

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:38 p.m. on February 14, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Schwab-excused

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
Michael Wales, Kansas Legislative Research Department
Marla Morris, Committee Assistant
Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

Representative Marvin KleeB
Pat George, Kansas Secretary of Commerce
Dr. Art Hall, Center for Applied Economics, KU School of Business
Lavern Squier, Johnson County Partnership
Jason Watkins, Wichita Metro Chamber of Commerce
Bradley Eilts, Montgomery County Action Council
Kent Heermann, Regional Development Association of East Central Kansas
Larry Powell, Salina Chamber of Commerce

Conferees providing written testimony only:

Tim McKee, Olathe Chamber of Commerce
Kent Eckles, The Kansas Chamber
Christy Caldwell, Greater Topeka Chamber of Commerce

Others attending:

See attached list.

Bill Introductions:

Representative Brookens requested a bill introduction concerning a tax exemption credit available to not yet built pipelines of a certain length, that will run through the state, and provide for a proportional payment in lieu of tax to local entities. Representative Carlson moved introduction of the requested bill, and Representative Dillmore seconded the motion. The motion carried.

Representative Frownfelter moved to introduce a bill placing a consumer fee on Western Union Moneygrams sent from Kansas. The motion was seconded by Representative KleeB. The motion carried.

Representative KleeB moved to introduce a data center incentive bill. The motion was seconded by Representative Schwartz, and the motion carried.

Chairman Carlson opened the hearing on:

HB 2220 - Promoting employment across Kansas act; qualification for benefits

The Chairman directed the Committee to the Kansas Department of Revenue Fiscal Note on **HB 2220** located in their daily packet (Attachment 1).

Representative Marvin KleeB, sponsor of **HB 2220**, briefed the Committee on the enhancements and changes to the current P.E.A.K. bill (Promoting Employment Across Kansas), proposed in **HB 2220** (Attachment 2). He stated the proposed changes are designed to improve the competitiveness of Kansas to win relocation and expansion opportunities, for potential businesses.

Pat George, Kansas Secretary of Commerce, spoke in support of **HB 2220**, stating the number one mission of each department is to grow the economy, and feels Kansas could lead the nation out of the

CONTINUATION SHEET

The minutes of the House Taxation Committee at 3:38 p.m. on February 14, 2011, in Room 783 of the Docking State Office Building.

recession. He stated the original version of the P.E.A.K. bill has been a valuable tool in recruiting businesses to Kansas. The provisions in **HB 2220** will help Kansas attract and retain companies and jobs (Attachment 3). He stood for questions. Representative Tyson and Representative Frownfelter requested Secretary George to provide names of the companies that have used the P.E.A.K. incentives, the location from which they moved, the amount of incentive they were given.

Dr. Art Hall, Center for Applied Economics, KU School of Business, spoke in support of **HB 2220**. His testimony provided success statistics on the ten P.E.A.K. contracts executed to date (Attachment 4):

- Projected Job Count: 1,800
- Projected Payroll: \$131 million
- Average payroll per Job: \$72,778
- Estimated Annual Payroll Withholding Retained: \$5.3 million (4% of payroll)

His testimony also presented a “Dynamic” Economic Analysis of P.E.A.K., demonstrating how the money lost by P.E.A.K. in tax revenue losses is gained by economic impact from the jobs created. Dr. Hall stood for questions.

Lavern Squier, Johnson County Partnership, asked the Committee to consider **HB 2220** favorable for passage (Attachment 5). He stated over 22 states have this type of program including the neighboring states of Oklahoma and Missouri, typically called a Jobs Opportunity Program. He reported the P.E.A.K. program is a simpler program and will be used as a model for other states. He stood for questions.

Jason Watkins, Wichita Metro Chamber of Commerce, stated the November snapshot indicated the city of Wichita had a 9.2% unemployment rate, and a rate of 9.8% for south-central Kansas which is above the average for the state of Kansas. The Wichita Metro Chamber of Commerce stands in support of **HB 2220**, stressing the need for a tool to retain jobs (Attachment 6).

Bradley Eilts, Montgomery County Action Council (MCAC), testified in support of the enhancements to P.E.A.K. offered in **HB 2220**, by expanding its scope, widening eligibility, creating more flexibility and amplifying its possibilities for economic development (Attachment 7).

