

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Representative Kenny Wilk at 3:30 p.m. on February 6, 2003, in Room 522-S of the Capitol.

All members were present except: Representative Krehbiel, Excused

Committee staff present: April Holman, Legislative Research
Renae Jefferies, Revisor of Statutes
Fulva Seufert, Committee Secretary

Conferees appearing before the committee: Mark Leonard, Research Analyst, Kansas, Inc.
April Holman, Legislative Research

Others attending: See attached list

Chairman Wilk opened the meeting Thursday, February 6, 2003, by welcoming back Mr. Mark Leonard, Research Analyst, Kansas, Inc., who distributed revised information on Kansas Employment Indicators for 1991-2001. This handout compared Kansas with Colorado and Oklahoma which he said both were more consistent with the state of Kansas. He said that he would be happy to provide additional information concerning other surrounding states if anyone desired this information. (Attachment 1).

The Chair thanked Mark Leonard and Charles Ranson for bringing the material that addressed the questions that were asked in committee on Tuesday, February 4, 2003.

The Chair recognized April Holman, Legislative Research, who presented an informative briefing on Tax Increment Financing (TIF) and Sales Tax and Revenue Bonds (STAR). (Attachment 2).

After the briefing and the question and answer period, the Chair thanked the committee for a good exchange of ideas and a meaningful discussion.

Representative Novascone made a motion to approve the minutes of the February 4, 2003, meeting. Representative Hill seconded. Motion carried.

Representative Burroughs made a motion to introduce a bill concerning lotteries, electronic gaming machines and other lottery games at certain locations. Representative Carlin seconded. Motion carried.

The Chair announced that the next meeting would be Tuesday, February 11, 2003, at which time **HB 2208** would be heard. The meeting adjourned at 4:50 p.m.

Table 2. Kansas Employment Indicators, 1991-2001 [Revised 6 Feb. 2003]

Industry	Share of 2001 Kansas Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Kansas Employment (Change)	2001 Regional Employment (Change)	2001 US Employment (Change)
Total Employment	100%	N/A	N/A	1,785,333 (19.14%)	14,938,916 (23.01%)	167,557,600 (20.84%)
Farm	4.34%	1.1105	2.3664	77,534 (-7.90%)	584,239 (-1.01%)	3,075,000 (-0.93%)
Agricultural Services	1.30%	1.0226	0.994	23,256 (46.20%)	190,289 (48.17%)	2,195,900 (45.53%)
Mining	1.09%	1.3773	2.2606	19,515 (-31.43%)	118,559 (-25.70%)	810,200 (-20.78%)
Construction	5.14%	0.8634	0.8977	91,779 (45.33%)	889,491 (61.60%)	9,595,400 (40.88%)
Manufacturing	11.75%	1.0845	1.0789	209,693 (10.49%)	1,617,914 (2.92%)	18,241,100 (-4.12%)
TUC	5.78%	1.0498	1.1644	103,213 (37.51%)	822,706 (30.27%)	8,319,000 (26.44%)
Wholesale Trade	4.45%	1.0602	1.0187	79,410 (5.11%)	626,729 (8.91%)	7,315,700 (10.39%)
Retail Trade	16.48%	0.9879	1.0057	294,271 (21.25%)	2,492,472 (24.13%)	27,461,600 (20.57%)
FIRE	6.73%	0.8717	0.8258	120,072 (25.98%)	1,152,543 (39.57%)	13,645,800 (29.70%)
Services	27.11%	0.9345	0.8454	484,005 (29.80%)	4,333,811 (34.97%)	53,733,900 (36.14%)
Government	15.83%	1.1206	1.1449	282,585 (10.57%)	2,110,163 (11.54%)	23,164,000 (9.18%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* Sectors with location quotient values greater than 1 are likely to be export sectors of the Kansas economy.

