing agency 7) relationship between building projects and growth 8) cost differences between rural and urban housing. He explained the impact of several building projects in his communities.

Discussion followed regarding growth potential verses speculative building, housing agencies funding processes and which organization would handle the study most efficiently. Representative Compton applauded his efforts and concurred that the problem exists in her district as well.

Chairman Mason stated that the subject had been discussed in previous years and would probably be a topic for the Joint Economic Development Interim Committee this year. He asked Randy Speaker, Department of Commerce and Housing if any community has utilized the resources that were given them a year ago.

Randy Speaker said that there are four communities that were working on it, however they do not have it in operation at this time. He pointed out two questions that should be addressed: What resources are missing in Kansas that other states utilize and what mechanism would be the most economical for Kansas to get those resources. The important thing is to get the information out to the rural communities.

Representative John Toplikar spoke in support of the resolution. He said that he had served on the Joint Economic Development Committee for six years and the topic has been addressed numerous times. He urged that they pursue the issue further.

Chairman Mason asked if there were any other opponents or proponents that wished to speak. Hearing and seeing none he closed the hearing on **HCR 5030**.

He opened the hearing on **SB 179 - an act concerning the high performance incentive program**.

Lynne Holt, Legislative Research, briefed the committee on the background and history of the bill. She gave information and statistics from "Evaluation of High Performance Firms Inc. Programs", published by the Kansas Department of Commerce and Housing, dated May 1998 (Copy on permanent file at the Department of Commerce and Housing). Discussion followed on the definition of above average wage.

Steve Kelly, Director of the Business Development Division at KDOC & H. The department believes **SB 179** will help the state encourage growth in this industry, by allowing Kansas to make tax incentives available to recruit and retain distribution businesses (Attachment 3). He said that he and David Bybee, Program Administrator of Business Development, Dept. of Commerce and Housing were available for questions. Discussion followed regarding statutorily-defined SIC codes, agency responsible for the program, business lost due to lack of incentive program in Kansas and definition of high performance wages.

Charles Ranson, Kansas Inc. appeared in support of **SB 179** (Attachment 4). He gave statistics on the investment that was reported in connection with HPIP certified firms between FY 1994-FY1997 and number of jobs created. Discussion followed regarding state income credits for HPIP certified firms, amount of time tax credit can be carried forward and the claw back provision.

Robert Marcusse, K. C. Area Development Council appeared in support of **SB 179**. He cited an example of a business that located in Blue Springs, Missouri rather than Lawrence, due to the lack of incentives offered in Kansas (Attachment 5). He spoke of the importance of having a level playing field from a competition stand point. Discussion followed regarding comparable incentive programs used in Missouri. Chairman Mason reviewed the history of Walmart and the loss of a new distribution center due to lack of incentive program.

Attention was given to the written testimony of Alan F. Alderson, Legislative Counsel, Western Association and the Electric Association of Missouri and Kansas (Attachment 6).

The Chair closed the hearing on **SB 179**.

Representative Geringer moved that the minutes from the February 16<sup>th</sup> and 18<sup>th</sup> meetings be approved. The committee seconded and the motion carried.

The Chairman reviewed the revised fiscal note on **HB 2166**. He read a section of the last paragraph that follows: *Any fiscal impact from this bill would be in the form of opportunity costs associated with not collecting taxes or sales that would be generated in the district until the bonds are retired. The Department would expect an administrative impact of \$13,930, all one-time expenditures. Of this amount, \$13,230 would be for changes to both the new and existing tax systems, and \$700 would be for printing and postage for information related to the facets of this bill* (Attachment 7).

The next meeting date will be March 9, 1999

The Chairman adjourned the meeting at 4:55 p.m.





# The Kansas House

REPRESENTATIVE, 68TH DISTRICT  
CENTRAL & SE DICKINSON, MORRIS &  
NORTHERN LYON COUNTIES

OFFICE: STATE CAPITOL—182-W  
TOPEKA, KANSAS 66612  
(785) 296-7674

HOME ADDRESS: 934 UNION ROAD  
HERINGTON, KANSAS 67449  
(785) 258-3526



Representative  
Shari Weber

COMMITTEE ASSIGNMENTS

- APPROPRIATIONS
- SUB-COMMITTEE ON CORRECTIONS AND PUBLIC SAFETY
- SELECT COMMITTEE ON HIGHER EDUCATION
- JOINT COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

DURING SESSION  
LEGISLATIVE HOTLINE  
1-800-432-3924  
INTERNET E-MAIL rep\_shari\_weber@mail.ksleg.state.ks.us

## Testimony for House Economic Development Committee

RE: HCR 5030 Hearing; March 4, 1999

Thank you for the opportunity to appear before the Committee today. I am pleased to share with you information about HCR 5030 and the impact I feel it will have upon the citizens of Kansas.

