

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 9, 2009, in Room 711 of the Docking State Office Building.

All members were present except:

Representative Joe Seiwert- excused

Committee staff present:

Jason Long, Office of the Revisor of Statutes
Doug Taylor, Office of the Revisor of Statutes
Julian Efird, Kansas Legislative Research Department
Ann Deitcher, Committee Assistant

Conferees appearing before the Committee:

Kris Shilt, Regional Leader of Credits & Incentives, Grant Thornton LLP
Mike Michaelis
Victoria Pratt Gerbino, President, Greater Wichita Economic Development Coalition
Lavern Squier, Chair, Kansas Economic Development Alliance
Richard Cram, Department of Revenue

Kris Shilt, Senior Manager, State and Local Taxation

Mike Michaelis,

Laverne Squier, Chair, Kansas Economic Development Alliance

Richard Cram, Department of Revenue

The Chair introduced Lavern Squier who in turn introduced Kris Shilt who gave the Committee an update on state credits and incentives. (Attachment 1).

Ms. Shilt spoke of the scorecard for economic activity from 2003-2007 and showed where Kansas fit in.

- Money spent on economic development - \$1.3 Billion
- More than 80,000 jobs created (Study prepared by Wichita State University)
- More than 51,000 jobs saved
- More than 1,600 companies created
- More than \$5 billion in capital expenditures by private companies, and about \$147 million in matching expenditures by local governments
- More than \$967 million in increased sales by client companies
- More than \$11 billion in estimated payroll for client companies, and about \$800 million in funding for companies from the federal government and private sources.

Recommendations made were:

Develop a program tied to payroll associated with new jobs (refundable or instant rebate)
Establish a discretionary fund to be used for "additional" needs of companies that can be utilized at the local level
Explore expanding the applicability of current Kansas programs to be utilized by more companies or make the programs more user friendly
Capitalize on what's working.

Questions and answers followed.

CONTINUATION SHEET

Minutes of the House Economic Development and Tourism Committee at 3:30 p.m. on March 9, 2009, in Room 711 of the Docking State Office Building.

HB 2358 - an act enacting the investment in Kansas Employment Act.

Jason Long, Assistant Revisor, offered an overview of **HB 2358**. (Attachment 2). Saying that a business is eligible for benefits under the Investment in Kansas Employment Act (IKE), Mr. Long explained that businesses that are receiving benefits under programs funded with income withholding taxes, such as Kansas Bioscience Authority and the IMPACT program, are ineligible for benefits under the bill.

The new employee hiring requirement is dependent on the location of the business. In addition to the hiring requirement, the business must also pay the new employees a wage that is at least equal to 100% of the county average wage. The county average wage is average wage paid to employees located in the county where the new employees are to be located as reported by the Department of Labor in its annual report. If the business meets both the hiring and the wage requirements, then it is eligible to receive 100% of the Kansas payroll withholding taxes for those new employees for a period of five years.

Questions and answers followed.

Mike Michaelis, standing in for Gary Sherrer of Midwest Cancer Alliance, spoke briefly as a proponent of **HB 2358**. (Mr. Michaelis failed to offer written testimony).

Appearing next as a proponent of **HB 2358**, Victoria Pratt Gerbino spoke of the strength of the aerospace industry in Kansas saying that with roughly 44,000 people working in aerospace manufacturing just in Sedgwick County, it remained the strongest manufacturing sector in the State. (Attachment 3).

Ms. Gerbino said that the proposed IKE program allowed companies to receive a return on their investment through the payroll withholding taxes saying that other state programs that Kansas competes against on a regular basis, such as those in Oklahoma and Missouri, have similar types of incentives already in place. In Missouri, eligible companies creating eligible jobs can retain submission of the withholding taxes for up to 5 years. In Oklahoma, eligible companies creating eligible jobs receive a cash-back incentive for 6 to 7 years, and they have various sliding eligibility thresholds to allow for growth in specific industry sectors.

Concluding that IKE offers a truly competitive alternative for businesses who could make a new investment in any one of these three states, she said that it allows Kansas to be in the game.

Appearing briefly in support of **HB 2358**, Lavern Squier said that for some time, professionals engaged in economic development throughout Kansas have said the incentives available to help with job creation were not competitive. Kansas has lagged behind other states in offering job creation incentives to allow them to compete for projects that were service oriented and create jobs but may not have a large capital investment component. (Attachment 4).

Mr. Squier said that this severely impacted Kansas' competitiveness with neighboring states. He felt that **HB 2358** was a positive step to help address that void.

Questions and answers followed.

CONTINUATION SHEET

Minutes of the House Economic Development and Tourism Committee at 3:30 p.m. on March 9, 2009, in Room 711 of the Docking State Office Building.

Written only testimony in support of **HB 2358** was provided by: Dave Holtwick, Overland Park C of C, ([Attachment 5](#)); Blake Schreck, Lenexa C of C, ([Attachment 6](#)); Wes Ashton, Black Hills Energy, ([Attachment 7](#)); Steve Martens, The Martens Company, ([Attachment 8](#)); Bryan Derreberry, Wichita Metro C of C, ([Attachment 9](#)); Lyndon O. Wells, INTRUST Banks, ([Attachment 10](#)); J. Kent Eckles, The Kansas Chamber, ([Attachment 11](#)); Carl Brewer, City of Wichita, ([Attachment 12](#)); Dave Kerr, Hutchinson/Reno County C of C, ([Attachment 13](#)); Tom Weigand, Ottawa Area C of C, ([Attachment 14](#)); Janis Hellard, Sumner County Econ. Develop. Commission, ([Attachment 15](#)); Brent Miles, Wyandotte Econ. Develop. Council, ([Attachment 16](#)); Abby Dechant, Wabaunsee County Econ. Develop., ([Attachment 17](#)); Cindy Wallace, Russell County Econ. Develop., ([Attachment 18](#)); Jane O. Wallace, Kingman County Econ. Develop. Council, ([Attachment 19](#)); Carolyn Kennett, Econ. Develop., City of Parsons, ([Attachment 20](#)); Joyce Clark, member, KEDA, ([Attachment 21](#)); Pam Holaday, Jackson County Develop. Corp., ([Attachment 22](#)); Joe Pagen, Manhattan Area C of C, ([Attachment 23](#)); John Kennedy, Hamilton County Econ. Develop., ([Attachment 24](#)); Ashley Bogle, Greenwood County Econ. Develop. ([Attachment 25](#)); Mendi Alexander, Rural Telephone Service Co., Inc., ([Attachment 26](#)); Dan Hartman, Logan County Development Corp., ([Attachment 27](#)); Olathe C of C, ([Attachment 28](#)); Jeff Hofaker, Phillips County Econ. Develop., ([Attachment 29](#)); Joann Knight, Dodge City/Ford County Develop. Corp., ([Attachment 30](#)); Steve Jack, Leavenworth County Develop. Corp., ([Attachment 31](#)); Marilyn FitzSimmons-Mavity, FitzSimmons Insurance Agency, ([Attachment 32](#)); Charlene Neish, Trego County Econ. Develop., ([Attachment 33](#)); Mickey Fornaro-Dean; Harvey County Econ. Develop. Council, ([Attachment 34](#)); James A. Martin, Shawnee Econ. Develop. Council, ([Attachment 35](#)); Tom Riederer, SW Johnson County Econ. Develop., ([Attachment 36](#)); David D. Kerr, Department of Commerce, ([Attachment 37](#)).

Testifying as an opponent to **HB 2358**, Richard Cram said that this proposal would have a significant negative fiscal impact that essentially doubled each year for the next 5 years. ([Attachment 38](#)).

Mr. Cram said that given the current fiscal environment, the program was far too broad in scope and cost. He felt that as our economy recovers, this proposal would siphon off the withholding tax revenue growth that we would otherwise expect to see (which would be included in the Consensus Revenue Estimate), leaving the State woefully short of needed funding.

A copy of the Kansas tax Credits (Business and Job Development Credit) for tax year 2006 was distributed. ([Attachment 39](#)).

Offering written only testimony in opposition to **HB 2358** was April Holman, Kansas Action for Children, ([Attachment 40](#)).

The meeting was adjourned at 5:25 p.m. The next meeting is scheduled for March 11, 2009.



Grant Thornton

State Credits and Incentives Update

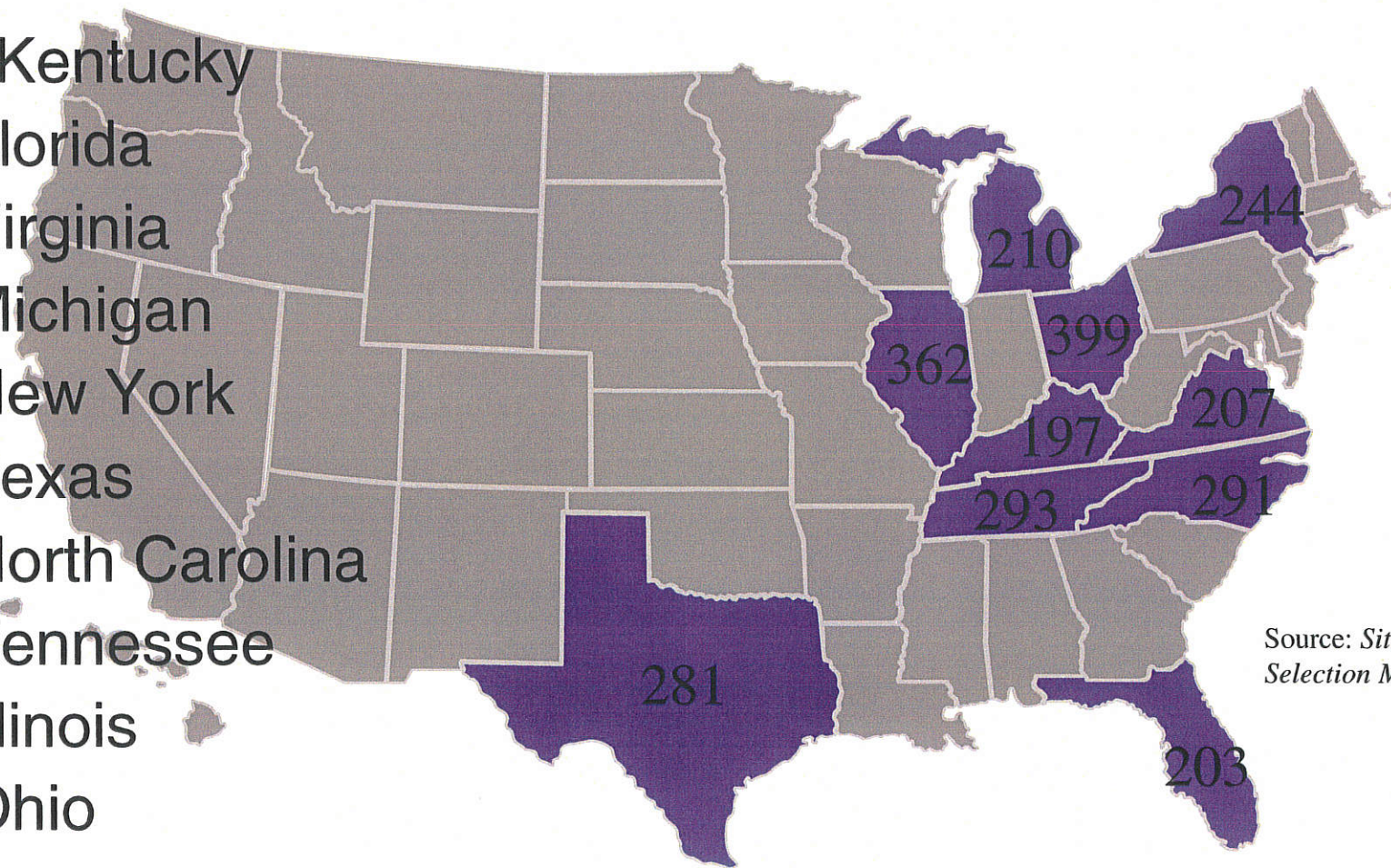
March 9, 2009

Kris Shilt
Regional Leader of Credits and Incentives
Grant Thornton LLP
Kansas City

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Top 10 States for Expansion Projects – 2007

10. Kentucky
9. Florida
8. Virginia
7. Michigan
6. New York
5. Texas
4. North Carolina
3. Tennessee
2. Illinois
1. Ohio



Source: *Site Selection Magazine*

Top Projects by Industry in 2007

| Industry | New | Exp | Total |
|--|------------|------------|--------------|
| Chemicals/ Pharmaceuticals | 577 | 221 | 798 |
| Transportation Equipment Mfg. | 436 | 309 | 745 |
| Food Processing Machinery (excl. Electrical) | 268 | 232 | 500 |
| Computer and Electronics Mfg. | 232 | 220 | 452 |
| | 293 | 133 | 426 |

Top 10 Competitive States in 2007

According to *Site Selection Magazine*

1. Tennessee
2. Alabama
3. North Carolina
4. Kentucky
5. Ohio
6. Iowa
7. Indiana
8. Nebraska
9. South Dakota
- 10. Kansas**

- Total new and expanded facilities*
- Total capital investment*
- Total jobs created*
- Percentage growth in new and expanded facilities
- Number of Top 100 Metros
- Number of Top 100 Small Towns
- Number of 100-plus job projects*

*Per 1M population

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Top 10 Competitive States in 2007 According to *Site Selection Magazine*

