KEDA

Kansas Economic Development Alliance

Testimony on SB 65
Senate Commerce Committee
Wednesday, February 3, 2021, 10:30 AM, Room 546-S
Steve Jack, President, Kansas Economic Development Alliance

The Kansas Economic Development Alliance (KEDA) supports SB 65. The bill would remove the training requirement from the High Performance Incentive Program (HPIP). HPIP is one of the most important programs the state offers to both new and existing manufacturers to incent them to invest in new buildings and equipment. It is working in communities small and large throughout the state, but it has had a negative effect on our training programs. The law requires certain levels of capital investment and that the company pay higher than average wages. Additionally, the law requires the company to train their workforce as measured by either participating in a KIT, KIR or SKILL training program or spending 2% of payroll on the workforce training.

At the time HPIP was passed in 1993, the state had one of the most robust customized, business training efforts in the country. The Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) programs were funded at $3.65 million ($6.5 million in today's dollars), and the State of Kansas Investments in Lifelong Learning (SKILL) bond-financed training program had just been passed offering potentially millions more. The SKILL program, replaced by IMPACT and, later, the PEAK program, is no longer in existence as a training program, and KIT and KIR program funding has gradually declined over the last 25 years to a level of approximately $1.6 million.

In this funding environment, many companies are qualifying for the HPIP incentive by applying for a small KIT or KIR grant just to be eligible for the more generous capital investment program. The impact on KIT and KIR has been to nickel and dime it to death by these smaller grants. By removing this option, it would allow the agency to put those limited resources into more impactful training projects. And while we do understand that some companies are set up with training and accounting staff to track training expenditures, many are not, particularly small and medium-sized firms. Without a KIT or KIR option, those companies would find tracking 2% of payroll onerous if not impossible.

It is the position of KEDA that the KIT and KIR programs be uncoupled from HPIP and that the training component be eliminated, with the exception of those firms spending more than 2% of payroll on training to receive the up to $50,000 additional credit now currently in the statute. We support maintaining KIT and KIR as training programs and not just as entry points into a capital investment tax credit program. We also support targeting HPIP tax credits to those defined companies that pay above average wages and are making major capital investments.

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