As you have heard in previous testimony over the past sessions, there appears to be a direct correlation between economic development and housing in our state. That has also been my experience when I worked as a downtown development director for Herington Main Street Program, Inc. We tried not only to support our existing businesses, but attract new businesses and industry to our community. Business people exploring the possibility of locating to Herington had an intense interest in the housing stock available to them. It has been my experience that the tie between economic development and housing is very strong.

Currently, the Kansas Department of Commerce and Housing has worked to formulate programs that produce positive housing results in our Kansas Communities. One of those programs is the Kansas Housing Template. It is a mechanism to aid local communities with evaluating local housing information and identifying housing resources. It is designed to go beyond just gathering statistical data and also provides local communities assistance with marketing their community. It is programs like this that I believe HCR 5030 will serve to support with legislative initiative. HCR 5030 can help to move us up the housing ladder in Kansas, by bringing to light the economic development component of housing.

It is my belief that quality housing is one of several BASIC needs of families. A home is part of the glue that holds our Kansas families together. Housing for Kansas families is one of the basic elements of the food, clothing and shelter that each citizen needs everyday. Housing affects not only the quality of life that we experience in our communities, but also the economic development that is crucial to each Kansas community - large or small across the state.

I ask for your thoughtful consideration of HCR 5030 and the positive housing stock/economic development study information it can bring to us. I ask for your support of this timely economic development initiative. Thank you,

*Shari Weber*  
Economic Development  
MARCH 4, 1999  
Attachment 1, 1999

JERRY L. ADAY  
 REPRESENTATIVE, 67TH DISTRICT  
 DICKINSON, ELLSWORTH, SALINE  
 AND MCPHERSON COUNTIES  
 P. O. BOX 1  
 ELLSWORTH, KS 67439  
 STATE CAPITOL—556-N  
 TOPEKA, KANSAS 66612-1504  
 (785) 296-7681  
 1-800-432-3924



TOPEKA

HOUSE OF  
 REPRESENTATIVES

MEMBER: TRANSPORTATION  
 ECONOMIC DEVELOPMENT  
 TOURISM  
 BUSINESS, COMMERCE & LABOR

**Presentation to  
 Kansas House Economic Development Committee  
 March 4, 1999**

The intent of this resolution is to provide an avenue for studying the issue of housing as it relates to economic development. It has long been debated as to which comes first building housing or economic development. There are many of us with visions of economic development includes housing as an economic development activity.

There is a direct relationship between available housing and the growth of communities. As an example in Ellsworth we have a building that is available. I have shown that building to several businesses from throughout the country. Each of these groups have had the same response. **“It is a perfect facility and a great community, but there is no housing for either our management group or new employees.”** The facility is still available. From these experiences it would appear that without available housing and/or the ability to build new housing growth in any community will be limited.

In the past 2 years Ellsworth County Economic Development, Inc. the organization of which I am the Executive Director, has built 9 duplexes under a tax credit program. These 18 units are full with a waiting list for future residents. Some of the residents of these units owned homes before moving into the duplexes. Their homes sold within a very short period of time (in most cases before they could move in the new facility). It is our estimate that this building project has accounted for as many as 30 new residents moving into Ellsworth County or prevented residents from leaving the area.

Secondly, the building, or lack there of, in any community is an example of the communities commitment to itself and its future. Communities that won't invest in themselves have little reason to expect outsiders to invest in their community. There are numerous opportunities for an investor to make money. The investor doesn't need to invest in an area where the community doesn't have faith in its own future.

During the past two years 6 different rural communities have contacted me concerning the housing project we are doing in Ellsworth County. I have visited each of these

*Economic Development  
 March 4, 1999  
 Attachment 2*

communities and they have several things in common (no growth, no construction, no new industry, a lowering tax base, declining population). Along with these items, they also shared a desire to improve their situation and believe that in order to overcome these negatives, some type of construction activities are needed. The communities recognize they must make an investment in their communities, but they need some assistance due to their lack of certain elements such as investors, construction knowledge, ability to access either federal or state funds.

I strongly believe that companies and/or investors will go to any community that is sold on itself to the point of investing in itself. Companies and investors are equally going to avoid communities that don't have the resources they need to be successful. These resources includes housing both entry level and new built.