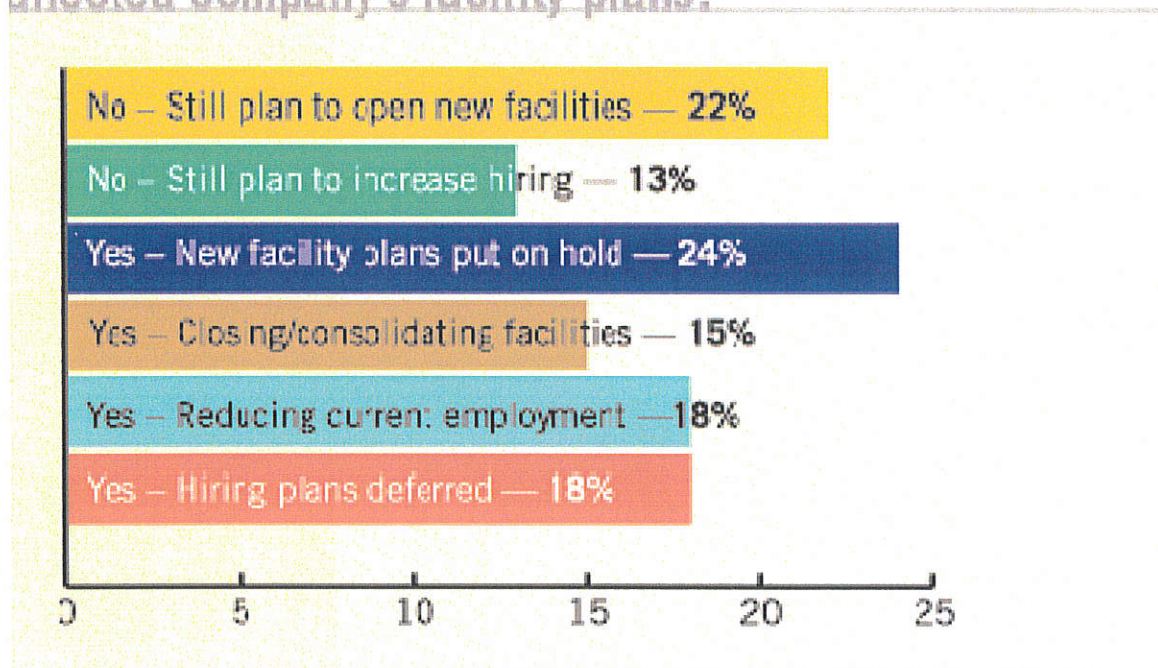
1. Tennessee
2. Alabama
3. North Carolina
4. Kentucky
5. Ohio
6. Iowa
7. Indiana
8. Nebraska
9. South Dakota
- 10. Kansas**

- Total new and expanded facilities*
- Total capital investment*
- Total jobs created*
- Percentage growth in new and expanded facilities
- Number of Top 100 Metros
- Number of Top 100 Small Towns
- Number of 100-plus job projects*

*Per 1M population

How has the current economy affected expansion plans?

Has the downturn in the U.S. economy affected company's facility plans?



- Survey taken in August 2008 *Area Development Annual Corporate Survey*

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The importance of incentives

2008 *Area Development* Annual Corporate Survey of Site Selection Factors

| Factor | Rating |
|--------------------------------------|-------------|
| 1. Highway accessibility | 95.4 |
| 2. Labor Costs | 91.4 |
| 3. Occupancy and construction costs | 90.4 |
| 4. Tax Exemptions | 88.6 |
| 5. Energy Availability and costs | 87.9 |
| 6. Availability of skilled labor | 87.7 |
| 7. State and local incentives | 87.2 |
| 8. Corporate Tax Rate | 85.3 |
| 9. Low Union Profile | 82.7 |
| 10. Available Land | 82.0 |

New Jersey Business Grant Program InvestNJ

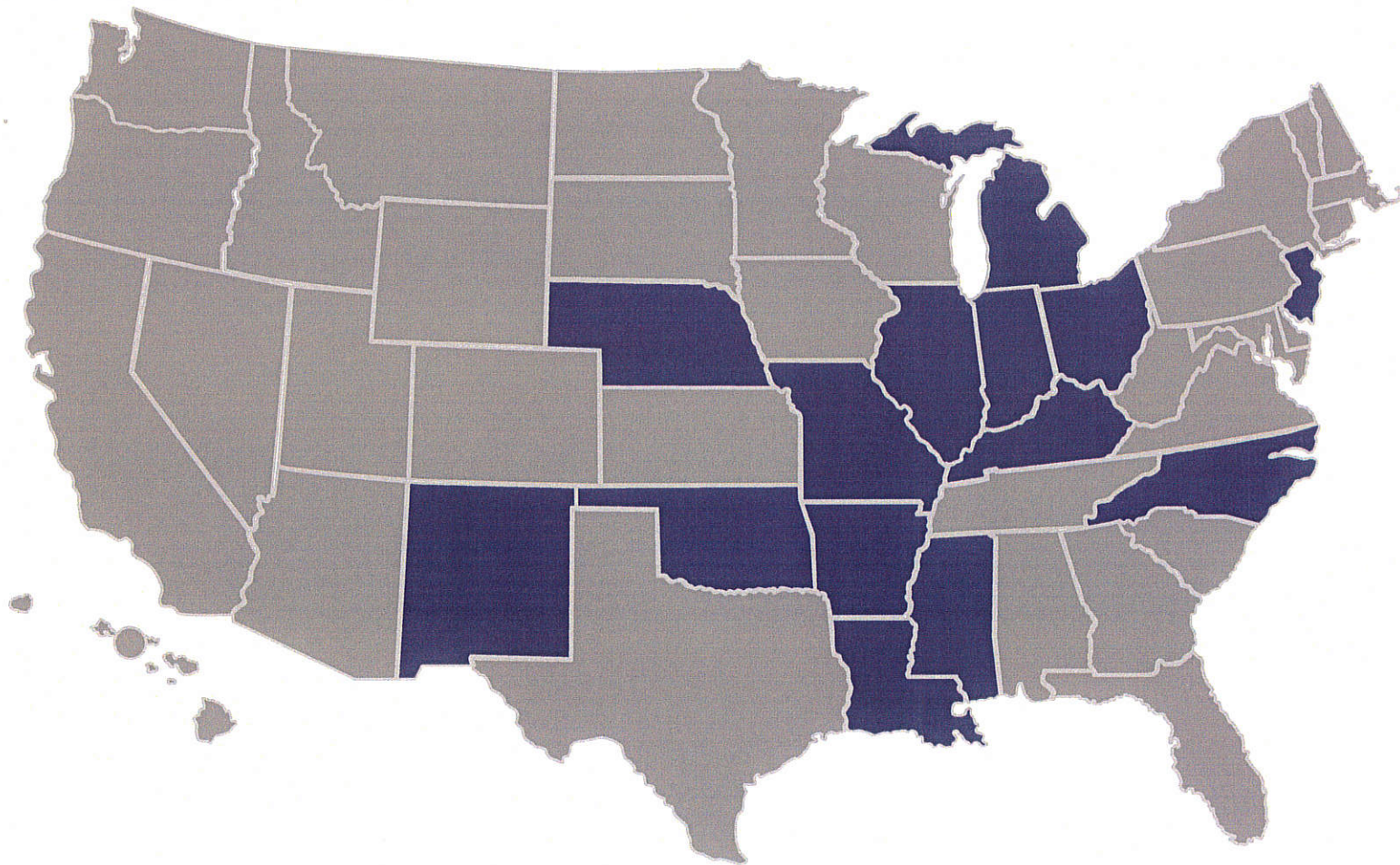
- \$120 million of grants available for 2009 and 2010
- Grants only awarded to existing NJ businesses
- 7% investment grant for expenditures over \$5,000 cap of \$1 million per grantee
- \$3,000 employment grant for each new job retained for 1 year cap of \$500,000 per grantee
- Grants are awarded on a first come, first served basis

What's new in state incentives

Cash and credit incentives based on new payroll

- Most popular state-level incentive
 - AL, AR, KY, LA, IL, IN, MI, MO, NE, NJ, NC, NM, OH, OK, SC and others
- Based on wages paid for new job creation
- Incentive is either cash payment, grant or refundable income tax credit
- Possibly available for job retention projects
- Most programs provide immediate benefit

Current States with Incentive Programs based on new payroll

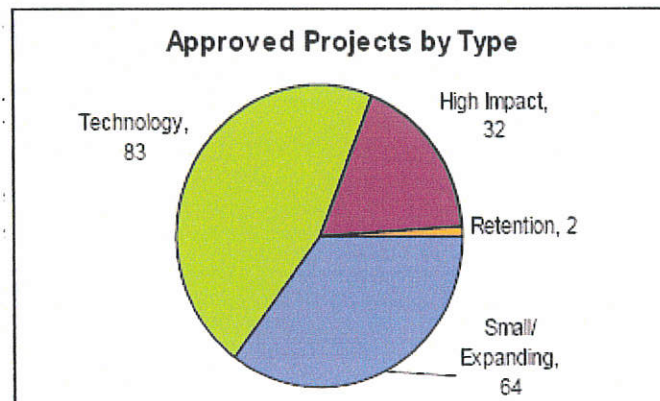


Missouri Quality Jobs Program

- Program took effect September 4, 2007
- Program Categories
 - Small/expanding projects must create minimum of 20 jobs in rural areas or 40 jobs in non-rural area
 - Technology projects are determined by NAICS code and must create a minimum of 10 jobs
 - High Impact projects must create a minimum of 100 new jobs

Missouri Quality Jobs Program

- Since inception, 121 projects have been approved in non-rural areas with 58 projects in rural areas
- "Rural area" is defined as a county with a population less than 75,000 or that does not contain an individual city with a population greater than 50,000 according to the most recent federal census



Missouri Quality Jobs Program Net State Fiscal Impact

- Over 15 year, every dollar of investment in the program returns:
 - \$9.01 in new general revenues = \$1.3B over 15 yrs
 - \$160.16 in new personal income = \$27B over 15 yrs
 - \$350.40 in new value added to state economy = \$59.2B over 15 yrs
 - \$622.53 in new economic activity = \$105B over 15 yrs



Oklahoma Quality Jobs Program

- Program began in 1993
- Provides quarterly payroll rebate payments to companies creating \$2.5 million in new payroll
 - Must pay the county minimum average wage
 - Must provide health care benefits and pay at least 50% of the premiums
 - Must create the \$2.5 million in new payroll within 3 years

Oklahoma Quality Jobs Program

- Qualifying companies receive quarterly rebates of up to 5% of the new payroll created
- A maximum benefit is calculated based on the number of new jobs and average wage included in the program application
- Qualifying companies have may receive benefits for up to 10 years or until they have reached their maximum benefit
- Small employer program available for companies with 90 or fewer employees – receive benefits up to 7 years

Oklahoma Quality Jobs Program

- Since inception program has paid over \$500 million in rebate payments
- More than \$12 billion in new payroll has been created
- 535 Companies have enrolled in the program

Ohio Job Creation Tax Credit (JCTC) and Job Retention Tax Credit (JRTC)

JCTC

- Refundable Commercial Activity Tax (CAT) credit based on the state income tax withholdings for new jobs up to 100% for 15 years
- Must create 25 net new full-time jobs and pay 150% of the federal minimum wage (\$9.83/hour) or 10 new full-time jobs at 400% of the federal minimum wage (\$26.20/hour)

JRTC

- Non refundable CAT credit up to 75% for 10 years of income tax withholdings
- Must retain 1,000 jobs and invest \$100 million if avg. wage is 400% of federal minimum wage or invest \$200 million if avg. wage is less

Indiana Economic Development for a Growing Economy Tax Credits (EDGE)

New Jobs

- Refundable tax credits are available based on the new payroll tax withholdings for net new jobs created. Companies may receive up to 100% of the new payroll tax withholdings for a period of up to 10 years.
- The company must create significant new jobs in Indiana, must have local participation associated with the project, provide an average wage that exceeds the industry sector and commit to maintaining operations in Indiana for at least 2 years beyond the term of the EDGE award

Indiana Economic Development for a Growing Economy Tax Credits (EDGE)

Retained Jobs

- Refundable tax credits are available based on the existing payroll for retained jobs. Companies may receive up to 100% of the new payroll tax withholdings for a period of up to 10 years
- Fund is capped at \$10 million and is applicable to taxpayers engaged in research and development, manufacturing or business services. Average wages must be greater than 105% of the average wage of the company's NAICS group or twice the federal minimum wage

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Illinois Economic Development for a Growing Economy Tax Credits (EDGE)

New Jobs or Retained Jobs

- Provides non-refundable tax credits based on the new payroll tax withholdings for net new jobs. Companies may receive up to 100% of the new payroll tax withholdings for a period of up to 10 years
- Projects must add to the export potential for Illinois and generally require a minimum of \$5 million of investment and the creation of 25 new jobs

Other state incentives based on payroll

- Mississippi Advantage Jobs – Cash rebate (70-90%) of state withholding taxes to qualified employers for up to 10 years
- North Carolina Job Development Investment Grant (JDIG) – discretionary cash grant refund of 10-75% of new employee income tax withholdings for up to 12 years – created 28,000 jobs and \$4 billion of investment since 2003

State incentive highlights

Redefining eligible employees

- States are adjusting their definition of eligible employees to include contract workers, part-time workers, licensees, joint-venture partners and independent contractors
 - IN, FL, TX, NC, NJ, CT, PA, NY and others
- Allows companies to qualify for programs using Professional Employer Organizations
- Provides companies with greater flexibility in filling their workforce
- Dept. of Labor states that 14.8 million workers are currently in alternative work arrangements (11% of US employment)

Where does Kansas fit in?

