

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on February 26, 2002, in Room 519-S of the Capitol.

All members were present except: Senator Pugh

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Lt. Governor/Secretary Gary Sherrer, Kansas Department of Commerce and Housing

Others attending: See attached list.

The minutes of the February 22, 2002, meeting were approved.

SB 617—Tax incentives for Kansas businesses

Lt. Governor Gary Sherrer, Secretary, Kansas Department of Commerce and Housing, testified in support of **SB 617**. He began by commenting that economic development in the state continues to be very strong. He pointed out that last November's issue of *Expansion* magazine ranked Kansas in the top ten in the nation for work force training and development. In addition, *Site Selection* magazine ranks Kansas in the top ten per capita in new projects and jobs developed in the past year. He followed with an overview of the reason the bill was introduced. He noted that the basic concerns that anyone in economic development or in legislative public policy have in terms of using tax incentives for economic development include determining how to focus on the incentive portion and not simply reward constantly those things which would have occurred with or without the use of tax dollars and determining how to reward businesses in an equitable manner. He noted that, with the bill, the Kansas Business Incentive Program (KBIP) would replace both the Kansas Enterprise Zone Act (EZ) program and the High Performance Incentive Program (HPIP). He explained that the KBIP uses a matrix to more equitably distribute tax credits. He outlined the four points upon which the matrix is based and explained that New Section 3 of the bill provides that the matrix must be approved by a seven member council which would be chaired by the Secretary of Commerce and Housing. In this regard, he called the Committee's attention to copies of a proposed amendment to New Section 3 regarding the incentive program advisory council and a proposed amendment on page 2, line 30, which deals with an annual review of the matrix of criteria. For the Committee's information, he discussed the data shown in a sample matrix. He said that the bill would result in higher tax credits for better wage jobs and higher amounts of investments. (Attachment 1)

Lt. Governor Sherrer commented that he does not view the bill as a panacea and that perhaps some difficulties will be discovered as the bill is reviewed by others. He emphasized that the key issue is: Do we want to establish a threshold which a business must cross before the State of Kansas is interested in using its resources to reward its efforts? He expressed his concern that that perhaps Kansas citizens will not be served as well as they should be served if the state continues to use programs established ten to twelve years ago. Because **SB 617** was introduced late in the legislative process, he suggested that the Committee strongly recommend that it be the subject of an interim study. Senator Corbin agreed with the suggestion and noted that the Division of Budget had not completed the fiscal note on the bill because all of the necessary information was not yet available.

There being no others wishing to testify, the hearing on **SB 617** was closed.

The meeting was adjourned at 11:15 a.m.

The next meeting date is to be announced.