The proposed study would look at several angles as it relates to the development of housing in rural communities. These would include but not be limited to:

1. why building isn't happening;
2. what type of residents are needed (single family, multi-family, low-income senior, assisted living, etc.);
3. what is the relationship between building or the lack of and the population trends of rural Kansas;
4. what local governmental entities can do to enhance building opportunities within their communities;
5. what types of programs are needed from the state to protect the future development of our rural areas;
6. what impact does Kansas being one of the few states not to have either a state financing or housing agency have on the lack of housing development in rural Kansas;
7. what is the relationship between new building projects and growth; and
8. what are the cost differences between rural and urban housing.

There is an old saying that became famous in the movie "Field of Dreams" -- "**Build it and they will come!**" but the reverse may also be true - if you don't build they won't come. I ask for your support of House Resolution 5030 so that we may take the first step in improving the housing situation in rural Kansas.

Thank you.

**TESTIMONY TO:**

**HOUSE ECONOMIC DEVELOPMENT COMMITTEE**

**BY: STEVE KELLY**

**BUSINESS DEVELOPMENT DIVISION**

**KANSAS DEPARTMENT OF COMMERCE & HOUSING**

**March 4, 1999**

**3:30 P.M.**

**Room 522-S**

*Economic Development Comm  
March 4, 1999  
Attachment 3-1*

## Testimony for the House Economic Development Committee

Chairman Mason, Members of the Committee, my name is Steve Kelly. I am the Director of the Business Development Division at the Kansas Department of Commerce & Housing (KDOC&H).

Senate Bill 179 asks that the Standard Industrial Classification (SIC) codes which are eligible for the High Performance Incentive Program (HPIP) be expanded to include SIC categories 50-- and 51--. These two categories cover wholesale/distribution operations for durable and non-durable goods.

Wholesaling/distribution is one of the six targeted industries in which the state has determined it has a competitive advantage, and on which the state is focusing its business recruitment efforts.

The Kansas Department of Commerce & Housing (KDOC&H) believes Senate Bill 179 will help the state encourage growth in this industry, by allowing Kansas to make tax incentives available to recruit new distribution firms to the state, to retain existing distribution businesses which might otherwise choose to move operations outside the state, or might choose to expand company operations at facilities outside the state.

The extension of HPIP eligibility to distribution businesses will have no fiscal impact on operations at the KDOC&H. We do anticipate potential for additional tax credits that will be claimed due to new investment by recruited and existing distribution businesses, which are currently not eligible for the program. Please note that some distribution worksites are already able to qualify for HPIP as ancillary support operations of other, non-distribution

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3-4-99  
Attachment 3-2



businesses. Senate Bill 179 would level the field for businesses whose sole activity is wholesale/distribution.

The second segment of my comments involves another need identified and addressed through these proposed amendments to the original legislation.

A critical component of the High Performance Program is the determination that a worksite is in one of the statutorily-defined SIC categories which is eligible for HPIP. KDOC&H, in general, uses the SIC code which has been assigned to a worksite by the Kansas Department of Human Resources (KDHR) in the course of its work with our state unemployment insurance and the Federal Bureau of Labor Statistics (BLS). This allows us to use an objective, outside party, which has specialized training in the assignment of such codes.

Because the federally-designed SIC system was originally developed for purposes and objectives not necessarily shared by HPIP, there are instances when BLS requirements force KDHR to assign a worksite SIC code which is not descriptive of the business activities that occur at that Kansas worksite.

For example, a Sears back-office operation, such as credit card processing or distribution/warehousing, or even a manufacturing facility producing products for Sears, would likely be classified under the umbrella retail code that describes Sears' overall operation.

In such instances, to determine HPIP wage eligibility, the worksite is forced to compare its internal wage to a wage standard developed for an SIC category not representative of the activities that take place at that Kansas worksite.

For these instances, KDOC&H and KDHR have worked out a system whereby KDHR examines the activities at a worksite, without regard to that worksite's affiliation with other worksites and businesses. KDHR determines a non-binding, informal SIC designation that is representative of the worksite-specific activities. This allows such worksites to compare their internal average wage to the HPIP wage standard developed for other Kansas worksites at which similar business activities occur. KDOC&H believes this helps meet the original legislative intent behind using SIC codes as a proxy for describing the kinds of business activities that were to be HPIP-eligible.

The Kansas Department of Revenue (KDR) was involved in the process through which this system was developed, and feels that additional statutory language would be helpful in its implementation. KDOC&H is of the opinion that the currently statutes already offer authority for implementation of this system, but feels language suggested by the KDR would provide statutory clarification.