Table 3. Kansas Wage Indicators [Revised 6 Feb. 2003]

Industry	Share of 2001 Kansas Wage Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Kansas Average Wage (1991-2001 Growth)	2001 Regional Average Wage (1991-2001 Growth)	2001 US Average Wage (1991-2001 Growth)
Average Wage	100%	N/A	N/A	\$29,523 (44.07%)	\$30,704 (45.82%)	\$35,550 (46.81%)
Farm	0.93%	1.5029	2.3882	\$28,159 (94.39%)	\$22,710 (66.10%)	\$21,141 (68.64%)
Agricultural Services	0.94%	1.0009	0.9190	\$19,921 (54.41%)	\$24,289 (58.04%)	\$23,024 (44.18%)
Mining	0.52%	0.6878	0.9889	\$38,525 (49.10%)	\$43,953 (34.52%)	\$59,576 (52.94%)
Construction	4.66%	0.8767	0.9756	\$33,591 (47.98%)	\$35,521 (51.59%)	\$38,166 (42.35%)
Manufacturing	14.20%	1.1628	1.1774	\$39,041 (43.55%)	\$37,919 (40.86%)	\$44,612 (47.00%)
TUC	6.33%	1.1485	1.4537	\$43,565 (39.98%)	\$42,726 (39.10%)	\$44,639 (39.77%)
Wholesale Trade	5.16%	1.1004	1.0970	\$41,271 (55.41%)	\$41,331 (54.87%)	\$47,649 (52.33%)
Retail Trade	17.23%	0.9669	1.0327	\$16,656 (40.57%)	\$17,323 (43.49%)	\$19,287 (42.44%)
FIRE	4.75%	0.8466	0.6816	\$39,443 (63.88%)	\$42,353 (66.71%)	\$58,640 (86.53%)
Services	25.72%	0.8773	0.8015	\$26,651 (48.20%)	\$29,159 (57.04%)	\$33,808 (51.77%)
Government	19.55%	1.0585	1.1055	\$26,992 (36.05%)	\$29,518 (37.49%)	\$34,542 (38.33%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* A sector with location quotient greater than 1 indicates a higher proportion of wages paid to that sector in the Kansas economy than in the overall group.

Table 2CO. Colorado Employment Indicators, 1991-2001

Industry	Share of 2001 Colorado Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Colorado Employment (Change)	2001 Regional Employment (Change)	2001 US Employment (Change)
Total Employment	100%	N/A	N/A	2,988,724 (42.19%)	14,938,916 (23.01%)	167,557,600 (20.84%)
Farm	1.53%	0.3917	0.8347	45,785 (16.77%)	584,239 (-1.01%)	3,075,000 (-0.93%)
Agricultural Services	1.41%	1.1071	1.0761	42,148 (96.63%)	190,289 (48.17%)	2,195,900 (45.53%)
Mining	0.78%	0.9859	1.6181	23,384 (-24.02%)	118,559 (-25.70%)	810,200 (-20.78%)
Construction	7.73%	1.2975	1.3490	230,892 (124.05%)	889,491 (61.60%)	9,595,400 (40.88%)
Manufacturing	7.03%	0.6495	0.6461	210,221 (7.67%)	1,617,914 (2.92%)	18,241,100 (-4.12%)
TUC	5.42%	0.9848	1.0924	162,096 (46.50%)	822,706 (30.27%)	8,319,000 (26.44%)
Wholesale Trade	3.95%	0.9411	0.9043	117,996 (25.71%)	626,729 (8.91%)	7,315,700 (10.39%)
Retail Trade	16.71%	1.0014	1.0194	499,330 (41.09%)	2,492,472 (24.13%)	27,461,600 (20.57%)
FIRE	10.37%	1.3438	1.2730	309,858 (75.32%)	1,152,543 (39.57%)	13,645,800 (29.70%)
Services	31.97%	1.1020	0.9969	955,452 (49.61%)	4,333,811 (34.97%)	53,733,900 (36.14%)
Government	13.10%	0.9275	0.9477	391,562 (15.73%)	2,110,163 (11.54%)	23,164,000 (9.18%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* Sectors with location quotient values greater than 1 are likely to be export sectors of the Colorado economy.

