

Approved: 3-26-07
Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on March 22, 2007 in Room 519-S of the Capitol.

All members were present except:

Owen Donohoe- excused
Geraldine Flaharty- excused
Broderick Henderson- excused
Judy Morrison- excused
Robert Olson- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Hank Avila, Kansas Legislative Research Department
Jason Long, Revisor of Statutes
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Kent Eckles, Overland Park Chamber of Commerce
Dave Corbin, Dept. Of Revenue
Mike Reeht, Greater Kansas City Chamber of Commerce
Steve Kelly, Dept. Of Commerce

Others attending:

See attached list.

The Chair called the Committee's attention to the minutes of March 19 and 21 meetings they had been sent.

Representative Swanson made the motion that was seconded by Representative Hill to approve these minutes. The motion passed on a voice vote.

Substitute for SB 334 - making permanent the amount that is currently available in the Investments in Major Projects and Comprehensive Training (IMPACT) fund for major project investments.

Kent Eckles addressed the Committee in support of **Substitute for SB 334**. (Attachment 1).

Dave Corbin testified as a proponent of **Substitute for SB 334**. (Attachment 2).

Offering support of the contents of **Substitute for SB 334** was Mike Reeht. (Attachment 3).

Testimony in favor of **Substitute for SB 334** was provided by Steve Kelly. (Attachment 4).

The hearing was closed on **Substitute for SB 334**.

A motion was made by Representative Huntington and seconded by Representative Hill to work **Substitute for SB 334**. The vote was 11 members in favor.

Representative Huntington made the motion that **Substitute for SB 334** be voted favorably for passage out of Committee. The motion was seconded by Representative Rardin and passed on a voice vote.

The meeting was adjourned at 4:05 p.m. No other meetings are scheduled at this time.



**Testimony Before the
House Economic Development and Tourism Committee
RE: Substitute for Senate Bill 334**

March 22nd, 2007

Presented by J. Kent Eckles
Vice President of Government Relations & Organizational Development,
Overland Park Chamber of Commerce

The Overland Park Chamber of Commerce appreciates the opportunity to submit testimony in support of Substitute for Senate Bill 334.

The bill would make permanent the amount of cash incentives available to companies under the Investment in Major Projects & Comprehensive Training (IMPACT) fund for Major Project Investments (MPI). Current law will limit that amount to 20% of total project funding effective July 1st, 2008.

During the 2005 legislative session, the law was changed to temporarily lift the 20% cap on MPI funds to help retain a major, existing Kansas company who was considering relocating out of state. Permanently lifting the cap on MPI (cash incentives) will give the Kansas Department of Commerce the mechanism necessary to compete with neighboring states, who in many cases are actively seeking to lure existing Kansas companies out of state. Furthermore, passing this bill will eliminate the need for the agency to approach the legislature each time a company retention situation arises when time is of the essence in getting the company an offer.

As background, IMPACT projects are funded by bonds and are repaid by companies, usually over a period of ten years, from monies equal to 2% of all wages withheld from their employees statewide. Therefore, it should be noted there is no fiscal impact from this bill (according to the Department of Revenue) and both the Departments of Revenue and Commerce have testified in favor of this bill when it was worked in the Senate Assessment & Taxation Committee.

This bill would make the entire State of Kansas more competitive with its neighbors so we respectfully request this committee pass the bill out favorably.

Economic Development & Tourism
Date: 3-22-07
Attachment # 1-1

Posted on Thu, Feb. 22, 2007

Subsidy program for jobs advances

The Missouri bill would reward businesses that create positions with above-average pay.

By KIT WAGAR
The Star's Jefferson City correspondent

JEFFERSON CITY | Expanded subsidy programs for businesses that create jobs with health benefits and better-than-average pay won preliminary approval Wednesday from the Missouri House.

Lawmakers also added a provision that would give Kansas City's economic development officials a new tool designed to help lure Embarq's corporate headquarters from Kansas to Missouri.

Embarq, the local phone operator spun off from Sprint Corp., has more than 1,000 employees who would move to Missouri if the company relocated its headquarters, supporters said.

The bill's biggest controversy involved an amendment that would require companies to forfeit their subsidies if they knowingly hired illegal workers. Supporters said it would be unfair to existing businesses and to Missouri residents to give tax money to companies that were lowering wage rates for people who were here legally.

Opponents said such a provision would cause employers to discriminate against foreign-born workers who, because of their accents or color, appear to be illegal.

The amendment's sponsor, Democratic Rep. Tony George of St. Louis County, said the forfeiture provision would be good for all workers.

"It helps people who play by the rules, but it stops or slows down those employers willing to exploit people who shouldn't be here in the first place," George said.

George's amendment was approved, 145-8.

Rep. Bryan Pratt, a Blue Springs Republican, proposed the provision designed to help lure Embarq. The bill originally would have prohibited the tax credits or other tax benefits from going to utilities that offer electric, gas, water, sewer, cable or phone services. Pratt changed that section to allow electric, gas and phone companies to receive the credits.

The bill would eliminate the limits on the amount of subsidies available under the Quality Jobs program. The program has proved so popular that economic development officials have used up the \$12 million in tax credits set aside when the original program was approved in 2005.

The existing program allows companies to keep for up to five years the payroll taxes generated by the workers they hire. On top of that, they can receive tax credits of up to \$750,000 for each approved project. The jobs must pay at least the average wage available in the county, and the employer must pay at least half the cost of the worker's health insurance.

The Economic Development Department credits the program with creating 12,438 jobs in Missouri in less than two years.