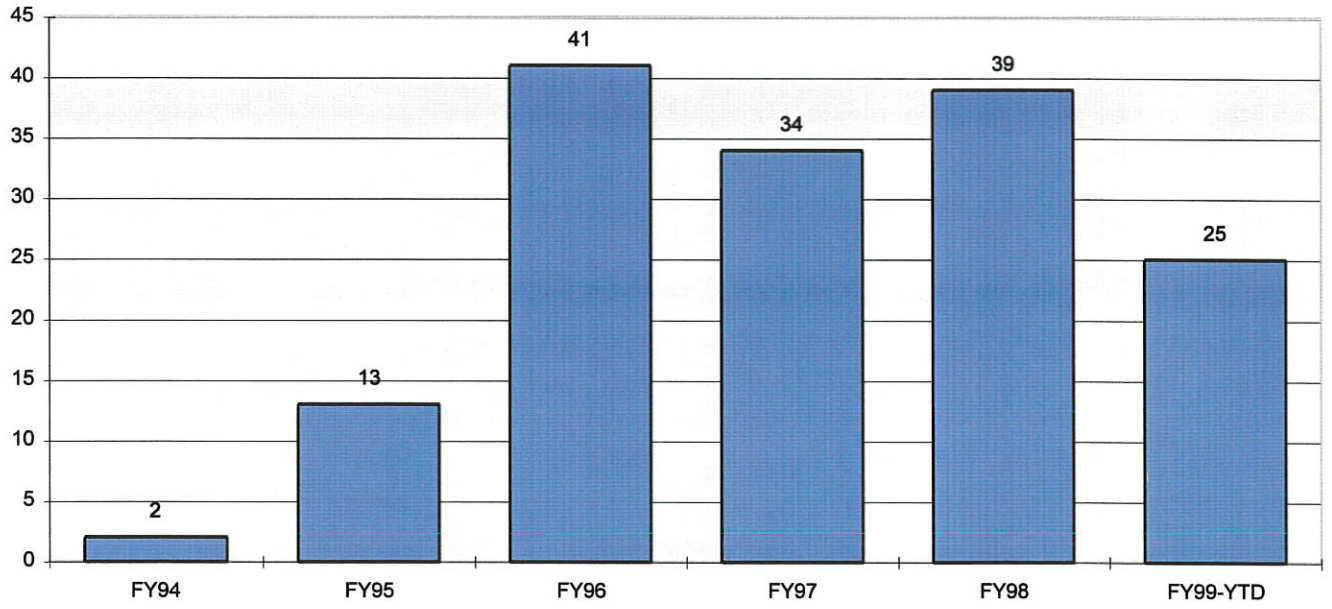
For your review, I have attached several indicators of HPIP activity and impact.

Thank you for allowing me to present these proposed revisions to the High Performance Incentive Program.

I would be glad to answer any questions that you might have at this time.