Table 3CO. Colorado Wage Indicators

Industry	Share of 2001 Colorado Wage Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Colorado Average Wage (1991-2001 Growth)	2001 Regional Average Wage (1991-2001 Growth)	2001 US Average Wage (1991-2001 Growth)
Average Wage	100%	N/A	N/A	\$37,186 (57.66%)	\$30,704 (45.82%)	\$35,550 (46.81%)
Farm	0.65%	0.6524	1.0367	\$21,882 (67.86%)	\$22,710 (66.10%)	\$21,141 (68.64%)
Agricultural Services	1.21%	1.2404	1.1389	\$24,276 (69.99%)	\$24,289 (58.04%)	\$23,024 (44.18%)
Mining	0.59%	1.3059	1.8777	\$80,581 (79.86%)	\$43,953 (34.52%)	\$59,576 (52.94%)
Construction	7.34%	1.2635	1.4061	\$38,658 (52.01%)	\$35,521 (51.59%)	\$38,166 (42.35%)
Manufacturing	8.39%	0.6664	0.6748	\$47,689 (52.02%)	\$37,919 (40.86%)	\$44,612 (47.00%)
TUC	6.07%	1.0303	1.3041	\$51,297 (54.94%)	\$42,726 (39.10%)	\$44,639 (39.77%)
Wholesale Trade	4.55%	0.9666	0.9636	\$51,760 (69.57%)	\$41,331 (54.87%)	\$47,649 (52.33%)
Retail Trade	18.18%	0.9750	1.0414	\$20,051 (50.05%)	\$17,323 (43.49%)	\$19,287 (42.44%)
FIRE	6.09%	1.1516	0.9271	\$52,740 (90.59%)	\$42,353 (66.71%)	\$58,640 (86.53%)
Services	30.45%	1.1646	1.0640	\$37,649 (72.84%)	\$29,159 (57.04%)	\$33,808 (51.77%)
Government	16.47%	0.8980	0.9379	\$34,252 (40.68%)	\$29,518 (37.49%)	\$34,542 (38.33%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* A sector with location quotient greater than 1 indicates a higher proportion of wages paid to that sector in the Colorado economy than in the overall group.

Table 2OK. Oklahoma Employment Indicators, 1991-2001

Industry	Share of 2001 Oklahoma Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Oklahoma Employment (Change)	2001 Regional Employment (Change)	2001 US Employment (Change)
Total Employment	100%	N/A	N/A	2,040,677 (21.59%)	14,938,916 (23.01%)	167,557,600 (20.84%)
Farm	4.99%	1.2763	2.7199	101,861 (23.85%)	584,239 (-1.01%)	3,075,000 (-0.93%)
Agricultural Services	1.12%	0.8807	0.8560	22,892 (29.69%)	190,289 (48.17%)	2,195,900 (45.53%)
Mining	2.79%	3.5216	5.7799	57,033 (-28.01%)	118,559 (-25.70%)	810,200 (-20.78%)
Construction	5.24%	0.8805	0.9155	106,989 (55.11%)	889,491 (61.60%)	9,595,400 (40.88%)
Manufacturing	9.00%	0.8309	0.8266	183,641 (4.45%)	1,617,914 (2.92%)	18,241,100 (-4.12%)
TUC	5.10%	0.9262	1.0274	104,091 (27.87%)	822,706 (30.27%)	8,319,000 (26.44%)
Wholesale Trade	3.58%	0.8536	0.8202	73,076 (7.71%)	626,729 (8.91%)	7,315,700 (10.39%)
Retail Trade	16.43%	0.9849	1.0027	335,342 (22.89%)	2,492,472 (24.13%)	27,461,600 (20.57%)
FIRE	6.57%	0.8514	0.8066	134,050 (36.38%)	1,152,543 (39.57%)	13,645,800 (29.70%)
Services	28.79%	0.9923	0.8977	587,468 (37.76%)	4,333,811 (34.97%)	53,733,900 (36.14%)
Government	16.38%	1.1595	1.1848	334,234 (8.67%)	2,110,163 (11.54%)	23,164,000 (9.18%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* Sectors with location quotient values greater than 1 are likely to be export sectors of the Oklahoma economy.