Kent Heermann, Regional Development Association of East Central Kansas, supports the following changes to **HB 2220**:

- Removal of the \$4.8 million cap for in-state expansions
- Allow in-state expansions
- Allowing the company to choose median or average wage in the determination of qualification
- Allow the company the choice under **HB 2220** (P.E.A.K.) to pay the Department of Revenue and then be reimbursed the qualifying amount back
- Fix the “unrelated third party” issue for companies with separate entities under common ownership

He provided a map of Kansas counties identifying metropolitan and micropolitan areas, and a map designating the maximum population of each county by census date (Attachment 8).

Larry Powell, Salina Chamber of Commerce, spoke in support of **HB 2220**, offering examples of the benefits Salina derived from the current P.E.A.K. program (Attachment 9). The Salina Chamber of Commerce urges passage of **HB 2220** and removal of a cap related to in-state expansion projects.

Chairman Carlson directed the Committee to the written testimony in support of **HB 2220** from Tim McKee, Olathe Chamber of Commerce (Attachment 10), Kent Eckles, The Kansas Chamber (Attachment 11), and Christy Caldwell, Greater Topeka Chamber of Commerce (Attachment 12).

The Chairman closed the hearing on **HB 2220**.

The next meeting is scheduled for February 15, 2011, in Room 783 of the Docking State Office Building for the purpose of hearing **HB 3331 – Rural Opportunity Zones**.

The meeting was adjourned at 5:02 p.m.

From: Richard.Cram@kdor.ks.gov
Sent: Monday, February 14, 2011 12:54 PM
To: Chris Courtwright; Marla Morris; Gordon Self; sean.tomb@budget.ks.gov
Cc: rnorth@kansascommerce.com; skelly@kansascommerce.com; Marvin Kleeb; dprice@kansascommerce.com
Subject: fiscal Note HB 2220

Forwarded below is our fiscal note for HB 2220. The Secretary has not signed the fiscal note yet, but we do not anticipate significant changes.

Richard

----- Forwarded by Richard Cram/Revenue/KDOR on 02/14/2011 12:51 PM -----

2011 House Bill 2220b Fiscal Note
Introduced as a House Bill

Fiscal Note Development

Bill Assigned: 02/09/2011

Responses Due: 02/11/2011

Note Due to Budget: 02/14/2011

Status: Reviewed by P&R

Prepared By: Steve A Stotts

Preliminary Completed: 02/14/2011

Reviewed by P&R: 02/14/2011

Approved by Secretary:

Sent to Budget:

Fiscal Impact: \$26.1 million in FY 2012. Negative impact on state general fund revenues could be significantly larger without certain amendments.

Administrative Impact: The estimated costs necessary to implement this bill are \$28,800 in fiscal year 2012. Those costs include about \$28,800, or 960 hours, of programming time.

Brief of Bill

House Bill 2220, as introduced, amends the promoting employment across Kansas act.

New Section 1 would allow an income tax credit equal to the resident individual's income tax liability for the owner of a qualified company which meets the qualifications under K.S.A. 7-50,212(b)(1) (relocate jobs from an out-of-state facility, office, operation to Kansas). The maximum refund amount shall be equal to the amount withheld, payments other than wages, or paid as estimated taxes. This provision is effective for all tax years beginning after December 31, 2010.

Section 2 amends K.S.A. 74-50,210 to make a technical amendment to sections in the PEAK act passed in the 2010 session, K.S.A. 74-50,210 through K.S.A. 74-50,219.

Section 3 amends K.S.A. 74-50,211 to provide that a qualified company also includes, any not-for-profit corporation which locates a regional, national or international headquarters in the state of Kansas. Any out-of-state company which creates at least 10 jobs in an urban area and any out-of-state company that creates at least 5 jobs in a rural area.

A definition of a "retained job" is also added. A retained job means an existing job which will be lost without participation by the employer in the PEAK act.

Section 4 amends K.S.A. 74-50,212 to allow a third party employer, either related or unrelated, to serve as the legal employer of the new employees providing services to the qualified company and such services are performed in Kansas and the third party employer and the new employees are subject to the Kansas withholding and estimated tax act.