12/31/98

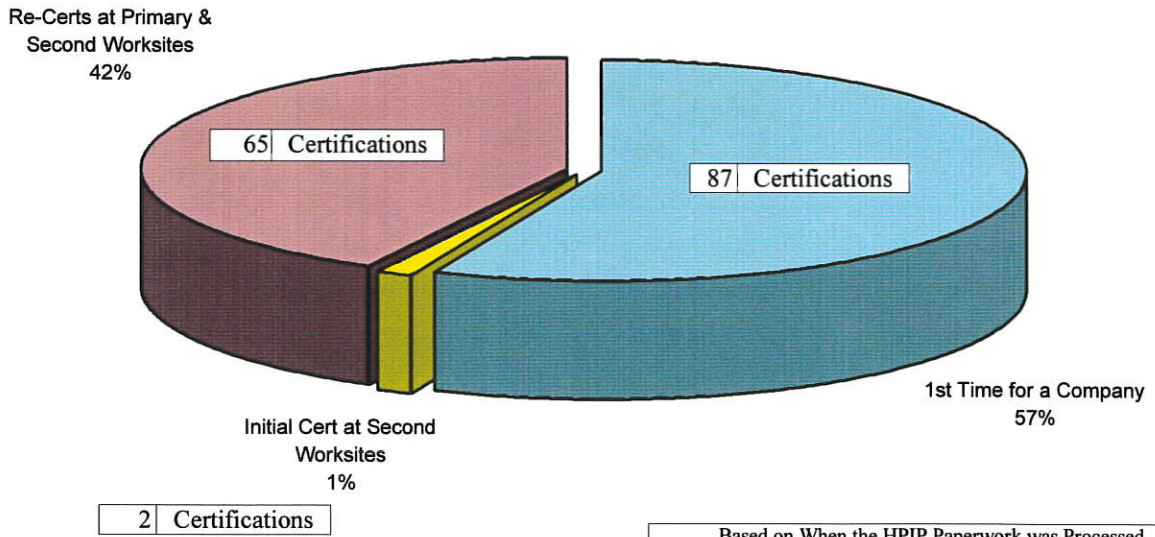
Total HPIP Certifications



Based on When the HPIP Paperwork was Processed

12/31/98

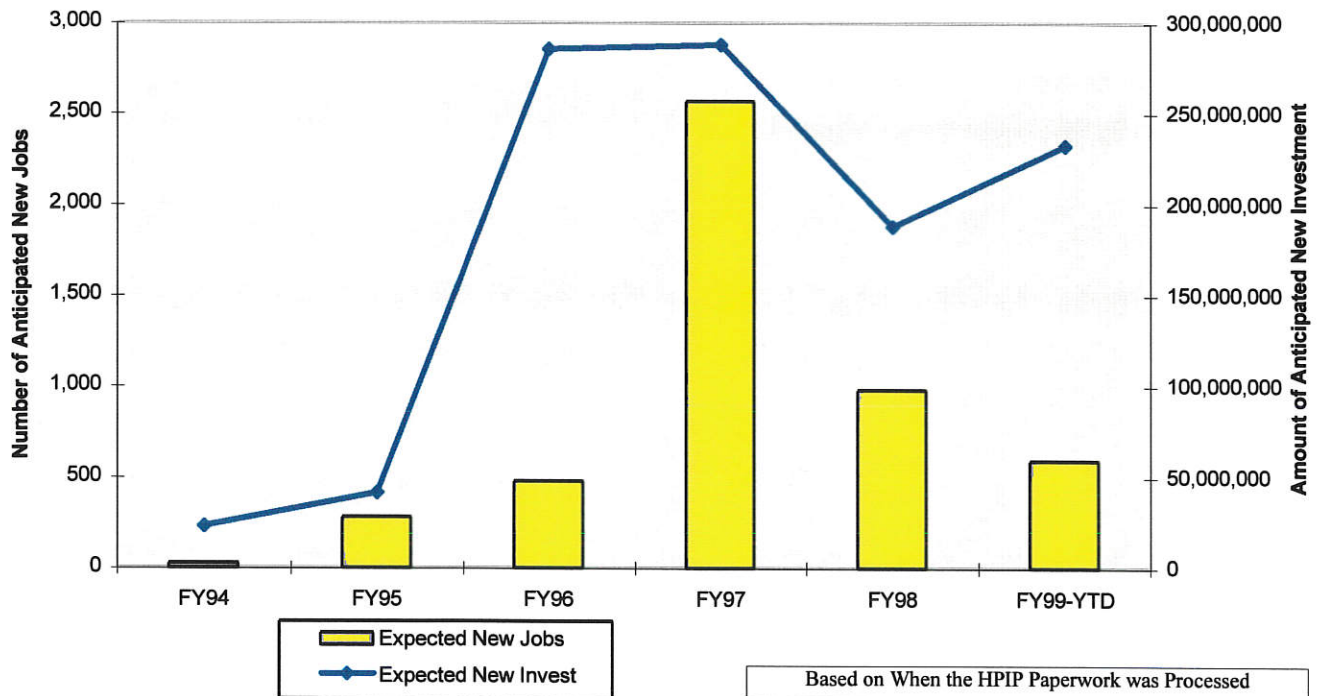
HPIP Certification Types



