

Approved: February 24, 1999
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 23, 1999 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Jerry Donaldson, Legislative Research Department
Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

Ashley Sherard, Overland Park Chamber of Commerce
Bob Marcusse, Kansas City Area Development Council
Blake Schreck, Olathe Area Chamber of Commerce
Jim Edwards, Kansas Chamber of Commerce and Industry
Shirley Sicilian, Kansas Department of Revenue
Steve Kelly, Department of Commerce and Housing

Others attending: See attached list

SB 308 - tax credits for contributions to public works

Ashley Sherard, Overland Park Chamber of Commerce, testified in support of **SB 308**, thanked the Committee for introducing the legislation at the Chamber's request. She stated the bill establishes a program that encourages private sector contributions toward funding public project. The bill is based on a similar program in Missouri. It proposes a 5-year pilot program that provides income tax credits to private citizens and entities that make contributions to a "Kansas infrastructure development board", a state board, created by this bill, that would use the contributions to make grants to qualified local community development projects. **SB 308** establishes eligibility criteria which include the project's benefit to the state, the amount of the tax credits to be issued, the project's impact on jobs and tax base, and whether grant monies would either duplicate or leverage other avenues available to finance a project. The board is authorized to approve income tax-related credits in the amount of 50% of the value of the contribution, the tax credits would be transferrable and may be carried forward by credit holders for up to five years, and the authorized tax credits are limited to an aggregate of \$10 million per year. (Attachment 1)

The Overland Park Chamber of Commerce believes this program would provide a tool to pursue important economic and community development opportunities through public/private partnerships. Grant application would be submitted by a local governmental entity (any governmental or quasi governmental entity is eligible) in which a development project is planned and contributions have been proposed. Projects which qualify for program grants include public infrastructure, redevelopment of blighted areas, and other public improvements having a positive impact on the state. The benefit to the state must be commensurate with or greater than the amount of the tax credits issued

Bob Nugent, Revisor of Statutes, briefed the Committee on the provisions of **SB 308**, explaining the bill section by section.

Bob Marcusse, President, Kansas City Area Development Council, testified in support of **SB 308**, stating the bill provides a level playing field, allowing Kansas to compete with Missouri in securing certain economic development projects. Missouri, has this type of legislation, and consequently, Kansas is at a disadvantage when competing for the same project. Mr. Marcusse gave as an example the attempt

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE, Room 123-S of the Statehouse, at 8:00 a.m. on February 23, 1999.

by Johnson County and the Kansas City Area Development Council to keep the NCCA headquarters in Kansas. The project, had it not moved to Indianapolis, which does not have such a program, would have been situated in Missouri, which could offer the tax credit incentive.

Blake Schreck, Olathe Area Chamber of Commerce, testified in support of **SB 308**, stating passage of this legislation allows communities the opportunity to access the resources of the private sector, giving economic developers the ability to create more attractive packages for both new and existing projects, and for civic enhancements. (Attachment 2)

Mr. Schreck submitted a list of community capital projects where tax credits for corporate contributions could have been used. The projects were for a number of cities in Kansas, both rural and urban.

Shirley Sicilian, Director of Policy and Research, Department of Revenue, in response to a question from Senator Steffes, stated in a situation where a person contributed \$100,000 to a project under **SB 308**, that individual would be allowed a \$50,000 tax credit. Presently, the federal tax liability, if it qualifies for a not for profit charitable contribution would receive the full amount on the adjusted gross income. There is a difference between a tax credit versus a charitable deduction from adjusted gross income. Ms. Sicilian could not tell the Committee the exact amount that would be saved in income tax due to not being able to determine whether the contributed amount could be deducted as a charitable amount on the federal income tax statement.

Senator Ranson asked whether the proposal in **SB 308** would have a detrimental impact on individual contributions to not-for-profit projects, wherein, an individual receives only the federal tax adjustment for charitable contributions, and not the additional tax credit.

Jim Edwards, Kansas Chamber of Commerce and Industry, testified in support of **SB 308**, stating the bill provides another tool to be used by individuals trying to better their community by assisting with the financing of community development projects. The bill provides tax credits for private contributions to community development projects. Mr. Edwards supplied the Committee with a list of economic and community development projects that have benefitted from the Missouri law. (Attachment 3)

A letter from Christy Caldwell, Greater Topeka Chamber of Commerce, in support of **SB 308** was distributed to the Committee. (Attachment 4)

A Fax from the Kansas City Kansas Area Chamber of Commerce Board of Directors, supporting legislation that provides income tax credits to companies that make qualified contributions for economic development purposes, was distributed to the Committee. (Attachment 5)

Senator Brownlee raised the question as to whether a board already established could review the grants rather than establishing a new board.

