

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on March 16, 2009, in Room 535-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Kathy Beavers, Committee Assistant

Conferees appearing before the Committee:

David Kerr, Secretary, Kansas Department of Commerce
Joan Wagon, Secretary, Kansas Department of Revenue
Representative Marvin Kleeb
Kris Shilt, Economic Development Coordinator for Grant Thornton
Gary Sherrer, Kansas Economic Development Association
Mike Michaelis, Executive Director, Ellis County Coalition for Economic Development
Tom Riederer, President, Southwest Johnson County Economic Development Corporation

Bill introductions:

Representative George made a motion to introduce a bill concerning a tax exemption on building materials for the Kansas Fairgrounds Foundation. Representative Wolf seconded the motion and the motion carried.

HB 2365 - Creating the promoting employment across Kansas act.

The Chairman opened the hearing on **HB 2365**.

Scott Wells, Office of the Revisor of Statutes, briefed the committee on **HB 2365**.

Representative Marvin Kleeb, testified in support of **HB 2365** (Attachment 1). Representative Kleeb explained the objectives, qualifications, incentives for qualified companies and the impact that this bill would have for the qualified companies. He stated that Kansas unemployment rates jumped from 4.3% in December 2008 to 6.4% in January 2009 and that unemployment rates will probably increase further. He stood for questions.

Kris Shilt, Economic Development Coordinator for Grant Thornton, testified in support of **HB 2365** (Attachment 2). Ms. Shilt walked the members through her presentation and stood for questions. The following recommendations were made for Kansas:

- ◆ 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!

Gary Sherrer, Kansas Economic Development Association, testified in support of **HB 2365** (Attachment 3). Mr. Sherrer stated that rural communities should not be excluded when looking for economic development. He stated he supported **HB 2365** for four reasons. They are:

- ◆ It will help Kansas be more competitive
- ◆ It will bring projects and jobs
- ◆ It is fiscally responsible
- ◆ It is not a perfect bill but it moves Kansas forward

Mike Michaelis, Executive Director, Ellis County Coalition for Economic Development, testified in support of **HB 2365** (Attachment 4). He stated that it is a step in the right direction to pass this bill to encourage

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on March 16, 2009, in Room 535-N of the Capitol.

growth in the state of Kansas and that without **HB 2365** Kansas will fall further behind in the competition for business and industry.

Tom Riederer, President, Southwest Johnson County Economic Development Corporation, testified in support of **HB 2365** (Attachment 5). He stated that **HB 2365** will be used as a tool to encourage competitiveness and job growth in Kansas.

Mickey Fornaro-Dean, spoke to the committee in support of **HB 2365**. She stated that solid tools are needed to compete with other bordering states i.e., Colorado, Oklahoma and that **HB 2365** is a tool that would benefit the state of Kansas (No written testimony).

The Chairman called attention to the written testimony in support of **HB 2365** of the following persons:

- Kent Eckles, Kansas Chamber of Commerce (Attachment 6)
- Dave Holtwick, Overland Park Chamber of Commerce (Attachment 7)
- Ashley Sherard, Lenexa Chamber of Commerce (Attachment 8)

David Kerr, Kansas Secretary of Commerce, testified in neutral of **HB 2365** (Attachment 9). Secretary Kerr had 3 suggestions to make the bill more effective. They are:

- ▶ Shorten the business benefit time
- ▶ Shorten the business tax exempt status time
- ▶ Consider limiting participation, by recipients, in other programs that are funded with employee withholding taxes

He also stated there needed to be clarification on the following:

- ▶ How to verify qualifying Kansas companies are hiring new employees
- ▶ How does this bill impact the State General Fund (SGF)?
- ▶ How will the bill impact the individual employee?

Joan Wagon, Secretary, Department of Revenue, testified in opposition to **HB 2365** (Attachment 10). Secretary Wagon stated she agreed with Secretary Kerr that changes to the bill were needed. She attached a balloon (refer to written testimony) that would narrow the focus of the bill as intended and reduce the fiscal impact from the amount stated in the fiscal note.

The Chairman called attention to the written testimony of April Holmes, Kansas Action for Children, in opposition to **HB 2365** (Attachment 11).

Representative Goico introduced his son Richard, his daughter-in-law Denise and grandchildren Derrick and Macy Goico.

The Chairman closed the hearing on **HB 2365**.

The next meeting is scheduled for March 17, 2009.

The meeting was adjourned at 10:55 a.m.

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HB 2365 Promoting Employment Across Kansas (PEAK)

- HB 2365, PEAK, seeks to promote economic development and the creation of new jobs and opportunities for the citizens of Kansas through the repatriation of business facilities, other operations and jobs from foreign countries and to encourage the relocation of business facilities, operations and jobs from other states to Kansas.
- The globalization of the economy has seen an increasing number of American jobs off-shored. In 2004, Goldman Sachs estimated that 300,000 to 400,000 service jobs had moved offshore in the previous three years and anticipated a monthly rate of 15,000 to 30,000 jobs to be subject to future off-shoring.
- The effect of off-shoring and the loss of jobs to other states from Kansas has been a reality. A study by UMKC that gathered statistics from a three-month period in the first quarter of 2004 was able to directly correlate 3,893 jobs lost to off-shoring and relocation to other states.
- It's important to note the reverse multiplier effect with the loss of jobs. The reverse multiplier effect is the multiplied effect that the loss of one job actually equates to 1.5 to 1.7 in the local economy. So, when Kansas loses 4,000 jobs the true effect may be the closer to around 6,800 jobs.
- The unemployment rate for the state of Kansas has exacerbated from 4.3% in December 2008 to 6.4% in January 2009. It may be reasonable to anticipate that the state unemployment may deteriorate further since the national unemployment rate is now at 8.1%.
- Some of the areas of our state are impacted even worse. For example, the unemployment rates of Wyandotte at 14.2%, Crawford 8.7% and Leavenworth at 8.6%.
- PEAK is intended to bring in quality jobs that otherwise would have never been in Kansas. Companies who would have previously excluded Kansas from consideration may now be encouraged to bring operations to Kansas.

- Tax revenue will be generated from stabilizing property values and increasing sales taxes.
- Companies will be strongly encouraged to move jobs to the state by the five-year state income tax exemption. This will once again be a net gain for Kansas because the companies would not have moved to Kansas and the new jobs will contribute to state and local economies.
- PEAK has built-in incentives to encourage qualifying employers to raise the wages of their employees. The higher the rate of compensation on the new jobs, the more benefits the qualifying the company is allowed.
- PEAK has minimum requirements in the number of new jobs created in order to qualify for the PEAK program. Metropolitan counties will require the creation of ten new jobs where as more economically disadvantaged rural counties will only require the minimum of five new jobs.
- PEAK also would encourage relocation of larger operations to Kansas with the High-Impact program of the bill. The companies who bring in more than 100 jobs are rewarded with longer benefit periods.
- PEAK would allow Kansas to keep up with other states that have already passed similar legislation. Kansas needs this type of legislation to stay economically competitive. It has become essential for Kansas to move in the direction of offering a new generation of updated incentives such as seen here in the PEAK bill.
- Examples of similar legislation already passed or proposed:
 - Missouri Quality Jobs Act
 - New Jersey Business Grant Program Investing
 - Ohio Job Creation Tax Credit (JCTC) and Job Retention Tax Credit (JRTC)
 - Indiana Economic Development for a Growing Economy Tax Credits (EDGE)
 - Illinois Economic Development for a Growing Economy Tax Credits (EDGE)
 - North Carolina Job Development Investment Grant (JDIG)
 - Texas Enterprise Zone Program
 - Similar legislation has been proposed in 35 other states.
 - Legislation to give appealing tax incentives to companies considering migration of operations is already in place in 25 states.
- This program should not be viewed as a revenue cut for the State. PEAK is meant to create a net increase in revenue by bringing companies and jobs to Kansas that have

been located outside the state or would have otherwise located elsewhere. Peak should be considered as another important tool for economic development and jobs creation for our Kansas citizens.

Promoting Employment Across Kansas Act (PEAK)

Objectives

- Foster economic development, business opportunities and the creation of new jobs through the use of incentives for companies:
 - o To repatriate facilities, operations and jobs from foreign countries
 - o To relocate facilities, operations and jobs from other states to Kansas.
 - o To choose Kansas for new facilities or expansion
 - o To choose Kansas for job relocations during mergers and acquisitions
- Posture Kansas competitively with other states, particularly Missouri, that are using more creative and aggressive business development and recruitment tools
- Prospective Opportunities: IT, Engineering, Business Processing Operations, Call Center, Manufacturing, Contract Packaging

Qualifications:

Companies must demonstrate to the Secretary of Commerce that:

- An operation outside of Kansas (domestic or foreign) is being closed and bringing the employees to Kansas.
- Kansas has been chosen for the expansion of, or the establishment of new, operations over another state or country.
- A third party outsourcing provider has been authorized and requested by a qualifying company to perform services on its behalf in Kansas vs. another state or country.
- At least ten new jobs paying the county average wage will be created in metropolitan counties (Johnson, Douglas, Sedgwick, Shawnee and Wyandotte).
- Five new jobs paying at least the county average wage will be created in non-metropolitan counties.
- Note: The legislation recognizes the modern business and staffing models used by companies in order to be competitive in today's global economy. So, full-time, part-time, contract, seasonal and project jobs would qualify.

Incentives for Qualified Companies

Qualifying companies for a certain number of years may withhold at least 3% of new employee's gross earnings when an employee is compensated at 100% at the county average wage. This withholding percentage and period will be graduating up to 6% and tied to the percentage rate compensation to county average wage.

- 3% minimum withholding for five years when a company compensates to at least 100% of the county average wage.
- 4% minimum withholding for seven years when a company compensates to at least 110% of the county average wage.
- 5% minimum withholding for ten years when a company compensates to at least 120% of the county average wage.
- 6% minimum withholding when a company compensates to at least 140% of the county average wage.

High Impact Qualified Companies: At least 100 new employees.

Qualifying companies for a certain number of years may withhold at least 3% of new employee's gross earnings when an employee is compensated at 100% at the county average wage. This withholding percentage and period will be graduating up to 6% and tied to the percentage rate compensation to county average wage.

- 3% minimum withholding for seven years when a company compensates to at least 100% of the county average wage.
- 4% minimum withholding for nine years when a company compensates to at least 110% of the county average wage.
- 5% minimum withholding for twelve years when a company compensates to at least 120% of the county average wage.
- 6% minimum withholding when a company compensates to at least 140% of the county average wage.

Income Tax Exemption Benefit.

Qualify companies will obtain state income tax exemption for the first five years after meeting the qualifications.

Excluded Companies

- Casinos and gambling
- Religious organizations
- Retail
- Auto Dealerships
- Schools
- Government Agencies
- Energy companies
- Restaurants
- Ethanol and Biodiesel producers
- Business with tax discrepancies
- Those who have publicly announce intent or have filed bankruptcy

Ex. Shawnee County

County Average Wage - \$37,488

100% at 3% withheld = \$1,124.64

110% at 4% withheld = (110% = \$41,236.80) withheld annually \$1649.47

120% at 5% withheld = (120% = \$44,985.60) withheld annually \$2,249.28

140% at 6% withheld = (140% = \$52483.20) withheld annually \$3148.99

Offshoring is a serious threat to Kansas' Economic Future

The hemorrhaging of jobs due to companies' offshoring must be mitigated to keep America's and Kansas' economy strong and fundamentally sound. We need to make it more lucrative for businesses to keep jobs here in the United States and Kansas.

Projections for U.S. Job Loss.

- ❖ 3.4 Million Jobs to be offshored by 2015
- ❖ 2 Million Jobs lost by 2008¹
- ❖ In 2004 Goldman Sachs estimated that 300,000 to 400,000 services jobs have moved offshore in the previous three years and anticipated a monthly rate of 15,000 to 30,000 jobs to be subject to offshoring in the future.

Offshoring losses for the state of Kansas

- 17, 288 Jobs lost between 1994-2004
 - ❖ Sykes Enterprises, Hays, Kansas 370 jobs after six months after state property tax abatements were allowed to run out on the property.
 - ❖ Boeing 2,775 Q1 2004. ²

Its import to also note the reverse multiplier effect with the loss of jobs. The reverse multiplier effect is the multiplied effect that the loss of one job actually equates to 1.5 to 1.7 in the local economy. So when Kansas loses 17,000 jobs the true effect may be closer to around 30,000 jobs.

Higher quality jobs are also under threat.

- Jobs once thought safe are now more susceptible to offshoring due to high information transmissibility world today.³
 - ❖ The average manufacturing job lost \$40,154 annual income.
 - ❖ The average service sector job lost \$45,479 annual income.
 - ❖ The average of service sector jobs most targeted by outsourcing \$60,535 annual income.⁴

¹ Kate O'Sullivan and Don Durfee, "Offshoring by the Numbers," CFO Magazine, 24 June 2004

² Judy Ancel, "The High Cost to Kansas," UMKC, 9 May 2005.

³ Alan Blinder, "How Many U.S. Jobs Might Be Offshorable?" Princeton University, CEPS Working Paper No. 142 March 2007

⁴ Lael Brined, Robert E. Litany, And Nicholas Warren, "Insuring America's Workers in a New Era of Off-shoring," Brookings Institution Policy Brief No. 143, July 2005, at 2.

Why not Farmshoring?

Farmshoring is the moving of jobs from urban to rural areas.

Farmshoring offers cost savings like offshoring but retains the benefits of remaining domestic.

- ✓ No cultural or language barriers
- ✓ No time zone issues
- ✓ No complications caused by foreign laws or regulations
- ✓ Easier to set up and manage
- ✓ Shorter travel distances
- ✓ Access to a well educated work force at reasonable costs

States that have already had already had success with farmshoring.

Virginia –

Lebanon, Virginia: Northrop-Grumman will hire about 430 employees. They expect to save 30 to 40 percent over costs.²

These estimated cost savings exceeds most offshoring savings.

CFO Survey of savings from offshoring

- ❖ 42% received savings over 20%
- ❖ 38% received savings low than 15%
- ❖ 10% received no savings at all¹

States taking action

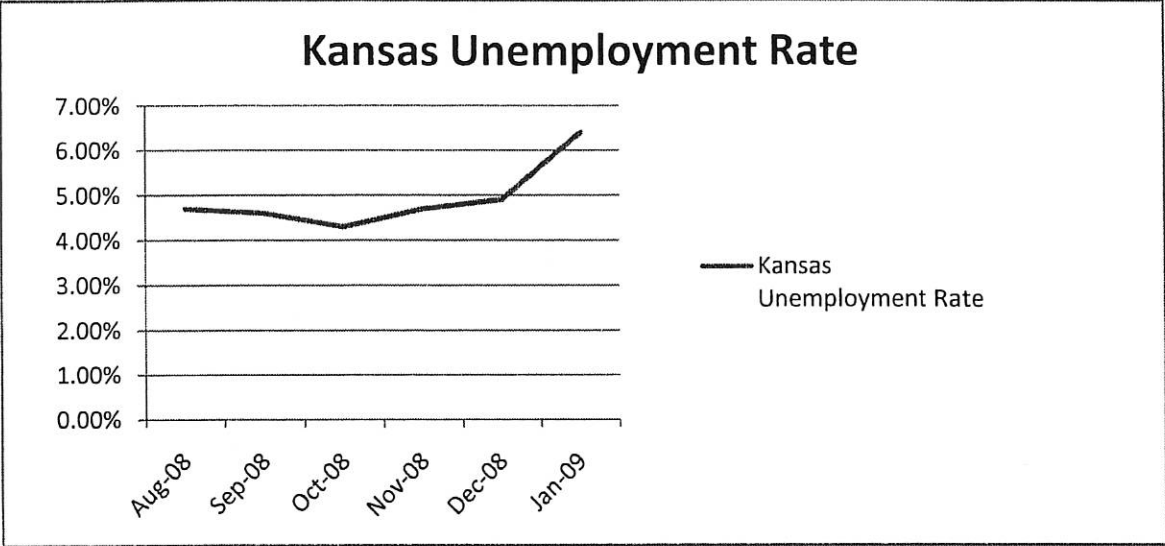
Many state Governments have already met the challenge to confront Offshoring and in doing so will make the economic future for their state more sound.

- ❖ Missouri Quality Jobs Act
- ❖ New Jersey Business Grant Program InvestNJ
- ❖ Ohio Job Creation Tax Credit (JCTC) and Job Retention Tax Credit (JRTC)
- ❖ Indiana Economic Development for a Growing Economy Tax Credits (EDGE)
- ❖ Illinois Economic Development for a Growing Economy Tax Credits (EDGE)
- ❖ North Carolina Job Development Investment Grant (JDIG)
- ❖ Texas Enterprise Zone Program
- ❖ Similar legislation has been proposed in 35 other states.
- ❖ Legislation to give appealing tax incentives to companies considering migration of operations and productions is already in place in 25 states.

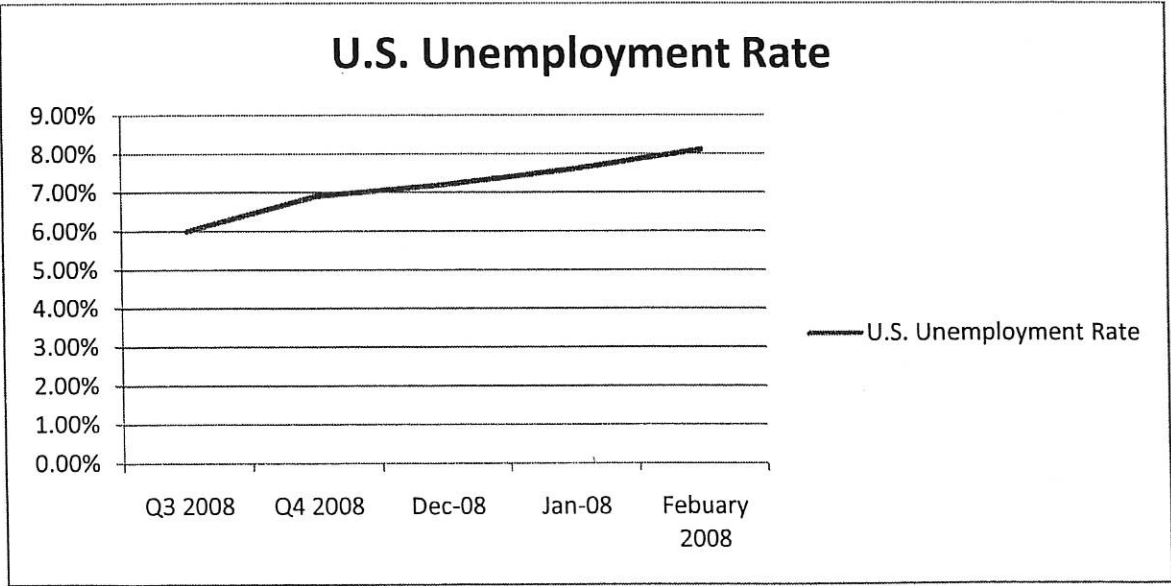
¹ Kate O'Sullivan and Don Durfee, "Offshoring by the Numbers," CFO Magazine, 24 June 2004

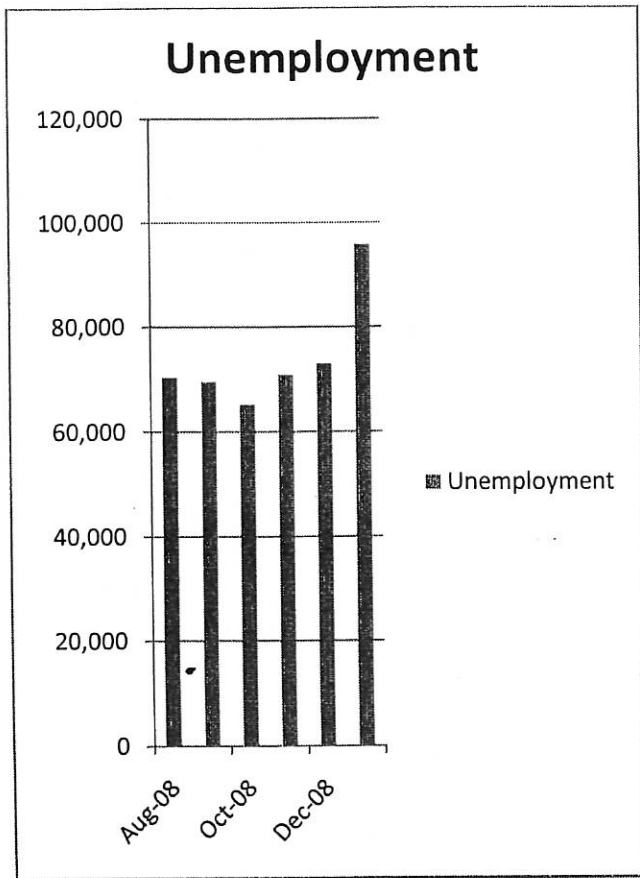
²The Economic Development Studio @ Virginia Tech (2007), "Farmshoring in Virginia: Domestic Outsourcing Strategies for Linking Urban and Rural Economies in the Commonwealth of Virginia" Blacksburg, Virginia: Virginia Tech.