Based on When the HPIP Paperwork was Processed

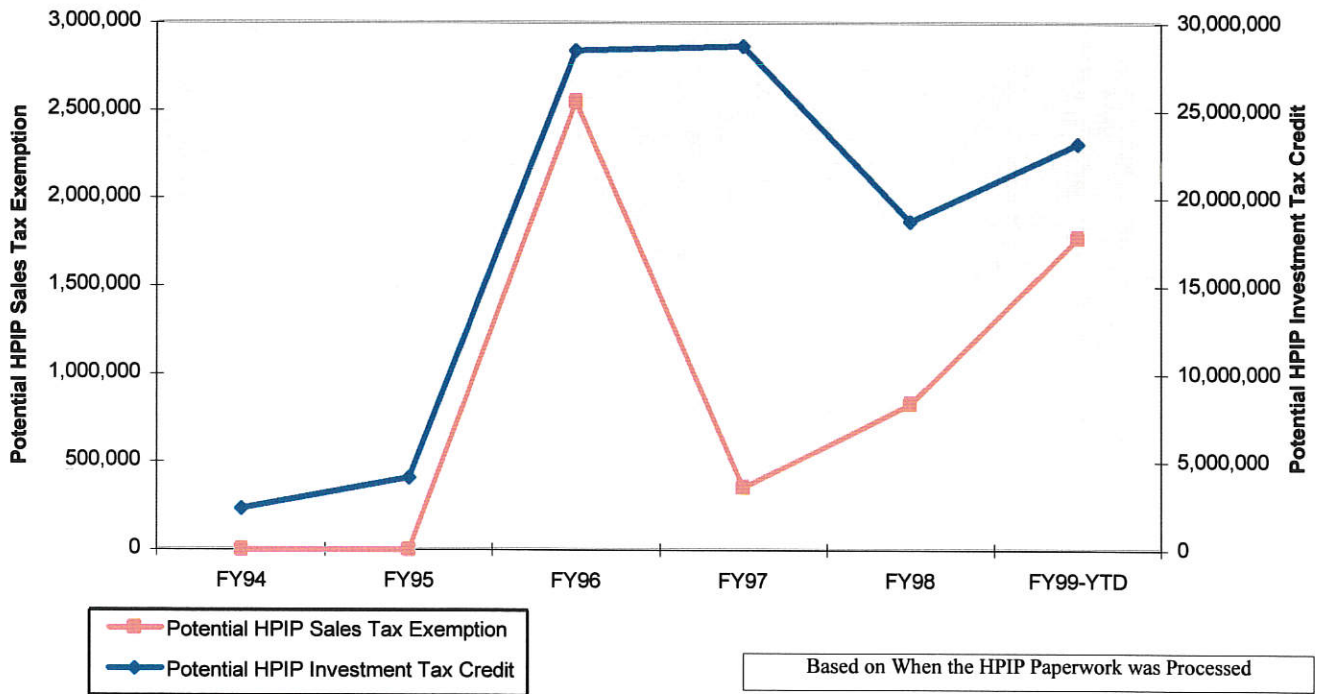
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### Anticipated New Jobs & Investment