Steve Kelly, Director, Business and Development Division, Department of Commerce and Housing (DOCH), stated, in response to questions from the Committee, that the Community Service Block Grant program is similar to the program proposed in **SB 308**; that establishing the program under DOCH is problematic.

The Chair informed the Committee it would be meeting at 8:30 tomorrow to hear the subcommittee report on **SB 54** and to consider motions on any other bills previously heard.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for February 24, 1999, at 8:30 a.m.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: February 23, 1999

NAME	REPRESENTING
DICK CARTER	BARBEE & ASSOCIATES
Joel Green	midson Underman
Bob Marcus	KCAOC
Ashley Sherard	Overland Park Chamber
Steve Kelly	KDOC&H
Richard Pridell	Pridell & Associates
Stacy Solder	Stein & Klein Chptl.
Susan Duran	Issues Management Group, Inc.
SCOTT SCHNEIDER	MGA
Christy Caldwell	Topeka Chamber of Commerce
Jim Edwards	KCCT
S. Sicilian	KDOR
Julie Clark	Hallmark Cards
Bernie Koch	Wichita Chamber of Commerce
Kelly Kuitala	City of Overland Park
Larry Korman	League of KS Municipalities



Testimony on SB 308

Before the Senate Commerce Committee

**by Ashley Sherard
Overland Park Chamber of Commerce
February 23, 1999**

Good morning, Chairman Salisbury and members of the committee. My name is Ashley Sherard, and I am the Government Relations Manager for the Overland Park Chamber of Commerce. Thank you for allowing me to appear before you today. The Chamber would like to express its strong support for SB 308, a bill that proposes a program that would encourage private sector contributions toward funding public projects.

Based on a similar program in Missouri, the bill proposes a 5-year pilot program that would provide income tax credits to private citizens and entities that make contributions to a newly-created "Kansas infrastructure development board," a state board that would then use the contributions to make grants to qualified local community development projects.

Grant applications would be submitted by a local governmental entity -- for example, a city, county, school district, or tax increment financing commission -- in which a development project is planned and for which earmarked contributions have been proposed. Although the bill does not prohibit general contributions to the fund, contributions are nearly always intended for particular projects. Projects that could qualify for program grants would include public infrastructure, redevelopment of blighted areas, and other public improvements with a positive impact on the State (for example, educational, medical, or recreational facilities). To qualify, the project could not be one that would benefit contributors any more than as a member of the general public.

In considering grant applications, the board would be required to consider statutory eligibility criteria. These criteria include the project's benefit to the State, the Senate Commerce Committee

issued, the project's impact on jobs and tax base, and whether grant monies would either duplicate or leverage other avenues available to finance the project.

The tax credit is designed to increase the number and value of contributions to these public projects. The board would be authorized to approve income tax-related credits in the amount of 50% of the value of the contribution. Tax credits would be transferrable and may be carried forward by credit holders for up to five years. Under the program, authorized tax credits would be limited to an aggregate of \$10 million per year.

The Chamber believes that this program would provide a unique tool to pursue important economic and community development opportunities through public/private partnerships. While later conferees will more fully address the importance of such a tool in terms of economic development, I have prepared a summary of some actual projects in Missouri that utilized the program on which SB 308 is based to better illustrate the program's potential in Kansas:

American Italian Pasta Company, a large producer of pasta, was considering a plant site located in Excelsior Springs, MO. To meet American Italian's needs, however, the site required improved water service. American Italian, as well as Union Electric Company and other industries in the area, contributed through Missouri's development tax credit program to purchase a new city water tower and water lines. The new infrastructure benefited all city residents through better water service and better fire protection, and American Italian's jobs and tax base were retained in Missouri.

Three Rivers Community College in Poplar Bluff, MO, was approached by a company who said it would locate in Poplar Bluff if it could be assured of trained and qualified employees. The community college, however, needed to expand to accommodate a new training facility. Using contributions made by the company and others through the tax credit program, the community college built a new training facility, which benefited area residents and businesses and retained important industry in Missouri's boot heel region.