Kansas unemployment is starting to chase after the national average of 8.1%. The Kansas unemployment rate jumped from 4.9% in December 2008 to 6.4% in January 2009.



Unemployment nationally has steadily gained and is currently higher than Kansas' rate but it is likely that the Kansas job market will shadow and eventually equalize with the national rate.

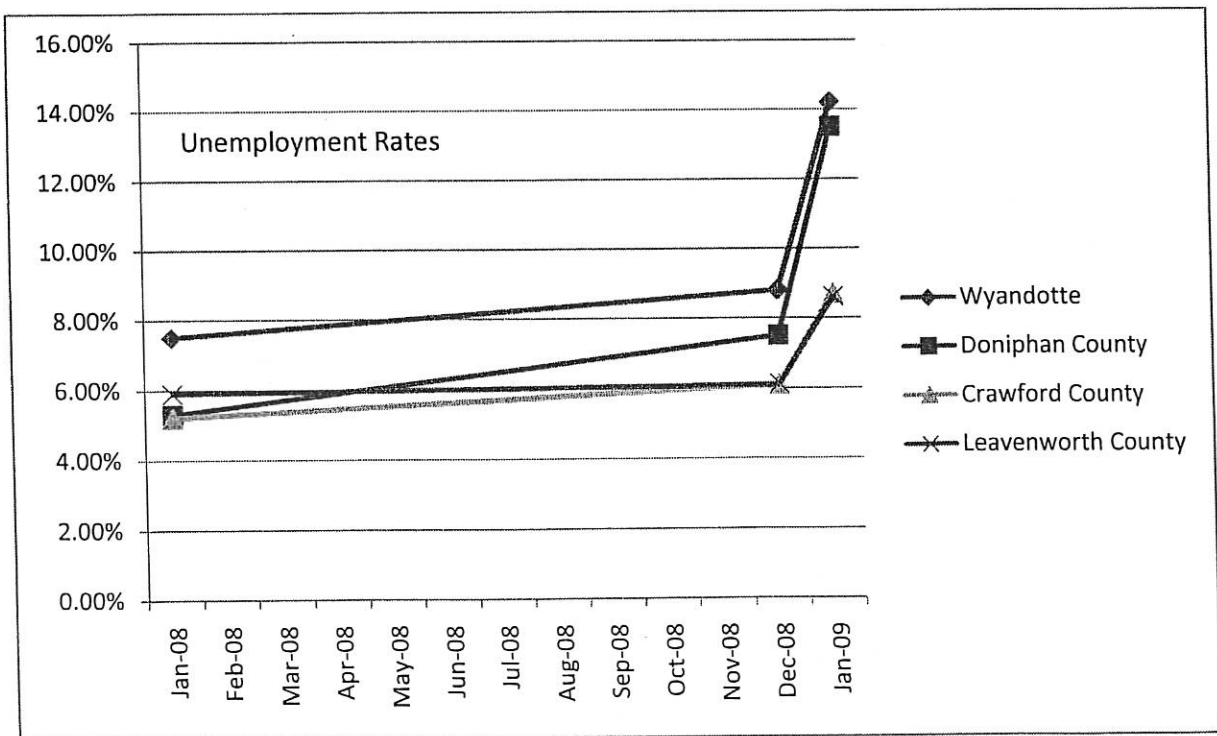




Kansas unemployment numbers have gained by 31% from the Months of December 2008 to January 2009 alone. February's numbers are likely to be consistent with the alarming trend seen in January 2009 reporting's.

Unemployment filings were at 73,009 in December 2008 and have since then rapidly ascended to 95,812 in January 2009.

Several Kansas counties have been severely effect by the recent global downturn.



Kansas Labor Force Estimates

Unemployment Rates (percent)

Area	January '09	December '08	January '08
Kansas	6.4	4.9	4.3
Lawrence MSA (Douglas County)	5.3	4.1	4.1
Wichita MSA (Butler, Harvey, Sedgwick and Sumner Counties)	5.8	4.9	4.1
Topeka MSA (Jackson, Jefferson, Osage, Shawnee and Wabaunsee Counties)	6.6	5.3	4.9
Kansas City Area (Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte Counties)	8.0	5.6	4.8
Wichita-Winfield Combined Statistical Area (Wichita MSA and Cowley County)	5.8	4.9	4.1
Atchison Micro-Area (Atchison County)	6.7	4.6	4.4
Coffeyville Micro-Area (Montgomery County)	8.3	6.7	4.8
Dodge City Micro-Area (Ford County)	3.8	3.1	3.1
Emporia Micro-Area (Chase and Lyon Counties)	6.6	4.8	4.2
Garden City Micro-Area (Finney County)	4.0	3.3	3.5
Great Bend Micro-Area (Barton County)	4.7	3.5	3.6
Hays Micro-Area (Ellis County)	3.8	2.9	3.0
Hutchinson Micro-Area (Reno County)	5.4	4.3	4.2
Liberal Micro-Area (Seward County)	3.9	3.1	3.2
Manhattan Micro-Area (Geary, Pottawatomie and Riley Counties)	4.2	3.4	3.7
McPherson Micro-Area (McPherson County)	4.3	3.6	3.4
Parsons Micro-Area (Labette County)	8.1	6.2	4.6
Pittsburg Micro-Area (Crawford County)	8.7	6.1	5.2
Salina Micro-Area (Ottawa and Saline Counties)	5.4	4.0	4.3
Winfield Micro-Area (Cowley County)	5.8	5.4	4.0
Allen County	7.0	5.4	4.1
Anderson County	7.5	5.6	5.1
Atchison County	6.7	4.6	4.4
Barber County	4.1	3.2	3.2
Barton County	4.7	3.5	3.6
Bourbon County	6.4	5.1	4.9
Brown County	5.4	4.6	4.4
Butler County	5.9	4.8	4.0
Chase County	6.0	4.6	4.0
Chautauqua County	7.5	6.1	4.3
Cherokee County	8.4	6.1	4.7
Cheyenne County	3.6	3.0	3.0
Clark County	4.4	3.4	3.0
Clay County	4.8	3.7	3.8
Cloud County	4.4	3.3	3.6
Coffey County	6.6	5.5	4.6
Comanche County	3.3	2.8	2.9
Cowley County	5.8	5.4	4.0
Crawford County	8.7	6.1	5.2
Decatur County	3.8	3.2	2.9
Dickinson County	4.9	3.7	4.2
Doniphan County	13.5	7.5	5.3
Douglas County	5.3	4.1	4.1
Edwards County	4.2	3.1	2.8
Elk County	7.1	6.2	7.1
Ellis County	3.8	2.9	3.0
Ellsworth County	4.0	3.4	3.5
Finney County	4.0	3.3	3.5
Ford County	3.8	3.1	3.1
Franklin County	7.9	5.7	5.4
Geary County	5.6	4.4	4.9
Gove County	3.3	2.5	3.0
Graham County	4.0	3.2	3.5

Grant County	3.5	2.8	2.9
Gray County	3.3	2.4	2.7
Greeley County	3.8	3.3	3.9
Greenwood County	6.7	5.3	4.6
Hamilton County	4.1	3.1	3.6
Harper County	4.4	3.5	2.7
Harvey County	4.8	3.9	3.6
Haskell County	3.1	2.3	2.7
Hodgeman County	3.9	3.3	3.4
Jackson County	8.2	6.4	6.3
Jefferson County	7.3	5.4	5.9
Jewell County	3.5	3.0	3.2
Johnson County	6.4	4.8	3.9
Kearny County	4.1	3.2	3.0
Kingman County	4.6	3.7	3.3
Kiowa County	4.2	3.4	4.5
Labette County	8.1	6.2	4.6
Lane County	5.9	4.8	3.2
Leavenworth County	8.6	6.1	5.9
Lincoln County	5.4	4.1	4.1
Linn County	10.2	6.6	7.4
Logan County	3.4	2.6	3.0
Lyon County	6.6	4.8	4.2
McPherson County	4.3	3.6	3.4
Marion County	4.6	4.0	3.5
Marshall County	5.6	4.8	3.6
Meade County	3.6	2.7	3.3
Miami County	7.7	5.3	5.5
Mitchell County	4.1	3.3	3.5
Montgomery County	8.3	6.7	4.8
Morris County	6.8	5.0	5.5
Morton County	3.5	2.6	2.7
Nemaha County	4.1	3.4	3.1
Neosho County	7.6	5.7	4.0
Ness County	3.9	2.9	3.3
Norton County	3.8	3.3	3.2
Osage County	8.3	6.1	6.7
Osborne County	4.6	3.8	3.5
Ottawa County	5.1	3.5	4.4
Pawnee County	3.6	3.0	3.0
Phillips County	7.4	6.8	3.4
Pottawatomie County	4.6	3.6	3.7
Pratt County	4.3	3.1	3.3
Rawlins County	4.4	3.3	3.5
Reno County	5.4	4.3	4.2
Republic County	4.4	3.4	3.3
Rice County	4.8	3.8	3.6
Riley County	3.7	3.0	3.4
Rooks County	6.0	4.7	3.5
Rush County	4.7	4.1	3.7
Russell County	4.9	3.8	3.6
Saline County	5.4	4.1	4.3
Scott County	3.5	2.9	2.8
Sedgwick County	5.9	5.0	4.1
Seward County	3.9	3.1	3.2
Shawnee County	6.3	5.2	4.6
Sheridan County	2.9	2.5	2.8
Sherman County	4.4	3.1	3.2
Smith County	7.1	6.3	3.1
Stafford County	4.9	3.4	3.6
Stanton County	3.3	2.9	2.9
Stevens County	4.5	3.6	3.1
Sumner County	6.2	4.8	4.1
Thomas County	3.4	3.0	3.0
Trego County	4.2	3.4	3.8
Wabaunsee County	5.9	4.6	4.2
Wallace County	6.6	5.5	4.5

Washington County	5.9	4.3	3.5
Wichita County	4.5	3.3	3.3
Wilson County	8.5	7.5	3.7
Woodson County	8.4	6.7	5.3
Wyandotte County	14.2	8.8	7.5
City of Dodge City	4.4	3.6	3.6
City of Emporia	7.9	5.7	5.0
City of Garden City	4.3	3.6	3.8
City of Hutchinson	6.7	5.3	5.2
City of Kansas City	14.7	9.1	7.7
City of Lawrence	5.6	4.4	4.3
City of Leavenworth	11.2	8.0	7.7
City of Leawood	4.6	3.4	2.8
City of Lenexa	7.1	5.4	4.4
City of Manhattan	3.6	2.9	3.3
City of Olathe	6.6	5.0	4.1
City of Overland Park	6.5	4.9	4.0
City of Salina	5.7	4.3	4.5
City of Shawnee	5.4	4.1	3.3
City of Topeka	7.5	6.1	5.4
City of Wichita	6.4	5.4	4.5

**Kansas Employment and Wages
2007 Annual Averages**

Area		Establish- ments	Employ- ment	Total Wages	Average	Average
					Annual Wages	Weekly Wages
Kansas	Total	84,811	1,356,947	\$50,256,670,525	\$37,037	\$712
	Total Private	79,436	1,111,718	\$41,769,204,812	\$37,572	\$723
Kansas City MSA	Total	25,929	438,301	\$19,313,577,372	\$44,065	\$847
	Total Private	25,449	380,703	\$16,954,778,358	\$44,535	\$856
Wichita MSA	Total	14,698	295,014	\$11,699,648,387	\$39,658	\$763
	Total Private	14,242	256,226	\$10,265,972,702	\$40,066	\$771
Topeka MSA	Total	5,967	107,808	\$3,891,272,327	\$36,094	\$694
	Total Private	5,523	80,909	\$2,887,181,085	\$35,684	\$686
Lawrence MSA	Total	2,870	48,223	\$1,486,294,784	\$30,821	\$593
	Total Private	2,777	36,681	\$991,442,412	\$27,029	\$520
Allen	Total	413	6,132	\$163,005,058	\$26,583	\$511
	Total Private	365	4,447	\$121,274,028	\$27,271	\$524
Anderson	Total	247	2,207	\$52,867,597	\$23,955	\$461
	Total Private	210	1,628	\$38,137,586	\$23,426	\$451
Atchison	Total	415	6,870	\$197,481,653	\$28,746	\$553
	Total Private	365	5,788	\$167,518,552	\$28,942	\$557
Barber	Total	228	1,825	\$49,266,567	\$26,995	\$519
	Total Private	180	1,132	\$32,735,335	\$28,918	\$556
Barton	Total	1,002	13,241	\$407,556,788	\$30,780	\$592
	Total Private	917	10,796	\$345,301,863	\$31,984	\$615
Bourbon	Total	405	6,838	\$183,251,498	\$26,799	\$515
	Total Private	371	5,571	\$152,175,507	\$27,316	\$525
Brown	Total	326	4,931	\$138,256,444	\$28,038	\$539
	Total Private	263	2,878	\$87,009,943	\$30,233	\$581
Butler	Total	1,358	18,138	\$530,953,297	\$29,273	\$563
	Total Private	1,244	12,450	\$373,455,811	\$29,996	\$577
Chase	Total	87	838	\$19,037,776	\$22,718	\$437
	Total Private	63	547	\$12,343,312	\$22,565	\$434
Chautauqua	Total	115	883	\$18,670,823	\$21,145	\$407
	Total Private	84	574	\$12,286,301	\$21,405	\$412
Cherokee	Total	565	6,250	\$180,293,259	\$28,847	\$555
	Total Private	518	4,863	\$145,298,124	\$29,878	\$575
Cheyenne	Total	116	812	\$19,925,646	\$24,539	\$472
	Total Private	92	539	\$14,355,268	\$26,633	\$512
Clark	Total	97	803	\$21,016,421	\$26,172	\$503
	Total Private	72	322	\$9,178,248	\$28,504	\$548
Clay	Total	302	3,445	\$77,601,622	\$22,526	\$433
	Total Private	267	2,492	\$53,907,008	\$21,632	\$416
Cloud	Total	335	3,889	\$91,750,062	\$23,592	\$454
	Total Private	299	2,998	\$70,172,955	\$23,407	\$450
Coffey	Total	274	4,132	\$158,609,219	\$38,386	\$738
	Total Private	232	2,852	\$124,495,269	\$43,652	\$839
Comanche	Total	98	722	\$14,092,220	\$19,518	\$375
	Total Private	74	416	\$7,934,836	\$19,074	\$367
Cowley	Total	818	15,125	\$455,560,468	\$30,120	\$579

2007 Annual Averages						
Area		Establish- ments	Employ- ment	Total Wages	Average Annual Wages	Average Weekly Wages
	Total Private	732	11,291	\$347,862,421	\$30,809	\$592
Crawford	Total	1,168	17,584	\$480,161,648	\$27,307	\$525
	Total Private	1,093	13,387	\$351,057,007	\$26,224	\$504
Decatur	Total	131	1,064	\$23,959,228	\$22,518	\$433
	Total Private	101	800	\$18,312,314	\$22,890	\$440
Dickinson	Total	574	6,949	\$178,522,537	\$25,690	\$494
	Total Private	501	5,214	\$135,250,233	\$25,940	\$499
Doniphan	Total	209	2,665	\$87,267,303	\$32,746	\$630
	Total Private	168	1,763	\$67,042,556	\$38,028	\$731
Douglas	Total	2,870	48,223	\$1,486,294,784	\$30,821	\$593
	Total Private	2,777	36,681	\$991,442,412	\$27,029	\$520
Edwards	Total	123	962	\$25,339,769	\$26,341	\$507
	Total Private	85	706	\$19,037,552	\$26,965	\$519
Elk	Total	91	635	\$12,174,232	\$19,172	\$369
	Total Private	59	231	\$3,954,976	\$17,121	\$329
Ellis	Total	1,023	15,182	\$446,464,585	\$29,407	\$566
	Total Private	956	12,536	\$355,332,886	\$28,345	\$545
Ellsworth	Total	199	2,819	\$77,253,625	\$27,405	\$527
	Total Private	149	1,896	\$51,249,350	\$27,030	\$520
Finney	Total	1,046	17,320	\$526,336,815	\$30,389	\$584
	Total Private	995	14,028	\$424,914,463	\$30,290	\$583
Ford	Total	778	16,258	\$497,323,497	\$30,589	\$588
	Total Private	707	13,470	\$411,669,371	\$30,562	\$588
Franklin	Total	607	9,807	\$289,436,629	\$29,513	\$568
	Total Private	549	7,911	\$231,126,194	\$29,216	\$562
Geary	Total	673	13,629	\$415,616,992	\$30,495	\$586
	Total Private	609	8,350	\$209,415,845	\$25,080	\$482
Gove	Total	139	1,142	\$26,881,112	\$23,539	\$453
	Total Private	112	701	\$16,601,376	\$23,682	\$455
Graham	Total	138	1,096	\$29,340,143	\$26,770	\$515
	Total Private	110	687	\$19,100,529	\$27,803	\$535
Grant	Total	249	3,683	\$128,269,832	\$34,828	\$670
	Total Private	224	2,860	\$107,235,601	\$37,495	\$721
Gray	Total	249	2,830	\$77,117,657	\$27,250	\$524
	Total Private	208	1,805	\$55,069,349	\$30,509	\$587
Greeley	Total	61	563	\$13,346,236	\$23,706	\$456
	Total Private	42	197	\$5,054,580	\$25,658	\$493
Greenwood	Total	251	1,859	\$46,919,138	\$25,239	\$485
	Total Private	204	1,322	\$34,815,535	\$26,336	\$506
Hamilton	Total	101	1,112	\$29,536,331	\$26,561	\$511
	Total Private	79	705	\$20,377,332	\$28,904	\$556
Harper	Total	243	2,343	\$63,415,336	\$27,066	\$520
	Total Private	209	1,407	\$41,737,515	\$29,664	\$570
Harvey	Total	836	13,780	\$406,419,645	\$29,493	\$567
	Total Private	774	11,749	\$350,814,919	\$29,859	\$574
Haskell	Total	161	1,555	\$50,245,707	\$32,312	\$621