12/31/98

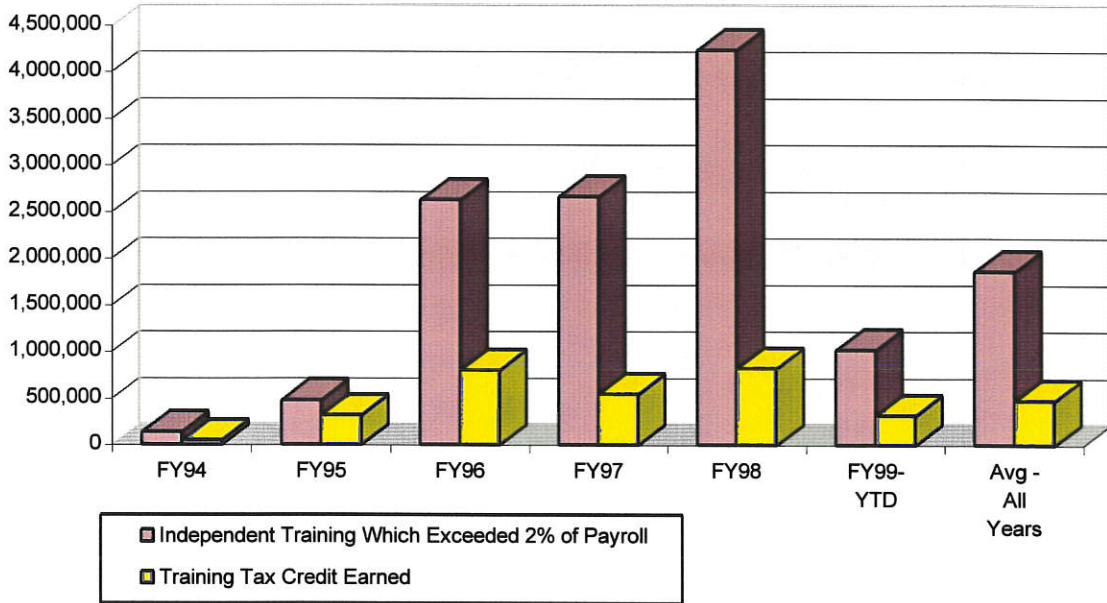
### Anticipated HPIP ITC & STE





### Independent Training Expenditures Over the Minimum Compared to Tax Credits Earned

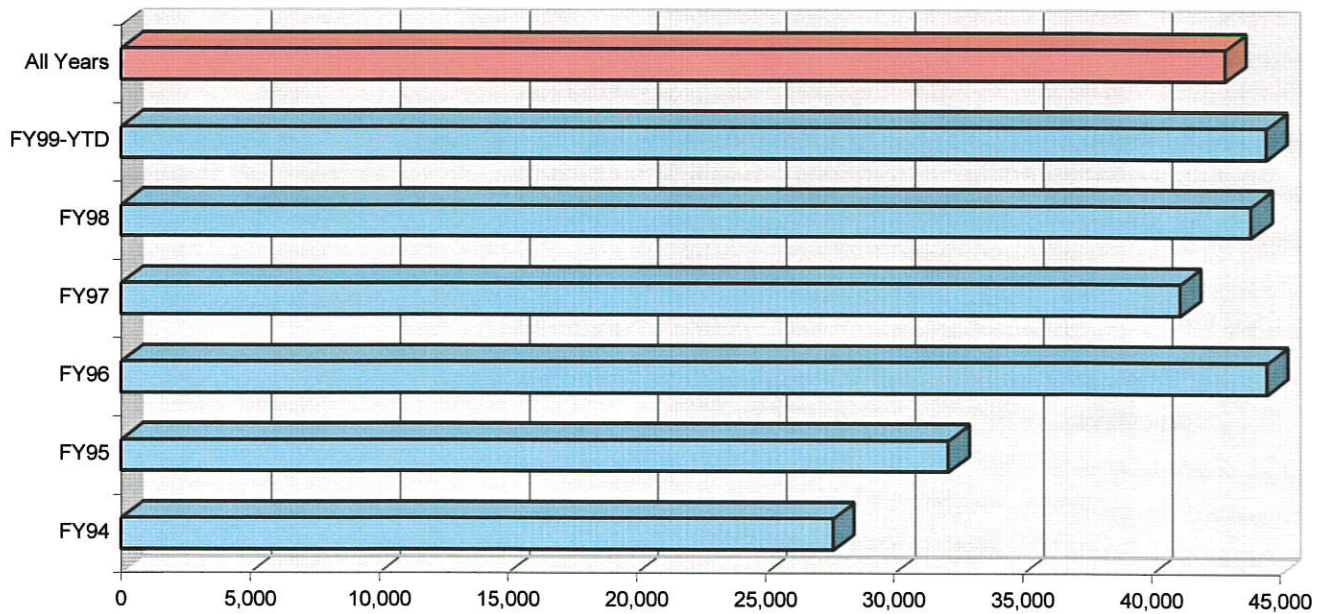
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Based on When the HPIP Paperwork was Processed

### Average Wage by Fiscal Year

12/31/98



Based on When the HPIP Paperwork was Processed

3-7

**Kansas, Inc. Testimony  
Presented to the House Economic Development Committee  
March 4, 1999**

**in support of S.B. 179**

Kansas, Inc. is pleased to encourage your favorable consideration of S.B. 179, a bill to expand eligibility for participation in the High Performance Incentives Program (HPIP) to include warehousing, wholesale trade and distribution firms.

It is clear that HPIP has been successful in spurring new investment and job creation. By our analysis, a total of \$645.3 million in investment was reported in connection with HPIP certified firms between FY 1994 and FY 1997. Additionally, more than 3,400 new jobs were created during this same time period in connection with the program.

HPIP has been cost effective as well. Though 64 HPIP-certified firms have earned an estimated \$66 million in state income tax credits in the 1994 - 1997 time frame, just over \$1 million in state income tax credits have been claimed by these firms as of September 1997.

In Kansas, Inc.'s 1998 evaluation of HPIP, our confidential survey of certified firms found that 41% report HPIP to have had a significant impact on their decision to invest in new machinery and equipment or in a new facility. Likewise, 47% of existing Kansas firms that had seriously considered leaving the state to undertake their projects elsewhere reported that HPIP incentives contributed significantly to their decision ultimately to remain and invest in Kansas.

Kansas has a competitive advantage in infrastructure and geographic location upon which to expand economic strength by expanding this very successful program to include warehousing, wholesale trade and distribution firms. I am pleased, therefore, in behalf of Kansas, Inc., to encourage your support of S.B. 179.

Thank you for your consideration.

*Economic Development  
March 4, 1999  
Attachment 4*

SMART CHOICE

## *Kohl's to build distribution center in Blue Springs, Mo.*

**...will initially create 300 jobs; open in 2000**

**KOHL'S**

*That's more like it.*

Kohl's department stores recently announced plans to build a distribution center in Blue Springs, Mo., part of the 14-county Kansas City Area.

The \$38 million center will initially create 300 full-time jobs and is expected to grow to 600. The 520,000 sq. ft. facility will be the largest single-use building constructed in eastern Jackson County in 30 years.

The building will be located on a 70-acre tract, and stretch for a quarter-mile along the Adams Dairy Parkway corridor in Blue Springs. When complete, the center will distribute to more than 100 stores in Kansas, Missouri and Iowa. This will be Kohl's fourth distribution center.

Kohl's Corporation, a Fortune 500 retail company with \$3.1 billion annual sales in 1997, operates more than 200 family-oriented specialty department stores in the U.S.