This section is also amended to allow the average wage to be used in determining if a qualified company is eligible to retain 95% of the withholding taxes. Also, the employer can retain 95% of withholding taxes for all new jobs, not just those equal to or above the wage threshold (as under current law), and the employer will retain such withholding for the maximum stated term length, eliminating discretion by the Secretary of Commerce to reduce that term length.

Any qualified company that retains employees of an existing business unit for a period of two years shall be eligible to retain the withholding taxes for a period of five years.

The Secretary of Commerce may provide benefits of PEAK for situations where it is deemed necessary that the state provide incentives for a company or its operations to remain in Kansas so as to keep its retained jobs. The secretary shall establish and verify that a prospective company has competitive alternatives that it is seriously considering and that the company's relocation is imminent. The secretary shall assess whether the retention is important to the economic vitality of the state, the area where the operations are located or whether the retention is important to a particular industry due to factors such as the quantity, quality or pay of the retained jobs.

The secretary may use PEAK in conjunction with other economic development programs to develop a retention package.

The \$4.8 million/FY cap on PEAK expenditures for expansions of businesses already located in Kansas is also eliminated.

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

Fiscal Impact

Passage of this bill could have a negative fiscal impact of \$26.1 million on state general fund revenues in FY 2012, assuming certain amendments are made and could be larger without those amendments.

New section one of the bill allows an owner of a qualified company to claim a credit equal to the taxpayer's individual income tax liability. Any taxpayer that owns a share in a publicly held company or a percentage of a partnership, LLC, or sub chapter S company would qualify for a credit equal to their total income tax liability regardless of the amount of income that is actually from the qualified company. The fiscal impact from this provision will be very significant, unless the exemption is narrowed. The Department understands that the intent of Section 1 is to provide an individual income tax exemption to a Kansas resident who is an owner of a PEAK-qualified business that has relocated existing jobs from outside the state to Kansas to Kansas, where the owner of that business is materially participating in the conduct of the business operations relocated Kansas, and the income tax exemption only applies to income attributed to such operations relocated to Kansas. If the exemption is narrowed as described above, this provision would have no fiscal impact, and the total fiscal impact stated below assumes that balloon amendment is made.

The other provisions in the bill broaden the qualifications of PEAK to include not-for-profit companies, retained jobs, allows any third party employer to be eligible, and allows 95% of withholding for all new employees to qualify if all the jobs meet the median or average county wage.

The fiscal impact below also assumes that another balloon amendment will be put in place to ensure that these expansive changes do not apply to employers who have already submitted applications for or entered into PEAK contracts with Department of Commerce prior to July 1, 2011.

Based on information received from Department of Commerce, it is estimated that the fiscal impact of this bill (amended as mentioned above) would reduce fiscal year 2012 state general fund receipts by about \$26.1 million, broken out as follows:

\$11 million--allow employer to retain withholding on all new jobs, maximum term limit, and giving employer choice of using average county wage or median county wage.
\$2.5 million--accelerate by 6 months (to July 1, 2011, instead of Jan. 1, 2012) the date when employers expanding existing facilities in Kansas can start drawing benefits.
\$2.5 million--lift the \$4.8 million/FY cap on benefits to employers expanding existing facilities.
\$100,000--allow related 3rd party employers to qualify.
\$10 million--allow retained jobs to qualify.

We would assume that expansion of existing facilities and retention would be the categories that would grow the fastest in the future, adding a growth of \$10 million per year in out years as shown in the table below:

FY 2013	-\$36.1 million
FY 2014	-\$46.1 million
FY 2015	-\$56.1 million
FY 2016	-\$66.1 million

Administrative Impact

The estimated costs necessary to implement this bill are \$28,800 in fiscal year 2012. Those costs include about \$28,800, or 960 hours, of programming time.

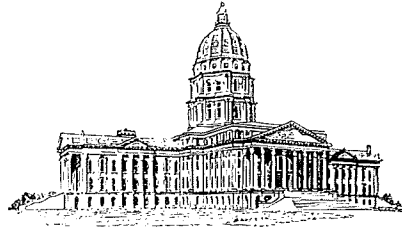
Administrative Problems and Comments

Taxpayer/Customer Impact

Legal Impact

STATE OF KANSAS
HOUSE OF REPRESENTATIVE

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MARVIN G. KLEEB
48TH DISTRICT

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CHAIR: JOHNSON COUNTY DELEGATION
VICE CHAIRMAN: TAXATION
MEMBER: APPROPRIATIONS
MEMBER: COMMERCE & LABOR

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HB 2220 – Taxation Committee
February 14, 2011

Very few people would dispute the fact that we are in one of the most prolonged eras of high unemployment since the Great Depression. The nationwide unemployment rate remains at 9% with experts stating the real rate is much higher when you account for those who have given up looking for work and those who are underemployed.