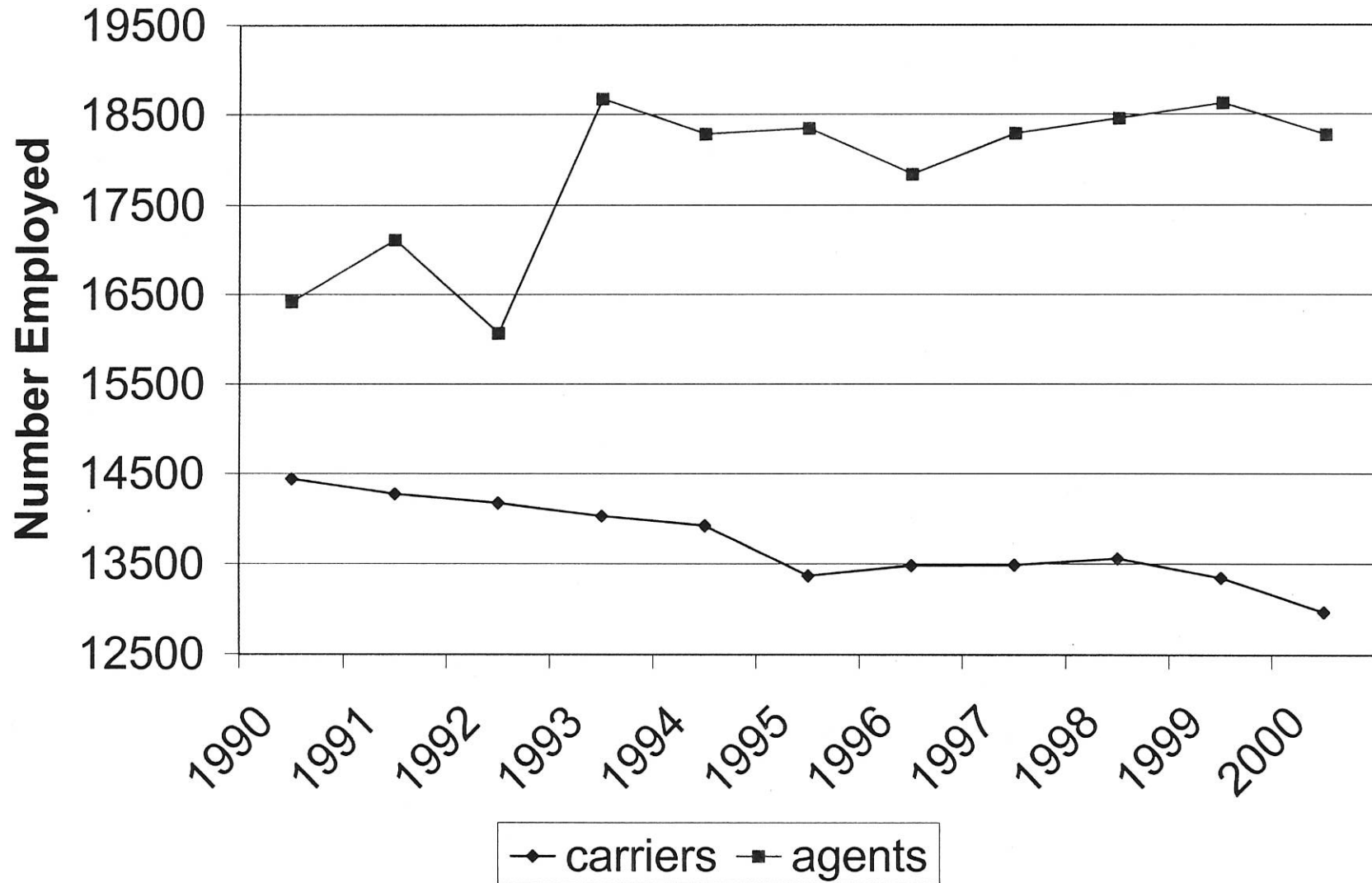
Table 3OK. Oklahoma Wage Indicators

Industry	Share of 2001 Oklahoma Wage Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Oklahoma Average Wage (1991-2001 Growth)	2001 Regional Average Wage (1991-2001 Growth)	2001 US Average Wage (1991-2001 Growth)
Average Wage	100%	N/A	N/A	\$27,418 (31.61%)	\$30,704 (45.82%)	\$35,550 (46.81%)
Farm	0.87%	0.7807	1.2405	\$14,519 (10.56%)	\$22,710 (66.10%)	\$21,141 (68.64%)
Agricultural Services	0.82%	0.8163	0.7495	\$17,455 (41.84%)	\$24,289 (58.04%)	\$23,024 (44.18%)
Mining	1.96%	3.9417	5.6678	\$54,269 (44.79%)	\$43,953 (34.52%)	\$59,576 (52.94%)
Construction	4.20%	0.7670	0.8535	\$30,252 (42.04%)	\$35,521 (51.59%)	\$38,166 (42.35%)
Manufacturing	11.09%	0.8643	0.8751	\$34,515 (25.53%)	\$37,919 (40.86%)	\$44,612 (47.00%)
TUC	5.41%	0.9606	1.2158	\$39,533 (25.74%)	\$42,726 (39.10%)	\$44,639 (39.77%)
Wholesale Trade	4.22%	0.8623	0.8596	\$36,758 (44.86%)	\$41,331 (54.87%)	\$47,649 (52.33%)
Retail Trade	17.72%	1.0137	1.0827	\$15,769 (31.65%)	\$17,323 (43.49%)	\$19,287 (42.44%)
FIRE	4.52%	0.7332	0.5903	\$33,315 (43.40%)	\$42,353 (66.71%)	\$58,640 (86.53%)
Services	28.24%	0.9588	0.8760	\$24,641 (39.50%)	\$29,159 (57.04%)	\$33,808 (51.77%)
Government	20.95%	1.3038	1.3616	\$28,820 (36.63%)	\$29,518 (37.49%)	\$34,542 (38.33%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* A sector with location quotient greater than 1 indicates a higher proportion of wages paid to that sector in the Oklahoma economy than in the overall group.

Chart 2b. Insurance Employment, 1990-2000



February 6, 2003

To: House Committee on Economic Development
From: April Holman, Principal Analyst
Re: Tax Increment Financing and Sales Tax and Revenue Bonds

This memorandum is intended to address the basic principles of tax increment financing (TIF) and highlight Kansas law as it pertains to TIF and sales tax and revenue (STAR) bonds.

TIF Principles

In general terms, TIF enables a city to dedicate future increased tax revenues for a fixed period of years to finance improvements in connection with a redevelopment project. Under TIF, a snapshot of the tax receipts from a redevelopment district is taken when the redevelopment district is created (before any redevelopment occurs). This is called the "base year" assessed valuation. As the property is redeveloped and property values and taxes increase, the taxpayers within the district continue to pay the tax due on the new assessed values. The difference between the taxes raised from the base year assessed valuation and the new assessed valuation is called the "tax increment." Instead of going to the