Scorecard for economic activity from 2003-2007

** Legislative Post Audit Committee Report*

- Money spent on economic development - \$1.3 Billion
- More than 80,000* jobs created
- More than 51,000 jobs saved
- More than 1,600 companies created
- More than \$5 billion in capital expenditures by private companies, and about \$147 million in matching expenditures by local governments
- More than \$967 million in increased sales by client companies
- More than \$11 billion in estimated payroll for client companies, and about \$800 million in funding for companies from the federal government and private sources

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Where does Kansas fit in?

Budgeted State Economic Development Funding by Region in FY 2007

Total Budget FY 2007

% change from FY 2006

| | |
|---------------|----------------------|
| Oklahoma | \$230,804,000 |
| Iowa | \$222,211,608 |
| Missouri | \$113,162,359 |
| Kansas | \$ 98,650,908 |
| Colorado | \$ 75,005,552 |
| Nebraska | \$ 30,005,549 |

| | |
|---------------|-------------|
| Oklahoma | 93.2% |
| Iowa | 63.7% |
| Colorado | 50.0% |
| Missouri | 43.9% |
| Nebraska | 42.3% |
| Kansas | 4.1% |

* Study prepared by Wichita State University for Kansas Inc.

Where does Kansas fit in?

Top programs

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- Workforce Training Grants (KIT, KIR, IMPACT)
- Enterprise Zone Program
- High Performance Incentive Program
- Machinery and Equipment Property Tax Exemption
- Sales Tax Exemptions

Where does Kansas fit in? Recommendations

- Develop a program tied to payroll associated with new jobs (refundable or instant rebate)
- Establish a discretionary fund to be used for "additional" needs of companies that can be utilized at the local level
- Explore expanding the applicability of current Kansas programs to be utilized by more companies or make the programs more user friendly
- Capitalize on what's working!

26-1

Contact information

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REVISOR OF STATUTES
JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR
GORDON L. SELF, ATTORNEY
FIRST ASSISTANT REVISOR



OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

Overview of House Bill 2358
Investment in Kansas Employment Act

Jason B. Long
Assistant Revisor
Office of Revisor of Statutes

March 9, 2009

The Investment in Kansas Employment Act (IKE) provides tax incentives to Kansas businesses for hiring new employees. The bill provides for qualified businesses to be paid back 100% of the income withholding taxes the business remits to the state for the new employees hired. This is modeled on the Qualified Manufacturer Act and the Qualified Industrial Manufacturer Act.

A business is eligible for benefits under IKE if it meets the requirements for the number of new employees hired and the wages paid to such new employees. Businesses that are receiving benefits under programs funded with income withholding taxes, such as Kansas Bioscience Authority and the IMPACT program, are ineligible for benefits under the bill. Also, retail businesses are generally ineligible, except that retail businesses in cities with a population of not more than 10,000 are eligible.

The new employee hiring requirement is dependent on the location of the business. In metropolitan counties, which are Douglas, Johnson, Sedgwick, Shawnee and Wyandotte, a business must hire at least 10 new employees. If the business is located in any other county then

the business must hire at least 2 new employees. The definition of “new employee” under IKE requires that these be net new employees to the business.

In addition to the hiring requirement, the business must also pay the new employees a wage that is at least equal to 100% of the county average wage. The county average wage is average wage paid to employees located in the county where the new employees are to be located as reported by the department of labor in its annual report.

If the business meets both the hiring and the wage requirements, then it is eligible to receive 100% of the Kansas payroll withholding taxes for those new employees for a period of five years. Additionally, if the business pays the new employees a wage of at least 120% of the county average wage, then the business is eligible to receive 50 % of the Kansas payroll withholding taxes for those new employees for an additional two years. This comes after the initial five-year period.

Under IKE the eligible business first applies to the secretary of commerce for benefits. The secretary verifies that the business meets the requirements of the program and then enters into an agreement with the business. The agreement provides the details of when the benefits are to be paid to the business and the consequences for the business’ failure to stay in compliance with the act. The business then remits the payroll withholding taxes to the state in the same manner as with other employees. The state treasurer is directed to credit those moneys to the Investment in Kansas Employment Program Fund. This fund is created under the bill and is to be outside the state treasury and the state general fund. The secretary then directs the state treasurer to issue payments to the business pursuant to the agreement. If the business fails to comply with the agreement and the agreement is terminated by the secretary, then the business is no longer eligible to receive any benefits under the act.

IKE also requires the secretary to conduct annual reviews of the businesses receiving benefits under the act to ensure compliance with the statutory requirements. The secretary is to notify the business if it is not in compliance. The secretary is also required to submit an annual report to the governor and the legislature on the benefits issued under the act.

Finally, the bill amends K.S.A. 74-50,115 to change the requirements for a retail business to qualify for tax benefits under the Enterprise Zone Act. The amendment appears on page 6, in

line 39, and simply adjusts the rural city population up from 2,500 to 10,000. This makes the rural city requirement the same for the Enterprise Zone Act as is proposed for the IKE program.

HOUSE BILL 2358

I'd like to thank the members of the Committee for giving me the opportunity to speak today on behalf of HB2358.

I represent the Greater Wichita Economic Development Coalition; a public-private partnership that exists to promote investment and job growth across Sedgwick County, the City of Wichita and 8 surrounding counties in South Central Kansas. We find ourselves in a continuously competitive situation in the retention and recruitment of business investment.

I don't need to remind this committee of the strength of the aerospace industry in Kansas. With roughly 44,000 people working in aerospace manufacturing just in Sedgwick County, it remains the strongest manufacturing sector in the State. But I can tell you that many **states – and many other nations**, want what we have, and are willing to pay for it. Our ability to retain our existing businesses, secure their future investments that lead to job growth, and attract investments from businesses outside of Kansas has become increasingly dependent upon our ability to compete in the incentive arena. To put it bluntly, we need more tools in the tool box; and the tools that are there need to be bigger and better than the competition's – or we're simply not going to be able to get the job done!

The proposed program known as the Investment in Kansas Employment Act (IKE), is a step in the right direction. Adoption of this legislation moves us towards a more level playing field. Its flexibility and adaptability are critical for us to remain a force in the fierce and relentless economic development incentive-granting game.

Economic Development & Tourism
Date: 3-9-09
Attachment # 3-1

The proposed IKE program allows companies to receive a return on their investment through the payroll withholding taxes. Other state programs that we in KS compete against on a regular basis, such as those in Oklahoma and Missouri, have similar types of incentives already in place. In MO, eligible companies creating eligible jobs can retain submission of the withholding taxes for up to 5 years. In OK, eligible companies creating eligible jobs receive a cash-back incentive for 6 to 7 years, and they have various sliding eligibility thresholds to allow for growth in specific industry sectors. IKE offers a truly competitive alternative for businesses who could make a new investment in any one of these 3 states – it allows Kansas to *be in the game!*

I hope you will strongly consider supporting this legislation. Kansas needs this tool. South Central Kansas – from our very urban to our very rural areas, will all benefit from the passage of IKE.

Thank you.

Victoria Pratt Gerbino, CECD

President

Greater Wichita Economic Development Coalition

KEDA

Written Testimony in Support of House Bill 2358

Submitted by Lavern Squier

On behalf of the Kansas Economic Development Alliance (KEDA)

House Economic Development and Tourism Committee

Monday, March 9th, 2009

Madam Chair and Committee Members:

My name is Lavern Squier and I am chair of the KEDA Competitiveness Task Force. I am appearing today on behalf of our nearly 170 members. I appreciate the opportunity to share written testimony in support of House Bill 2358 also known as the Investing in Kansas Employment (IKE) act.

For some time, professionals engaged in economic development throughout Kansas have said the incentives available to help with job creation are not competitive. We have lagged behind other states in offering job creation incentives to allow us to compete for projects that are service oriented and create jobs but may not have a large capital investment component. This severely impacts our competitiveness with neighboring states.

HB 2358 is a positive step to help address that void. IKE has provisions to make it applicable all across Kansas, allowing different thresholds for eligibility between rural and non-rural areas, recognizing that creating fewer jobs in a rural area can have a greater impact on that area than creating the same jobs in a non-rural area. Ike does not simply reward companies that create new jobs. It rewards companies that create jobs that pay wages equal to or greater than the county average wage for the county the jobs are created in. This is good for Kansas!

HB 2358 provides employers creating new jobs access to a "cash equivalent" incentive that is more meaningful and helpful than some others that are currently available such as tax credits. IKE would allow qualifying employers to get back 100% of the payroll taxes associated with new jobs created for 5 to 7 years, depending on the wages paid compared to the county average wage.

IKE, as currently written, would cause employers to submit payroll withholding taxes associated with the qualifying jobs and then have the funds rebated back to them. As an alternative, the plan could be amended to allow the company to simply hold on to the benefit allowed them under this program rather than having to submit it just to have it sent back to them. This could simplify the process and make our incentive program consistent with some neighboring states.

In summary, I believe this legislation would provide a powerful new tool to help incent job creation in the state and to help stimulate economic activity. Thank you very much for your time today. I encourage you to support House Bill 2358.

Economic Development & Tourism
Date: 3-9-09
Attachment # 4



Written Testimony in Support of House Bill 2358

Submitted by Dave Holtwick
On behalf of the Overland Park Chamber of Commerce

House Economic Development and Tourism Committee
Monday, March 9th, 2009

Madam Chair and Committee Members:

My name is Dave Holtwick and I am Vice President of Government Affairs with the Overland Park Chamber of Commerce. I am appearing today on behalf of our board of directors and our nearly 900 member companies. I appreciate the opportunity to share written testimony in support of House Bill 2358 also known as the Investing in Kansas Employment (IKE) act.

For some time, professionals engaged in economic development throughout Kansas have said the incentives available to help with job creation are not usable for many situations. We have programs that reward companies for making capital investments but we have lagged other states in offering job creation incentives to allow us to compete for projects that are service oriented and create jobs but may not have a large capital investment component. This severely impacts our competitiveness with neighboring states.

HB 2358 is a positive step to help address that void. IKE has provisions to make it applicable all across Kansas, allowing different thresholds for eligibility between rural and non-rural areas, recognizing that creating fewer jobs in a rural area can have a greater impact on that area than creating the same jobs in a non-rural area. Ike does not simply reward companies that create new jobs. It rewards companies that create jobs that pay wages equal to or greater than the county average wage for the county the jobs are created in. This is good for Kansas!

HB 2358 provides employers creating new jobs access to a "cash equivalent" incentive that is more meaningful and helpful than some others that are currently available such as tax credits. IKE would allow qualifying employers to get back 100% of the payroll taxes associated with new jobs created for 5 to 7 years, depending on the wages paid compared to the county average wage.

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t: 913.45 Economic Development & Tourism
Date: 3-9-09
Attachment # 5-1

IKE, as currently written, would cause employers to submit payroll withholding taxes associated with the qualifying jobs and then have the money rebated back to them. If possible, we would like to see the plan amended to allow the company to simply hold on to the benefit allowed them under this program rather than having to submit it to the Department of Revenue just to have it sent back to them. This would seem to simplify the process and make our incentive program consistent with some neighboring states.

In summary, I believe this legislation would provide a powerful new tool to help incent job creation in the state and to help stimulate economic activity. Thank you very much for your time today. I encourage you to support House Bill 2358. I like IKE...and hope you do, too!



The Historic Lackman-Thompson Estate

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TO: Rep. Lana Gordon, Chairperson
Members, House Economic Development Committee

FROM: Blake Schreck, President
Lenexa Chamber of Commerce

DATE: March 9, 2009

RE: **HB 2358—Creating the “Investment in Kansas
Employment” State Eco Devo Incentive Program**

The Lenexa Chamber of Commerce appreciates the opportunity to express its support for House Bill (HB) 2358, which would supplement current state economic development incentive programs with a new job creation incentive plan that would allow qualifying companies to have their withholding taxes on newly-created jobs reimbursed for a defined period of years.

Although economic development incentives can be a controversial issue, because almost every state offers them, like it or not states must provide incentives in order to compete to attract and retain projects. **The major difference in incentives from one state to another is the value companies attach to them, and unfortunately the value of Kansas incentives are rapidly losing competitive ground.**

Although Kansas may fall in the middle in its overall economic development spending budget, **Kansas’s traditional economic development tool – tax credits – is becoming less and less competitive. Other states are increasingly relying on substantial cash or cash-equivalent awards.** Specific examples of recent incentives granted by other states include:

| | | |
|----------------|----------------------|---------------------------------|
| Alabama | \$314 million (cash) | ThyssenKrupp Steel Plant (2007) |
| Mississippi | \$294 million | Toyota Assembly Plant (2007) |
| North Carolina | \$100 million | Google Data Center (2007) |
| Oklahoma | \$4.3 million | Spirit AeroSystems (2007) |
| Oklahoma | \$5.7 million | American Airlines (2007) |
| Texas | \$5.0 million | Hewlett-Packard Data Ctr (2006) |
| Texas | \$15 million | Washington Mutual (2005) |
| Texas | \$35 million | Vought Aircraft (2004) |

Kansas’s main incentive programs that can provide cash-based resources are IMPACT and KEIOF. IMPACT requires the expense and trouble of bonding, and in the last legislative session KEIOF funding was slashed to less than half.