Here in Kansas, there has been some progress but we still have 95,100 breadwinners out of work for a seasonally adjusted unemployment rate just under 7%; and these are our neighbors, former associates and family members. These facts tell more of the Kansas story:

1. In FY 2008; the state Unemployment fund had \$662 million as a balance; by 12/2010, the fund had borrowed \$88.5 million from the federal government
2. Unemployment tax rates went up and Kansas businesses paid \$140 million
3. Corporate income taxes have plummeted from \$442,324 in FY 2007 to \$224,940 in FY 2010; almost a 50% decrease.

Across the nation and in nearly all states, the legislative and political emphasis is on economic development and jobs creation for their citizens. Our own President has stated that the top agenda priority of the United States should be the creation of jobs.

The Executive and Legislative efforts across the country are focused on making their states as economically competitive as possible to attract and develop new business, industries and jobs. Missouri's Governor Nixon has made clear that the most important solution for their state's economic health and the financial wellbeing of their citizens is economic development and jobs creation.

Here in Kansas, we must provide the leadership that will promote real, long lasting solutions to our fiscal problems by growing our state's economy, developing business, creating jobs and helping our families become financially solid and prosperous once again. We must not let our citizens and constituents down and we must be open-minded and serious about doing everything possible to help Kansas be competitive and to get Kansans back to work.

I urge your consideration of the proposals for improvements to Promoting Employment Across Kansas as outlined in HB 2220. The changes are designed to greatly improve the competitiveness of Kansas to win relocation and expansion opportunities.

House Taxation
Date: 2-14-11
Attachment: 2

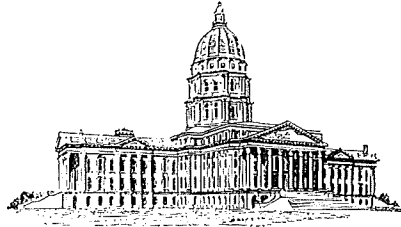
STATE OF KANSAS
HOUSE OF REPRESENTATIVE

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HB 2220 – BRIEF ON PROPOSALS
PROMOTING EMPLOYMENT ACROSS KANSAS

1. Page 1. Section 1. Individuals who relocate or expand into Kansas their PEAK qualified business can claim a credit against their Kansas personal income tax liability for the apportioned income derived from such business during the time period that the project qualifies for PEAK benefits.
2. Page 3. Section 3 (l) (1) (B (i)). The Secretary of Commerce may qualify a not-for-profit entity which locates within the state of Kansas a regional, national or international headquarters.
3. Page 4. Section 4 (b) (c). The 95% Kansas tax retention incentive is based upon all jobs in the company meeting the PEAK requirements.
4. Page 4. Section 4 (b) and (c). The median or average wage of a company's payroll when compared to meeting or exceeding the county's median wage level may be utilized in determining benefits.
5. Page 4. Section 4 (3). A qualified company may utilize or contract with a third-party whereby the unrelated or related third-party serves as the legal employer. Prior, the third-party had to be unrelated and it is common in today's business model to have related companies act as the legal employer.
6. Page 5. Section 4 (e). The Secretary of Commerce will be authorized on a limited basis to use the PEAK program when necessary to retain existing Kansas companies from moving out-of-state provided:
 - a. the Secretary determines that company's relocation may be imminent
 - b. the company or its operations is important to the economic vitality of the state, a region or industry due to the quantity, quality or wages of the retained jobs
 - c. the Secretary may utilize PEAK in conjunction with other economic programs to develop a retention package.
7. Page 7. Section 5. The limitation of utilizing PEAK for expansion projects with an annual cap of \$4.8 million of new projects per year is removed. This is due to the Governor and administration eliminating the IMPACT program that has been the economic development tool used for most expansion incentives.