2007 Annual Averages

					Average	Average
		Establish-	Employ-	Total	Annual	Weekly
<u>Area</u>		<u>ments</u>	<u>ment</u>	<u>Wages</u>	<u>Wages</u>	<u>Wages</u>
	Total Private	132	974	\$33,935,278	\$34,841	\$670
Hodgeman	Total	63	557	\$13,283,615	\$23,849	\$459
	Total Private	40	237	\$6,448,925	\$27,211	\$523
Jackson	Total	306	4,435	\$118,062,362	\$26,621	\$512
	Total Private	257	3,118	\$80,160,537	\$25,709	\$494
Jefferson	Total	365	3,563	\$105,289,535	\$29,551	\$568
	Total Private	307	2,373	\$73,237,289	\$30,863	\$594
Jewell	Total	133	928	\$20,242,742	\$21,813	\$419
	Total Private	97	458	\$10,562,926	\$23,063	\$444
Johnson	Total	19,830	316,546	\$14,578,539,205	\$46,055	\$886
	Total Private	19,693	286,609	\$13,415,195,078	\$46,807	\$900
Kearny	Total	113	1,326	\$38,868,597	\$29,313	\$564
	Total Private	88	663	\$21,156,006	\$31,910	\$614
Kingman	Total	255	2,526	\$68,232,647	\$27,012	\$519
	Total Private	199	1,896	\$53,983,256	\$28,472	\$548
Kiowa	Total	113	1,116	\$27,797,837	\$24,908	\$479
	Total Private	83	673	\$18,615,864	\$27,661	\$532
Labette	Total	1,557	10,508	\$268,571,024	\$25,559	\$492
	Total Private	1,501	7,592	\$183,696,953	\$24,196	\$465
Lane	Total	91	734	\$20,172,412	\$27,483	\$529
	Total Private	71	439	\$14,048,288	\$32,001	\$615
Leavenworth	Total	1,304	20,481	\$763,140,950	\$37,261	\$717
	Total Private	1,203	12,916	\$419,152,217	\$32,452	\$624
Lincoln	Total	123	950	\$19,631,978	\$20,665	\$397
	Total Private	94	511	\$10,060,549	\$19,688	\$379
Linn	Total	224	2,082	\$66,667,508	\$32,021	\$616
	Total Private	177	1,300	\$47,465,291	\$36,512	\$702
Logan	Total	135	1,316	\$31,180,454	\$23,693	\$456
	Total Private	108	577	\$15,176,382	\$26,302	\$506
Lyon	Total	933	17,300	\$484,330,842	\$27,996	\$538
	Total Private	860	13,243	\$354,563,722	\$26,774	\$515
Marion	Total	961	14,582	\$464,719,464	\$31,869	\$613
	Total Private	878	12,564	\$409,159,133	\$32,566	\$626
Marshall	Total	353	3,953	\$88,771,632	\$22,457	\$432
	Total Private	296	2,699	\$61,687,636	\$22,856	\$440
McPherson	Total	405	4,791	\$137,882,855	\$28,780	\$553
	Total Private	332	3,872	\$118,652,603	\$30,644	\$589
Meade	Total	140	1,504	\$45,922,481	\$30,534	\$587
	Total Private	104	870	\$29,469,954	\$33,874	\$651
Miami	Total	813	8,474	\$244,448,727	\$28,847	\$555
	Total Private	768	6,284	\$178,278,520	\$28,370	\$546
Mitchell	Total	289	3,224	\$86,367,345	\$26,789	\$515
	Total Private	241	2,158	\$57,615,734	\$26,699	\$513
Montgomery	Total	1,028	17,284	\$512,391,837	\$29,645	\$570
	Total Private	956	14,602	\$441,419,983	\$30,230	\$581
Morris	Total	170	1,540	\$37,085,907	\$24,082	\$463

2007 Annual Averages						
Area		Establish- ments	Employ- ment	Total Wages	Average Annual Wages	Average Weekly Wages
	Total Private	139	1,012	\$24,429,813	\$24,140	\$464
Morton	Total	122	1,289	\$39,768,662	\$30,852	\$593
	Total Private	96	600	\$21,491,332	\$35,819	\$689
Nemaha	Total	426	4,999	\$138,516,714	\$27,709	\$533
	Total Private	364	4,195	\$118,721,282	\$28,301	\$544
Neosho	Total	578	8,456	\$263,438,002	\$31,154	\$599
	Total Private	523	6,776	\$210,960,640	\$31,134	\$599
Ness	Total	172	1,272	\$38,277,521	\$30,092	\$579
	Total Private	141	797	\$26,806,340	\$33,634	\$647
Norton	Total	193	2,515	\$68,241,187	\$27,134	\$522
	Total Private	155	1,601	\$42,292,455	\$26,416	\$508
Osage	Total	350	3,331	\$73,131,680	\$21,955	\$422
	Total Private	278	2,017	\$41,457,104	\$20,554	\$395
Osborn	Total	174	1,473	\$31,081,914	\$21,101	\$406
	Total Private	139	1,069	\$22,209,317	\$20,776	\$400
Ottawa	Total	159	1,393	\$32,811,270	\$23,554	\$453
	Total Private	130	937	\$21,908,468	\$23,382	\$450
Pawnee	Total	229	3,694	\$98,701,965	\$26,720	\$514
	Total Private	165	1,513	\$37,485,550	\$24,776	\$476
Phillips	Total	232	2,693	\$68,407,507	\$25,402	\$488
	Total Private	192	1,845	\$50,851,360	\$27,562	\$530
Pottawatomie	Total	598	8,568	\$262,294,481	\$30,613	\$589
	Total Private	547	7,249	\$227,867,463	\$31,434	\$605
Pratt	Total	378	4,642	\$137,559,403	\$29,634	\$570
	Total Private	341	3,481	\$106,791,718	\$30,678	\$590
Rawlins	Total	119	821	\$19,059,517	\$23,215	\$446
	Total Private	96	469	\$10,868,944	\$23,175	\$446
Reno	Total	1,711	28,077	\$854,188,607	\$30,423	\$585
	Total Private	1,591	22,574	\$695,012,891	\$30,788	\$592
Republic	Total	214	2,062	\$42,748,974	\$20,732	\$399
	Total Private	176	1,511	\$31,566,633	\$20,891	\$402
Rice	Total	329	3,580	\$98,474,361	\$27,507	\$529
	Total Private	263	2,466	\$73,797,115	\$29,926	\$575
Riley	Total	1,545	27,763	\$863,359,408	\$31,097	\$598
	Total Private	1,457	19,753	\$485,540,165	\$24,581	\$473
Rooks	Total	211	2,016	\$53,985,807	\$26,779	\$515
	Total Private	172	1,341	\$38,167,841	\$28,462	\$547
Rush	Total	118	1,081	\$29,621,263	\$27,402	\$527
	Total Private	83	710	\$20,735,779	\$29,205	\$562
Russell	Total	318	2,764	\$72,062,334	\$26,072	\$501
	Total Private	267	2,141	\$57,987,560	\$27,084	\$521
Saline	Total	1,809	31,283	\$989,120,624	\$31,618	\$608
	Total Private	1,736	26,839	\$852,815,552	\$31,775	\$611
Scott	Total	229	1,874	\$54,692,520	\$29,185	\$561
	Total Private	205	1,489	\$44,637,954	\$29,978	\$577
Sedgwick	Total	11,940	256,859	\$10,595,869,512	\$41,252	\$793

2007 Annual Averages						
Area		Establish- ments	Employ- ment	Total Wages	Average Annual Wages	Average Weekly Wages
	Total Private	11,738	228,055	\$9,436,800,063	\$41,379	\$796
Seward	Total	652	11,926	\$369,806,008	\$31,008	\$596
	Total Private	610	9,673	\$298,512,572	\$30,860	\$593
Shawnee	Total	4,771	94,960	\$3,556,068,074	\$37,448	\$720
	Total Private	4,553	72,399	\$2,664,790,400	\$36,807	\$708
Sheridan	Total	115	925	\$24,148,769	\$26,107	\$502
	Total Private	94	550	\$15,711,995	\$28,567	\$549
Sherman	Total	268	2,513	\$61,033,933	\$24,287	\$467
	Total Private	238	1,774	\$39,533,651	\$22,285	\$429
Smith	Total	169	1,439	\$29,873,792	\$20,760	\$399
	Total Private	139	1,062	\$21,771,396	\$20,500	\$394
Stafford	Total	199	1,397	\$33,260,258	\$23,808	\$458
	Total Private	141	736	\$18,648,496	\$25,338	\$487
Stanton	Total	95	796	\$23,701,996	\$29,776	\$573
	Total Private	75	466	\$15,385,816	\$33,017	\$635
Stevens	Total	185	1,828	\$55,282,339	\$30,242	\$582
	Total Private	159	1,100	\$36,297,161	\$32,997	\$635
Sumner	Total	564	6,237	\$166,405,933	\$26,680	\$513
	Total Private	486	3,973	\$104,901,909	\$26,404	\$508
Thomas	Total	379	3,973	\$102,719,447	\$25,854	\$497
	Total Private	331	3,114	\$82,081,505	\$26,359	\$507
Trego	Total	138	1,133	\$28,203,062	\$24,892	\$479
	Total Private	114	664	\$17,691,894	\$26,644	\$512
Wabaunsee	Total	175	1,519	\$38,720,676	\$25,491	\$490
	Total Private	128	1,004	\$27,535,755	\$27,426	\$527
Wallace	Total	74	490	\$11,338,490	\$23,140	\$445
	Total Private	56	314	\$7,557,173	\$24,067	\$463
Washington	Total	271	2,233	\$47,127,117	\$21,105	\$406
	Total Private	193	1,443	\$30,876,905	\$21,398	\$411
Wichita	Total	106	861	\$23,737,644	\$27,570	\$530
	Total Private	83	531	\$15,958,956	\$30,055	\$578
Wilson	Total	295	4,468	\$127,496,904	\$28,536	\$549
	Total Private	253	3,484	\$101,424,963	\$29,112	\$560
Woodson	Total	127	714	\$16,801,451	\$23,531	\$453
	Total Private	102	446	\$10,939,019	\$24,527	\$472
Wyandotte	Total	3,153	80,911	\$3,371,344,353	\$41,667	\$801
	Total Private	3,061	65,684	\$2,663,561,058	\$40,551	\$780

KANSAS

DEPARTMENT OF LABOR

January 2009 Labor Report

March, 11, 2009

Kansas Labor Force Estimates (preliminary) (Place of residence data)

Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
Kansas	1,501,875	1,406,063	95,812	6.4
Lawrence MSA (Douglas County)	62,341	59,058	3,283	5.3
Wichita MSA (Butler, Harvey, Sedgwick and Sumner Counties)	322,043	303,263	18,780	5.8
Topeka MSA (Jackson, Jefferson, Osage, Shawnee and Wabaunsee Counties)	122,916	114,754	8,162	6.6
Kansas City Area (Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte Counties)	445,246	409,504	35,742	8.0
Wichita-Winfield Combined Statistical Area (Wichita MSA and Cowley County)	339,994	320,166	19,828	5.8
Atchison Micro-Area (Atchison County)	8,728	8,147	581	6.7
Coffeyville Micro-Area (Montgomery County)	18,229	16,712	1,517	8.3
Dodge City Micro-Area (Ford County)	16,186	15,565	621	3.8
Emporia Micro-Area (Chase and Lyon Counties)	19,439	18,157	1,282	6.6
Garden City Micro-Area (Finney County)	17,782	17,076	706	4.0
Great Bend Micro-Area (Barton County)	14,488	13,807	681	4.7
Hays Micro-Area (Ellis County)	17,269	16,612	657	3.8
Hutchinson Micro-Area (Reno County)	32,308	30,549	1,759	5.4
Liberal Micro-Area (Seward County)	10,241	9,844	397	3.9
Manhattan Micro-Area (Geary, Pottawatomie and Riley Counties)	65,570	62,804	2,766	4.2
McPherson Micro-Area (McPherson County)	16,360	15,654	706	4.3
Parsons Micro-Area (Labette County)	11,689	10,745	944	8.1
Pittsburg Micro-Area (Crawford County)	20,970	19,144	1,826	8.7
Salina Micro-Area (Ottawa and Saline Counties)	31,224	29,540	1,684	5.4
Winfield Micro-Area (Cowley County)	17,951	16,903	1,048	5.8
Allen County	7,619	7,088	531	7.0
Anderson County	4,342	4,016	326	7.5
Atchison County	8,728	8,147	581	6.7
Barber County	2,587	2,482	105	4.1
Barton County	14,488	13,807	681	4.7
Bourbon County	9,040	8,459	581	6.4
Brown County	5,542	5,245	297	5.4
Butler County	33,393	31,435	1,958	5.9
Chase County	1,439	1,352	87	6.0
Chautauqua County	1,770	1,637	133	7.5
Cherokee County	11,282	10,335	947	8.4
Cheyenne County	1,385	1,335	50	3.6
Clark County	1,151	1,100	51	4.4
Clay County	5,037	4,793	244	4.8
Cloud County	5,521	5,278	243	4.4
Coffey County	5,184	4,842	342	6.6

Comanche County	1,135	1,098	37	3.3
Cowley County	17,951	16,903	1,048	5.8
Crawford County	20,970	19,144	1,826	8.7
Decatur County	1,688	1,624	64	3.8
Dickinson County	10,513	9,993	520	4.9
Doniphan County	4,848	4,195	653	13.5
Douglas County	62,341	59,058	3,283	5.3
Edwards County	1,461	1,400	61	4.2
Elk County	1,431	1,330	101	7.1
Ellis County	17,269	16,612	657	3.8
Ellsworth County	3,790	3,637	153	4.0
Finney County	17,782	17,076	706	4.0
Ford County	16,186	15,565	621	3.8
Franklin County	13,984	12,876	1,108	7.9
Geary County	12,468	11,770	698	5.6
Gove County	1,430	1,383	47	3.3
Graham County	1,437	1,379	58	4.0
Grant County	3,825	3,693	132	3.5
Gray County	3,149	3,044	105	3.3
Greeley County	771	742	29	3.8
Greenwood County	3,574	3,333	241	6.7
Hamilton County	1,138	1,091	47	4.1
Harper County	3,388	3,238	150	4.4
Harvey County	18,379	17,502	877	4.8
Haskell County	2,191	2,123	68	3.1
Hodgeman County	852	819	33	3.9
Jackson County	7,171	6,581	590	8.2
Jefferson County	9,877	9,154	723	7.3
Jewell County	1,872	1,807	65	3.5
Johnson County	300,746	281,521	19,225	6.4
Kearny County	2,159	2,070	89	4.1
Kingman County	4,259	4,065	194	4.6
Kiowa County	1,345	1,288	57	4.2
Labette County	11,689	10,745	944	8.1
Lane County	1,098	1,033	65	5.9
Leavenworth County	33,394	30,519	2,875	8.6
Lincoln County	1,886	1,785	101	5.4
Linn County	4,862	4,366	496	10.2
Logan County	1,612	1,557	55	3.4
Lyon County	18,000	16,805	1,195	6.6
McPherson County	16,360	15,654	706	4.3
Marion County	6,962	6,639	323	4.6
Marshall County	6,667	6,294	373	5.6
Meade County	2,466	2,377	89	3.6
Miami County	16,695	15,412	1,283	7.7
Mitchell County	3,236	3,104	132	4.1
Montgomery County	18,229	16,712	1,517	8.3
Morris County	2,969	2,768	201	6.8
Morton County	1,653	1,595	58	3.5
Nemaha County	5,649	5,419	230	4.1
Neosho County	9,075	8,387	688	7.6
Ness County	1,684	1,619	65	3.9
Norton County	2,624	2,523	101	3.8
Osage County	8,814	8,084	730	8.3
Osborne County	2,193	2,092	101	4.6
Ottawa County	3,017	2,863	154	5.1
Pawnee County	3,963	3,819	144	3.6
Phillips County	3,298	3,053	245	7.4
Pottawatomie County	12,094	11,543	551	4.6
Pratt County	5,928	5,676	252	4.3
Rawlins County	1,213	1,160	53	4.4
Reno County	32,308	30,549	1,759	5.4
Republic County	2,757	2,636	121	4.4
Rice County	5,655	5,385	270	4.8
Riley County	41,008	39,491	1,517	3.7
Rooks County	2,661	2,502	159	6.0
Rush County	1,666	1,588	78	4.7

Russell County	3,451	3,283	168	4.9
Saline County	28,207	26,677	1,530	5.4
Scott County	2,455	2,368	87	3.5
Sedgwick County	258,094	242,899	15,195	5.9
Seward County	10,241	9,844	397	3.9
Shawnee County	93,313	87,413	5,900	6.3
Sheridan County	1,503	1,460	43	2.9
Sherman County	3,399	3,249	150	4.4
Smith County	2,240	2,082	158	7.1
Stafford County	2,142	2,037	105	4.9
Stanton County	1,049	1,014	35	3.3
Stevens County	2,167	2,069	98	4.5
Sumner County	12,178	11,427	751	6.2
Thomas County	4,148	4,008	140	3.4
Trego County	1,647	1,578	69	4.2
Wabaunsee County	3,742	3,522	220	5.9
Wallace County	875	817	58	6.6
Washington County	3,399	3,199	200	5.9
Wichita County	1,176	1,123	53	4.5
Wilson County	5,971	5,462	509	8.5
Woodson County	1,647	1,508	139	8.4
Wyandotte County	75,565	64,810	10,755	14.2
City of Dodge City	12,475	11,932	543	4.4
City of Emporia	13,142	12,103	1,039	7.9
City of Garden City	12,455	11,918	537	4.3
City of Hutchinson	19,607	18,301	1,306	6.7
City of Kansas City	70,193	59,908	10,285	14.7
City of Lawrence	50,335	47,508	2,827	5.6
City of Leavenworth	15,221	13,521	1,700	11.2
City of Leawood	15,909	15,182	727	4.6
City of Lenexa	28,595	26,551	2,044	7.1
City of Manhattan	31,868	30,725	1,143	3.6
City of Olathe	62,759	58,637	4,122	6.6
City of Overland Park	98,662	92,219	6,443	6.5
City of Salina	23,870	22,514	1,356	5.7
City of Shawnee	32,815	31,048	1,767	5.4
City of Topeka	65,834	60,926	4,908	7.5
City of Wichita	196,364	183,861	12,503	6.4



Posted on Mon, Mar. 09, 2009

Diabetes company with 1,400 considers expansion to Johnson County

By KEVIN COLLISON
The Kansas City Star

The Kansas City area is competing with San Antonio for a major support facility planned by Medtronic Diabetes that would employ about 1,400 workers.

The local search has been narrowed to the Kansas side of the area — either Overland Park or Lenexa. Medtronic officials have toured the former Applebee's headquarters at 11201 Renner Blvd. in Lenexa, according to Steve Sabicer, a spokesman for Medtronic Diabetes.

"We've been growing by double digits the past five years," Sabicer said Monday. "We've been the fastest-growing Medtronic unit four of the last five quarters and we need 180,000 square feet over the next five years."

Sabicer declined to identify the number of jobs the new facility would create, but he said the firm planned to double the size of its current 1,500-person work force over the next five years.