Economic Development & Tourism
Date: 3-9-09
Attachment # 6-1

Our tax credit-based incentive programs like HPIP and Enterprise Zone/Business & Job Development are rapidly losing attractiveness in comparison to cash and cash-equivalent awards. Tax credits just aren't valuable if a company can't claim them due to, for example, insufficient tax liability. Kansas tax credits also aren't transferable or refundable, and tax credits require ongoing paperwork. **Kansas incentives must begin to evolve in order for Kansas to remain competitive.**

Accordingly, we strongly support the concepts put forth in the Investment in Kansas Employment (IKE) program represented in HB 2358. **Creating opportunities for companies to qualify for a cash-equivalent incentive based on job creation would significantly increase the state's global competitiveness in attracting and retaining businesses, as well as provide Kansas companies with additional financial resources to invest in their operations and workforce.** Both of these outcomes are critical to helping maintain and foster a healthy and growing statewide economy in the years ahead.

In summary, we believe HB 2358 is a critical step toward ensuring Kansas incentives remain globally competitive and that the IKE program would greatly enhance business attraction and expansion efforts across the state. Thank you very much for your time and attention to this important issue.



Wes Ashton
Government Affairs
Kansas & Colorado
Wes.ashton@blackhillscorp.com

**Legislative Testimony of Wes Ashton
Government Affairs, Black Hills Energy
Before House Economic Development & Tourism Committee
March 9, 2009**

Madam Chair and Committee Members:

My name is Wes Ashton and I am Government Affairs Manager for Black Hills Energy, a natural gas utility serving more than 110,000 homes and businesses across Kansas. I appreciate the opportunity to offer testimony in support of House Bill 2358, also known as the Investing in Kansas Employment (IKE) act.

Black Hills Energy works with our communities to help promote the economic vitality of Kansas whenever possible. In good economic times and bad, our company wants the communities we serve to remain dynamic and competitive. While the nation's current economic hardships cause budgets to be reviewed and potentially cut, we believe now is an important time to stay in the race for economic development projects that will support the tax base of Kansas in future years.

Economic development incentives are currently available in our state to grow the economy and assist with job creation, but are not always able to be accessed by businesses we serve. Companies are experiencing even more pressure today to decide on a project based upon incentives, which is a challenge for Kansas. Our current programs are not competitive with neighboring states to allow us to compete for projects that are service oriented and create jobs but may not have a large capital investment component. Our ability to compete today with our neighboring states will determine the economic well being of Kansas for decades to come.

Black Hills Energy supports HB 2358 because of its provisions to make it applicable all across Kansas, allowing different thresholds for eligibility between rural and non-rural areas. Our company provides service to communities like Wichita and Lawrence, as well as a number of smaller communities across central and southwest Kansas. There are clear differences in our communities that can and should be addressed in economic development policies. Recognizing that creating fewer jobs in a rural area can have a greater impact on that area than creating the same amount of jobs in an urban area must be addressed in state policy.

This legislation would provide a powerful new tool to help in the creation of jobs in the state and to help stimulate economic activity. Thank you for your attention to this issue and I encourage your support for House Bill 2358. Please feel free to contact me if you have any questions.

Economic Development & Tourism
Date: 3-9-09
Attachment # 7



To: The House Economic Development and Tourism Committee
Representative Lana Gordon, Chairperson

From: Steve Martens, President, The Martens Companies

Date: March 9, 2009

Subject: House Bill No. 2358

The Martens Companies supports HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

As a member of the Greater Wichita Economic Development Coalition, I am writing in support of HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

We have long been supporters of economic development in Kansas and particularly in the Wichita and South-Central Kansas region.

As members of the GWEDC, we are aware of the need for more creative tools in our state to compete nationally and globally for investment in Kansas.

I believe that in order for Kansas to contend for this investment, our state needs:

- Better tools to attract and retain jobs and investment
- Programs that assist existing Kansas business growth and investment
- Programs that assist our economic development team to remain competitive
- More "cash-equivalent" incentive tools to compete with peer states
- A flexible "deal-closing" fund, and
- Streamlined programs that are user friendly to businesses.

For these reasons we support and encourage the adoption of the IKE legislation as an effective cash-based tool to enhance our competitiveness at the state and local levels.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

To: The House Economic Development and Tourism
Committee
Representative Lana Gordon, Chairperson

From: Bryan Derreberry, President and CEO
Wichita Metro Chamber of Commerce

Date: March 9, 2009

Subject: House Bill No. 2358



The Wichita Metro Chamber of Commerce supports HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

The goal of the Wichita Metro Chamber of Commerce is economic prosperity -- for our members and for all of south central Kansas. We exist to empower businesses in increasing the wealth and well-being of south central Kansas because healthy businesses are the cornerstone of a vibrant economy.

Job creation, expansion and retention are the core ingredients of a successful economic development program. The Greater Wichita Economic Development Coalition is a talented team of economic development professionals who promote our community's advantages regionally, nationally and globally.

We are aware of the need for more creative tools in our state to compete nationally and globally for investment in Kansas.

I believe that in order for Kansas to contend for this investment, our state needs:

- Better tools to attract and retain jobs and investment
- Programs that assist existing Kansas business growth and investment
- Programs that assist our economic development team to remain competitive
- More "cash-equivalent" incentive tools to compete with peer states
- A flexible "deal-closing" fund, and
- Streamlined programs that are user friendly to businesses.

We support and encourage the adoption of the IKE legislation as an additional tool to enhance the tax-credit based economic development tools and as an effective cash-based instrument to enhance our competitiveness at the state and local levels. Passage of HB 2358 is a step in the right direction.

I appreciate the opportunity to testify today and I urge the committee to support HB 2358 and continue to recognize the importance of economic competitiveness in Kansas.

Thank you for your time and consideration.

INTRUST Bank, NA
P.O. Box 1
Wichita, KS 67201-5001
Telephone 316 383-1111
www.intrustbank.com

March 9, 2009



The House Economic Development and Tourism Committee
Representative Lana Gordon, Chairperson
State Capitol
Topeka, Kansas

Dear Representative Gordon and Committee,

As a member of the Greater Wichita Economic Development Coalition, I am writing in support of HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

We have long been supporters of economic development in Kansas and particularly in the Wichita and South-Central Kansas region. As members of the GWEDC, we are aware of the need for more creative tools in our state to compete nationally and globally for investment in Kansas.

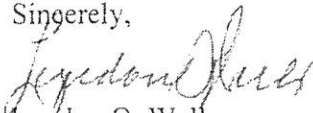
I believe that in order for Kansas to contend for this investment, our state needs:

- Better tools to attract and retain jobs and investment
- Programs that assist existing Kansas business growth and investment
- Programs that assist our economic development team to remain competitive
- More "cash-equivalent" incentive tools to compete with peer states
- A flexible "deal-closing" fund, and
- Streamlined programs that are user friendly to businesses.

For these reasons we support and encourage the adoption of the IKE legislation as an effective cash-based tool to enhance our competitiveness at the state and local levels. These tools are more important now as we deal with our national economic issues and can be used to help attract companies interested in moving to or staying in Kansas.

I believe the passage of HB 2358 is a step in the right direction and I encourage your support. Thanks to you and the committee for all you do to promote economic development in our state.

Sincerely,


Lyndon O. Wells
Executive Vice President

Economic Development & Tourism

Date: 3-9-09

Attachment # 10

**Written Testimony before the House Economic Development & Tourism Committee
HB 2358 – The Investment in Kansas Employment Act
Submitted by J. Kent Eckles, Vice President of Government Affairs**

Monday, March 9th, 2009

The Kansas Chamber of Commerce appreciates the opportunity to submit written testimony in favor of House Bill 2358, The Investment in Kansas Employment Act.

The Chamber believes it is absolutely critical for the State to shift its focus from using tax credits as a business development incentive to up-front cash incentives.

Multiple studies have found that tax credits, which were considered cutting-edge incentives in the 1970s, don't work anymore because they are not as attractive to companies as cash-equivalent incentives for creating jobs or making capital investments. Additionally, many site location consultants throughout the country advise their clients (companies) to not even consider remaining in an existing state or relocating to other states that only have tax credits in their business development toolkits and instead advise them to consider ONLY those that have cash-based incentives.

Several of our peer states (surrounding states plus Iowa) have already moved away from obsolete tax credit incentives toward more valued cash incentives and for the State to remain competitive, we too must make the transition to avoid falling further and further behind our peers.

Missouri and Oklahoma's Quality Jobs Programs in particular have been so successful in attracting new, high-paying jobs and investment that their legislatures have continually expanded them over recent legislative sessions.


We urge the Committee to pass favorably House Bill 2358 to make the state more competitive and help spur investment and job creation in the State.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.





To: The House Economic Development and Tourism Committee
Representative Lana Gordon, Chairperson

From:  Carl Brewer, Mayor, City of Wichita

Date: March 9, 2009

Subject: House Bill No. 2358

The City of Wichita supports HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

As a member of the Greater Wichita Economic Development Coalition, I am writing in support of HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

We have long been supporters of economic development in Kansas and particularly in the Wichita and South-Central Kansas region.

As members of the GWEDC, we are aware of the need for more creative tools in our state to compete nationally and globally for investment in Kansas.

I believe that in order for Kansas to contend for this investment, our state needs:

- Better tools to attract and retain jobs and investment
- Programs that assist existing Kansas business growth and investment
- Programs that assist our economic development team to remain competitive
- More "cash-equivalent" incentive tools to compete with peer states
- A flexible "deal-closing" fund, and
- Streamlined programs that are user friendly to businesses.

For these reasons we support and encourage the adoption of the IKE legislation as an effective cash-based tool to enhance our competitiveness at the state and local levels.

Passage of HB 2358 is a step in the right direction. Please vote in favor of HB 2358.

Thank you for your time and consideration.

Office of the Mayor

City Hall • First Floor • 455 North Main • Wichita, Kansas 67

T 316.268.4331 F 316.858.7743

www.wichita.gov

Economic Development & Tourism

Date: 3-9-09

Attachment # 12

Testimony of Dave Kerr
President, Hutchinson/Reno County Chamber of Commerce
Regarding HB 2358

Madame Chair and members of the Committee, Kansas is not competitive with many states, including some of our closest neighbors, in the incentives offered to bring in quality jobs. While in the legislature, I was pleased to help develop some of the current incentives available to the Department of Commerce. At the time, we felt our incentives were good, and in some cases, better than the competition. Now, it is clear that other nearby states have improved and modernized their incentive packages and we are not able to make it to the final rounds of company decision making as we should.

At this point, I want to be very clear that Kansas actually has many intangibles that are attractive to companies. Our central location, our investment in quality highways, our high quality workforce and exceptional training are all things that companies notice. However, the gap between the package of Kansas incentives and that offered by other states is simply too wide to bridge solely with these intangibles.

For several years, we have relied heavily on tax credits provided by the High Performance Incentive Program (HPIP) for a major part of our investment incentives. We now see lots of companies, some of them multinationals headquartered in Europe or Asia, that do not expect to develop a significant Kansas income tax liability. Therefore, the tax credits are either of no value or will take a long time to use. When "present value" analysis is applied to them, they are given little "cash value."

HB 2358 is a good first step toward making Kansas more competitive in that it uses the payroll tax paid as a result of newly created jobs to fund some early stage cash. This is the approach we have used in several pieces of special legislation and it is the approach used by some of our competitor states like Missouri and Iowa. While special legislation is sometimes necessary to address a particular situation, (SB 108 which you will see later in the session is just such a case) we need at least a base level of incentive available year around and without the challenge of passing a special bill. IKE can be used across the whole state and will be helpful in expansion and recruitment in both metro and non-metro areas. Because it focuses on average wages for each area, it should have the long term effect of raising wages paid.

I would ask that you give serious consideration to HB 2358 as a "good first step" toward making Kansas competitive in the battles to bring quality jobs to our state.

Economic Development & Tourism
Date: 3-9-09
Attachment # 13

March 6, 2009

Re: HB 2358

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Tom Weigand, President/CEO of the Ottawa Area Chamber of Commerce. I am a member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive. I attended some of the meetings and am in agreement with their findings.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. The tax credits often can not be used by the applicant due to their profit position at the time, but cash would be a very welcome incentive that could be put to use and make a great difference to their ability to relocate or expand.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

Tom Weigand, President/CEO
Ottawa Area Chamber of Commerce
109 East Second Street
Ottawa, KS 66067

Economic Development & Tourism
Date: 3-9-09
Attachment # 14



Sumner County Economic Development Commission

Physical Address: 123 N. Jefferson, Wellington, Kansas 67152
Mailing Address: P. O. Box 279, Wellington, Kansas 67152
Office Phone Number: (620) 326-8779 Office Fax Number: (620) 326-6544
Email Address: scedc@co.sumner.ks.us
Website: www.gosumner.com

Testimony in Support of HB2358

2009
BOARD OF
DIRECTORS

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

◇◇◇

David Carr,
Chairman

Madam Chair and Economic Development Committee Members:

Leo Schiltz,
Vice-Chairman

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

Marvin White,
Treasurer

My name is Janis Hellard. I am the Director of the Sumner County Economic Development Commission. I am a member of KEDA (the Kansas Economic Development Alliance).

Dr. John Brewer

John Cooney

Mary Ann Dickey

Stan Gilliland

Julie Gooch

Ruth Nelson

Pam Schneider

Val Wacker

Candace Wolke

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. I believe we must provide incentives that are in line with those of other states if we want to be competitive in our business attraction efforts.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

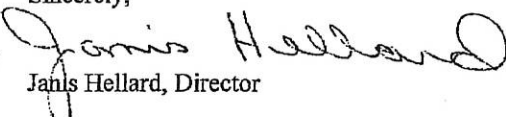
Thank you for your time and consideration.