**Testimony to
The House Standing Committee on Taxation
by Secretary Pat George
Kansas Department of Commerce
February 14, 2011**

Just as on the national level, the number one priority of state government must be private sector jobs creation so our citizens can once again take care of themselves and their families. Certainly, Governor Brownback has directed the Commerce and Revenue Departments, and the entire administration, to focus on building the Kansas economy so quality, sustainable and well paying jobs will be created and retained by our business community.

To successfully improve and grow our economy, we first must provide an environment where our existing businesses can grow and flourish. Secondly, and as importantly, we must make Kansas competitive in the global marketplace so we can attract solid companies that are looking to relocate or expand.

Promoting Employment Across Kansas, PEAK, immediately has proven to be an important and successful jobs creation program for Kansas. During PEAK's first year, FY 2010, 1,800 jobs were created in Kansas bringing with them an annualized payroll of \$132,000,000.

As you know, Governor Brownback and his administration have carefully been reviewing our economic development tools and PEAK continues as an important program in our strategy to develop quality jobs

House Taxation
Date: 2-14-11
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for our Kansas citizens. Furthermore, we have been engaged in making enhancements to PEAK that we believe will help Kansas attract and retain companies and jobs.

We support the proposed credit against business owner's personal income taxes derived from businesses that relocate to Kansas from another state or country. This proposal should help Kansas recruit successful, financially solid Sub-S, LLC and LP businesses with quality jobs.

The Governor wants to limit the use of future bonding in our IMPACT economic development incentive program. The proposal to provide the State with the ability to utilize PEAK in those unique situations where it is vitally important to a region or key industry to retain a company and its jobs that are being wooed away by another state or nation is another program improvement we support. Furthermore, the implementation of these incentives will be at the discretion of the secretary, so its utilization will be manageable.

In this incredibly competitive national and international business environment, it is critical Kansas has all of the economic development programs possible in its tool box so we can succeed in bringing jobs to our state. We urge your support of these enhancements to PEAK.

A “Dynamic” Economic Analysis of P.E.A.K

Presentation to the House Committee on Taxation

Art Hall, Executive Director, Center for Applied Economics, KU School of Business

February 14, 2011

Overview of P.E.A.K.

The “Promoting Employment Across Kansas Act” authorizes the Secretary of Commerce to allow qualifying businesses relocating into Kansas to retain 95% of the “Kansas payroll withholding taxes for all new employees” subject to the following specified criteria in the table below. The business must make the hires within two years from the date of its agreement with the Department of Commerce. (Proposed modifications to P.E.A.K would allow: (1) the Secretary of Commerce to use P.E.A.K. for retention of key companies in limited situations and (2) small businesses relocating into Kansas to receive a credit against business income tax.)

Average business wage is X% of county median wage*	Years allowed to retain if: <ul style="list-style-type: none">• Metro = 10+ jobs• Non-Metro = 5+ jobs	Years allowed to retain if: 100+ jobs
100% (or industry avg.)	5	7
110%	6	8
120%	7	9
140%	n/a	10

* Kansas Department of Labor county median wage survey attached.

Success of P.E.A.K. to Date

According to the Department of Commerce, 10 P.E.A.K. contracts have been executed:

- Projected Job Count: 1,800
- Projected Payroll: \$131 million
- Average Payroll per Job: \$72,778
- Estimated Annual Payroll Withholding Retained: \$5.3 million (4% of payroll)

Comments on Dynamic Analysis

- The analysis which follows is based on past estimates by the Kansas Department of Revenue related to a fiscal note for P.E.A.K.
- The motivation for the dynamic analysis is not to predict the number of future business and job relocations that P.E.A.K. may cause. Rather, it is to demonstrate that a “static” analysis of P.E.A.K. based on the simple fiscal note related to withholding taxes retained by qualifying businesses does not do justice to the potential economic impact offered by the P.E.A.K. program.
- Key Point: Based on the analytical assumptions, over a 5-year period, a static analysis projects a \$95.7 million loss of state government revenue; a dynamic analysis projects a \$52.7 million gain to state government revenue—and a \$125.9 million gain to local government revenue.