taxing entity, the tax increment goes to pay for redevelopment costs. The city may choose to use the increment as it is collected, or the acquisition of property and improvements may be financed through the issuance of special obligation bonds of the city, repayable from the tax increment generated from the redeveloped property. In addition to the local property tax increment, other revenue sources may be committed to repayment of the principal and interest on the bonds as permitted by statute. One of these other revenue sources is state and local sales taxes through the use of STAR bonds.

Kansas TIF Law

Under current law, TIF is restricted to certain areas. These are blighted areas, conservation areas, enterprise zones, historic theaters, or major tourism areas. The majority of TIF law is contained in KSA 12-1770 *et seq.* TIF provisions are also contained in the governing statutes of the Kansas Development Finance Authority (KDFA) in KSA 74-8901 *et seq.*

Procedure for Establishing Redevelopment District

Any city proposing to establish a redevelopment district within an eligible area must adopt a resolution stating that the city is considering the establishment of a redevelopment district. This resolution must:

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- Give notice that a public hearing will be held to consider the establishment of a redevelopment district and fix the date, hour, and place of such public hearing;
- Describe the proposed boundaries of the redevelopment district;
- Describe the district plan;
- State that a description and map of the proposed redevelopment district are available for inspection at a time and place designated; and
- State that the governing body will consider findings necessary for the establishment of a redevelopment district.

After the public hearing, the governing body may pass an ordinance. The ordinance may establish the redevelopment district. The ordinance must:

- Make a finding that the redevelopment district proposed to be developed is an eligible area and that the conservation, development, or redevelopment of the area is necessary to promote the general and economic welfare of the city;
- Contain the district plan as approved;
- Contain the legal description of the redevelopment district; and
- Contain a district plan that identifies all of the proposed redevelopment project areas and identifies in a general manner all of the buildings and facilities that are proposed to be constructed or improved in each redevelopment project area. The boundaries of such district may not include any area not designated in the required notice.