The *San Antonio Express-News*, citing Texas economic development officials, reported the project would create 1,400 jobs with an average salary of \$31,000 per year.

Medtronic Diabetes is based in Northridge, Calif. Its business concentrates on supplying equipment for diabetes patients, including insulin pumps and controls and glucose monitors.

Its parent company, Medtronic, has its world headquarters in Minneapolis. The company reported \$13.5 billion in revenues in fiscal 2008 and employed 38,000 people worldwide.

If Medtronic Diabetes chooses to locate in the Kansas City area, it will offer a bracing bit of good news in an economy struggling with a wave of job losses. However, making the short list doesn't guarantee a deal in the high-risk, high-reward world of corporate relocation.

Officials at the Kansas City Area Development Council and the Kansas Department of Commerce on Monday declined to comment on the Medtronic Diabetes deal.

"For competitive reasons and to honor confidentiality agreements, KCADC has long maintained a policy of refraining from comment regarding our involvement with specific recruitment opportunities," said Bob Marcusse, president and CEO. "We will continue to honor that policy unless otherwise requested by our clients."

Bob North of the Kansas Commerce Department also declined to discuss the matter, citing a confidentiality agreement.

Sabicer said the company is looking for an existing building because it wants to begin operations by the second half of this year. A decision on the new location is expected by mid-April.

Kansas City and San Antonio became finalists after about a nine-month search, he said.

The new Medtronic Diabetes support facility would employ a mostly college-educated work force, and its functions would include customer service and sales support, Sabicer said.

The \$47 million Applebee's building opened in January 2008, and its unique design is considered environmentally friendly.

Sabicer said his company is seeking that type of building for its employees.

"It's very much in line with Medtronic's vision in terms of being open and having a nice atmosphere," he said.

Other buildings, however, also are being considered.

Applebee's, which is now owned by DineEquity Inc., occupies the building under a lease. But it could sublease space in the 187,000-square-foot building to someone else.

Quality Jobs Act secured deal for Westar

St. Charles County Business Record

May 09, 2006

If it weren't for the Missouri Quality Jobs Act, Westar Corp. may not have built its headquarters at the Missouri Research Park, said Rick Finholt, the park's executive director.

Westar Corp. hadn't planned on building its headquarters here initially; it was receiving a lot of pressure from its executives to build the company's headquarters in Alabama, Finholt said during the ground-breaking ceremony for Westar's new 81,000-square-foot headquarters on Friday.

The Missouri Quality Jobs Act, which offers tax credits to companies that provide or retain jobs in the state, was part of the package deal that was offered to keep Westar's headquarters here, Finholt said.

"Of all the places that we could have built this building, we're very, very happy to be at the Missouri Research Park and very happy to be in Missouri, which we have decided is the best place to build the company," said Robert Topping, Westar's president and CEO.

He added that the Missouri Quality Jobs Act "really clinched the deal" with Westar.

In the next four years, the company plans on bringing in 400 engineering and executive positions with an average salary of \$80,000 per year.

Finholt, who was involved in negotiations to keep Westar here, said he doubted Missouri's economic incentives were better than Alabama's, but that there were other factors that secured Westar's decision to expand here.

Topping mentioned that Missouri is centrally located, which is important to the defense and security technology firm. Westar operates 30 locations and employs 1,100 people worldwide.

Topping also said the relationship Westar shares with the University of Missouri school system and its access to research and development programs through the universities was "very important" to the company's decision to stay.

About 50 executives at Westar, including Topping, are graduates from the University of Missouri school system, Topping said.

McEagle Properties L.L.C. is the developer of the \$13 million headquarters, which targets completion in early 2007. Paric Corp. is the general contractor, Cole & Associates Inc. is the civil engineer, and Holleran Duitsman Architects Inc. is the architect for the project.

The new, Class "A" office building will be located just southeast of Westar's current 64,000-square-foot building at 4 Research Park Drive. The site, which fronts highway 40, includes room for a third building and future expansion.

After the new headquarters is built, Westar will occupy 140,000 square feet at the Research Park.

When Westar first moved to the Research Park in 2000, it was making \$20 million in revenues and employed about 170 people, Topping said. Westar most recently reported revenues of \$200 million.

McEagle and Paric built the company's first 44,000-square-foot facility. It later added on 22,000 square feet to house Westar's affiliate Aerospace Filtration Systems, which is now a separate company.

David Sampson, deputy secretary of the U.S. Commerce Department, spoke at the ceremony and gave credit for the nation's economic successes to people like Topping who "keep jobs here" in the United States. He said the Labor Department recently announced that 138,000 new jobs were created in the month of April and that for the past year, an average of 173,000 jobs have been created per month.

Also in attendance was U.S. Sen. Jim Talent, R-Missouri, who said the aerospace filtration systems manufactured by Westar have saved the U.S. Army \$1.2 billion and that the role Westar plays in keeping the military equipped with technology is important to the nation's future.

Westar provides clients – such as the Army, the U.S. Department of Defense and NASA – with systems engineering, software and logistics, said Mike Ruggeri, Westar's vice president of communications.

Westar was founded in 1986 in Albuquerque, N.M. It opened its first engineering center in St. Louis in 1989. Westar

purchased logistics form Cobro Corp. of Earth City in 2000 and missile systems expert ELMCO Inc. in 2003.

Other affiliates include three technology engineering, development and support firms: Foster-Miller Inc., Planning Systems Inc. and Apogen Technologies.

Westar was acquired by QinetiQ, a global leader in defense and security technology, in 2004.

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Kansas Employment Wages 2007 Annual Averages													
HB 2365 Promoting Employment Across Kansas (PEAK)													
Area	Average Annual Wages	110% Annual Wages	110% Hourly Wages	4% Annual Withheld	4% Hourly Withheld	120% Annual Wages	120% Hourly Wages	5% Annual Withheld	4% Hourly Withheld	140% Annual Wages	140% Hourly Wages	6% Annual Withheld	6% Hourly Withheld
Kansas	\$37,572	\$41,329	\$19.87	\$1,653	\$0.79	\$45,086	\$21.68	\$2,254	\$1.08	\$52,600	\$25.29	\$3,156.03	\$1.52
Kansas City MSA	\$44,535	\$48,989	\$23.55	\$1,960	\$0.94	\$53,443	\$25.69	\$2,672	\$1.28	\$62,350	\$29.98	\$3,740.98	\$1.80
Wichita MSA	\$40,066	\$44,073	\$21.19	\$1,763	\$0.85	\$48,079	\$23.12	\$2,404	\$1.16	\$56,093	\$26.97	\$3,365.55	\$1.62
Topeka MSA	\$35,684	\$39,253	\$18.87	\$1,570	\$0.75	\$42,821	\$20.59	\$2,141	\$1.03	\$49,958	\$24.02	\$2,997.48	\$1.44
Lawrence MSA	\$27,029	\$29,732	\$14.29	\$1,189	\$0.57	\$32,435	\$15.59	\$1,622	\$0.78	\$37,840	\$18.19	\$2,270.42	\$1.09
Allan	\$27,271	\$29,998	\$14.42	\$1,200	\$0.58	\$32,725	\$15.73	\$1,636	\$0.79	\$38,179	\$18.36	\$2,290.76	\$1.10
Anderson	\$23,426	\$25,769	\$12.39	\$1,031	\$0.50	\$28,111	\$13.52	\$1,406	\$0.68	\$32,796	\$15.77	\$1,967.79	\$0.95
Atchison	\$28,942	\$31,837	\$15.31	\$1,273	\$0.61	\$34,731	\$16.70	\$1,737	\$0.83	\$40,519	\$19.48	\$2,431.16	\$1.17
Barber	\$28,918	\$31,810	\$15.29	\$1,272	\$0.61	\$34,702	\$16.68	\$1,735	\$0.83	\$40,485	\$19.46	\$2,429.12	\$1.17
Barton	\$31,984	\$35,183	\$16.91	\$1,407	\$0.68	\$38,381	\$18.45	\$1,919	\$0.92	\$44,778	\$21.53	\$2,686.68	\$1.29
Bourbon	\$27,316	\$30,047	\$14.45	\$1,202	\$0.58	\$32,779	\$15.76	\$1,639	\$0.79	\$38,242	\$18.39	\$2,294.51	\$1.10
Brown	\$30,233	\$33,256	\$15.99	\$1,330	\$0.64	\$36,279	\$17.44	\$1,814	\$0.87	\$42,326	\$20.35	\$2,539.55	\$1.22
Butler	\$29,996	\$32,996	\$15.86	\$1,320	\$0.63	\$35,996	\$17.31	\$1,800	\$0.87	\$41,995	\$20.19	\$2,519.70	\$1.21
Chase	\$22,565	\$24,822	\$11.93	\$993	\$0.48	\$27,079	\$13.02	\$1,354	\$0.65	\$31,592	\$15.19	\$1,895.50	\$0.91
Chautauqua	\$21,405	\$23,545	\$11.32	\$942	\$0.45	\$25,686	\$12.35	\$1,284	\$0.62	\$29,967	\$14.41	\$1,798.00	\$0.86
Cherokee	\$29,878	\$32,866	\$15.80	\$1,315	\$0.63	\$35,854	\$17.24	\$1,793	\$0.86	\$41,830	\$20.11	\$2,509.78	\$1.21
Cheyenne	\$26,633	\$29,296	\$14.08	\$1,172	\$0.56	\$31,960	\$15.37	\$1,598	\$0.77	\$37,286	\$17.93	\$2,237.18	\$1.08
Clark	\$28,504	\$31,354	\$15.07	\$1,254	\$0.60	\$34,205	\$16.44	\$1,710	\$0.82	\$39,905	\$19.19	\$2,394.33	\$1.15
Clay	\$21,632	\$23,795	\$11.44	\$952	\$0.46	\$25,958	\$12.48	\$1,298	\$0.62	\$30,285	\$14.56	\$1,817.09	\$0.87
Cloud	\$23,407	\$25,747	\$12.38	\$1,030	\$0.50	\$28,088	\$13.50	\$1,404	\$0.68	\$32,769	\$15.75	\$1,966.15	\$0.95
Coffey	\$43,652	\$48,017	\$23.09	\$1,921	\$0.92	\$52,382	\$25.18	\$2,619	\$1.26	\$61,113	\$29.38	\$3,666.76	\$1.76
Comanche	\$19,074	\$20,982	\$10.09	\$839	\$0.40	\$22,889	\$11.00	\$1,144	\$0.55	\$26,704	\$12.84	\$1,602.23	\$0.77
Cowley	\$30,809	\$33,890	\$16.29	\$1,356	\$0.65	\$36,971	\$17.77	\$1,849	\$0.89	\$43,132	\$20.74	\$2,587.94	\$1.24
Crawford	\$26,224	\$28,846	\$13.87	\$1,154	\$0.55	\$31,468	\$15.13	\$1,573	\$0.76	\$36,713	\$17.65	\$2,202.79	\$1.06
Decatur	\$22,890	\$25,179	\$12.11	\$1,007	\$0.48	\$27,468	\$13.21	\$1,373	\$0.66	\$32,047	\$15.41	\$1,922.79	\$0.92
Dickinson	\$25,940	\$28,534	\$13.72	\$1,141	\$0.55	\$31,128	\$14.97	\$1,556	\$0.75	\$36,316	\$17.46	\$2,178.95	\$1.05
Doniphan	\$38,028	\$41,830	\$20.11	\$1,673	\$0.80	\$45,633	\$21.94	\$2,282	\$1.10	\$53,239	\$25.60	\$3,194.31	\$1.54
Douglas	\$27,029	\$29,732	\$14.29	\$1,189	\$0.57	\$32,435	\$15.59	\$1,622	\$0.78	\$37,840	\$18.19	\$2,270.42	\$1.09
Edwards	\$26,965	\$29,662	\$14.26	\$1,186	\$0.57	\$32,358	\$15.56	\$1,618	\$0.78	\$37,752	\$18.15	\$2,265.09	\$1.09
Elk	\$17,121	\$18,833	\$9.05	\$753	\$0.36	\$20,545	\$9.88	\$1,027	\$0.49	\$23,970	\$11.52	\$1,438.17	\$0.69

Ellis	\$28,345	\$31,179	\$14.99	\$1,247	\$0.60	\$34,014	\$16.35	\$1,701	\$0.82	\$39,683	\$19.08	\$2,380.98	\$1.14
Ellsworth	\$27,030	\$29,733	\$14.29	\$1,189	\$0.57	\$32,436	\$15.59	\$1,622	\$0.78	\$37,842	\$18.19	\$2,270.54	\$1.04
Finney	\$30,290	\$33,319	\$16.02	\$1,333	\$0.64	\$36,349	\$17.48	\$1,817	\$0.87	\$42,407	\$20.39	\$2,544.40	\$1.22
Ford	\$30,562	\$33,618	\$16.16	\$1,345	\$0.65	\$36,674	\$17.63	\$1,834	\$0.88	\$42,787	\$20.57	\$2,567.20	\$1.23
Franklin	\$29,216	\$32,137	\$15.45	\$1,285	\$0.62	\$35,059	\$16.86	\$1,753	\$0.84	\$40,902	\$19.66	\$2,454.13	\$1.18
Geary	\$25,080	\$27,588	\$13.26	\$1,104	\$0.53	\$30,096	\$14.47	\$1,505	\$0.72	\$35,112	\$16.88	\$2,106.70	\$0.98
Gove	\$23,682	\$26,051	\$12.52	\$1,042	\$0.50	\$28,419	\$13.66	\$1,421	\$0.68	\$33,155	\$15.94	\$1,989.32	\$0.96
Graham	\$27,803	\$30,583	\$14.70	\$1,223	\$0.59	\$33,363	\$16.04	\$1,668	\$0.80	\$38,924	\$18.71	\$2,335.44	\$1.08
Grant	\$37,495	\$41,244	\$19.83	\$1,650	\$0.79	\$44,994	\$21.63	\$2,250	\$1.08	\$52,493	\$25.24	\$3,149.58	\$1.51
Gray	\$30,509	\$33,560	\$16.13	\$1,342	\$0.65	\$36,611	\$17.60	\$1,831	\$0.88	\$42,713	\$20.54	\$2,562.78	\$1.23
Greeley	\$25,658	\$28,224	\$13.57	\$1,129	\$0.54	\$30,789	\$14.80	\$1,539	\$0.74	\$35,921	\$17.27	\$2,155.25	\$1.04
Greenwood	\$26,336	\$28,969	\$13.93	\$1,159	\$0.56	\$31,603	\$15.19	\$1,580	\$0.76	\$36,870	\$17.73	\$2,212.18	\$1.05
Hamilton	\$28,904	\$31,794	\$15.29	\$1,272	\$0.61	\$34,685	\$16.68	\$1,734	\$0.83	\$40,466	\$19.45	\$2,427.94	\$1.17
Harper	\$29,664	\$32,631	\$15.69	\$1,305	\$0.63	\$35,597	\$17.11	\$1,780	\$0.86	\$41,530	\$19.97	\$2,491.79	\$1.20
Harvey	\$29,859	\$32,845	\$15.79	\$1,314	\$0.63	\$35,831	\$17.23	\$1,792	\$0.86	\$41,803	\$20.10	\$2,508.17	\$1.21
Haskell	\$34,841	\$38,325	\$18.43	\$1,533	\$0.74	\$41,809	\$20.10	\$2,090	\$1.01	\$48,778	\$23.45	\$2,926.66	\$1.41
Hodgeman	\$27,211	\$29,932	\$14.39	\$1,197	\$0.58	\$32,653	\$15.70	\$1,633	\$0.78	\$38,095	\$18.31	\$2,285.69	\$1.10
Jackson	\$25,709	\$28,280	\$13.60	\$1,131	\$0.54	\$30,851	\$14.83	\$1,543	\$0.74	\$35,993	\$17.30	\$2,159.55	\$1.04
Jefferson	\$30,863	\$33,949	\$16.32	\$1,358	\$0.65	\$37,035	\$17.81	\$1,852	\$0.89	\$43,208	\$20.77	\$2,592.47	\$1.25
Jewell	\$23,063	\$25,369	\$12.20	\$1,015	\$0.49	\$27,676	\$13.31	\$1,384	\$0.67	\$32,288	\$15.52	\$1,937.61	\$0.93
Johnson	\$46,807	\$51,487	\$24.75	\$2,059	\$0.99	\$56,168	\$27.00	\$2,808	\$1.35	\$65,529	\$31.50	\$3,931.76	\$1.89
Kearny	\$31,910	\$35,100	\$16.88	\$1,404	\$0.68	\$38,291	\$18.41	\$1,915	\$0.92	\$44,673	\$21.48	\$2,680.40	\$1.29
Kingman	\$28,472	\$31,319	\$15.06	\$1,253	\$0.60	\$34,167	\$16.43	\$1,708	\$0.82	\$39,861	\$19.16	\$2,391.66	\$1.15
Kiowa	\$27,661	\$30,427	\$14.63	\$1,217	\$0.59	\$33,193	\$15.96	\$1,660	\$0.80	\$38,725	\$18.62	\$2,323.53	\$1.10
Labette	\$24,196	\$26,616	\$12.80	\$1,065	\$0.51	\$29,035	\$13.96	\$1,452	\$0.70	\$33,875	\$16.29	\$2,032.47	\$0.98
Lane	\$32,001	\$35,201	\$16.92	\$1,408	\$0.68	\$38,401	\$18.46	\$1,920	\$0.92	\$44,801	\$21.54	\$2,688.06	\$1.29
Leavenworth	\$32,452	\$35,697	\$17.16	\$1,428	\$0.69	\$38,943	\$18.72	\$1,947	\$0.94	\$45,433	\$21.84	\$2,725.98	\$1.31
Lincoln	\$19,688	\$21,657	\$10.41	\$866	\$0.42	\$23,626	\$11.36	\$1,181	\$0.57	\$27,563	\$13.25	\$1,653.79	\$0.80
Linn	\$36,512	\$40,163	\$19.31	\$1,607	\$0.77	\$43,814	\$21.06	\$2,191	\$1.05	\$51,116	\$24.58	\$3,066.99	\$1.47
Logan	\$26,302	\$28,932	\$13.91	\$1,157	\$0.56	\$31,563	\$15.17	\$1,578	\$0.76	\$36,823	\$17.70	\$2,209.39	\$1.06
Lyon	\$26,774	\$29,451	\$14.16	\$1,178	\$0.57	\$32,128	\$15.45	\$1,606	\$0.77	\$37,483	\$18.02	\$2,248.99	\$1.08
Marion	\$32,566	\$35,823	\$17.22	\$1,433	\$0.69	\$39,079	\$18.79	\$1,954	\$0.94	\$45,592	\$21.92	\$2,735.54	\$1.30
Marshall	\$22,856	\$25,141	\$12.09	\$1,006	\$0.48	\$27,427	\$13.19	\$1,371	\$0.66	\$31,998	\$15.38	\$1,919.88	\$0.92
McPherson	\$30,644	\$33,708	\$16.21	\$1,348	\$0.65	\$36,773	\$17.68	\$1,839	\$0.88	\$42,901	\$20.63	\$2,574.08	\$1.24
Meade	\$33,874	\$37,261	\$17.91	\$1,490	\$0.72	\$40,648	\$19.54	\$2,032	\$0.98	\$47,423	\$22.80	\$2,845.37	\$1.37
Miami	\$28,370	\$31,207	\$15.00	\$1,248	\$0.60	\$34,044	\$16.37	\$1,702	\$0.82	\$39,718	\$19.10	\$2,383.10	\$1.14
Mitchell	\$26,699	\$29,369	\$14.12	\$1,175	\$0.56	\$32,038	\$15.40	\$1,602	\$0.77	\$37,378	\$17.97	\$2,242.69	\$1.08