House Taxation

Date: 2-14-11

Attachment: 4

A "Dynamic" Economic Analysis of P.E.A.K.
(Dollar Figures in Millions)

Adopts 2010 assumptions made by Kansas Department of Revenue:

1. Fiscal note as recorded below
2. 4,000 jobs added each year (at \$40,000 each) that would not exist without P.E.A.K.

Calendar Year (not Fiscal Year)	2011	2012	2013	2014	2015	Totals
Estimated Fiscal Note: KDOR	-\$6.1	-\$12.4	-\$18.9	-\$25.7	-\$32.8	-\$95.7
Estimated State Revenue Offsets from P.E.A.K.	\$9.1	\$18.9	\$29.3	\$40.3	\$50.8	\$148.5
<i>Personal Income Tax</i>	2.69	5.80	9.20	13.07	16.35	47.12
<i>Corporate Income Tax</i>	1.18	2.46	3.85	5.35	6.92	19.75
<i>State Sales Tax</i>	3.19	6.47	9.78	13.16	16.46	49.06
<i>Other</i>	2.05	4.21	6.45	8.76	11.07	32.54
Estimated Net State Revenue from P.E.A.K.	\$3.1	\$6.6	\$10.4	\$14.7	\$18.0	\$52.7
<i>Addendum: Additional State Unemployment Tax (4% rate)</i>	1.28	2.56	3.84	5.12	6.40	19.20

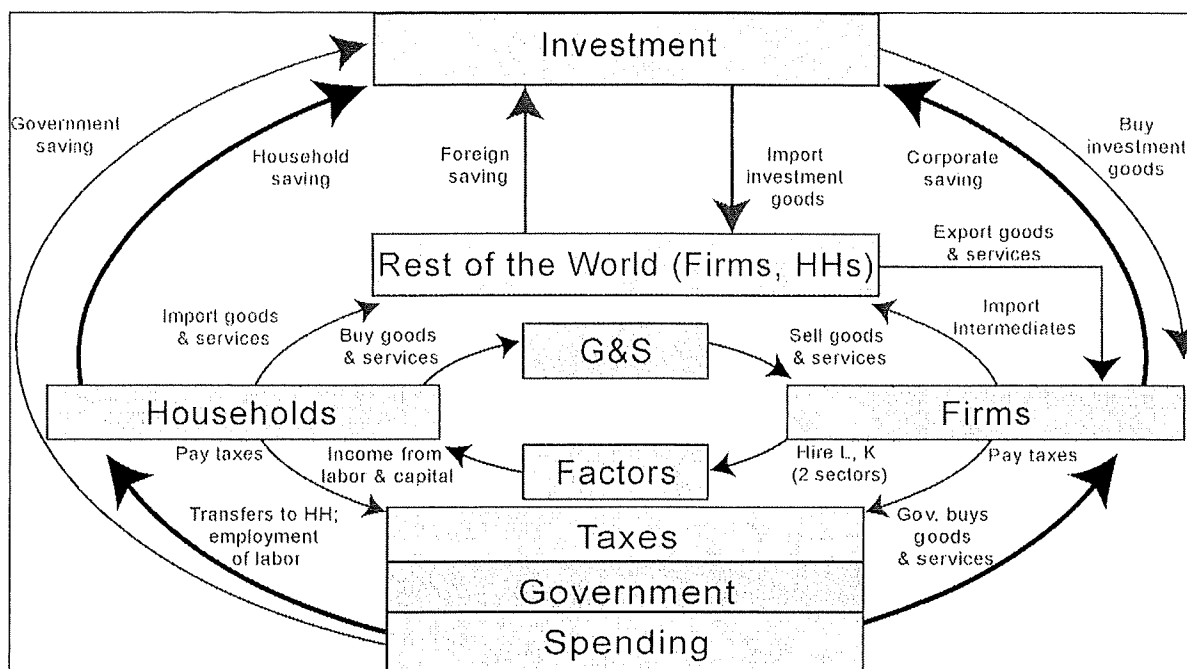
Estimated Economic Impacts:

Kansas Private Employment (includes KDOR 4,000)	5,544	11,258	17,065	23,049	28,641	28,641 *
<i>Estimated Increase from Baseline</i>	0.45%	0.89%	1.32%	1.75%	2.12%	0.44%
Kansas Government Employment	102	194	275	348	275	1,193
<i>Estimated Increase from Baseline</i>	0.03%	0.06%	0.09%	0.11%	0.09%	0.08%
Kansas Personal Income	\$221.8	\$454.9	\$696.5	\$950.2	\$1,191.8	\$3,515
<i>Estimated Increase from Baseline</i>	0.19%	0.37%	0.54%	0.71%	0.84%	0.55%
Kansas Private Investment	\$1.4	\$4.0	\$7.6	\$12.1	\$15.7	\$41
<i>Estimated Increase from Baseline</i>	0.07%	0.21%	0.39%	0.61%	0.80%	0.42%
Kansas Local Government Tax Revenues	\$8.5	\$17.0	\$25.3	\$33.6	\$41.5	\$125.9
<i>Estimated Increase from Baseline</i>	0.13%	0.25%	0.37%	0.47%	0.58%	0.37%

* Note: Per KDOR assumptions, the private sector jobs accumulate each year so they are not summed over the 5-year period.

Source: Kansas State Tax Analysis Modeling Program (STAMP), Beacon Hill Institute at Suffolk University and Center for Applied Economics, KU School of Business.
Methodological details of the model are available upon request.

Summary Details about the Kansas Simulation Model

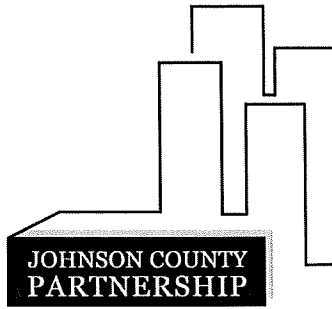


- The Kansas State Tax Analysis Modeling Program (STAMP) is a dynamic computable general equilibrium model of the Kansas economy. The chart illustrates the economic interrelationships of the model. The model maps the economic relationship among dozens of industry sectors and seven household groups defined by different income levels.
- **Computable general equilibrium models (CGE) are simulation tools not forecasting tools.** They are tools that allow for building intuition about how the complex interrelationships of an economic system will respond to a change to the system. A dynamic CGE model assumes a steady-state growth path for the economy (a baseline). Absent from any “shocks,” the economy is assumed to remain on this path. If the economy experiences a shock, such as a tax change, the economy will diverge from this steady-state path and eventually turn onto a new path. The size and length of the divergence will depend on the size of the shock to the economy.
- The primary mechanism in the CGE relates to a change in relative prices. A key assumption in economics is that economies will tend to rebalance to a new set of equilibrium (steady-state) conditions based on a change in prices.
- The Center for Applied Economics does not consider the simulation results as a replacement for (or a competitor to) the official revenue projections made by Kansas Legislative Research and the Kansas Department of Revenue. It offers the simulation results as a means to gain intuition about the offsetting impacts (that is, changes from the baseline conditions) of a change in policy—in this case, the policy changes related to P.E.A.K.