STAFF

◇◇◇

Sincerely,

Janis Hellard
Director


Janis Hellard, Director

Jean Orton
Administrative
Assistant

SCEDC

Committed to Improving the Economy of Sumner C

Economic Development & Tourism

Date: 3-9-09

Attachment # 15



March 4, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Brent Miles, President of the Wyandotte Economic Development Council (WYEDC), which represents the cities of Kansas City, Bonner Springs, and Edwardsville. I am a member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. As a professional working with the business community on a daily basis, we need as many programs and services as possible, especially in these economic conditions. Also, working in a "competing" state previous to my employment in Wyandotte County, I have seen the truly positive impact of having a cash-based incentive as just another "tool in the toolbox".

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Very truly yours-

A handwritten signature in cursive script, appearing to read "Brent Miles".

Brent Miles
President
Wyandotte Economic Development Council

Cc: Mayor Joe Reardon
WYEDC Executive Committee

Economic Development & Tourism

Date: 3-9-09

Attachment # 16

WABAUNSEE COUNTY ECONOMIC DEVELOPMENT
226 Missouri Ave – PO Box 5 Alma Kansas 66401
785-765-4655 wcedc@embarqmail.com

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Abby Dechant. I am writing on behalf of the Wabaunsee County Economic Development Council. I have been in the Director's position for one year and have been an active member of KEDA (Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. As we look to improve our communities, our economies and our development efforts we have to be innovative. However, the state tax-credit based system is not providing useful tools to development professionals, nor is this system competitive in comparison to neighboring states.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

Sincerely,

Abby Dechant
Economic Development Director

Economic Development & Tourism

Date: 3-9-09

Attachment # 17

March 5, 2009

Testimony in Support of HB2358

House Economic Development and Tourism Committee
Lana Gordon, Chair

March 9, 2009

Madame Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Cindy Wallace, Director of Russell County Economic Development, Russell, Kansas. I have been in the Economic Development field for close to 18 years and also a member of KEDA (Kansas Economic Development Alliance). I have worked with the Kansas Department of Commerce on various projects and proposals to bring businesses to our county and to the state, especially into the western half. Some of the incentives that we can offer cannot compete with what other states are offering. Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. We know of some businesses who have gone elsewhere because they could not utilize the tax credits but could utilize cash based incentives that they could get in other states.

The passage of HB2359 is a step in the right direction for Kansas and our communities. Please support this bill.

Sincerely,

Cindy Wallace, Director
Russell County Economic Development

Economic Development & Tourism
Date: 3-9-09
Attachment # 18



Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Jane Wallace, Executive Director of Kingman Economic Development Council. I am a member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. We also support incentives for growing retail. This is sometimes the only economic development opportunity in rural communities.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Respectfully yours,

Jane O. Wallace
Executive Director
Kingman County Economic Development
324 N Main
Kingman, KS 67068
620-532-3694
kcedc@terraworld.net

Economic Development & Tourism

Date: 3-9-09

Attachment # 19

Mary L. Perez

From: Carolyn Kennett [ckennett@parsonsk.com]
Sent: Wednesday, March 04, 2009 3:25 PM
To: info@kansaseda.com
Subject: HB2358

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Carolyn Kennett, Economic Development Director for the City of Parsons. I am a board member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. Now is a critical time to become proactive so we are poised and ready when economic conditions improve.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

Carolyn Kennett

Economic Development Director
City of Parsons
112 S. 17th Street
PO Box 1037
Parsons, Kansas 67357
620 421-7030
620 421-7089 fax
ckennett@parsonsk.com

Mary L. Perez

From: Joyce Clark [joyceclark2@hotmail.com]
Sent: Thursday, March 05, 2009 9:09 AM
To: info@kansaseda.com
Subject: FW: letter of support for HB 2358

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Joyce Clark. I am a member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

Hotmail® is up to 70% faster. Now good news travels really fast. [Find out more.](#)

Economic Development & Tourism

Date: 3-9-09

Attachment # 21

you can have it all



Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Pam Holaday, Executive Director for the Jackson County Development Corporation in Holton, Kansas. I am a member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. HB 2358 would allow Kansas to be more competitive in recruiting new businesses to the State; as well as to incentivize existing Kansas businesses to expand and hire additional employees. Kansas must continue to be innovative in the economic development arena and passing legislation enabling Kansas to have cash based incentives is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

Pam Holaday

Economic Development & Tourism

Date: 3-9-09

Attachment # 22

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

My name is John Pagen, with the Manhattan Area Chamber of Commerce. I am a member of KEDA (the Kansas Economic Development Alliance). I support HB 2358, also known as the Investment in Kansas Employment Act (IKE).

In our work we know the competition among Midwestern states pertaining to business recruitment is increasing with each passing year. Kansas simply cannot afford to be "outgunned" by neighboring states in terms of the types and quantities of incentives available.

Last fall, our board of directors formalized the creation of the KEDA Economic Development Competitiveness Task Force. The task force organized grass roots meetings and listened to economic development professionals such as myself from across the state. Whether from small, medium, or large communities, all agreed about the need to refine economic development policies to make Kansas more competitive.

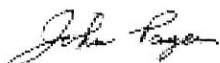
To this end, KEDA supports a transition from tax-credit based to cash-based economic development tools to enhance our competitiveness at the state and local levels. With the attraction of the National Bio- and Agro-Defense facility to the Flint Hills region, and the fact that there is a nationally-acknowledged "Animal Health Corridor" from Columbia, MO to Manhattan, Kansas has a prime opportunity to become a national hub for research and production of animal health products.

Given the state's unique topography and weather, alternate fuel research (wind, etc.) is a natural fit for our state as well.

Incentives in and of themselves never make a "bad" deal good, but they can make a "good" deal better. In order to remain competitive with neighboring states, passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.



John Pagen
Vice President, Economic Development
Manhattan Area Chamber of Commerce

Economic Development & Tourism

Date: 3-9-09

Attachment # 23

Mary L. Perez

From: John Kennedy [hmcoecon@gmail.com]
Sent: Wednesday, March 04, 2009 3:03 PM
To: info@kansaseda.com
Subject: HB 2358 Support letter

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is John Kennedy, Hamilton County Economic Development Director. I am a member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

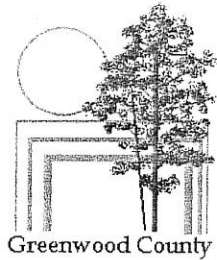
Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

John Kennedy
Hamilton County Economic Development
219 N. Main
P.O. Box 1167
Syracuse, KS 67878
(620) 384-7317



GREENWOOD COUNTY ECONOMIC DEVELOPMENT

311 North Main Ste. 1, Courthouse * Eureka, KS 67045

Phone 620-583-8177 * Fax 620-583-8178

www.greenwoodcounty.org

March 4, 2009

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Ashley Bogle. I am the Economic Development Director for Greenwood County and a member of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. In my area I find it very difficult to market tax-credit based incentive to new business because they typically do not have a tax liability during the first year or two of business. Additionally, tax-credit based incentive benefit the applicant only at tax time. If Kansas really wants to be competitive and encourage people to use the incentives tool available, I firmly believe applicants need to see immediate benefits upon acceptance of the application. Immediate benefits also spur existing businesses to expand. Feeling immediate relief from some of the financial growing pains that come with expansion will greatly affect when an expansion project will start.

I strongly encourage you to please vote in favor of HB 2358.

Thank you for your time and consideration.

Respectfully,

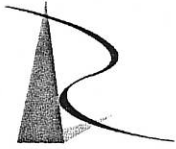
Ashley Bogle, Director
Greenwood County Economic Development

Together Growing Greenwood!

Economic Development & Tourism

Date: 3-9-09

Attachment # 25



RURAL TELEPHONE SERVICE CO., INC.

Your One-Stop Communications, Information and Entertainment Source

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Mendi Alexander and I am the Economic Development/Networking Specialist with Rural Telephone Service Company/Nex-Tech. I am a member of KEDA, the Kansas Economic Development Alliance.

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

Mendi Alexander
Economic Development/Networking Specialist



216 Center Avenue, Oakley, Kansas 67748
lcdc@st-tel.net

785.672.4550
785.672.3838 fax

March 9, 2009

House Economic Development and Tourism Committee – Lana Gordon, Chair

RE: Testimony in Support of HB2358

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Dan Hartman. I am the Economic Development Director for Logan County and a member of KEDA (the Kansas Economic Development Alliance). I also serve as the facilitator for the NW Kansas Regional Energy Collaborative, a 19 county coalition.

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. Kansas has lost many new jobs to neighboring states that provide the cash-based tools we advance in the HB2358 legislation. We must become competitive in this area or continue losing new jobs to those other progressive states. You may say we can't afford the cash-based incentives, but I would remind you that we cannot afford to keep losing jobs and the return on these types of investments far outweigh their cost. In fact, these investments will position our state for a much faster economic recovery than anything else available.

Passage of HB 2358 is a step in the right direction. We need your help, please vote in favor of HB 2358.

Thank you for your time and consideration.

Dan Hartman, ED
lcdc@st-tel.net

Economic Development & Tourism
Date: 3-9-09
Attachment # 27



OLATHE
CHAMBER OF COMMERCE
ONE VISION. ONE VOICE.

To: **Lana Gordon, Chair**
Other members of the Economic Development Committee

Re: **House Bill 2358—Investment in Kansas Employment Act (IKE)**

Despite the downturn in the economy, Olathe, Kan., is still thriving. Growth has slowed but continues if somewhat tentatively. A number of great new projects are still coming to our community, but as a result of economic uncertainty, some projects that were at one time committed to come to Olathe have been put on hold. Going forward, we will have to work harder to draw quality development in an ever competitive market. In fact, even before the economic crisis, we were already aware of the need to be more competitive—especially in the type of incentives we provide.

Olathe competes less with Kansas communities and more with cities like Dallas, Indianapolis, Phoenix, and Minneapolis, whose incentive packages are far more robust than ours. Increasingly, Olathe is competing nationally and internationally. What we have encountered—whether we're pulling from the region, from other states, or from abroad—is the desire for upfront cash incentives to help defray start-up costs. Many states, including neighboring Oklahoma and Missouri, offer these incentives. Kansas incentive programs such as the current High Performance Incentive Program, HPIP, offers tax credits that are underutilized and are not competitive with up-front cash offered by surrounding states. While tax-credit incentives work sometimes, if they are insufficient to attract development, they are not really “incentives.” The reality is that cash incentives actually minimize the current liability we have with tax credits, and the state should consider their use.

In Olathe, we have lost millions of dollars of capital investment and thousands of jobs as the result of losing projects to communities out of state that offered better incentive packages. Two examples follow:

- Pure Fishing explored building a 400,000-square-foot distribution facility in Olathe at the cost of approximately \$20 million. It built in Missouri instead.
- P.O.M., the nutrition juice company, was interested in locating a manufacturing facility in Olathe's vacant ADM building, expanding the building and investing \$27 million in our community. The project would have yielded 45 new jobs. It went to Indiana.

To attract the type of development the state needs—projects that bring higher-salaried jobs and top-dollar investment—it is important that state incentive programs continue to be funded. In hard times, these incentives will bring us the development that we need to boost our economy. **The Olathe Chamber of Commerce asks for your support of House Bill 2358 which creates the Investment in Kansas Employment Act.** This important legislation will enable our Kansas communities to compete regionally, nationally, and internationally.

Economic Development & Tourism
Date: 3-9-09
Attachment # 28

3-6-2009

PCED
Committee
Board
Members

Economic Development Committee
Capitol Building
Topeka, KS 66612

Jim
Giedd

RE: Written support for HB2358

▪Chairman

Madam Chair and Economic Development Committee Members:

Paul
Merklein

Phillips County Economic Development is a member of KEDA. Over the course of eight years in working with KEDA, development ideas from across the state (both rural and urban) have always been reviewed by the KEDA leadership group as viable options, and at the same time they have worked to help provide a positive development tools which would encompass and impact all areas of the state. We support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

▪Vice
Chairman

As the director of Phillips County Economic Development and a representative member of KEDA (the Kansas Economic Development Alliance) from Phillips County, I am always trying to look for ways to uniquely improve the economy in not only in Phillips County, but also for our region. If the regional economy grows and becomes stronger, then Phillips County will also improve. We have see this with the many projects accomplished over the years. Working together collaboratively, sharing information, and having workable development tools allow local development groups accomplish their mission.

Charlie
Radabaugh

▪Secretary

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Roger
Losey

▪Member

Fundamentally, PCED supports the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. Obviously, Kansas needs to look at all considerations for proactive development tools to grow our existing business and have recruitment of new industry. Historically, tax credits have been very beneficial. With the economic challenges facing everyone, including businesses, looking at alternatives that make a direct impact in a more timely way would help. The passage of HB 2358 is a step in the right direction.

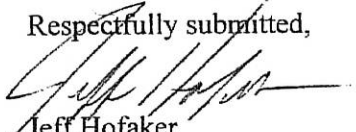
Ron
Boeve

▪Member

I would encourage you to vote in favor of HB 2358.

Thank you for your time and consideration.

Respectfully submitted,


Jeff Hofaker
PCED Director

Dodge City/Ford County Development Corporation
P.O. Box 818, 311 W. Spruce
Dodge City, KS 67801
620-227-9501

March 5, 2009

Dear Madam Chair and Economic Development Committee Members:

My name is Joann Knight and I am a member of KEDA (the Kansas Economic Development Alliance). I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. (Add additional input here in support of this bill and KEDA's efforts)

Passage of HB 2358 is a step in the right direction. Please vote in favor of HB 2358.