Montgomery	\$30,230	\$33,253	\$15.99	\$1,330	\$0.64	\$36,276	\$17.44	\$1,814	\$0.87	\$42,322	\$20.35	\$2,539.33	\$1.22
Morris	\$24,140	\$26,554	\$12.77	\$1,062	\$0.51	\$28,968	\$13.93	\$1,448	\$0.70	\$33,796	\$16.25	\$2,027.77	\$0.97
Morton	\$35,819	\$39,401	\$18.94	\$1,576	\$0.76	\$42,983	\$20.66	\$2,149	\$1.03	\$50,146	\$24.11	\$3,008.79	\$1.45
Nemaha	\$28,301	\$31,131	\$14.97	\$1,245	\$0.60	\$33,961	\$16.33	\$1,698	\$0.82	\$39,621	\$19.05	\$2,377.26	\$1.14
Neosho	\$31,134	\$34,247	\$16.46	\$1,370	\$0.66	\$37,360	\$17.96	\$1,868	\$0.90	\$43,587	\$20.96	\$2,615.21	\$1.26
Ness	\$33,634	\$36,997	\$17.79	\$1,480	\$0.71	\$40,361	\$19.40	\$2,018	\$0.97	\$47,088	\$22.64	\$2,825.26	\$1.36
Norton	\$26,416	\$29,058	\$13.97	\$1,162	\$0.56	\$31,700	\$15.24	\$1,585	\$0.76	\$36,983	\$17.78	\$2,218.97	\$1.06
Osage	\$20,554	\$22,609	\$10.87	\$904	\$0.43	\$24,665	\$11.86	\$1,233	\$0.59	\$28,775	\$13.83	\$1,726.52	\$0.83
Osborn	\$20,776	\$22,853	\$10.99	\$914	\$0.44	\$24,931	\$11.99	\$1,247	\$0.60	\$29,086	\$13.98	\$1,745.17	\$0.84
Ottawa	\$23,382	\$25,720	\$12.37	\$1,029	\$0.49	\$28,058	\$13.49	\$1,403	\$0.67	\$32,734	\$15.74	\$1,964.05	\$0.94
Pawnee	\$24,776	\$27,253	\$13.10	\$1,090	\$0.52	\$29,731	\$14.29	\$1,487	\$0.71	\$34,686	\$16.68	\$2,081.15	\$1.01
Phillips	\$27,562	\$30,318	\$14.58	\$1,213	\$0.58	\$33,074	\$15.90	\$1,654	\$0.80	\$38,586	\$18.55	\$2,315.18	\$1.11
Pottawatomie	\$31,434	\$34,578	\$16.62	\$1,383	\$0.66	\$37,721	\$18.14	\$1,886	\$0.91	\$44,008	\$21.16	\$2,640.48	\$1.27
Pratt	\$30,678	\$33,746	\$16.22	\$1,350	\$0.65	\$36,814	\$17.70	\$1,841	\$0.88	\$42,950	\$20.65	\$2,576.99	\$1.24
Rawlins	\$23,175	\$25,492	\$12.26	\$1,020	\$0.49	\$27,810	\$13.37	\$1,390	\$0.67	\$32,445	\$15.60	\$1,946.68	\$0.94
Reno	\$30,788	\$33,867	\$16.28	\$1,355	\$0.65	\$36,946	\$17.76	\$1,847	\$0.89	\$43,103	\$20.72	\$2,586.21	\$1.24
Republic	\$20,891	\$22,980	\$11.05	\$919	\$0.44	\$25,069	\$12.05	\$1,253	\$0.60	\$29,248	\$14.06	\$1,754.86	\$0.84
Rice	\$29,926	\$32,918	\$15.83	\$1,317	\$0.63	\$35,911	\$17.26	\$1,796	\$0.86	\$41,896	\$20.14	\$2,513.77	\$1.21
Riley	\$24,581	\$27,039	\$13.00	\$1,082	\$0.52	\$29,497	\$14.18	\$1,475	\$0.71	\$34,413	\$16.54	\$2,064.77	\$0.99
Rooks	\$28,462	\$31,308	\$15.05	\$1,252	\$0.60	\$34,155	\$16.42	\$1,708	\$0.82	\$39,847	\$19.16	\$2,390.83	\$1.15
Rush	\$29,205	\$32,126	\$15.45	\$1,285	\$0.62	\$35,046	\$16.85	\$1,752	\$0.84	\$40,887	\$19.66	\$2,458.25	\$1.18
Russell	\$27,084	\$29,793	\$14.32	\$1,192	\$0.57	\$32,501	\$15.63	\$1,625	\$0.78	\$37,918	\$18.23	\$2,275.08	\$1.09
Saline	\$31,775	\$34,953	\$16.80	\$1,398	\$0.67	\$38,130	\$18.33	\$1,907	\$0.92	\$44,485	\$21.39	\$2,669.12	\$1.28
Scott	\$29,978	\$32,976	\$15.85	\$1,319	\$0.63	\$35,974	\$17.30	\$1,799	\$0.86	\$41,970	\$20.18	\$2,518.19	\$1.21
Sedgwick	\$41,379	\$45,517	\$21.88	\$1,821	\$0.88	\$49,655	\$23.87	\$2,483	\$1.19	\$57,931	\$27.85	\$3,475.88	\$1.67
Seward	\$30,860	\$33,946	\$16.32	\$1,358	\$0.65	\$37,032	\$17.80	\$1,852	\$0.89	\$43,205	\$20.77	\$2,592.27	\$1.25
Shawnee	\$36,807	\$40,488	\$19.47	\$1,620	\$0.78	\$44,168	\$21.23	\$2,208	\$1.06	\$51,530	\$24.77	\$3,091.79	\$1.49
Sheridan	\$28,567	\$31,424	\$15.11	\$1,257	\$0.60	\$34,281	\$16.48	\$1,714	\$0.82	\$39,994	\$19.23	\$2,399.65	\$1.15
Sherman	\$22,285	\$24,514	\$11.79	\$981	\$0.47	\$26,742	\$12.86	\$1,337	\$0.64	\$31,199	\$15.00	\$1,871.94	\$0.90
Smith	\$20,500	\$22,550	\$10.84	\$902	\$0.43	\$24,600	\$11.83	\$1,230	\$0.59	\$28,701	\$13.80	\$1,722.03	\$0.83
Stafford	\$25,338	\$27,871	\$13.40	\$1,115	\$0.54	\$30,405	\$14.62	\$1,520	\$0.73	\$35,473	\$17.05	\$2,128.36	\$1.07
Stanton	\$33,017	\$36,318	\$17.46	\$1,453	\$0.70	\$39,620	\$19.05	\$1,981	\$0.95	\$46,223	\$22.22	\$2,773.41	\$1.33
Stevens	\$32,997	\$36,297	\$17.45	\$1,452	\$0.70	\$39,597	\$19.04	\$1,980	\$0.95	\$46,196	\$22.21	\$2,771.78	\$1.33
Sumner	\$26,404	\$29,044	\$13.96	\$1,162	\$0.56	\$31,684	\$15.23	\$1,584	\$0.76	\$36,965	\$17.77	\$2,217.91	\$1.07
Thomas	\$26,359	\$28,995	\$13.94	\$1,160	\$0.56	\$31,631	\$15.21	\$1,582	\$0.76	\$36,902	\$17.74	\$2,214.14	\$1.06
Trego	\$26,644	\$29,309	\$14.09	\$1,172	\$0.56	\$31,973	\$15.37	\$1,599	\$0.77	\$37,302	\$17.93	\$2,238.13	\$1.08
Wabaunsee	\$27,426	\$30,169	\$14.50	\$1,207	\$0.58	\$32,911	\$15.82	\$1,646	\$0.79	\$38,396	\$18.46	\$2,303.79	\$1.11

Wallace	\$24,067	\$26,474	\$12.73	\$1,059	\$0.51	\$28,881	\$13.89	\$1,444	\$0.69	\$33,694	\$16.20	\$2,021.66	\$0.97
Washington	\$21,398	\$23,537	\$11.32	\$941	\$0.45	\$25,677	\$12.34	\$1,284	\$0.62	\$29,957	\$14.40	\$1,797.41	\$0.86
Wichita	\$30,055	\$33,060	\$15.89	\$1,322	\$0.64	\$36,065	\$17.34	\$1,803	\$0.87	\$42,076	\$20.23	\$2,524.58	\$1.21
Wilson	\$29,112	\$32,023	\$15.40	\$1,281	\$0.62	\$34,934	\$16.80	\$1,747	\$0.84	\$40,756	\$19.59	\$2,445.38	\$1.18
Woodson	\$24,527	\$26,980	\$12.97	\$1,079	\$0.52	\$29,432	\$14.15	\$1,472	\$0.71	\$34,338	\$16.51	\$2,060.26	\$0.99
Wyandotte	\$40,551	\$44,606	\$21.45	\$1,784	\$0.86	\$48,661	\$23.39	\$2,433	\$1.17	\$56,772	\$27.29	\$3,406.30	\$1.64
State Averages	\$28,706	\$31,576	\$15.18	\$1,263	\$0.61	\$34,447	\$16.56	\$1,722	\$0.83	\$40,188	\$19.32	\$2,411.28	\$1.16



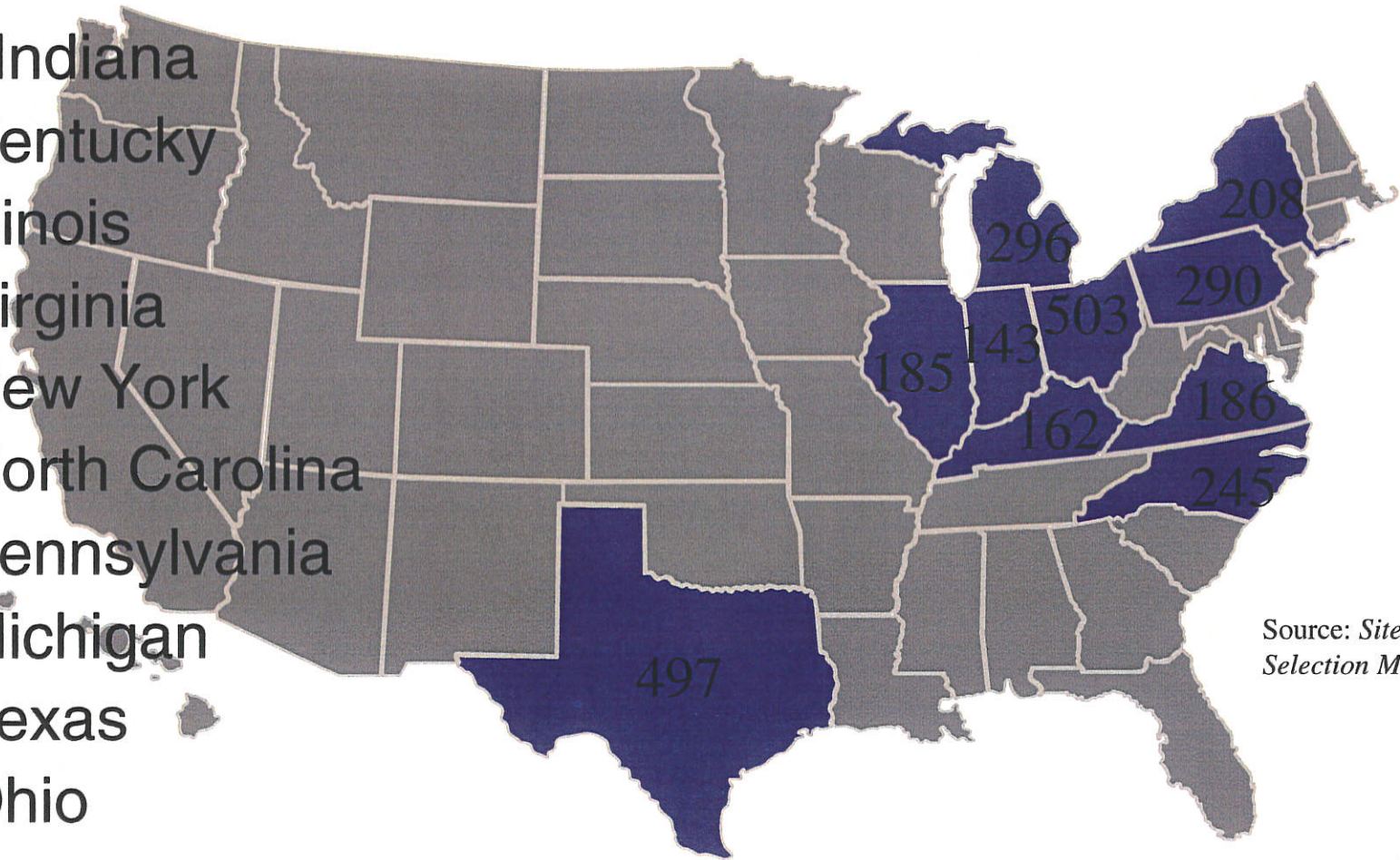
State Credits and Incentives Update

March 16, 2009

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

Top 10 States for Expansion Projects – 2008

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



Source: *Site Selection Magazine*

Top Projects by Industry in 2007

Industry	New	Exp	Total
Transportation Equipment Mfg.	317	244	561
Chemicals Pharmaceuticals	338	144	482
Machinery (excl. Electrical)	216	182	398
Fabricated Metal Products	166	199	365
Computer and Electronics Mfg.	223	130	353

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

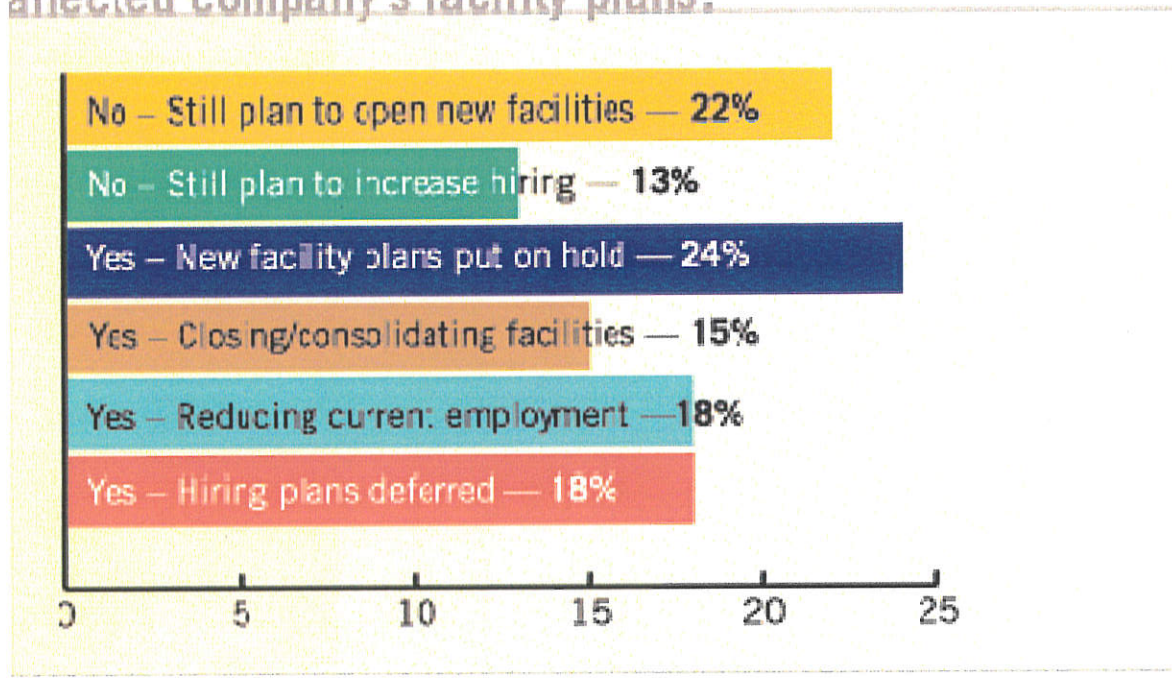
1. Tennessee
2. Alabama
3. North Carolina
4. Kentucky
5. Ohio
6. Iowa
7. Indiana
8. Nebraska
9. South Dakota
- 10. Kansas**

- 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*

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

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

Where does Kansas fit in?

Budgeted State Economic Development Funding by Region in FY 2007

Total Budget FY 2007

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

% change from FY 2006

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

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

New Jersey Business Grant Program InvestNJ

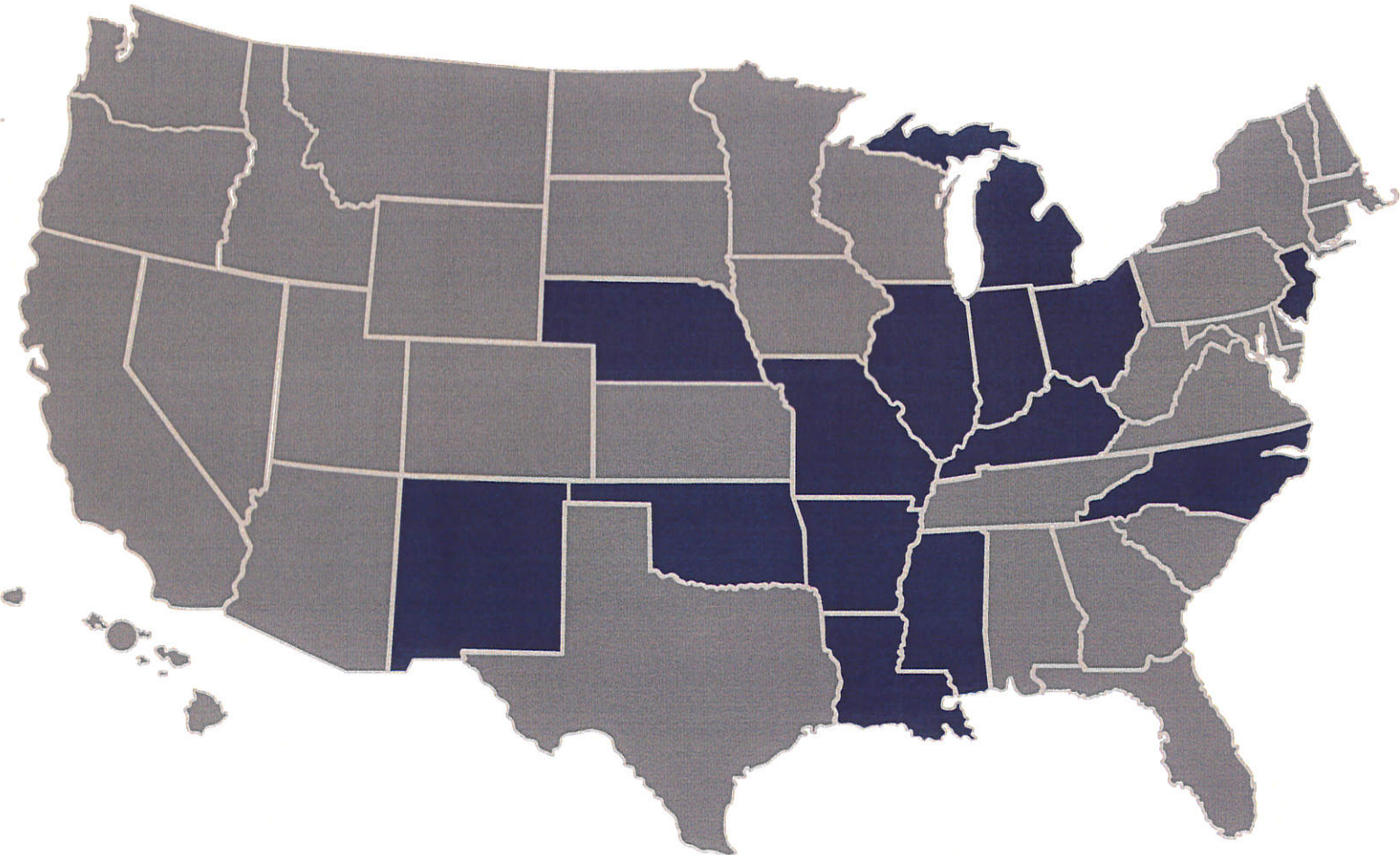
- \$120 million of grants available for 2009 and 2010
- Grants only awarded to existing NJ businesses
- 7% investment grant for expenditures over \$5,000 cap of \$1 million per grantee
- \$3,000 employment grant for each new job retained for 1 year cap of \$500,000 per grantee
- Grants are awarded on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

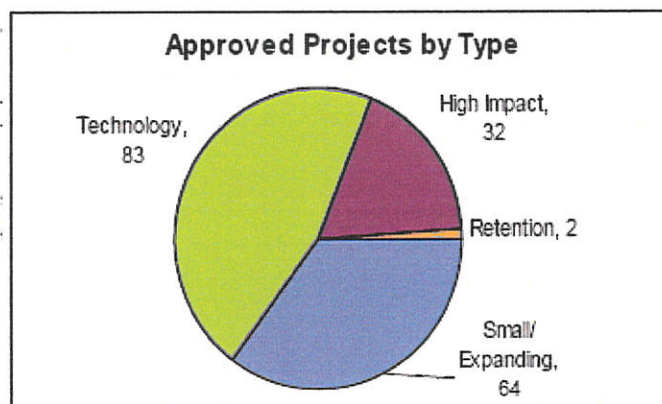


Missouri Quality Jobs Program

- 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

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)

Recommendations for Kansas

- 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!