Six rural communities with populations of less than 20,000, including cities such as Lexington and Monett, MO, utilized program grants to revitalize their downtown districts in efforts to retain and

encourage Main Street businesses, particularly after large discount retailers began opening on the cities' edges. Contributions, which came from residents and local businesses, were used to improve curbs, gutters, streets, street lights, benches, and landscaping, for example, creating higher quality and more appealing central commercial districts for the communities.

Harley Davidson Co. was considering a plant site located in North Kansas City, MO. To meet Harley Davidson's needs, the site required improved highway access. Harley Davidson, as well as Union Electric Company and other industries in the area, contributed through the tax credit program to fund road improvements. The improved roads benefited both residents and visitors to the community, and Harley Davidson, rejecting several other states it was considering, located its business in Missouri.

Central Medical Center, a city-owned hospital in St. Louis, closed, costing an economically-challenged area a significant number of jobs and leaving residents without convenient medical services. The state put together a package, funded by corporate donations through the tax credit program, city funds, and state appropriations, to renovate the former hospital into a Department of Social Services health care center, restoring both jobs and medical services to the area.

As you can see, the program has the potential to benefit residents and businesses in communities across Kansas. The program benefits governmental entities, whose ability to undertake public projects is often limited by lack of resources and who would gain a competitive economic development tool. It benefits individual and business contributors by providing an enhanced opportunity to be "good citizens" and assist in raising a community's quality of life, and members of the public benefit directly from the community development projects. All of this ultimately benefits the State of Kansas.

For these reasons, the chamber asks for your support of SB 308. Again, thank you very much for your consideration, and I would be happy to answer any questions.

**EXAMPLES OF COMMUNITY PROJECTS IN KANSAS
THAT MAY HAVE BEEN ABLE TO UTILIZE THE PROGRAM**

Arkansas City/Winfield

Construction of Cowley County Mental Health Center facility

Fort Scott

Downtown restoration
Expansion of industrial park
Development of conference center

Garden City

Health care facility expansion
Low-income transitional housing development

Goodland

Goodland industrial park

Larned

New company considering locating at city/county-operated airport

Neodesha

Main Street renovation program

Overland Park

Retention of National Collegiate Athletic Association

Topeka

Addition to the Capper Foundation

Wichita

Expansion of Kansas Foodbank Warehouse



**Senate Commerce Committee
Community Development Tax Credit Bill
Testimony**

Tuesday February 23, 1999

8:00 a.m.

**Blake Schreck, CED
Olathe Area Chamber of Commerce**

Competitive Nature of Economic Development

- Passage of this legislation would allow communities the opportunity to access the resources of the private sector, giving economic developers the ability to create more attractive packages for both new and existing projects, and for civic enhancements.

Private Sector Participation

- Allows private sector, which is sometimes criticized for what they receive, the opportunity to give.

Competitive Disadvantage

- NCAA case study – Missouri and Kansas

Range of Potential Projects

- Projects where tax credits for contributions could have been used.

Senate Comm Senate Commerce Committee

Past or Future Community Capital Projects Where Tax Credits for Corporate Contributions Could Have Been Used

Submitted by Local Chambers of Commerce

Arkansas City

1. Walnut Valley Greenway Sports complex project – now in the planning stages
2. Arkansas City Roller Park facility – in progress
3. Cowley County Mental Health Center - new \$1.2 million facility located at Strothen Field, between Arkansas City and Winfield

Fort Scott

1. Downtown restoration
2. Expansion of industrial park
3. Conference center development

Garden City

1. Mexican-American ministries – health care expansion
2. Emmous House (shelter and food) expansion
3. Life skills development low income transitional housing development

Goodland

1. Goodland Economic Development Corporation Industrial Park (non-profit organization)
2. Goodland Activity Center
3. Sherman County Entertainment Corporation

Larned

1. Possible company coming to our local airport - in the near future airport is city\ county run

Lawrence

1. Lawrence Arts Center
2. Boys and Girls Club of Lawrence
3. New United Way building

Mission

1. Cedar Roe Library
2. City parks

Neodesha

1. Brown Hotel restoration
2. New Beginnings for developmentally disabled
3. Main Street renovation program

Phillipsburg

1. Huck Boyd Center
2. PCED
3. Phillipsburg City Library

Past or Future Community Capital Projects
Submitted by Local Chambers of Commerce
Page two