Thank you for your time and consideration.

Sincerely,

Joann Knight
Executive Director

Economic Development & Tourism
Date: 3-9-09
Attachment # 30



Testimony in Support of HB2358
House Economic Development and Tourism Committee – Lana Gordon, Chair
March 9, 2009

Madam Chair and Members of the Committee:

My name is Steve Jack. I am the Executive Director of Leavenworth County Development Corporation and a longtime member of the Kansas Economic Development Alliance (KEDA). I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

The board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force last fall. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. This diverse group, representing communities from all parts of the state, spoke in unison about the need to make changes in economic development policies to make Kansas more competitive. The members of KEDA support the need to transition from tax-credit based economic development tools to more effective cash-based tools in order to enhance our competitiveness at the state and local levels.

The business of creating jobs and capital investment for our communities and for our state is a highly competitive and serious one. On several occasions throughout the years, the Kansas Legislature has stepped up to create programs that have kept Kansas communities competitive. These initiatives have included the IMPACT and HPIP programs and the exemption of property taxes on machinery and equipment. In recent years, though, our portfolio of incentives has become less competitive as other states have gotten more aggressive in their pursuit of jobs and investment.

These other states, including some that border Kansas, have focused their efforts on cash-based incentives that are more valuable to a company in the first few years of the location or expansion of a facility. The ability of a company to take advantage of tax-credits offered in Kansas are dependent on a firm's tax liability and are often not fully available to many companies.

HB 2358 would give Kansas communities an opportunity to become competitive again. It would give the communities in Leavenworth County and others throughout the state the chance to better compete for quality jobs and the benefits to our citizens that those jobs provide.

I do understand the significant financial challenges our state faces. This makes it even more important than ever, though, for us to take steps to encourage more private sector growth.

Thank you for your serious attention to this very important issue.

FitzSimmons Insurance Agency

PO Box 398 116 No. Main

Cunningham, KS 67035

620-298-5291 or 800-536-5291

Fax - 620-298-2657

A Full Service Insurance Agency

March 6, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Marilyn FitzSimmons-Mavity and I am the owner of an independent insurance agency in Cunningham, KS. I am a member of KEDA (Kansas Economic Development Alliance).

Last fall the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

We (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. It is of special importance in these economically challenged times, to show the country that Kansas is THE state in which to bring new businesses and development and for existing business to stay put.

Passage of HB 2358 is a step in the right direction.

I ask for you to please vote favorably for HB 2358.

Thank you for your time and consideration.

Sincerely,

Marilyn FitzSimmons-Mavity

Economic Development & Tourism

Date: 3-9-09

Attachment # 32

TREGO COUNTY ECONOMIC DEVELOPMENT

Charlene Neish, Director

216 Main P.O. Box 355

WaKeeney, KS 67672

Phone- 785-743-5785, fax- 785-743-5530

Cell- 785-259-2230

Email: tregocoed@ruraltel.net

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

My name is Charlene Neish. I am the Economic Development Director for Trego County. We are members of KEDA (the Kansas Economic Development Alliance).

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. This would allow greater flexibility in assisting and attracting future companies which, in turn, promotes the much-needed economic growth.

Trego County has found recent success in its local program of offering cash-based incentives. It is imperative that we provide incentives that "work" for Rural America businesses. Our ability to compete must equal our ability to be creative in enticing prosperity for western Kansas.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358.

Thank you for your time and consideration.

Sincerely,

Charlene Neish, Director
Trego County Economic Development

Economic Development & Tourism

Date: 3-9-09

Attachment # 33

Testimony in Support of HB2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

I support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

As a county-wide economic development professional and a member of KEDA (the Kansas Economic Development Alliance), this is a very important issue to our county/state in the attraction and expansion of business.

Last fall, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals such as myself from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

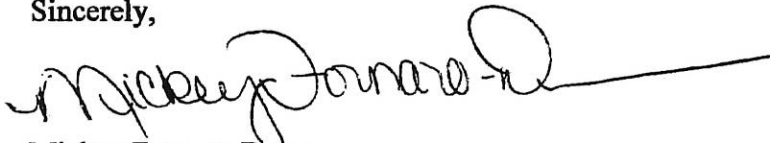
Fundamentally, we (KEDA) support the need to transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels.

It has been very rewarding to see organizations from across the state come together to support KEDA's efforts in this area. This initiative has received very broad based support from metro areas to very small rural communities. It is my hope that this is just a first step in strengthening our efforts for recruitment and expansion across our state.

Passage of HB 2358 is a step in the right direction.

Please vote in favor of HB 2358. Thank you for your time and consideration.

Sincerely,



Mickey Fornaro-Dean

Executive Director

Harvey County Economic Development Council, Inc.

Economic Development & Tourism

Date: 3-9-09

Attachment # 34



Testimony in Support of HB-2358

House Economic Development and Tourism Committee: Lana Gordon, Chairperson

March 9, 2009

By James A. Martin, Executive Director, Shawnee Economic Development Council (SEDC)

Madam Chairperson and Members of the Economic Development and Tourism Committee:

Thank you for the opportunity to provide input on your consideration of State incentives for business development projects.

In recent years, Kansas has found itself at a disadvantage in competing for business development projects with the State of Missouri. Missouri's "cash-based" Quality Jobs incentive program has proven to be a "tie-breaker" as Kansas has competed in recruitment and expansion efforts, when other considerations were basically equal. As a result, last fall, at the request of economic development representatives in Missouri border counties, the Kansas Economic Developers Alliance (KEDA) formed the Economic Development Competitiveness Task Force. The Task Force organized a series of regional meetings with economic development representatives throughout the State of Kansas. Interestingly, a consensus exists in the State that changes need to be made in business incentives policy to make us more competitive with our neighbors. It seems that other nearby states have developed programs similar to Missouri's.

Shawnee has been in contention with Missouri for several valuable projects over the years. Most recently, the Synbiotics Corporation was contemplating a relocation of their headquarters from San Diego to the Kansas City area. Synbiotics is an animal health-related business that fits perfectly with the State's efforts to promote the bioscience industry and the animal health corridor initiative. The company ultimately selected Kansas City, Missouri as its new location due, in large part, to Missouri's ability to provide cash-based incentives for the project. Kansas and Shawnee competed favorably in nearly every other measurable respect. This was a regrettable missed opportunity.

Fundamentally, KEDA and the SEDC support the need for transition from tax-credit based business recruitment and expansion tools to an effective cash-based incentive to enhance Kansas' competitiveness at the state level. HB-2358, as currently written, would be an important step in providing that edge.

These are indeed challenging times. KEDA and the SEDC understand the difficult decisions that need to be made this session. We believe your vote in favor of HB-2358 would result in a tool to help us grow out of these difficulties. Thank you once again for your time and consideration; and your efforts on behalf of the State of Kansas.



SOUTHWEST
JOHNSON
COUNTY
ECONOMIC
DEVELOPMENT

Testimony in Support of HB 2358

House Economic Development and Tourism Committee – Lana Gordon, Chair

March 9, 2009

Madam Chair and Economic Development Committee Members:

My name is Tom Riederer and I am President of the Southwest Johnson County Economic Development Corporation. I am also a Board member of KEDA (the Kansas Economic Development Alliance).

Several years ago I was working in Missouri and served as President of the Missouri Economic Development Council. During my time on the MEDC board we conducted a study of the most effective economic development incentives. It became very obvious that tax credits were low on the list because they are difficult to use and the most competitive states had a cash-based system. With the support of the House and Senate economic development committees, the Department of Economic Development and the Administration the Quality Jobs program in Missouri was developed.

When the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force, it was to look at the competitive pressures from our competing states. The result was overwhelming to make changes in economic development policies to make Kansas more competitive. Passage of HB 2358 is a step in the right direction.

KEDA supports the transition from tax-credit based economic development tools to having effective cash-based tools to enhance our competitiveness at the state and local levels. I ask you to support HB 2358, more commonly known as the Investment in Kansas Employment Act (IKE).

Thank you for your time and consideration.

Tom Riederer, CECd
President

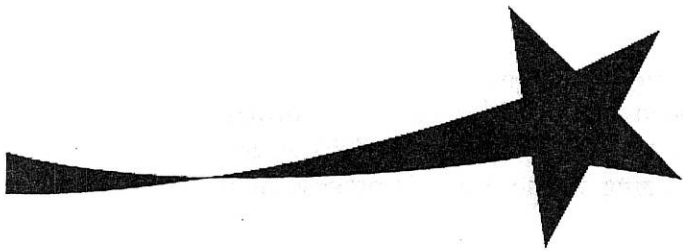




KANSAS

DEPARTMENT OF COMMERCE

David D. Kerr, Secretary




Testimony in support of HB 2358

House Committee on

Economic Development and Tourism

March 9, 2009



For more information on this topic contact:
David D. Kerr, Secretary of Department of Commerce
Phone: (785) 296-2741
Fax: (785) 296-3665

www.kansascommerce.com

Economic Development & Tourism
Date: 3-9-09
Attachment # 37-1

**Testimony in support of HB 2358
Presented to the House Committee on Economic
Development and Tourism**

By Secretary David D. Kerr
Kansas Department of Commerce

March 9, 2009

Chairwoman Gordon and members of the Committee:

Thank you for the opportunity to express my support for HB 2358. Through the years, the Kansas Economic Development Alliance (KEDA) has been a solid and dependable partner with the Department of Commerce in attracting and expanding businesses in Kansas. KEDA deserves to be commended for formulating this idea and for engaging in the arduous process of public policy-making.

On behalf of the Department of Commerce, I welcome any additional meaningful tools that can be used to attract new business to Kansas. It is better to have a full and complete toolkit, one that allows us to fashion the most attractive package for each company.

This bill is a good first step attempt to counter competing quality jobs programs in other states, especially Missouri's Quality Jobs program. The IKE bill, however, cannot match the Missouri program in that it does not contain an employee tax credit similar to the one in Missouri. While it is nearly cost prohibitive to add such a tax credit to the IKE bill during these lean economic times, the long-term and permanent solution is to develop an incentive tool that, at a minimum, compares favorably to the programs of competing states.

In comparison to the existing IMPACT program, the IKE bill provides that the company receive the withholding taxes when the jobs come on line and the withholding taxes are earned. In contrast, the IMPACT program allows money to be awarded up-front, with claw-back procedures if the company fails to hit their employment marks, but the value is reduced by the amount of bonding fees and interest required to service the bonds. Since both programs would draw on employee withholding, they cannot operate together. Because of this, the IKE bill specifically prohibits a company from receiving any benefits under IKE if it is receiving benefits under the IMPACT program.

It may very well be time to re-evaluate the overall long-term statewide strategy for business recruitment and retention. While the toolbox may now be stocked with workable tools, those tools may be mismatched and not completely suitable for the wide range of businesses searching for attractive incentive packages. In the fast-paced, highly charged atmosphere of modern site selection, it is critical that our strategy and incentives be consistent and comprehensive. We applaud KEDA's efforts and we look forward to offering the best possible business incentives.

Testimony to the House Committee on Economic Development and Tourism

Richard Cram

March 9, 2009

Department Concerns with House Bill 2358

Representative Gordon, Chair, and Members of the Committee:

House Bill 2358 would return to eligible businesses the payroll withholding taxes attributable to new jobs, for 5 years, if the wages equaled 100% of the county average wage, and 50% of payroll withholding taxes for an additional 2 years if the wages equaled 120% of the county average wage. The eligible business must hire at least 10 new employees if the business is located in a metropolitan county (Douglas, Johnson, Sedgwick, Shawnee, Wyandotte), or must hire at least 2 new employees if the business is located elsewhere. Retail businesses are not eligible to participate unless they are located in a city of population 10,000 or less. House Bill 2358 also makes a significant expansion of the enterprise zone sales tax exemption.

Fiscal Concerns

This proposal will have a significant negative fiscal impact that essentially doubles each year for the next 5 years. The bill also includes a substantial expansion of the enterprise zone sales tax exemption, which contributes to the negative fiscal impact. Our fiscal note is attached. Given the current fiscal environment, the program is far too broad in scope and cost. As our economy recovers, this proposal would siphon off the withholding tax revenue growth that we would otherwise expect to see (which would be included in the Consensus Revenue Estimate), leaving the State woefully short of needed funding. During an economic downturn, the loss of payroll withholding tax revenue would have an even more devastating impact. This situation is already occurring with the loss of the payroll withholding taxes dedicated to the Bioscience Fund under the Bioscience Act, and the need to consider limiting those transfers.

Under current law, the enterprise zone sales tax exemption tracks with the B&J and HPIP tax credit programs. Under the B&J program, this exemption applies to the purchases made to expand the qualified business facility (including both labor and material) and is available to qualifying manufacturing businesses hiring at least 2 new employees and non-manufacturing businesses hiring at least 5 new employees. Retailers can qualify for the exemption only if they hire at least 2 new employees and the investment is in a facility located in a city of 2500 or less population or if outside a city, in a county with population of 10,000 or less. House Bill 2358 expands this exemption to make it available to retailers hiring at least 2 new employees and expanding a facility in a

city of 10,000 population or less. The fiscal impact associated with expanding the enterprise zone sales tax exemption alone is -\$4 million in lost state sales tax revenue and -\$1 million in lost local sales tax revenue.