Contact information

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HOUSE COMMITTEE ON TAXATION

Hearing on House Bill 2365

March 16, 2009

TESTIMONY OF GARY SHERRER

Chairman Carlson and members of the Committee; my name is Gary Sherrer and I am here to support the favorable consideration of H.B. 2365. I represent only myself today, and my support is based on my 8 years as Kansas Secretary of Commerce and Housing as well as my experience as a community volunteer and consultant for economic development. I want to thank the Committee for taking time to consider this important legislation. It is easy in difficult economic times to go into a “bunker of inaction”, and to be reactive rather than proactive. Your willingness to consider ways in which we can build the Kansas economy and create jobs for our citizens is appreciated.

I would like to share four elements that I believe support your giving this bill favorable consideration.

1. WE MUST BECOME MORE COMPETITIVE.

You have already heard testimony about the need to enhance our economic tools used in the recruitment of new jobs for Kansas. I could line up site selection consultants from around the country who would all give you the same message. This is not just theory. We are losing job opportunities. I know of a recent project of 400 jobs, with average wages exceeding \$60,000 that was lost because we did not have a quality jobs program. A state with a quality jobs program was selected. Kansas is currently competing with Texas for 1,400 high paying jobs. I assure you having this program would make a difference in that competition. The evidence is compelling, we need to move from tax credits to cash if we want to compete on the national and international level.

2. NOW IS THE TIME

In the current economic environment there are fewer opportunities for job and investment recruitment. Being more

competitive is important in such an environment. More importantly when the economy turns around there will be a surge of projects and we will have a strong opportunity to build the Kansas economy with jobs and investments if we are prepared. Passage of H.B. 2365 will enhance our preparedness.

3. H.B. 2365 IS FISCALLY RESPONSIBLE

The bill is targeted at new jobs created by attracting them from other countries, or from other states. It gives Kansas a competitive enhancement for mergers and acquisitions that often put Kansas jobs at risk. The targets are jobs we well might not get otherwise or jobs we would be a risk of losing. To me it is like giving a tax abatement on an empty piece of ground knowing that if someone used the incentive to build an office building you have increased the value of the land and created job opportunities. You do this with a short term tax incentive for long term economic gains. I believe the "but for" test in Sec. 4 (3) further ensures that the quality jobs incentive is the primary factor and that we would not have the jobs without it. (I would suggest changing the language in the section by substituting the word willing for able and deleting the word solely. My experience is that generally a package of benefits is proposed, often including some by local government and can be acknowledged by this slight changing of (3). It would still require the company to certify that without the benefits of H.B. 2365 it would not create the jobs in Kansas. I know there are those who do not believe the companies can be trusted and their verification/certification would be meaningless. I do not have such an attitude. Based on my signing agreements for 8 years as Secretary of Commerce I found the overwhelming majority of the companies we did business with to be solid and good citizens. My third point regarding the fiscal responsible nature of this bill is to remind you of the benefit to existing Kansas businesses. During my time as Secretary of Commerce we had an existing Kansas company that was going through a merger and had to decide between Kansas and another state to consolidate operations in. In preparing an incentive package for them we asked if they would provide us a list of all the vendors that they did business with in Kansas. There were well over 300 vendors on their list, all classified as small

businesses. We forget that when a new company comes to Kansas, our existing small businesses are the beneficiaries. Finally on the point of the fiscal impact of this bill I would encourage you to study fiscal notes or projections of the Department of Revenue. I enjoyed working with the good people at Revenue but I do not think when it comes to economic development their analysis is complete. What is not included in their projections is the economic impact of a new company to Kansas. I am serving as Chairman of the Midwest Cancer Alliance Partners Advisory Board. Our projections are an economic impact of 1.3 billion dollars a year once we have NCI Designation and all our programs, facilities and staff are in place. Part of that impact is that recruited staff will buy houses, cars, goods and services they will pay sales and property taxes. The entities themselves will purchase goods and services and pay taxes. Job creation goes far beyond income tax in economic impact. When in the late 90's we recruited a new business to Hays, Kansas, we ask the Docking Institute to do a follow up of the economic impact on the area. The numbers were significant. When we recruited the ISC to build the Kansas Speedway, we ran computer economic models to measure the value to Kansas in exchange for giving up sales tax to pay for the bonds. The models clearly demonstrated the return on investment was significant. Whatever fiscal number is offered up, please remember it is only a projection—a projection that does not show benefits on the plus side of the ledger.

4. DON'T LET THE QUEST FOR THE "PERFECT BILL" STOP YOU FROM MOVING THIS BILL AND KANSAS FORWARD

It seems to me that sometimes in the legislative process we search too hard for the "perfect bill". All of us like to edit and wordsmith. Do I think you could shorten some of the time periods for the tax to be retained by the company? Yes, I think 10 years max would still be competitive, but that is just my judgment. Maybe there should be some minor adjustments made in the bill. Just don't kill the concept or delay action while seeking perfection. What is wrong with passing the essence and basic target of the bill and then having a complete review of the results during the 2010 session? Then we won't be dealing in theory or projections, we will be dealing in facts and actual results. I

seriously doubt the world or the Kansas economy would be much at risk while we gave it a trial run. I can't remember an economic incentive at Commerce that we did not work with the Legislature to modify, enhance or eliminate as the need and the facts presented a case for doing so. Is there some risk in this approach? Yes, but I promise you there is greater risk to the Kansas economy if we do nothing.

We can nit-pick this bill to death or we can have the courage to perhaps make a few changes but to not lose sight of our goal—bring jobs to Kansans and strength to our economy. Oklahoma has made a quality jobs program work for more than a decade; Missouri has made one work and expanded it every year since it was enacted. If they can do it, we can do it.

CLOSING

Let me close by pointing out to you some people in this room. These are talented, dedicated men and women who every day are working to build the economic strength of their communities. I cannot tell you how much I respect them and feel privileged to have worked with them. Add to that the outstanding people at the Department of Commerce and you have an economic development team that can compete with anyone---if they have the incentives to compete with. For their sake, their communities and for Kansas I urge you to give them a strong incentive like the one found in H.B. 23645. Thank you.

Testimony in Support of HB2365

House Taxation Committee – Richard Carlson, Chair

March 16, 2009

Mr. Chair and Taxation Committee Members:

My name is Mike Michaelis. I support HB 2365.

I am the Executive Director of the Ellis County Coalition for Economic Development, based in Hays. I am also here as a member of wKREDA (the western Kansas Rural Economic Development Alliance) and as President of KEDA (the Kansas Economic Development Alliance).

A little over a year ago, former Lt. Governor Gary Sherrer spoke to a joint conference of Economic Development Professionals and Chamber of Commerce Presidents and Directors. He said that during his time as Lt. Governor and Secretary of Commerce, economic development policies and programs were established to attract and retain businesses for Kansas. He thought, as did many at the time, that these tools worked well and would continue to do so forever. However, Gary went on to say that this belief was flawed and that times have changed and so must our policies. While our policies worked well when enacted, other states have moved forward and left us using policies and programs from the 1980s that are no longer relevant to business and industry. He said mistakes were made and they need to be corrected now to make Kansas competitive in attracting and retaining business and industry. If asked, I know you would get the same response from leaders of that time such as former Senate President Dave Kerr, now of the Hutchinson Chamber of Commerce.

With former leaders comments in mind, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force committee and appointed Lavern Squier as chair. The committee held meetings across the state and listened to the voices of economic development professionals. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in policies to make Kansas more competitive.

While a variety of topics were discussed at these meetings, several concerns were repeatedly mentioned. In no particular order, they are: housing for communities outside of metro areas; transportation and how it relates to economic development; labor supply; IMPACT, HPIP, Enterprise Zone, and other current program enhancements; and the need for a quality jobs programs to compete with other states that use them. The persistent message conveyed by KEDA membership was the need to move from a tax credit system to a cash based model to make the playing field level with surrounding states and that any policy changes must be usable by both rural and metropolitan areas of the state.

While not perfect, passage of HB 2365 will make some of those needs become a reality. Without 2365 or something like it, the State of Kansas will fall further behind in the competition for business and industry. Please vote in favor of HB 2365.

Thank you in advance for your time and consideration.

Testimony before the House Taxation Committee
By Tom Riederer CEcD
President
Southwest Johnson County Economic Development Corporation
March 16, 2009

In support of House Bill 2365

Representative Carlson and Members of the Committee, I am here to testify in support of HB 2365.

Economic development is very competitive. In our area we compete on a daily basis with Missouri, but we also compete for new jobs nationally and internationally. Kansas needs tools to compete.

House bill 2365, is called PEAK (Promoting Employment Across Kansas). Its purpose is to attract new jobs to the State of Kansas. Qualifying companies would be able to retain between 3% and 6% of the employee withholding taxes when they bring new jobs in our state. This type of incentive program is similar to programs currently offered by States surrounding Kansas.

I would like to discuss how important these tools are. In the last two years Southwest Johnson County has been selected as a location for large distribution facilities by Kimberly-Clark and Coleman. \$75 million in investment in Kansas and a major reason for their decision is there is no tax on business personal property. That law was passed several years ago to make Kansas competitive.

With the pending sale of EMBARQ and the recent sale of EMBARQ logistics we need to have additional tools to replace any lost jobs encourage the new owners of these companies that Kansas is the place to move jobs to not take jobs from.

I am also a board member of the Kansas Economic Development Alliance (KEDA). Our members are on the front line of Economic Development and we look forward to working with the Legislature to keep Kansas moving forward. I am asking you to consider HB 2365 favorably.

Thank you for your consideration.



**Written Testimony before the House Taxation Committee
HB 2365 – The Promoting Employment Across Kansas (PEAK) Act
Submitted by J. Kent Eckles, Vice President of Government Affairs**

Monday, March 16th, 2009

The Kansas Chamber of Commerce appreciates the opportunity to submit written testimony in favor of House Bill 2365, The Promoting Employment Across Kansas (PEAK) 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 2365 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.





Written Testimony in Support of House Bill 2365

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

House Taxation Committee
Monday, March 16th, 2009

Chairman Carlson 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 2365, also known as the Promoting Employment Across Kansas (PEAK) 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 2365 is a positive step to help address that void. PEAK 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 number of jobs in a non-rural area.

PEAK 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 2365 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. PEAK would allow qualifying employers to retain three (3) per cent to six (6) per cent of a new employee's

9001 W. 110th Street • Suite 150
House Taxation Committee

t: 913.491

3-16-09

Attachment 7

gross earnings for a period of five (5) to ten (10) years, depending on the wages paid compared to the county average wage.

In addition, qualifying employers would receive an exemption from state income taxes for the first five (5) years after meeting qualifications under provisions in HB 2365. The minimum thresholds contained in this legislation would limit the number of businesses qualified to participate in this program but provide meaningful incentives to those that could.

While HB 2365 would incent new jobs coming to Kansas for large multi-state businesses, it would not provide incentives to existing smaller businesses seeking to expand their business here. I believe the economic development mechanism contained in HB 2358, also known as the Investing in Kansas Employment (IKE) Act, would be a great compliment to HB 2365..

HB 2358, IKE, also has provisions to make it applicable all across Kansas, allowing different thresholds for eligibility between rural and non-rural areas. Similar to HB 2365, IKE 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.

HB 2358 also provides employers creating new jobs access to "cash-equivalent" incentives. The difference is that 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 money rebated back to them. I think the provisions in HB 2365 that 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 makes more sense. This would seem to simplify the process and make our incentive programs consistent with some neighboring states that we must compete against for new jobs.

I know the Department of Revenue likes to assign a fiscal note to these types of programs. They like to claim that they were "budgeting for the growth" as if it was going to happen without any outside involvement. The news today seems to be just the opposite. I am hearing more about reductions and layoffs rather than expansions. HB 2365 and HB 2358 contain "but-for" tests that companies seeking these incentives must pass. This means these jobs are new jobs that would not have been created "but-for" these incentives to provide assistance. These are new jobs and new revenues to the state!

The Promoting Employment Across Kansas Act 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 2365.



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TO: Rep. Richard Carlson, Chairperson
Members, House Taxation Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: March 16, 2009

RE: **HB 2365—Creating the “Promoting Employment Across
Kansas” State Eco Devo Incentive Program**

The Lenexa Chamber of Commerce appreciates the opportunity to express its support for House Bill (HB) 2365, which would supplement current state economic development incentive programs with a new incentive plan that would allow qualifying companies to receive tax-related benefits for bringing or creating new jobs in Kansas.

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 Kansas incentives are rapidly losing ground.

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)
Texas	\$5.0 million	Hewlett-Packard Data Ctr (2006)
Texas	\$15 million	Washington Mutual (2005)

How do Kansas’s tools compare? 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 – currently \$1.25 million.

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

Accordingly, we support the concepts put forth in HB 2365. **Creating opportunities for companies to qualify for a cash or 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.

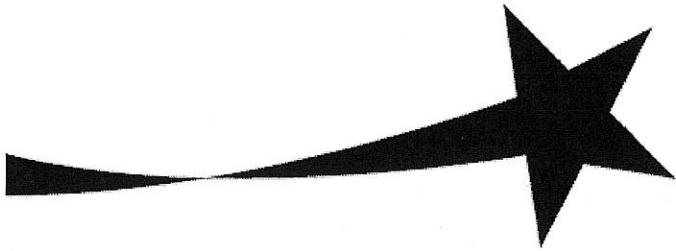
In summary, we believe HB 2365 would be a positive step toward ensuring Kansas incentives remain globally competitive and that the PEAK program would greatly enhance business attraction and expansion efforts across the state. Thank you very much for your time and attention to this important issue.



KANSAS

DEPARTMENT OF COMMERCE

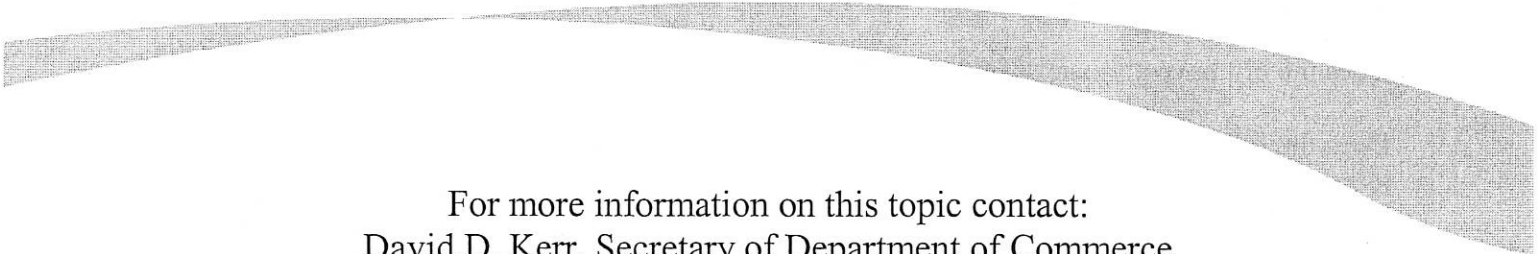
David D. Kerr, Secretary



Testimony as Neutral on HB 2365

House Committee on Taxation

March 16, 2009



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

Testimony in a neutral capacity on HB 2365 Presented to the House Committee on Taxation

By Secretary David D. Kerr
Kansas Department of Commerce

March 16, 2009

Chairman Carlson and members of the Committee:

Thank you for the opportunity to present my views on HB 2365. The authors of this bill deserve to be commended for taking a fresh approach at business incentives and for crafting some out-of-the-box ideas. 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.

I also feel that it is time to re-evaluate the overall long-term statewide strategy for business recruitment and retention. While the toolbox may have some 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.

As would be expected, since this bill does represent a fresh approach, there are a number of issues which should be clarified and several public policy issues which should be addressed.

First, how would this bill fit into an aggressive and forward-looking overall statewide strategy, and would it compare favorably with the programs of competing states?

Secondly, are there sufficient safeguards in the bill to ensure that the business is in fact hiring new employees? Can an existing Kansas company qualify under this plan or must the company be new to the state? Can the state effectively verify that the jobs claimed are indeed new jobs?

Does the bill have a financial impact on the state treasury?

Does the bill have a personal financial impact on employees since the bill as introduced appears to contain a mechanism for the employer to access the employees' gross wages? If so, is there any unintended consequences or is there a need to modify any other state income tax statutes?

In addition providing clarification on these items and addressing potential policy issues, I would suggest the Legislature consider making several modifications to the bill. Under the bill as introduced, an employer could receive benefits for a minimum of five years, and—if a high-impact project employer—for as many as 15 years. While the intent is to incent companies to

invest in Kansas, the length of the benefit period appears to be excessive and beyond what is necessary to incent new job creation.

The bill contains a provision that guarantees a business tax exempt status for five years if the business closes down in another state and relocates to Kansas. Again, this provision appears to go beyond what is required to accomplish the objective and has a significant financial impact on the state's revenues.

Lastly, since this program is funded out of employee withholding taxes, consideration should be given to limiting recipients from participating in other programs which also are funded with employee withholding taxes, like the existing IMPACT program.

Again, the authors of the bill should be commended for this fresh look approach in addressing economic development incentives. I certainly look forward to the development of tools which meet our state's economic development and expansion objectives. Thank you.