Pratt

1. Establishing a regional foundation

Shawnee

1. 3\2 Baseball Club – 14 field complex
2. JCGAA indoor 52,000 sq.ft. basketball\softball complex
3. Old Shawnee Town renovations\Civic Center

Topeka

1. Union Pacific Railroad Station restoration
2. Jayhawk Theatre restoration
3. The Capper Foundation addition

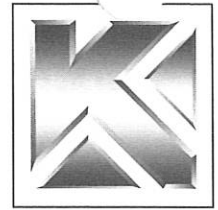
Wamego

1. Wamego used the tax credit for the restoration of the Colombian Theatre, Museum and art center

Wichita

1. Music Theatre of Wichita – looking for a warehouse for sets and costumes
2. Kansas Food Bank Warehouse needs a larger warehouse
3. Wichita Festivals (River Festival) needs a new office

LEGISLATIVE TESTIMONY



Kansas Chamber of Commerce and Industry

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SB 308

February 23, 1999

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Commerce Committee

by

Jim Edwards

Vice President - External Affairs

Chairwoman Salisbury and members of the Committee:

I thank you for the opportunity to appear before you today to express KCCI's support for SB 308. This bill would provide tax credits for private contributions to community development projects.

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

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 47% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

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

This measure would simply provide for another tool to be used by individuals trying to better their community and area by assisting with the financing of community betterment/development projects. Examples of economic and community development projects that benefited from Missouri's permissive statute are listed below:

- *American Italian Pasta Company, a large producer of pasta, was considering a site located in Excelsior Springs, MO. To meet American Italian's needs, however, the area needed improved water services*

Senate Commerce Committee

As part of an incentive package, American Italian, as well as Union Elk financially contributed through Missouri's development tax credit pro

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Attachment # 3-1 thru 3-2

tower and water lines. The new infrastructure benefited all city residents through better water service and better fire protection, and American Italian's jobs and business were retained in Missouri.

- Harley Davidson Company was considering a site located in North Kansas City, MO. To meet Harley Davidson's needs, the site needed better highway access.

As part of an incentive package, Harley Davidson, as well as Union Electric and other industries in the area, financially contributed through the tax credit program to fund local road improvements. The improved roads benefited both residents and visitors to the community, and Harley Davidson chose to locate its business in Missouri.

- Three Rivers Community College in Poplar Bluff, MO, was approached by an industry who said it would locate in Poplar Bluff if it could be assured of trained and qualified employees. The community college, however, needed to expand to accommodate a new training facility.

Using contributions made through the tax credit program, the community college built a new training facility, benefiting both area residents and businesses and retaining industry in Missouri.

- Central Medical Center, a city-owned hospital in St. Louis, closed, costing an economically-challenged area a significant number of jobs and leaving residents without medical services.

The state put together a package, funded by corporate donations through the tax credit program, city funds, and state appropriations, to renovate the former hospital into a Department of Social Services health care center, restoring both jobs and medical services to the area.

- Six rural communities with populations of less than 20,000, including cities such as Lexington and Monett, MO, have utilized program grants to revitalize their downtown districts in an effort to retain and encourage central business district businesses.

Contributions, which came from residents and local businesses, were used to improve, for example, curbs, gutters, streets, street lights, benches, and landscaping, creating a higher quality and more appealing commercial district for the community.

As you can see, whether it be assisting existing businesses or providing help to new industry, the Missouri measure is helping to meet a very real demand.

Thank you once again for the opportunity to present this testimony. I would be pleased to answer questions you might have.



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February 22, 1999

Honorable Alicia Salisbury
Statehouse, Room 120-S
Topeka, KS 66612

Dear Senator Salisbury,

The Greater Topeka Chamber of Commerce would like to express our support for SB 308. This bill would provide income tax credits to private entities who make contributions to a newly created Kansas infrastructure development board, a state entity that would use the contributions to make grants to qualified local development projects.

The board would authorize tax credits in the amount of 50% of the value of the contribution. Contributions would be in the form of cash, real estate, or securities. The tax credits could be used against the contributor's state tax liability and carried forward for up to five years. Or, the tax credits are fully transferable as long as they are transferred for no less than 75% and no more than 100% of face value.