The bill would also remove the \$4-million-a-year cap on tax credits issued by the state's enterprise zone program, which provides property tax exemptions for up to 25 years on companies that set up in blighted areas. It would also extend the tax exemption to industrial buildings or warehouses built on speculation of later leasing them out.

The bill, however, would exclude such tax exemptions for educational services and religious organizations. Administrative offices overseeing such companies could receive the exemption.

Jobs created with the use of such property tax exemptions would have to carry health insurance partly paid for by the employer. Rep. John Burnett, a Kansas City Democrat, tried to amend that section to require employers receiving the tax credit to pay at least half the health insurance premium. His amendment was rejected.

INSIDE

More political news from Topeka and Jefferson City | B3 and B5

<http://www.kansascity.com/mld/kansascity/news/16752863.htm?template=contentModules/printstory.jsp>

2/22/2007

1-2

Testimony to the House Committee on Economic Development and Tourism

David Corbin

March 22, 2007

Substitute for Senate Bill 334 – Amendments to the IMPACT Program

Representative Gordon, Chair, and Members of the Committee:

Substitute for Senate Bill 334 would eliminate the percentage cap that currently exists on amounts from the IMPACT program repayment fund that can be used to pay bond repayment obligations for financing major projects, such incentive packages that Department of Commerce develops to promote significant business expansion, either through recruiting new businesses to Kansas or expanding or retaining existing ones. Under current law, 2% of employer withholding tax receipts are dedicated to fund the IMPACT program. Of that amount, a maximum of 20% can be used to pay bond repayment obligations on financing of major projects. This bill would lift that percentage cap, so that Department of Commerce could access the full amount in the fund, providing Commerce the flexibility to respond with an attractive incentive package when the opportunity for a significant project arises.

The bill does not have a fiscal impact, because it only affects how monies already within the IMPACT program repayment fund can be spent. The Department of Revenue strongly urges your support for this bill.

**Testimony before the House Economic Development and Tourism Committee
RE: Substitute for SB 334**

**Presented by Mike Reece, Government Affairs Consultant
On Behalf of the
Greater Kansas City Chamber of Commerce**

March 22, 2007

Chairperson Gordon and members of the Committee:

The Greater Kansas City Chamber appreciates the opportunity to support the contents of new Sub for SB 334.

The IMPACT fund (Investment in Major Projects & Comprehensive Training) fund for Major Project Investment has been an important tool used by the Kansas Department of Commerce to compete with other states, especially in retaining existing Kansas companies who are being lured by other states to relocate there.

This bill would lift the cap on the percentage of total project funding on a more permanent basis – this cap is currently at 90% , but will revert to 20% as of July 1, 2008. The agency has had to approach the legislature on a case by case basis and often hasn't been able to act quickly enough to make a counter offer when these issues come up.

The projects are funded by bonds and are repaid by the companies from wages withheld from their employees. Therefore there is no fiscal impact according to the Revenue Department and Commerce Department, both of which testified for similar legislation in the Senate. We respectfully request that the substitute bill be passed out with a favorable recommendation.

I would be happy to try to answer any questions.

Economic Development & Tourism

Date: 3-22-07

Attachment # 3



KANSAS

DEPARTMENT OF COMMERCE

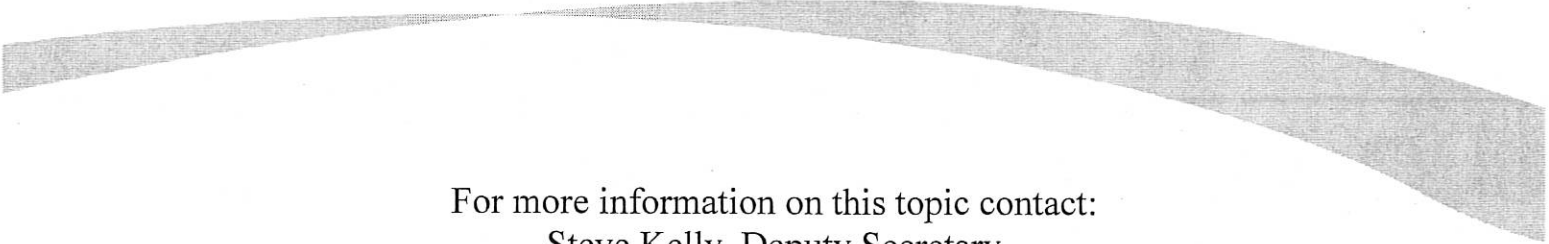
David D. Kerr, Secretary



Senate Bill 334

House Economic Development & Tourism

March 22, 2007



For more information on this topic contact:

Steve Kelly, Deputy Secretary

Phone: (785) 296-2932

Fax: (785) 296-3665

skelly@kansascommerce.com

www.kansascommerce.com

Economic Development & Tourism
Date: 3-22-07
Attachment # 4-1

Good afternoon, I am Steve Kelly with the Kansas Department of Commerce. I appreciate the opportunity to express our support for SB 334.

The 2005 Legislature amended the IMPACT statute to allow enhanced use for non-training projects. This change was made at the request of the Department of Commerce in consort with a number of Chambers of Commerce. It allowed Kansas to improve our competitiveness in the face of aggressive new economic development measures that were passed by the Missouri legislature in recent years and legislation they are currently considering.

We have been able to use the financing available through this change to successfully incent projects such as the retention of the Applebees headquarters in Lenexa and the expansion of the Farmers Insurance customer service operation in Olathe.

SB 334 makes the 2005 amendments permanent and ensures continued flexibility of use of IMPACT to recruit and retain companies and businesses in Kansas in an increasingly competitive arena.

We would appreciate your favorable consideration of this bill. I am happy to answer any questions you may have.