Testimony to the House Taxation Committee

Joan Wagnon

March 16, 2009

Department Concerns with House Bill 2365

Representative Carlson, Chair, and Members of the Committee:

House Bill 2365 is one of several proposals introduced this session to allow certain employers who add jobs to keep the payroll withholding taxes associated with those new jobs. As drafted, this bill would allow the employer to keep part of the employee's paycheck, in addition to the payroll withholding taxes. The proposal resembles some features of the Missouri Quality Jobs Program, and is intended to focus on bringing jobs from out-of-state into Kansas. However, as drafted it is considerably broader than that. Attached is a balloon amendment that would narrow the focus of the bill as intended and reduce the fiscal impact from the amount stated in our fiscal note, also attached.

Fiscal Concerns

Employer withholding tax is a vital component of the State's individual income tax base and currently makes up about 66% of individual income tax receipts. About 50% of State General Fund tax receipts consist of individual income tax. Five years ago, employer withholding tax made up about 72% of individual income tax receipts, and as a result of the legislative trend to divert more and more employer withholding tax revenue for specific projects, that percentage has been shrinking each year. During an economic downturn, such as we are currently experiencing, the loss of employer withholding tax revenue can be devastating. To balance the FY 09 budget, transfers of employer withholding tax revenues dedicated to the Bioscience Fund under the Bioscience Act (the annual growth in withholding from 2003 for Bioscience companies and university employees involved in Bioscience) will be reduced, and transfers for FY 10 will most likely need to be reduced as well. Since FY 06, over \$110 million in employer withholding tax revenues have been transferred to the Bioscience Fund. These types of revenue diversions shrink the tax base to the point where necessary State funding can be jeopardized. House Bill 2365, as drafted, would exacerbate that trend.

When the Consensus Revenue Estimating Group meets twice a year to forecast the State General Fund tax receipts for the current and next fiscal year, economic growth trends are factored in. As the State's economy grows, businesses increase investment, income and hiring, and tax receipts respond positively. When the economy shrinks, businesses lay people off, stop investment projects, and tax receipts go down. When the

State's economy does turn around, proposals such as House Bill 2365 can potentially divert withholding tax revenue growth that the State would otherwise use to satisfy the ever-growing demand for services. Expected employer withholding tax growth has traditionally been one of the reasons why a State would provide incentives to a business to expand in or move to the State. House Bill 2365 in its current form would deny the State that source of revenue growth.

As our fiscal note indicates, this proposal as introduced will have a significant negative fiscal impact that essentially doubles each year for the next 5 years. Given the current fiscal environment, the program is too broad in scope and cost.

Comparison to the Missouri Quality Jobs Program

The Missouri Quality Jobs Program, has been in effect in Missouri since August 28, 2005. However, the qualification criteria for the Missouri program are narrower. Under both this proposal and the Missouri program, for-profit and non-profit entities can participate, but the following categories of entities are excluded: 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. In 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. A business can fully participate in any of the other incentive programs, such as the IMPACT, the High Performance Incentive Program, or the Business and Job Development program, and we are recommending revisions, discussed below.

In Missouri, 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 2365 are much lower: the business must hire 10 new employees if located within a metropolitan county (Douglas, Johnson, Sedgwick, Shawnee, Wyandotte), or 5 new employees if located outside a metropolitan county. The bill has the same hiring threshold for the high impact business projects, does not specify a date by which this threshold of new employees must be in place for the other thresholds. In addition, the period during which the business can retain the payroll withholding taxes is much longer in House Bill 2365 (minimum of 5 years up to maximum of 15 years) than in the Missouri program (minimum of 3 years up to maximum of 5 years).

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.

Comparison to Business and Job Development Credit

Currently, the Business and Job Development (B&J) tax credit program provides incentives for investment and hiring new employees. 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 2365 does not replace the B&J tax credit program. Businesses can participate in B&J--or any other tax credit program such as Research and Development tax credit--and this proposal as well. Claimants should not be permitted to participate in this program and claim the B&J job credit, or any other tax credits related to job creation (such as the Research and Development credit, which can include salary expense).

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 2365, 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 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.

Drafting Concerns

Section 1:

Statement: The primary objective of this legislation is economic development for Kansas and not direct tax revenue from a qualified company or such company's employees. The Department recommends this language be deleted.

Section 2:

“Commencement of operations” definition: As soon as the business adds one employee it is entitled to begin keeping the withholding taxes—even if it is unable to ever meet the hiring threshold. There is no date fixed by which the threshold number of employees has to be in place. The Department recommends this definition be deleted and the bill provide that no withholding tax can be retained until the required threshold number of new employees are hired.

Under the “qualified company” definition, non-profits are eligible to participate. They do not pay income tax and many are exempt from sales tax and property tax. The Department recommends deleting them from the definition, as well as Bioscience companies.

Under the “qualified company” exclusions (certain NAICS codes, delinquent taxpayers, bankrupts, etc.), an exception is provided if the business is a multi-state headquarters. In that situation, then it does not matter what type of entity the business is, whether it is delinquent in taxes or other government obligations, or is bankrupt. It qualifies. If the business is located near the State border, the fact that it’s sales territory covers small areas either side of the border may create the argument that it is a multi-state headquarters. Recommended revisions are shown in the Department’s balloon amendments.

Section 3(a) seems intended to focus the intent of the bill on relocating jobs from outside of Kansas to Kansas. But (2), (3) and (4) have sufficient leeway to allow businesses and jobs already located in Kansas to participate, depending on how transactions are structured.

Example: A business consisting of a unitary group of entities adds the additional employees to one of those entities, and that entity enters into a service contract with another entity within the unitary group. Now, the existing Kansas business can use the program for employment expansion at an existing Kansas facility.

The Department’s recommended revisions are shown in the balloon amendment. These revisions should ensure that the bill is truly focused only on out-of-state jobs being moved to Kansas—not expansions or reorganizations of existing businesses in Kansas.

Section 3(b): The periods that the business can retain withholding taxes are extremely generous, especially when compared to the Missouri Jobs Program. Also, the business starts retaining the withholding taxes as soon as 1 employee is added, and will get to keep the withholding until the Secretary of Commerce at some point determines the business is not in “substantial compliance”—even if the hiring threshold is never met. The Department recommends shorter retention periods, and that the business can begin retaining the withholding taxes only after the required number of new employees are all hired, as shown in the balloon.

Section 3(d) deals with the situation where the business has contracted with a 3rd party and the 3rd party is supposed to make payments equal to the withholding taxes to the business. The Department recommends deleting this provision.

Section 3(e) appears to permit the business to retain more than the actual payroll withholding taxes from the new jobs, up to the specified percentage. The employee contributes part of his/her salary back to the employer. This will raise serious legal employment issues. The Department recommends deleting these provisions.

Section 3(f) provides an income tax exemption for the “qualified company” for 5 years, apparently starting when it adds the first job. Thus, the income tax exemption applies before the business has actually proven it has met the hiring threshold. The Department recommends deleting this provision.

The “but-for” test in Section 4(a)(3) is meaningless and should be deleted. A business will hire employees if the demand for its product or services is growing, and it can cover the cost of the additional payroll with increased revenue from business operations. If the only reason a business can hire the new employee is to get the payroll withholding taxes, then such a business will probably not survive long. In addition, there is no way to prove the “but-for” test.

The provision in Section 4(b) providing automatic approval of an application for benefits if the secretary fails to respond in 30 days is troublesome and should be deleted.

Under Section 4(e), a business can also participate in any other state incentive program. What if the business is already participating in a program (such as Bioscience, IMPACT, etc.) where withholding taxes are currently pledged? The Business and Job Development (B&J) tax credit program provides tax credits for creating jobs. The Research and Development (R&D) credit is based on expenses incurred in research, which could include wages used for the incentives in this program. The Department recommends restricting participants in this program from also participating in IMPACT, as well as the B&J and R&D tax credits.

The compliance provisions in Section 6 are inadequate. The Secretary of Commerce is given no audit authority. Also, as mentioned, the business can collect the benefits long before it has actually met the hiring thresholds. The Secretary will have difficulty in determining when the business is not in “substantial compliance.” The Department’s recommended revisions are shown in the balloon.

Unlike the Missouri and Oklahoma programs, the bill does not require the employer to provide health insurance and pay at least 50% of the premium. The Department recommends requiring qualified companies to provide health insurance coverage, similar to Oklahoma and Missouri. Missouri also requires registration in E-Verify.

Conclusion

The fiscal impact of this proposal can be substantially reduced with the Department’s balloon.

HOUSE BILL No. 2365

By Committee on Taxation

3-5

9 AN ACT creating the promoting employment across Kansas act.

10

11 *Be it enacted by the Legislature of the State of Kansas:*

12 Section 1. The provisions of sections 1 through 7, and amendments
13 thereto, shall be known and may be cited as the promoting employment
14 across Kansas act. It shall be the intent of this act to foster economic
15 development and the creation of new jobs and opportunities for the cit-
16 izens of Kansas through incentivizing the repatriation of business facili-
17 ties, other operations and jobs from foreign countries and to incentivize
18 the relocation of business facilities, other operations and jobs from other
19 states to Kansas. The primary objective of this legislation is economic
20 development for Kansas ~~and not the generation of direct tax revenue from~~
21 ~~a qualified company or such company's employees. Therefore,~~ the state
22 of Kansas, the secretary of the department of commerce and the depart-
23 ment of commerce shall ~~seek to aggressively~~ solicit and approve appli-
24 cations by qualified companies, and shall not unreasonably withhold ap-
25 ~~proval of such applications.~~

26 Sec. 2. As used in this act, unless the context otherwise requires:

27 (a) "Act" means the provisions of sections 1 through 7, and amend-
28 ments thereto.

29 (b) ~~"Commencement of operations" means the starting date for the~~
30 ~~qualified company's first new employee, which date must be no later than~~
31 ~~12 months after the date such qualified company's application is approved~~
32 ~~by the secretary pursuant to section 4, and amendments thereto.~~

33 (c) "County average wage" means the average wage paid to employ-
34 ees located in the county where the qualified company intends to hire
35 new employees as reported by the department of labor in its annual report
36 for the previous year.

37 (d) "Department" means the department of commerce.

38 (e) "High-impact project" means a business development project for
39 which the qualified company shall meet the requirements of subsection
40 (c) of section 3, and amendments thereto.

41 (f) "NAICS" means the north American industry classification
42 system.

43 (g) "Metropolitan county" means the county of Douglas, Johnson,

1 Sedgwick, Shawnee or Wyandotte.

2 (h) "New employee" means a person newly employed by the quali-
 3 fied company in the qualified company's business operating in Kansas
 4 during the taxable year for which benefits are sought under section 3, and
 5 amendments thereto. A person shall be deemed to be so engaged if such
 6 person performs duties in Kansas in connection with the operation of the
 7 Kansas business on: (1) A regular, full-time basis; (2) a part-time basis,
 8 provided such person is customarily performing such duties at least 20
 9 hours per week throughout the taxable year; ~~(3) a seasonal basis, provided~~ or
 10 such person performs such duties for substantially all of the season cus-
 11 tomary for the position in which such person is employed; ~~or (4) a project~~
 12 ~~basis, provided employing individuals on a project-by-project basis is the~~
 13 ~~business model of the qualified company. For a Kansas business that~~
 14 ~~becomes operational during the current tax year, New employees shall be~~
 15 the number of employees employed at the qualified company's Kansas
 16 business on the last business day of the qualified company's tax year.
 17 Employees acquired through an ~~acquisition or merger of a business op-~~
 18 ~~erating in Kansas~~ shall be considered as new employees, provided, such
 19 new employees are relocated to Kansas from a facility or other business
 20 operation located outside the state.

expansion of a business operation to Kansas from another state

21 (i) "Non-metropolitan county" means any county that is not a met-
22 ropolitan county.

23 (j) (1) "Qualified company" means any corporation, partnership or
24 other entity, ~~whether organized for profit or not for profit~~ which meets
25 the requirements of section 3, and amendments thereto.

, making available to its full-time employers adequate health insurance coverage and paying at least 50% of the premium,

26 (2) "Qualified company" shall not include any corporation, partner-
27 ship or other entity: (A) Which is identified by any of the following NAICS
28 code groups, sectors or subsectors:

29 (i) Industry group 7132 or 8131;

30 (ii) sectors 44, 45, 61, 92 or 221 (including water and sewer services);

31 or

32 (iii) subsector 722;

33 (B) which produces or distills ethanol as its primary business;

34 (C) which produces biodiesel as its primary business;

35 (D) which is delinquent in the payment of any nonprotested taxes or
36 any other amounts due to the federal government, the state of Kansas or
37 any other political taxing subdivision; ~~or~~

38 (E) which has filed for or has publicly announced its intention to file
39 for bankruptcy protection;

40 (3) Notwithstanding any provision of this subsection, a company may
 41 be deemed a qualified company if such company's headquarters ~~or ad-~~
 42 ~~ministrative offices~~ located in this state serve an international or multi-
 43 state territory, and such company meets the requirements of section 3,

[except for (D), (E) and (F),

or (F) which is a bioscience company as defined in K.S.A. 2008 Supp. 74-99b33 and amendments thereto.

consisting of 3 or more states, more than 1/2 of such company's revenues are as result of sales to commercial or governmental customers outside the State of Kansas,

1 and amendments thereto.

2 (k) "Secretary" means the secretary of the department of commerce.

3 Sec. 3. (a) In order to qualify for benefits under this act a qualified
4 company shall:

5 (1) Close down an existing business facility, office, department or
6 other operation located outside the state of Kansas, whether located in a
7 foreign country or another state, and relocate the employees from such
8 business facility, office, department or other operation to Kansas as a
9 result of such closing;

or 10 (2) expand its business operations to Kansas ~~which results in the em-~~ from another state
11 ployment of new employees, provided, such expansion is not of an existing
12 facility or other business operation already located in Kansas;

13 ~~(3) contract with a third party to perform services on the qualified~~
14 company's behalf as part of such company's business model, provided the
15 qualified company directs that the services are performed in Kansas; or

16 ~~(4) contract with a third party to perform services whereby the third~~
17 party serves as the legal employer of the new employees providing serv-
18 ices to the qualified company.

and 19 (b) Any qualified company ~~whose business operation is located~~ that locates its
20 metropolitan county ~~that~~ will hire at least 10 new employees, or any qual-
21 ified company ~~whose business operation is located~~ in a non-metropolitan

and 22 county ~~that~~ will hire at least five new employees shall be eligible to retain
23 100% of the qualified company's Kansas payroll withholding taxes for such
24 new employees for a period of:

3 25 (1) ~~Five~~ years, if the new employees are compensated at a rate equal
26 to at least 100% of the county average wage;

27 ~~(2) seven~~ years if the new employees are compensated at a rate equal
28 to at least 110% of the county average wage; or

5 29 ~~(3), ten~~ years, if the new employees are compensated at a rate equal
30 to at least 120% of the county average wage.

31 (c) Any qualified company that engages in a high-impact project
32 whereby the qualified company will hire at least 100 new employees
33 ~~within two years of commencement of operations~~ shall be eligible to re-
34 tain 100% of the qualified company's Kansas payroll withholding taxes for
35 such new employees for a period of:

5 36 (1) ~~Seven~~ years if the new employees are compensated at a rate equal
37 to at least 100% of the county average wage;

38 ~~(2) nine~~ years if the new employees are compensated at a rate equal
39 to at least 110% of the county average wage;

7 40 (3) ~~12~~ years if the new employees are compensated at a rate equal to
41 at least 120% of the county average wage; or

10 42 ~~(4), 15~~ years if the new employees are compensated at a rate equal to
43 at least 140% of the county average wage.

from the date the qualified company has hired the required number of new employees specified in this subsection

1 ~~(d) In the event that a qualified company contracts with a third party~~
2 ~~as described in paragraph (3) and (4) of subsection (a), it shall be per-~~
3 ~~missible for the third party to remit payments equal to the amount of~~
4 ~~Kansas payroll withholding taxes the qualified company is eligible to re-~~
5 ~~tain under this section to the qualified company.~~

6 ~~(c) (1) For any qualified company which is eligible for benefits under~~
7 ~~either subsection (b)(1) or (c)(1), if the Kansas payroll withholding tax for~~
8 ~~any new employee is not equal to at least 3% of such employee's gross~~
9 ~~wages, the qualified company shall be eligible to retain a portion of such~~
10 ~~new employee's gross wages equal to the difference between 3% of such~~
11 ~~new employee's gross wages and the percentage of such new employee's~~
12 ~~gross wages that is required to be withheld by the qualified company~~
13 ~~pursuant to K.S.A. 79-3294 et seq., and amendments thereto.~~

14 (2) For any qualified company which is eligible for benefits under
15 either subsection (b)(2) or (c)(2), if the Kansas payroll withholding tax for
16 any new employee is not equal to at least 4% of such employee's gross
17 wages, the qualified company shall be eligible to retain a portion of such
18 new employee's gross wages equal to the difference between 4% of such
19 new employee's gross wages and the percentage of such new employee's
20 gross wages that is required to be withheld by the qualified company
21 pursuant to K.S.A. 79-3294 et seq., and amendments thereto.

22 (3) For any qualified company which is eligible for benefits under
23 either subsection (b)(3) or (c)(3), if the Kansas payroll withholding tax for
24 any new employee is not equal to at least 5% of such employee's gross
25 wages, the qualified company shall be eligible to retain a portion of such
26 new employee's gross wages equal to the difference between 5% of such
27 new employee's gross wages and the percentage of such new employee's
28 gross wages that is required to be withheld by the qualified company
29 pursuant to K.S.A. 79-3294 et seq., and amendments thereto.

30 (4) For any qualified company which is eligible for benefits under
31 subsection (c)(4), if the Kansas payroll withholding tax for any new em-
32 ployee is not equal to at least 6% of such employee's gross wages, the
33 qualified company shall be eligible to retain a portion of such new em-
34 ployee's gross wages equal to the difference between 6% of such new
35 employee's gross wages and the percentage of such new employee's gross
36 wages that is required to be withheld by the qualified company pursuant
37 to K.S.A. 79-3294 et seq., and amendments thereto.

38 ~~(f) Any qualified company that satisfies the requirement of paragraph~~
39 ~~(1) of subsection (a) shall be exempt from taxation under the provisions~~
40 ~~of article 32 of chapter 79 of the Kansas Statutes Annotated for a period~~
41 ~~of five years. The first year of the five-year period shall be the calendar~~
42 ~~year in which the qualified company becomes eligible for benefits under~~
43 ~~this subsection.~~

1 Sec. 4. (a) Any qualified company meeting the requirements of sec-
 2 tion 3, and amendments thereto, may apply to the secretary for benefits
 3 under this act. The application shall be submitted on a form and in a
 4 manner prescribed by the secretary, and shall include: (1) Evidence that
 5 the applicant is a qualified company; (2) evidence that the applicant meets
 6 the requirements of section 3, and amendments thereto; and ~~(3) a cer-~~
 7 ~~tification that the qualified company is able to hire the new employees~~
 8 ~~solely due to the benefits being provided under this act.~~

As of the date such company provides to the secretary evidence sufficient to the secretary that the company has hired the required number of new employees pursuant to section 3 and amendments thereto.

9 (b) ~~Within 30 days of receipt of such application~~ The secretary shall
 10 either approve or disapprove the application. ~~If the secretary does not~~
 11 ~~approve or disapprove the application within 30 days of receipt the ap-~~
 12 ~~plication shall be deemed approved.~~ Any qualified company whose ap-
 13 plication is approved shall be eligible to receive benefits under this act,
 14 pursuant to section 3, and amendments thereto.