Comparison to the Missouri Quality Jobs Program

This proposal is loosely modeled on the Missouri Quality Jobs Program, in effect in Missouri since August 28, 2005. However, the qualification criteria for the Missouri program are considerably narrower. Gambling, retail trade, food and drinking places, public utilities, educational services, religious organizations, public administration, ethanol and biodiesel producers, companies delinquent in taxes and other federal, state or local government debts, and companies filing for bankruptcy are all excluded from the Missouri program. Participating businesses must offer health insurance and pay at least 50% of the premium for all full-time employees in order to qualify for the Missouri program. They must also certify that they do not employ illegal aliens and must enroll in the E-Verify Program. Qualifying businesses cannot simultaneously participate in certain other listed incentive programs. None of these general limitations apply to this proposal. House Bill 2358 excludes only businesses that are already participating in programs where withholding tax revenues have been pledged to other projects.

In Missouri, the job creation must be tied to a particular facility location. For a small/expanding business project in a rural area, the business must create 20 or more new jobs, or if located in a non-rural area, 40 or more new jobs, within 2 years. For a technology business project (limited to businesses falling within certain NAICS codes), 10 or more new jobs must be created within 2 years. For high impact business projects, 100 or more new jobs must be created within 2 years. The job creation thresholds under House Bill 2358 are much lower.

The 2007 Annual Report for the Missouri Quality Jobs Program, which covered the time period of August 28, 2005 through December 31, 2007, noted creation of 20,206 jobs at a cost of withholding tax revenue of \$112,560,345.

Other Policy Concerns

Currently, the Business and Job Development (B&J) tax credit program provides incentives for investment and hiring new employees. An explanation of that program is attached. Also included is a report based on Tax Year 2006 data showing the number and types of businesses claiming B&J credits, the amounts allowed, and new jobs claimed under the program. A total of 636 businesses claimed \$10.4 million in B&J investment and job credits and added 11,583 jobs in Tax Year 2006. House Bill 2358 does not replace the B&J tax credit program. Businesses can participate in B&J--or any other tax credit program such as the High Performance Incentive Program--and this proposal as well. That is overkill. At a minimum, claimants should not be permitted to participate in this program and claim the B&J job credit. This proposal, if anything, should replace similar existing incentive programs, such as the B&J tax credit program. The \$10.4 million tax expenditure for the B&J program could be used to fund this proposal. In addition, for a cash payment program like House Bill 2358, a firm cap on the maximum

total amount that could be awarded per fiscal year should be established. It should not subject the State General Fund to any additional open-ended liability exposure.

Although the B&J program does not impose wage requirements, many of its qualification criteria are narrower than under this proposal. The B&J program requires that the business hire employees as a direct result of investment in a “qualified business facility” and the new employees must be employed at that facility, which must be used in a “revenue producing enterprise.” All these terms are specifically defined. The B&J program includes both investment credits and job credits. These credits are non-refundable.

Under House Bill 2358, there is no requirement that the business invest in or expand its facilities and hire new employees as a direct result of that investment. The business simply needs to be a “commercial enterprise” (which term is not defined) and hire new employees.

The B&J program is open to businesses that fall into 1 of 3 categories: manufacturing, non-manufacturing, or retail. These terms are specifically defined. Also, non-profit entities do not participate in the B&J program. A qualifying business hiring at least 2 employees as a direct result of investment in a qualified business facility can participate in the program and obtain tax credits. If the business is a manufacturer, the business is eligible for an enhanced job credit (1% of investment and \$1500 per new employee) for hiring at least 2 employees as a direct result of investment when located in a metropolitan county (defined to include Douglas, Johnson, Leavenworth, Sedgwick, Shawnee and Wyandotte Counties). If the manufacturer’s qualified business facility is located in a non-metropolitan region, then the job credit is \$2500 per new employee. If the business is a non-manufacturer, then it qualifies for the enhanced investment and job credits (1% of investment and \$1500 per new employee) if it hires at least 5 new employees and is located in a metropolitan county. If the facility is located in a non-metropolitan region, the non-manufacturing business receives the enhanced job credit of \$2500 per new employee. Retailers can participate in the enhanced credits only if the investment is in a business headquarters, an ancillary support operation, a prepackaged software business, or catalog/mail order house, and at least 20 new employees are hired as a direct result of the investment.

Since House Bill 2358 involves cash payments to businesses, non-profit organizations will want to participate, and this would greatly expand enrollment, in comparison to the current B&J program. The metropolitan county hiring threshold (10 new employees) is higher under House Bill 2358 than the B&J enhanced tax credit program (and only 5 counties are given that designation in House Bill 2358—as opposed to 6 counties in the B&J program). The hiring threshold is the same for manufacturers (2 new employees) located outside a metropolitan county under either the B&J enhanced tax credit program or House Bill 2358. However, the hiring threshold for non-manufacturers outside a metropolitan county is much lower (2 new employees) under House Bill 2358 than the enhanced B&J program threshold (5 new employees). For retailers located in a city of population 10,000 or less, the hiring threshold (2 new employees) under House

Bill 2358 is much lower than under the B&J enhanced tax credit program (20 new employees at headquarters or ancillary support operation).

Technical and Administrative Concerns

Subsection 3(d) requires the State Treasurer to deposit to the “investment in Kansas employment program fund” all revenue received from payroll withholding from an eligible business. We assume the intent was that the State Treasurer should only deposit the withholding attributable to the new jobs—not the withholding on the eligible business’s entire payroll. Otherwise, the fiscal note will be even larger. This language should be clarified to ensure that the deposit to the fund pertains only to the eligible business’s payroll withholding on the new jobs.

It is not clear whether the new employees have to be hired and on the payroll and the employer remitting payroll withholding taxes to the Department of Revenue before the “eligible business” is entitled to receive payments from the “investment in Kansas employment program fund.” Section 2 only specifies that the business “will hire” the required number of new employees. There is no deadline set for when the new jobs must be filled. Section 3 appears to contemplate that the Secretary of Commerce and the “eligible business” enter into an agreement for benefits on the basis of the business’s promise to hire the required number of employees—without submitting proof that they are actually hired on the date of the agreement. According to Subsection 3(b), as of the date of execution of the agreement, the eligible business is entitled to receive payment. It must be clear that the eligible business can only receive payment after it has met the minimum new job threshold, and it only gets paid the withholding tax it has remitted on the new employees.

This proposal is going to require the tracking of payroll withholding by new job for each eligible business. The bill does not provide a mechanism for doing that. Employers are required to pay their payroll withholding taxes to and file returns with the Department of Revenue. Yet the Department of Revenue has no involvement with this program, as proposed. Apparently, it is hoped that the Department of Revenue will somehow track the payroll withholding taxes attributable to the new jobs of eligible businesses and tell the State Treasurer how much withholding tax to deposit in the program fund and then transfer to the eligible business from that fund, but there is no requirement or mechanism established in the proposal for accomplishing this. Deposits to the fund and transfers to the eligible business should be coordinated with the withholding tax filing frequency applicable to the eligible business (annual, quarterly, monthly, or bi-weekly depending on size of remittance). Yet there is no provision for this coordination process with the Department of Revenue.

Under Section 4, the Secretary of Commerce is required to “annually review” the eligible business’s activities to ensure compliance, but the Secretary is given no express authority to audit the business’s records. Although the Department of Revenue currently has authority to audit a business’s tax records, the bill does not contemplate any Department of Revenue involvement in the compliance process. Department of Labor also has audit authority concerning the employer’s compliance with unemployment tax

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laws, but they are likewise not involved. Subsection 4(b) states that a violation of reporting requirements is grounds for loss of “eligible business” designation. Yet there are no statutory reporting requirements imposed on the business. Under Subsection 4(c), a business can lose its designation if it is found not to be “in substantial compliance.” Yet that term is left undefined. The Secretary of Commerce and the business are left to argue about what is or is not “substantial compliance.”

Is the eligible business required to maintain the new employment during the entire 5 or 7-year period when it is entitled to receive the payroll withholding taxes back? What if the business initially hires 10 new employees but only 8 remain after the first year? Is it out of compliance and not entitled to any further payment? Or does it still get the payroll taxes back for the 8 remaining employees, even though that number is below the statutory threshold? The bill does not address such questions.

There is also no provision for the business to repay any funds previously received, if the business fails to meet its obligations under the agreement.

Conclusion

The fiscal impact of this proposal will be devastating. Individual income tax receipts, which include payroll withholding tax revenues, provide about half of the revenues for the State General Fund. This proposal would largely capture the revenue growth in withholding taxes that the State would otherwise expect as our economy recovers from the current downturn. Siphoning off payroll withholding tax revenues from the State General Fund for various projects is already a troubling policy trend that is starving the State budget. This proposal will only exacerbate the problem.

Given the challenging fiscal environment, the State’s expenditure exposure from any new incentive program such as House Bill 2358 must have a firm cap per fiscal year, and funding for it should come entirely from replacement of existing overlapping programs, such as the B&J credit. Otherwise, it should not be considered.

MEMORANDUM

To: Mr. Duane Goossen, Director
Division of Budget

From: Kansas Department of Revenue

Date: 03/06/2009

Subject: House Bill 2358
Introduced as a House Bill

Brief of Bill

House Bill 2358, as introduced, creates the investment in Kansas employment act.

New Section 1 provided definitions for terms used in the act. "County average wage" means the average wage paid to employees located in the county where an eligible business intends to hire new employees as reported to the department of labor. For metropolitan counties the "county average wage" shall not include wages paid to employees in retail businesses.

"Metropolitan county" means Douglas, Johnson, Sedgwick, Shawnee or Wyandotte.

A "new employee" means a person newly employed on a regular, full time basis; part time basis, at least 20 hours per week; or a seasonal basis, provided such duties are performed for substantially all the season.

A "retail business" means any commercial enterprise engaged in the sale at retail of goods or services taxable under the retailer's sales tax act; any service provider set forth in K.S.A. 17-2707; and bank, savings and loan or other lending institution; and any commercial enterprise deriving revenues from noncommercial customers in exchange for personal services, such as barber shops, beauty shops, photographic studios and funeral services.

New Section 2 provides that any eligible business located in a metropolitan county that hires at least 10 new employees at a rate equal to at least 100% of the county average wage, may be eligible to receive payments equal to 100% of the Kansas withholding taxes for such new employees for a period of 5 years.

Any eligible business located in a metropolitan county that hires at least 10 new employees at a rate equal to at least 120% of the county average wage, may be eligible to receive payments equal to 100% of the Kansas withholding taxes for such new employees for a period of 5 years and payments equal to 50% of the Kansas withholding taxes for such new employees for a period of

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2 years after the expiration of the first 5 year period.

Any eligible business located in a non-metropolitan county that hires at least 2 new employees at a rate equal to at least 100% of the county average wage, may be eligible to receive payments equal to 100% of the Kansas withholding taxes for such new employees for a period of 5 years.

Any eligible business located in a non-metropolitan county that hires at least 2 new employees at a rate equal to at least 120% of the county average wage, may be eligible to receive payments equal to 100% of the Kansas withholding taxes for such new employees for a period of 5 years and payments equal to 50% of the Kansas withholding taxes for such new employees for a period of 2 years after the expiration of the first 5 year period.

New Section 3 provides that an eligible business may apply to the secretary of commerce to enter into an agreement for benefits under this act. The agreement shall include evidence the applicant is an eligible business; the business meets the wage requirements in section 2; and can certify that the eligible business is able to hire the new employees solely due to the benefits provided under this act.

The withholding taxes paid by the eligible business for wages paid to new employees shall be transferred by the state treasurer from the investment in Kansas employment program fund to the eligible business.

The agreement shall provide that the secretary of commerce may terminate the agreement if the eligible business fails to comply with the terms and conditions of the agreement. The state treasurer shall credit all withholding revenue collected on Kansas wages paid by an eligible business to the investment in Kansas employment program fund, which shall not be a part of the state treasury or the state general fund. Distribution from the fund shall not be subject to appropriation.

If an agreement is terminated, all funds in the investment in Kansas employment program fund which would have been paid to the eligible business shall be transferred to the state general fund.

New Section 4 provides that the secretary of commerce shall conduct an annual review to ensure the eligible business is in compliance with the provisions of the act.

New Section 5 provides that the secretary of commerce annually report to the governor, the standing committee on commerce of the senate, the standing committee on economic development and tourism of the house of representatives and the joint committee on economic development, or any successor committee, a report, based upon information received from each eligible business for which benefits have been issued during the preceding year, describing the following: the manner in which the purpose, as described in this act, has been carried out; an estimate of new employees hired by cash investments made in eligible businesses; and an estimate of the multiplier effect on the Kansas economy of the cash investments made pursuant to this act.

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Section 6 amends K.S.A. 74-50,115 to allow a retail business that locates or expands to a city with a population of 10,000 or less, rather than 2,500 or less, to qualify for a sales tax exemption under K.S.A. 79-3606 (cc).

The effective date of this bill is on publication in the statute book.

Fiscal Impact

Passage of this bill will reduce state general fund revenues in fiscal year 2010 by \$20.3 million and by \$37.8 million in fiscal year 2011.