This new program would have an aggregate maximum of \$10 million in tax credits that could be issued per calendar year. Projects that could qualify for program grants could include: public infrastructure improvements, redevelopment of blighted areas, and other public projects with a positive impact on the state. One project that comes to mind locally that could possibly qualify, if we had such a program, is the renovation of the Union Pacific Station in north Topeka.

This Community Development Tax Credit program is based on a model of the Missouri Development Finance Board Act. Enclosed is a list of projects in Missouri that have utilized the Missouri program.

We believe this would be another tool in the development arsenal for the state and local communities. It could encourage corporate and individual gifts for projects that could help our communities grow. There are built in safeguards that would qualify the projects and cap the total fiscal liability to the state. We encourage your support and ask that you vote yes for SB 308.

Sincerely,

A handwritten signature in blue ink that reads "Christy Caldwell".

Christy A. Caldwell
Senate Commerce Committee
Vice President Governor

Date: 2-23-99

Attachment # 4-1 thru 4-2

PROJECTS UTILIZING MISSOURI'S DEVELOPMENT TAX CREDIT PROGRAM

Sample Project #1

American Italian Pasta Company, a large producer of pasta, was considering a site located in Excelsior Springs, MO. To meet American Italian's needs, however, the area needed improved water service.

As part of an incentive package, American Italian, as well as Union Electric and other industries in the area, financially contributed through Missouri's development tax credit program to purchase a new city water tower and water lines. The new infrastructure benefited all city residents through better water service and better fire protection, and American Italian's jobs and business were retained in Missouri.

Sample Project #2

Harley Davidson Company was considering a site located in North Kansas City, MO. To meet Harley Davidson's needs, the site needed better highway access.

As part of an incentive package, Harley Davidson, as well as Union Electric and other industries in the area, financially contributed through the tax credit program to fund local road improvements. The improved roads benefited both residents and visitors to the community, and Harley Davidson chose to locate its business in Missouri.

Sample Project #3

Three Rivers Community College in Poplar Bluff, MO, was approached by an industry who said it would locate in Poplar Bluff if it could be assured of trained and qualified employees. The community college, however, needed to expand to accommodate a new training facility.

Using contributions made through the tax credit program, the community college built a new training facility, benefiting both area residents and businesses and retaining industry in Missouri.

Sample Project #4

Central Medical Center, a city-owned hospital in St. Louis, closed, costing an economically-challenged area a significant number of jobs and leaving residents without medical services.

The state put together a package, funded by corporate donations through the tax credit program, city funds, and state appropriations, to renovate the former hospital into a Department of Social Services health care center, restoring both jobs and medical services to the area.

Sample Project #5

Six rural communities with populations of less than 20,000, including cities such as Lexington and Monett, MO, have utilized program grants to revitalize their downtown districts in an effort to retain and encourage Main Street businesses.

Contributions, which came from residents and local businesses, were used to improve, for example, curbs, gutters, streets, street lights, benches, and landscaping, creating a higher quality and more appealing commercial district for the community.

Legislative Agenda 1999

The Kansas City Kansas Area Chamber of Commerce Board of Directors have chosen the following issues to support, oppose or monitor in the 1999 Kansas Legislative session. These positions were proposed by the Chamber's Legislative Committee from input given in a recent legislative survey completed by the Chamber's membership.

The Legislative Committee will meet throughout the legislative session to follow proposed legislation in these areas and others that affect the business community and will make further recommendations as necessary.



Community Development

The Chamber **supports** State funding of a new regional KBI crime laboratory in Kansas City, Kansas.

Economic Development

The Chamber shall **support** any and all efforts to allow games of chance to be held at The Woodlands.

The Chamber **supports** the current state statutes that dedicate the Economic Development Initiative Fund (EDIF) to fund economic development projects and programs statewide.

 The Chamber is **supportive** of new legislation that would provide income tax credits to companies that make qualified contributions of cash, land or buildings for economic development purposes. 

Education

The Chamber **supports** retaining local Board of Education control over the Area Vocational Technical School in Wyandotte County.

The Chamber **supports** the Wyandotte County Public School Districts' request for a \$100 increase in the base budget per pupil.

The Chamber **supports** the enhancement of coordination of post secondary education in Kansas.

Senate Commerce Committee

Date: 2-23-99

Attachment # 5