15 (c) Upon approval of an application for benefits under this act, the
 16 secretary shall certify to the secretary of revenue: (1) That the qualified
 17 company is eligible to receive benefits under this act; (2) the number of
 18 new employees ~~being~~ hired by the qualified company; (3) the amount of
 19 gross wages ~~to be~~ paid to each new employee; and (4) ~~whether the qual-~~
 20 ~~ified company is entitled to an exemption from taxation pursuant to sub-~~
 21 ~~section (f) of section 3, and amendments thereto.~~

and receipt of sufficient evidence that the required number of employees have been hired by the qualified company pursuant to section 3 and amendments thereto

being

22 ~~(d) A qualified company that is already receiving benefits pursuant to~~
 23 ~~this act may apply to the secretary for additional benefits if the qualified~~
 24 ~~company meets the requirements of section 3, and amendments thereto.~~

25 (e) ~~A qualified company that is eligible to receive benefits under this~~
 26 ~~act may seek benefits from any other state or municipal economic devel-~~
 27 ~~opment benefit program, including, but not limited to grants, tax abate-~~
 28 ~~ments, tax credits or income withholding benefits. Nothing in this act~~
 29 ~~shall be construed so as to limit the availability or application of any other~~
 30 ~~economic development or business incentive program, including, but not~~
 31 ~~limited to, the Kansas investments in major projects and comprehensive~~
 32 ~~training act, the Kansas industrial training program, the Kansas industrial~~
 33 ~~retraining program, the Kansas enterprise zone act, and the economic~~
 34 ~~revitalization and reinvestment act.~~

35 (f) The secretary shall adopt rules and regulations necessary to im-
 36 plement and administer the provisions of this act.

37 Sec. 5. (a) Any qualified company eligible to receive benefits pur-
 38 suant to subsections (b) or (c) of section 3, and amendments thereto, shall
 39 complete and submit to the department of revenue a form setting forth
 40 the amount of Kansas payroll withholding tax being retained by the qual-
 41 ified company pursuant to this act. ~~Such form shall be prescribed by the~~
 42 ~~secretary of revenue and shall be submitted in accordance with the stat-~~
 43 ~~utes and rules and regulations for submitting other forms relating to Kan-~~

in a manner prescribed by the director of taxation

A qualified company seeking benefits shall not be allowed to participate in the IMPACT act or program pursuant to K.S.A. 74-50,102 et seq. and amendments thereto, or any other program in which any portion of such company's Kansas payroll withholding taxes have been pledged to finance indebtedness or transferred to or for the benefit of such company. A qualified company shall not be allowed to claim any credits under K.S.A. 79-32,153, 79-32,160a, or 79-32,182b, and amendments thereto, if such credits would otherwise be earned for the hiring of new employees and the qualified company has retained any Kansas payroll withholding taxes from wages of such employees.

1 ~~kas payroll withholding taxes under K.S.A. 79-3294 et seq., and amend-~~
 2 ~~ments thereto.~~

3 (b) The secretary of revenue shall adopt rules and regulations nec-
 4 essary to implement and administer the provisions of this act. The sec-
 5 retary of revenue and the secretary of commerce shall work together to
 6 coordinate a set of procedures to implement the provisions of this act.

7 Sec. 6. (a) The secretary shall conduct an annual review of the activ-
 8 ities undertaken by a qualified company pursuant to this act to ensure
 9 that the qualified company is in compliance with the provisions of this
 10 act and any rules and regulations adopted by the secretary with respect
 11 to this act.

12 (b) If the secretary determines that a qualified company is not in
 13 ~~substantial~~ compliance with the requirements of this act, the secretary,
 14 by written notice, shall inform the officers of the qualified company that
 15 such qualified company is not in compliance and is not eligible to receive
 16 any benefits under this act for the duration of the period the company is
 17 not in ~~substantial~~ compliance. In the event a qualified company is not in
 18 ~~substantial~~ compliance the secretary shall certify such determination to
 19 the secretary of revenue.

20 ~~(c) If the qualified company corrects the deficiencies to the satisfac-~~
 21 ~~tion of the secretary and is once again in compliance with the require-~~
 22 ~~ments of this act, the qualified company shall be eligible to receive the~~
 23 ~~benefits under this act for the remainder of the original period for which~~
 24 ~~the qualified company was initially eligible to receive benefits. The sec-~~
 25 ~~retary shall certify such renewed eligibility to the secretary of revenue.~~

26 Sec. 7. The secretary shall transmit annually to the governor, the
 27 standing committee on commerce of the senate, the standing committee
 28 on economic development and tourism of the house of representatives
 29 and the joint committee on economic development, or any successor com-
 30 mittee, a report, based on information received from each qualified com-
 31 pany receiving benefits under this act, describing the following:

- 32 (a) The names of the qualified companies;
- 33 (b) the types of qualified companies utilizing the act;
- 34 (c) the location of such companies and the location of such compa-
- 35 nies' business operations in Kansas;
- 36 (d) the number of new employees hired;
- 37 (e) the wages paid for such new employees;
- 38 (f) the annual amount of benefits provided under this act;
- 39 (g) the estimated net state fiscal impact, including the direct and in-
- 40 direct new state taxes derived from the new employees hired; and
- 41 (h) an estimate of the multiplier effect on the Kansas economy of the
- 42 benefits received under this act.

43

The books and records concerning employment and wages of any employees for which the qualified company has retained any Kansas payroll withholding taxes shall be available for inspection by the secretary or the secretary's duly authorized agents or employees at all times during business hours. Notwithstanding any taxpayer confidentiality laws, the secretary may request the department of revenue to audit the qualified company for compliance with provisions of this act, and the department of revenue may report any findings resulting from such audit to the secretary.

HB 2365

7

1 Sec. 8. This act shall take effect and be in force from and after its
2 publication in the statute book.

2009 House Bill 2365b Fiscal Note

Introduced as a House Bill

Brief of Bill

House Bill 2365, as introduced, creates the promoting employment in Kansas act.

Section 1 states that the intent of this act is to foster economic development and the creation of new jobs and opportunities for the citizens of Kansas through incentivizing the repatriation of business facilities, other operations and jobs from foreign countries and to incentivize the relocation of business facilities, other operations and jobs from other states to Kansas. The primary objective is economic development for Kansas and not the generation of direct tax revenue from the qualified company or such company's employees.

Section 2 provides definitions used in the act, unless the context otherwise requires.

“Commencement of operations” means the starting date for the qualified company’s first new employee, which date must be no later than 12 months after the date such qualified company’s application is approved;

“High-impact project” means a business development project for which the qualified company shall meet the requirements of subsection (c) of section 3;

“New employee” means a person newly employed by the qualified company in the qualified company’s business operating in Kansas during the taxable year for which benefits are sought under section 3. A person shall be deemed to be so engaged if such person performs duties in Kansas in connection with the operation of the Kansas business on: (1) A regular, full-time basis; (2) a part-time basis, provided such person is customarily performing such duties at least 20 hours per week throughout the taxable year; (3) a seasonal basis, provided such person performs such duties for substantially all of the season customary for the position in which such person is employed; or (4) a project basis, provided employing individuals on a project-by-project basis is the business model of the qualified company. For a Kansas business that becomes operational during the current tax year, new employees shall be the number of employees employed at the qualified company’s Kansas business on the last business day of the qualified company’s tax year. Employees acquired through an acquisition or merger of a business operating in Kansas shall be considered as new employees, provided, such new employees are relocated to Kansas from a facility or other business operation located outside the state.

“Qualified company” means any corporation, partnership or other entity, whether organized for profit or not-for-profit which meets the requirements of section 3.

“Qualified company” shall not include any corporation, partnership or other entity: (A) Which is identified by any of the following NAICS

code groups, sectors or subsectors:

(i) Industry group 7132(Gambling Industry) or 8131(Religious Organizations);
(ii) sectors 44(Retail Trade), 45(Retail Trade), 61(Educational Services), 92(Public Administration) or 221(Utilities) (including water and sewer services);

or

(iii) subsection 722(Food Services and Drinking Places);

(B) which produces or distills ethanol as its primary business;

(C) which produces biodiesel as its primary business;

(D) which is delinquent in the payment of any nonprotested taxes or any other amounts due to the federal government, the state of Kansas or

any other political taxing subdivision; or

(E) which has filed for or has publicly announced its intention to file for bankruptcy protection.

(3) Notwithstanding any provision of this subsection, a company may be deemed a qualified company if such company's headquarters or administrative offices located in this state serve an international or multistate territory and such company meets the requirements of section 3.

Section 3 provides that in order to qualify for benefits under this act a qualified company shall:

(1) Close down an existing business facility, office, department or other operation located outside the state of Kansas, whether located in a foreign country or another state, and relocate the employees from such business facility, office, department or other operation to Kansas as a result of such closing;

(2) expand its business operations to Kansas which results in the employment of new employees, provided, such expansion is not of an existing facility or other business operation already located in Kansas;

(3) contract with a third party to perform services on the qualified company's behalf as part of such company's business model, provided the qualified company directs that the services are performed in Kansas; or

(4) contract with a third party to perform services whereby the third party serves as the legal employer of the new employees providing services to the qualified company.

Any qualified company whose business operation is located in a metropolitan county that will hire at least 10 new employees, or any qualified company whose business operation is located in a non-metropolitan county that will hire at least five new employees shall be eligible to retain 100% of the qualified company's Kansas payroll withholding taxes for such new employees for a period of:

(1) Five years if the new employees are compensated at a rate equal to at least 100% of the county average wage;

(2) seven years if the new employees are compensated at a rate equal to at least 110% of the county average wage; or

(3) ten years if the new employees are compensated at a rate equal to at least 120% of the county average wage.

Any qualified company that engages in a high-impact project whereby the qualified company will hire at least 100 new employees within two years of commencement of operations shall be eligible to retain 100% of the qualified company's Kansas payroll withholding taxes for such new employees for a period of:

(1) Seven years if the new employees are compensated at a rate equal to at least 100% of the county average wage;

(2) nine years if the new employees are compensated at a rate equal to at least 110% of the county average wage;

(3) 12 years if the new employees are compensated at a rate equal to at least 120% of the county average wage; or

(4) 15 years if the new employees are compensated at a rate equal to at least 140% of the county average wage.

In the event a qualified company contracts with a third party it shall be permissible for the third party to remit payments equal to Kansas withholding to the qualified company.

For any qualified company which is eligible for benefits under either subsection (b)(1) or (c)(1), if the Kansas payroll withholding tax for any new employee is not equal to at least 3% of such employee's gross wages, the qualified company shall be eligible to retain a portion of such new employee's gross wages equal to the difference between 3% of such new employee's gross wages and the percentage of such new employee's gross wages that is required to be withheld by the qualified company.

For any qualified company which is eligible for benefits under either subsection (b)(2) or (c)(2), if the Kansas payroll withholding tax for any new employee is not equal to at least 4% of such employee's gross wages, the qualified company shall be eligible to retain a portion of such new employee's gross wages equal to the difference between 4% of such new employee's gross wages and the percentage of such new employee's gross wages that is required to be withheld by the qualified company.

For any qualified company which is eligible for benefits under either subsection (b)(3) or (c)(3), if the Kansas payroll withholding tax for any new employee is not equal to at least 5% of such employee's gross wages, the qualified company shall be eligible to retain a portion of such new employee's gross wages equal to the difference between 5% of such new employee's gross wages and the percentage of such new employee's gross wages that is required to be withheld by the qualified company.

For any qualified company which is eligible for benefits under subsection (c)(4), if the Kansas payroll withholding tax for any new employee is not equal to at least 6% of such employee's

gross wages, the qualified company shall be eligible to retain a portion of such new employee's gross wages equal to the difference between 6% of such new employee's gross wages and the percentage of such new employee's gross wages that is required to be withheld by the qualified company.

Any qualified company that closes down an existing business facility, office, department or other operation located outside the state of Kansas, whether located in a foreign country or another state, and relocates the employees from such business facility, office, department or other operation to Kansas as a result of such closing shall be exempt from income taxation for a period of five years. The first year of the five-year period shall be the calendar year in which the qualified company becomes eligible for benefits under this subsection.

Section 4 provides that any qualified company meeting the requirements of this act may apply to the secretary of commerce for benefits under this act. The application shall include evidence that the applicant is a qualified company, evidence that the applicant meets the requirements of section 3, and amendments thereto, and a certification that the qualified company is able to hire the new employees solely due to the benefits being provided under this act.

Within 30 days of receipt of an application the secretary of commerce shall either approve or disapprove the application. If the application is not approved or disapproved within 30 days the application shall be deemed approved.

Upon approval of an application for benefits under this act, the secretary shall certify to the secretary of revenue that the qualified company is eligible to receive benefits under this act, the number of new employees being hired by the qualified company, the amount of gross wages to be paid to each new employee, and whether the qualified company is entitled to an exemption from taxation

A qualified company that is eligible to receive benefits under this act may seek benefits from any other state or municipal economic development benefit program, including, but not limited to, grants, tax abatements, tax credits or income withholding benefits. Nothing in this act shall be construed so as to limit the availability or application of any other economic development or business incentive program, including, but not limited to, the Kansas investments in major projects and comprehensive training act, the Kansas industrial training program, the Kansas industrial retraining program, the Kansas enterprise zone act, and the economic revitalization and reinvestment act.

Section 5 provides that any qualified company shall complete and submit to the department of revenue a form setting forth the amount of Kansas payroll withholding tax being retained by the qualified company pursuant to this act. Such form shall be prescribed by the secretary of revenue and shall be submitted in accordance with the statutes and rules and regulations for submitting other forms relating to Kansas payroll withholding taxes.

Section 6 provides that the secretary shall conduct an annual review of the activities undertaken by a qualified company pursuant to this act to ensure that the qualified company is in compliance

with the provisions of this act. If the secretary determines that a qualified company is not in substantial compliance with the requirements of this act, the secretary, by written notice, shall inform the officers of the qualified company that such qualified company is not in compliance and is not eligible to receive any benefits under this act for the duration of the period the company is not in substantial compliance. In the event a qualified company is not in substantial compliance the secretary shall certify such determination to the secretary of revenue. If the qualified company corrects the deficiencies to the satisfaction of the secretary and is once again in compliance with the requirements of this act, the qualified company shall be eligible to receive the benefits under this act for the remainder of the original period for which the qualified company was initially eligible to receive benefits. The secretary shall certify such renewed eligibility to the secretary of revenue.

Section 7 provides that the secretary shall transmit annually 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 on information received from each qualified company receiving benefits under this act, describing the following:

- (a) The names of the qualified companies;
- (b) the types of qualified companies utilizing the act;
- (c) the location of such companies and the location of such companies' business operations in Kansas;
- (d) the number of new employees hired;
- (e) the wages paid for such new employees;
- (f) the annual amount of benefits provided under this act;
- (g) the estimated net state fiscal impact, including the direct and indirect new state taxes derived from the new employees hired; and
- (h) an estimate of the multiplier effect on the Kansas economy of the benefits received under this act.

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 \$8.0 million and by \$16.3 million in fiscal year 2011.

Based on employment information from the Kansas department of labor, it is estimated there are currently about 750,000 jobs in Kansas that would qualify for this program.

This bill allows a qualified company to retain their employees withholding if a company relocates employees to Kansas from outside Kansas, an existing business can qualify if it hires new employees and the expansion is not to an existing facility or other business operation, or if a qualified business contracts with a third party to perform services on the company's behalf or the

third party serves as the legal employer of the new employees providing services to the qualified company.

Assuming about 4,000 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 \$8.0 million (4,000 x \$40,000 x 5%). Assuming a 2% growth in wages, the fiscal impact after five years is shown below:

Year	Fiscal Years				
	(dollars are in millions)				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1	\$ 8.0	\$ 8.2	\$ 8.3	\$ 8.5	\$ 8.7
2		\$ 8.2	\$ 8.3	\$ 8.5	\$ 8.7
3			\$ 8.3	\$ 8.5	\$ 8.7
4				\$ 8.5	\$ 8.7
5					\$ 8.7
Withholding Impact	\$ 8.0	\$ 16.3	\$ 24.9	\$ 34.0	\$ 43.4

Any qualified company that closes down an existing business facility, office, department or other operation located outside the state of Kansas, whether located in a foreign country or another state, and relocates the employees from such business facility, office, department or other operation to Kansas as a result of such closing shall be exempt from income taxation for a period of five years. However, a qualified company that is eligible to receive benefits under this act may also seek benefits from any state economic development benefit program, including, but not limited to, tax abatements, tax credits or income withholding benefits. Allowing a new company to be exempt from income tax for 5 years but also allowing the new company to claim refundable income tax credits and use programs that are funded by employee withholding would have an additional negative impact on state general fund revenues.

Administrative Impact

Administrative costs to implement this bill are estimated to be about \$250,626 in fiscal year 2010.

IS costs are estimated to be about \$126,000, or 1,400 hours, of contract programming salary to develop and implement a new tax type.

Tax Operations costs are estimated to be about \$124,626 in fiscal year 2010. Those costs include \$1,500 for new forms and postage; \$96,640 for two FTE, \$1,526 for annual expenses, and \$8,860 in one time expenses for workstations. Also required is an estimated \$16,100, or 560 hours, to test the new programs associated with this new tax type.

Administrative Problems and Comments

The department recommends that this bill be amended to add certain requirements and qualifications and limit this bill to only those out of state companies locating to Kansas and or an out-of-state subsidiary of an existing business in Kansas closing down a facility located out-of-state and moving all those jobs to Kansas.

These amendments are estimated to reduce the fiscal impact of the bill by about 67%, to:

Year	Fiscal Years				
	(dollars are in millions)				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1	\$ 2.6	\$ 2.7	\$ 2.7	\$ 2.8	\$ 2.9
2		\$ 2.7	\$ 2.7	\$ 2.8	\$ 2.9
3			\$ 2.7	\$ 2.8	\$ 2.9
4				\$ 2.8	\$ 2.9
5					\$ 2.9
Withholding Impact	\$ 2.6	\$ 5.4	\$ 8.2	\$ 11.2	\$ 14.3

Taxpayer/Customer Impact

Legal Impact

FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman, Director of Economic Policy
Kansas Action for Children
House Taxation Committee
March 16, 2009
Legislative Testimony - HB 2365

Good morning, Chairman Carlson and members of the Committee. On behalf of Kansas Action for Children, I would like to thank you for this opportunity to testify in opposition to HB 2365.

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.

The individual income tax is a key source of revenue for the State General Fund (SGF). Our opposition to House Bill 2365 is a reflection of our general concern about the erosion of the Kansas tax base. Among our key concerns with this bill:

Poor return on investment

When it comes to viable tax policy, return on investment is a key consideration. HB 2365 will erode individual income tax receipts and significantly reduce SGF revenues without a corresponding level of return on the state's investment. This bill includes part-time, seasonal, and project-specific employees in its definition of "new employees." With this provision, the state would forgo already-declining SGF revenues without offsetting that revenue loss in the business sector through the creation of quality jobs.

Further Erosion of the Tax Base

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 been eroded little by little through legislative action each year. In the past four years alone, tax cuts - including elimination of the franchise tax and passage of several sales tax exemptions - has resulted in the loss of nearly \$150 million in SGF this fiscal year alone.

In a year when the state is facing an unprecedented budget shortfall, we simply cannot afford to adopt legislation that will further erode the Kansas tax base without a comparable return on investment for our state. For this reason we urge your opposition to HB 2365.