Under Kansas law, no privately owned property subject to ad valorem taxes may be acquired and redeveloped using TIF if the board of county commissioners or the board of education levying taxes on such property determines by resolution adopted within 30 days following the conclusion of the hearing for the establishment of the redevelopment district that the proposed redevelopment district will have an adverse effect on such county or school district. The board of county commissioners or board of education is then required to deliver a copy of such resolution to the city. At that point, the city has 30 days to pass an ordinance terminating the redevelopment district.

Any addition of area to the redevelopment district or any substantial change to the district plan are subject to the same procedure for public notice and hearing as is required for the establishment of the district.

A city may remove real property from a redevelopment district by an ordinance of the governing body. If more than a de minimus amount of real property is removed from a redevelopment district, the base year assessed valuation of the redevelopment district is

revised to reflect the base year assessed valuation of the remaining real property as of the date of the original establishment of the redevelopment district.

Procedure for establishing a redevelopment project

One or more redevelopment projects may be undertaken by a city within an established redevelopment district and a project plan may be implemented in separate development stages. Any city proposing to undertake a redevelopment project within an established redevelopment district must prepare a project plan in consultation with the planning commission of the city. The project plan must include:

- A summary of the feasibility study done, which will be an open record;
- A reference to the district plan that identifies the redevelopment project area that is set forth in the project plan that is being considered;
- A description and map of the redevelopment project area to be redeveloped;
- The relocation assistance plan required by statute for those properties upon which eminent domain has been exercised;
- A detailed description of the buildings and facilities proposed to be constructed or improved in such area; and
- Any other information the governing body deems necessary to advise the public of the intent of the project plan.

A copy of the redevelopment project plan must be delivered to the board of county commissioners of the county and the board of education of any school district levying taxes on property within the proposed redevelopment project area. Upon a finding by the planning commission that the project plan is consistent with the intent of the comprehensive plan for the development of the city, the governing body of the city must adopt a resolution stating that the city is considering the adoption of the project plan. This resolution must:

- Give notice that a public hearing will be held to consider the adoption of the redevelopment project plan and fix the date, hour, and place of such public hearing;
- Describe the boundaries of the redevelopment district within which the redevelopment project will be located and the date of establishment of such district;
- Describe the boundaries of the area proposed to be included within the redevelopment project area; and
- State that the project plan, including a summary of the feasibility study, relocation assistance plan, and financial guarantees of the prospective developer and a description and map of the area to be redeveloped are available for inspection during regular office hours in the office of the city clerk.

The date fixed for the public hearing must be within 30 to 70 days following the date of the adoption of the resolution fixing the date of the hearing.

A copy of the resolution providing for the public hearing must be sent to the board of county commissioners of the county and the board of education of any school district levying taxes on property within the proposed redevelopment project area. The resolution must also be published once in the official city newspaper not less than one week nor more than two weeks preceding the date fixed for the public hearing. A sketch clearly delineating the area in sufficient detail to advise the reader of the particular land proposed to be included within the project area shall be published with the resolution.

At the public hearing, a representative of the city must present the city's proposed project plan. Following the presentation of the project plan, all interested persons are given an opportunity to be heard. The public hearing records and feasibility study are subject to the Open Records Act.

Following the public hearing, the governing body may adopt the project plan by ordinance passed upon a two-thirds vote. Any substantial changes to the project plan as adopted are subject to a public hearing following publication of notice thereof at least twice in the official city newspaper.

Unless otherwise specified in statute, any project must be completed within 20 years from the date of the approval of the project plan.

STAR Bond Authority

STAR bonds are different from traditional TIF in that STAR bonds allow the use of state sales tax increments to back the bonds, while traditional TIF uses property tax increments, which are predominantly local in nature. As a result, the Legislature has not granted broad STAR bond authority, but has instead allowed for STAR bond authority on a project-by-project basis.

STAR bond authority is provided by Kansas statute for four purposes. Specific guidelines and procedures are set out in statute for each of these purposes. They are as follows:

- An auto race track facility (the Kansas Speedway project), KSA 12-1771b;
- A project of statewide as well as local importance in a federal enclaves (the Oz Theme Park project), KSA 74-8921;
- Historic theater preservation, 12-1771d; and
- A multi-sport athletic complex at the Kansas City, Kansas Community College, KSA 74-8936.