"Kohl's selected Kansas City for two reasons — first, the location is perfect for meeting the needs of our Western expansion, and also because the city and state have been very willing to work with us," said Carolyn Blonc, Kohl's executive vice president. (12/98)

*The Kansas City Area Development Council is responsible for the attraction of business and industry to the 14-county, bistate metropolitan area of 2 million. The America's SmartCities® technology plan is positioning the Kansas City metro as the nation's best place to do business electronically.*

**Kansas City Area Development Council**  
2600 Commerce Tower, 911 Main Street  
Kansas City, MO 64105-2049  
Phone: 816.221.2121 Fax: 816.842.2865  
E-MAIL: kcadc@smartkc.com  
HOME PAGE: www.smartkc.com  
**1.800.SMART KC**

AMERICA'S  
**SMARTCITIES®**

The Kansas City Area  
Economic Development  
MARCH 4, 1999  
Attachment 5



MEMORANDUM

TO: House Committee on Economic Development

FROM: Alan F. Alderson, Legislative Counsel, Western Association and the Electric Association of Missouri and Kansas

RE: Senate Bill No. 179 (As Amended by Senate Committee)

DATE: March 4, 1999

I am unable to appear today, but wish to express support of Senate Bill 179 on behalf of the Electric Association of Missouri and Kansas and its managing association. It is anticipated that some of our members will be able to qualify for the tax incentives of the HPIP Program if it is expanded to include SIC Codes 49-51.

As you know, this particular program provides attractive incentives to businesses who both expand their operations in Kansas and pay a proportionately higher wage to its employees. When the original legislation was passed in 1993, it was limited to what were considered to be "hard core" manufacturers. Over the years, the legislation has been expanded in recognition of the other types of businesses which create and maintain jobs for Kansas residents.

The amendments allowing wholesale and distribution operations to qualify for the high performance incentive program benefits will be good for the State of Kansas. Such businesses play a vital role in the Kansas economy and the legislation should be expanded to acknowledge that fact.

On behalf of the Electric Association of Missouri and Kansas and Western Association, I urge your support for Senate Bill 179. I would be happy to provide a written reply to any questions you might have.

AFA:jm\tla

Economic Development  
MARCH 4, 1999  
Attachment 6



STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1575

(785) 296-2436

FAX (785) 296-0231

Bill Graves  
Governor

Duane A. Goossen  
Director

February 26, 1999

REVISED

The Honorable Bill Mason, Chairperson  
House Committee on Economic Development  
Statehouse, Room 446-N  
Topeka, Kansas 66612

Dear Representative Mason:

SUBJECT: Revised Fiscal Note for **HB 2166** by House Committee on Taxation

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2166 is respectfully submitted to your committee.

Current law provides that cities and counties cannot use any part of the proceeds from their retailers' sales tax as a guarantee for the payment of bonds issued by that city or county or by the Kansas Development Finance Authority. The bill contains a definition of a "project of statewide as well as local importance." Current law provides that such a project must be located outside the city limits of any city. HB 2166 removes that provision. Current law also provides that the maximum maturity of bonds issued to finance a project of statewide as well as local importance cannot exceed 20 years. HB 2166 would allow an extension on the maximum maturity of bonds up to 32 years if the Secretary of Commerce and Housing determines the extension is necessary to the economic feasibility of the project.

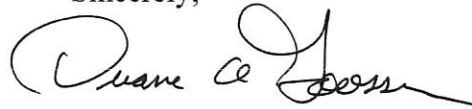
Current law outlines the funding sources that counties can use to retire bonds for projects of statewide as well as local importance. HB 2166 adds the .5 percent County Retailers' Sales Tax to that list. Finally, the bill authorizes an additional 2.0 percent sales tax in redevelopment districts established for projects of statewide as well as local importance. The additional tax would be collected until the date of maturity of the first series of bonds or until the bonds issued to finance or refinance the projects have been fully paid, whichever comes first. In order to reflect current law accurately, swine production facilities on agricultural land that are owned, acquired, or leased by a corporation, limited liability company, limited partnership, corporate

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MARCH 4, 1999  
Attachment 7

partnership or trust would not be considered as part of an "agricultural business enterprise" for purposes of the Kansas Development Finance Authority Act.

The Department of Revenue indicates that the proposed redevelopment district currently generates no sales tax revenues. Therefore, any fiscal impact from this bill would be in the form of opportunity costs associated with not collecting taxes or sales that would be generated in the district until the bonds are retired. The Department would expect an administrative impact of \$13,930, all one-time expenditures. Of this amount, \$13,230 would be for changes to both the new and existing tax systems, and \$700 would be for printing and postage for information related to the facets of this bill.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Joe Fund, KDHE  
Judy Moler, Kansas Association of Counties  
Sherry Brown, Commerce & Housing  
Lynn Robinson, Revenue