Based on employment information from the Kansas department of labor, it is estimated there are currently about 675,000 jobs in Kansas that would qualify for this program. Assuming about 1.25% of these jobs are replaced each year due to retirement, or employees leaving for other jobs, about 8,400 jobs would qualify each year for this program. Using a statewide average wage of \$40,000 and an average withholding rate of 5%, the fiscal impact to the state general fund in fiscal year 2010 would be \$16.8 million (8,400 x \$40,000 x 5%). Assuming a 2% growth in wages, the fiscal impact after five years is shown below:

| Year | Fiscal Years | | | | |
|----------------------------|---------------------------|---------|---------|---------|---------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| | (dollars are in millions) | | | | |
| 1 | \$ 16.8 | \$ 17.1 | \$ 17.5 | \$ 17.8 | \$ 18.2 |
| 2 | | \$ 17.1 | \$ 17.5 | \$ 17.8 | \$ 18.2 |
| 3 | | | \$ 17.5 | \$ 17.8 | \$ 18.2 |
| 4 | | | | \$ 17.8 | \$ 18.2 |
| 5 | | | | | \$ 18.2 |
| Withholding Impact | \$ 16.8 | \$ 34.3 | \$ 52.4 | \$ 71.3 | \$ 90.9 |
| Sales Tax Exemption Impact | \$ 3.5 | \$ 3.6 | \$ 3.6 | \$ 3.7 | \$ 3.8 |
| Total Impact of the Bill | \$ 20.3 | \$ 37.8 | \$ 56.1 | \$ 75.0 | \$ 94.7 |

Section 6:

This section in the bill modifies KSA 74-50,115 as it concerns the sales tax exemption for retail businesses under the enterprise zone exemption. The change will allow retail businesses that locate in a city having a population of 10,000 or less to apply for the exemption (assuming they meet the other requirements). Currently the city must have a population of 2,500 or less.

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Expanding the enterprise zone exemption is estimated to reduce state sales tax revenue in fiscal year 2010 by \$4 million. Loss to SGF would be \$3.5 M and \$0.5 M to the highway fund. Local sales tax loss is estimated at \$1 M.

In fiscal year 2008, the department received enterprise zone exemptions for retail industries from businesses in cities of less than 2,500 with project costs of \$44.1 M. The loss of state sales tax from these projects is \$2.34 Million. (note, for the first 8 months of FY 2009 we have issued exemptions for projects totaling \$28.8 M, which is a loss of \$1.53 M in state sales tax, which is on track with the FY 08 exemptions.)

In computing the fiscal impact, the state sales tax collections from the cities with a population between 2,500 and 10,000 was compared to the collections from cities less than 2,500. The assumption is there is a correlation between the dollar value of the projects to their state sales tax collections. There are 526 cities that have a population of less than 2,500. These cities have a total population of 279,736 and accounted for \$111.7 M in state sales tax in FY 2008. There are 65 cities with a population between 2,500 and less than 10,000 and these cities have a total population of 302,652 and accounted for \$198.5 M in state sales tax in FY 2008. The cities with a population between 2,500 and 10,000 had 178% of the sales tax collected from cities under 2,500. Applying the 170% to the exempted amount of \$2.34 M results in a estimated impact of \$4.0 M in state sales tax collections for FY 2010.

Administrative Impact

The department of commerce is responsible for the administration and enforcement of the bill.

Administrative Problems and Comments

The withholding tax is the largest and most elastic single revenue source for the state general fund. In five years this bill will effectively stop the growth in withholding and the state will have a general fund that normally grows around 4% to a general fund that grows at 2.5% or less per year.

Taxpayer/Customer Impact

Legal Impact

Approved By:

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Joan Wagnon

Joan Wagnon
Secretary of Revenue

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BUSINESS AND JOB DEVELOPMENT CREDIT

K.S.A. 79-32,153 et seq. and K.S.A. 79-32,160a

The purpose of the business and job development credit is to provide tax incentives throughout the state which encourage businesses to create new jobs through capital investment projects involving the building of new facilities or the expansion or renovation of existing facilities. There are two different acts within the Kansas statutes which provide an income tax credit for those businesses which make an investment and create jobs as a result of that investment. The acts are the Job Expansion and Investment Credit Act and the Kansas Enterprise Zone Act.

JOB EXPANSION AND INVESTMENT CREDIT ACT

First effective for all taxable years beginning after December 31, 1975.

QUALIFICATIONS

The business and job development credit is allowed as a direct tax credit against the income tax of any Kansas taxpayer if:

- an investment in a qualified business facility is made, and;
- at least two qualified business facility employees are hired as a direct result of that investment.

There is no minimum amount of investment necessary to qualify for the credit, however, some investment must have been made. The taxpayer must qualify for the credit during the first taxable year that operations occur at the qualified business facility investment.

CREDIT AMOUNT

For an investment that began operations after December 31, 1992, the credit amounts are as follows:

Employee - \$100 for each qualified employee

Investment - \$100 for each \$100,000 of qualified investment

For an investment that began operations prior to December 31, 1992, the credit amounts are as follows:

LIMITATION OF CREDIT

The credit is limited to 50% of the tax on the qualified business facility income for the tax year, but in no case can the credit from all qualified investment and employees be more than 50% of the Kansas income tax in any one tax year.

The credit is recomputed each year for a 9 year period and no carryover of unused credit is allowed.

KANSAS ENTERPRISE ZONE ACT

First effective for all taxable years beginning after December 31, 1992.

QUALIFICATIONS

An enhanced business and job development credit is allowed as a direct tax credit against the income tax of any Kansas taxpayer when:

- an investment in a qualified business facility is made, and;
- the business meets the definition of:
 - manufacturing;
 - nonmanufacturing; or
 - retail, and
- a specified minimum number of qualified business facility employees are hired as a direct result of that investment.

There is no minimum amount of investment necessary to qualify for the credit, however, some investment must have been made. The taxpayer must qualify for the credit during the first taxable year that operations occur at the qualified business facility investment.

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MANUFACTURING

A manufacturing business must hire at least two qualified business facility employees as a direct result of the investment to qualify for the credit.

CREDIT AMOUNT

Located in a Kansas metropolitan county or any other area not designated as a nonmetropolitan region

Employee - \$1,500 for each qualified employee

Investment - \$1,000 for each \$100,000 of qualified investment

Located in a Kansas nonmetropolitan region

Employee - \$2,500 for each qualified employee

Investment - \$1,000 for each \$100,000 of qualified investment

NONMANUFACTURING

A nonmanufacturing business must hire at least five qualified business facility employees as a direct result of the investment to qualify for the credit.

CREDIT AMOUNT

Located in a Kansas metropolitan county or any other region not designated as a nonmetropolitan region

Employee - \$1,500 for each qualified employee

Investment - \$1,000 for each \$100,000 of qualified investment

Located in a Kansas nonmetropolitan region

Employee - \$2,500 for each qualified employee

Investment - \$1,000 for each \$100,000 of qualified investment

RETAIL

A retail business may qualify for the enhanced tax credit under the Kansas Enterprise Zone Act if the business is considered as:

- the business headquarters of a retail operation;
- an ancillary support operation of a retail business;
- Catalog and Mail-Order Houses identified under the Standard Industrial Classification code of 5961; or
- Prepackaged Software identified under the Standard Industrial Classification code of 7372.

To qualify for the enhanced income tax credit, a business headquarters must hire at least 20 qualified business facility employees as a direct result of the investment and must have begun operations after December 31, 1992.

Effective for all taxable years commencing after December 31, 1995, an ancillary support operation of a retail business or those establishments designated with a SIC code of 5961 or 7372 shall also qualify for the enhanced income tax credit if at least 20 qualified business facility employees are hired as a direct result of investment made.

If the retail business is not considered as the business headquarters, ancillary support, or is not identified under the Standard Industrial Classification code of 5961 or 7372, the retail business may claim the business and job development credit under the Job Expansion and Investment Credit Act of 1976. The retail business must hire two qualified business facility employees as a direct result of the investment to qualify for the credit.

CREDIT AMOUNT

Located in a Kansas metropolitan county or any other area not designated as a nonmetropolitan region

Employee - \$1,500 for each qualified employee

Investment - \$1,000 for each \$100,000 of qualified investment

Located in a Kansas nonmetropolitan region

Employee - \$2,500 for each qualified employee

Investment - \$1,000 for each \$100,000 of qualified investment

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Kansas Tax Credits
Business and Job Development Credit
Tax Year 2006

Economic Development & Tourism

Date: 3-9-09

Attachment # 39-1

| Program Name | Statutory Reference | Description | Number of Filers | Tax Expenditure | Projected Jobs Created | Actual Jobs Created | Projected Jobs Retained | Actual Jobs Retained | Projected Capital Investment Generated | Actual Capital Investment Generated | Projected Revenue Generated | Additional Revenue Generated | Projected Sales Generated | Additional Sales Generated | Projected Payroll Generated | Additional Payroll Generated |
|-------------------------------------|---------------------|--|------------------|-----------------|------------------------|---------------------|-------------------------|----------------------|--|-------------------------------------|-----------------------------|------------------------------|---------------------------|----------------------------|-----------------------------|------------------------------|
| Business and Job Development Credit | K.S.A. 79-32.153 | Any taxpayer that invests in a qualified business facility and hires at least two employees as a result of that investment may be eligible for an investment tax credit of \$100 for every \$100,000 of investment made and a job creation tax credit of \$100 for every qualified business facility employee. | | | | | | | | | | | | | | |
| | K.S.A. 79-32.160a | Any taxpayer that meets the definition of business in K.S.A. 74-50.114(b), that invests in a qualified business facility and hires a minimum number of employees as a result of that investment may be eligible for an investment tax credit of \$1,000 for every \$100,000 of investment made and a job creation tax credit of at least \$1,500 for every qualified business facility employee. | | | | | | | | | | | | | | |
| Income and Privilege Taxpayers | | Sector 11-Agriculture, Forestry, Fishing and Hunting and Sector 21-Mining | 12 | \$39,744- | | 30- | | | | \$8,128,884- | | | | | | \$171,281 |
| | | Sector 23-Construction | 45 | \$498,680- | | 364- | | | | \$10,082,083- | | | | | | \$26,850,807 |
| | | Sector 31-33-Manufacturing | 191 | \$4,976,584- | | 4,794- | | | | \$181,708,302- | | | | | | \$193,765,865 |
| | | Sector 42-Wholesale Trade | 31 | \$340,088- | | 250- | | | | \$24,420,720- | | | | | | \$6,128,798 |
| | | Sector 44-45-Retail Trade | 52 | \$586,197- | | 633- | | | | \$152,657,144- | | | | | | \$40,147,408 |
| | | Sector 48-49-Transportation and Warehousing | 9 | \$337,605- | | 59- | | | | \$4,235,462- | | | | | | \$697,142 |
| | | Sector 51-Information | 11 | \$242,617- | | 60- | | | | \$1,685,939- | | | | | | \$2,083,952 |
| | | Sector 52-Finance and Insurance | 73 | \$313,515- | | 1,016- | | | | \$123,001,914- | | | | | | \$123,974,499 |
| | | Sector 53-Real Estate and Rental & Leasing, 54-Professional, Scientific, and Technical Services, and Sector 55-Management of Companies and Enterprises | 52 | \$1,655,804- | | 338- | | | | \$65,456,302- | | | | | | \$149,848,066 |
| | | Sector 56-Management & Remediation | 19 | \$316,094- | | 153- | | | | \$21,425,742- | | | | | | \$5,040,614 |

Kansas Tax Credits
Business and Job Development Credit
Tax Year 2006

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| Program Name | Statutory Reference | Description | Number of Filers | Tax Expenditure | Projected Jobs Created | Actual Jobs Created | Projected Jobs Retained | Actual Jobs Retained | Projected Capital Investment Generated | Actual Capital Investment Generated | Projected Revenue Generated | Additional Revenue Generated | Projected Sales Generated | Additional Sales Generated | Projected Payroll Generated | Additional Payroll Generated |
|---|---------------------|--|------------------|----------------------|------------------------|---------------------|-------------------------|----------------------|--|-------------------------------------|-----------------------------|------------------------------|---------------------------|----------------------------|-----------------------------|------------------------------|
| | | Sector 61-Educational Services and Sector 62-health Care and Social Assistance | 44 | \$335,674- | 260- | - | - | - | \$43,150,371- | - | - | - | - | - | - | \$18,234,119 |
| | | Sector 72-Accommodation & Food Services | 57 | \$301,430- | 451- | - | - | - | \$56,608,032- | - | - | - | - | - | - | \$16,309,362 |
| | | Sector 81-Other Services | 30 | \$422,197- | 3,175- | - | - | - | \$22,402,993- | - | - | - | - | - | - | \$5,379,336 |
| Total Business and Job Development Credits | | | 626 | \$10,366,229- | 11,583- | - | - | - | \$714,963,888- | - | - | - | - | - | - | \$588,631,249 |

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FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman
Director of Economic Policy
Kansas Action for Children
Written Testimony – HB 2358
March 9, 2009

Kansas Action for Children is a not-for-profit child advocacy organization founded in 1979. For more than 30 years, KAC has worked with lawmakers on policy solutions that improve the lives of Kansas children and their families.

Our opposition to House Bill 2358 is a reflection of our general concern about the erosion of the Kansas tax base. The individual income tax is a key source of revenue to the State General Fund (SGF), which is in turn a key source of funding for state government and for programs and services vital to children and families. Returning new employee income tax withholding to qualified businesses will erode individual income tax receipts and result in a significant reduction in SGF revenues.

The budget shortfall that we face in Kansas is not entirely a function of a struggling economy. We know that our state's current tax structure is no longer keeping pace with public infrastructure costs. Although major components of the Kansas tax structure have been in place for quite some time, the strength of our tax policy has eroded little by little through legislative action each year. In the past four years alone, tax cuts including the elimination of the estate tax and the franchise tax and the passage of several sales tax exemptions has resulted in a State General Fund revenue reduction of almost \$150 million in this fiscal year alone. This cut in the tax base grows to \$180 million dollars in fiscal year 2010.

In a year when agency budgets are being cut at an unprecedented rate, the State of Kansas cannot afford to adopt legislation that will further erode the Kansas tax base. For this reason we urge your opposition to HB 2358.