2010 PEAK Attachment A -- KDOL Median Wage by County
Kansas Annual Wage Survey, 2010 Edition *

County Name	Median Wage	Annual Median	County Name	Median Wage	Annual Median	County Name	Median Wage	Annual Median
Allen	\$13.37	\$27,810	Hamilton	\$12.18	\$25,334	Pottawatomie	\$11.98	\$24,918
Anderson	\$13.31	\$27,625	Harper	\$11.86	\$24,669	Pratt	\$14.64	\$30,451
Atchison	\$13.43	\$27,934	Harvey	\$14.42	\$29,994	Rawlins	\$11.26	\$23,421
Barber	\$15.28	\$31,782	Haskell	\$14.87	\$30,930	Reno	\$12.54	\$26,083
Barton	\$13.19	\$27,435	Hodgeman	\$12.40	\$25,792	Republic	\$9.72	\$20,218
Bourbon	\$12.35	\$25,688	Jackson	\$12.43	\$25,854	Rice	\$11.80	\$24,544
Brown	\$12.81	\$26,645	Jefferson	\$13.90	\$28,912	Riley	\$12.21	\$25,397
Butler	\$12.94	\$26,915	Jewell	\$11.39	\$23,691	Rooks	\$11.24	\$23,379
Chase	\$10.72	\$22,298	Johnson	\$16.92	\$35,194	Rush	\$14.52	\$30,202
Chautauqua	\$11.54	\$24,003	Kearny	\$14.21	\$29,557	Russell	\$12.02	\$25,002
Cherokee	\$12.92	\$26,874	Kingman	\$14.09	\$29,307	Saline	\$13.09	\$27,227
Cheyenne	\$9.77	\$20,322	Kiowa	\$10.22	\$21,253	Scott	\$12.88	\$26,790
Clark	\$13.29	\$27,643	Labette	\$12.67	\$26,354	Sedgwick	\$15.45	\$32,136
Clay	\$13.54	\$28,163	Lane	\$14.45	\$30,056	Seward	\$12.37	\$25,730
Cloud	\$9.97	\$20,738	Leavenworth	\$17.42	\$36,234	Shawnee	\$15.28	\$31,782
Coffey	\$13.81	\$28,725	Lincoln	\$10.74	\$22,339	Sheridan	\$11.92	\$24,794
Comanche	\$11.63	\$24,190	Linn	\$14.44	\$30,035	Sherman	\$11.92	\$24,794
Cowley	\$12.83	\$26,686	Logan	\$13.48	\$28,038	Smith	\$10.28	\$21,382
Crawford	\$12.04	\$25,043	Lyon	\$12.89	\$26,811	Stafford	\$13.26	\$27,581
Decatur	\$11.67	\$24,274	Marion	\$11.93	\$24,814	Stanton	\$14.15	\$29,432
Dickinson	\$11.54	\$24,003	Marshall	\$13.58	\$28,246	Stevens	\$13.92	\$28,954
Doniphan	\$14.40	\$29,952	McPherson	\$14.07	\$29,266	Sumner	\$11.97	\$24,898
Douglas	\$13.38	\$27,830	Meade	\$16.95	\$35,256	Thomas	\$13.17	\$27,394
Edwards	\$11.24	\$23,379	Miami	\$13.12	\$27,290	Trego	\$14.88	\$30,950
Elk	\$10.88	\$22,630	Mitchell	\$13.10	\$27,248	Wabaunsee	\$13.78	\$28,662
Ellis	\$14.54	\$30,243	Montgomery	\$13.10	\$27,248	Wallace	\$12.13	\$25,230
Ellsworth	\$11.91	\$24,773	Morris	\$11.52	\$23,962	Washington	\$11.21	\$23,317
Finney	\$12.40	\$25,792	Morton	\$14.42	\$29,994	Wichita	\$14.37	\$29,890
Ford	\$13.35	\$27,768	Nemaha	\$13.57	\$28,226	Wilson	\$12.63	\$26,270
Franklin	\$13.01	\$27,061	Neosho	\$13.47	\$28,018	Woodson	\$12.81	\$26,645
Geary	\$14.76	\$30,701	Ness	\$14.08	\$29,286	Wyandotte	\$17.38	\$36,150
Gove	\$10.49	\$21,819	Norton	\$11.65	\$24,232			
Graham	\$8.73	\$18,158	Osage	\$12.50	\$26,000			
Grant	\$13.78	\$28,562	Osborn	\$13.00	\$27,040			
Gray	\$13.44	\$27,955	Ottawa	\$10.37	\$21,570			
Greeley	\$10.06	\$20,925	Pawnee	\$12.88	\$26,790			
Greenwood	\$10.32	\$21,466	Phillips	\$12.22	\$25,418			

* Revised in July 2010 using wage data collected during the 2nd qtr. 2009



Testimony on HB 2220 – Promoting Employment Across Kansas (PEAK) Program

On behalf of the Johnson County Economic Development Partnership

Presented by Lavern Squier

February 14, 2011

Thank you for the opportunity to provide comments on HB 2220, which strives to strengthen the effectiveness of the Promoting Employment Across Kansas economic development incentive program commonly known as PEAK.

I am here on behalf of the Johnson County Partnership, a coalition of economic development agencies that work together to promote business growth in De Soto, Leawood, Lenexa, Northeast Johnson County, Olathe, Overland Park, Shawnee, Spring Hill, and Southwest Johnson County.

Incentives that allow Kansas to compete across the country and around the world are crucial to our ability to grow the state's economy. The PEAK program has proven to be a valuable tool, as the advantages it provides have already attracted a number of significant projects to Kansas, bringing new residents, jobs, capital investment, and tax base to the state.

The experience gained from working everyday with economic development prospects has given us insight into how Kansas can be even more competitive. For example, PEAK has been invaluable in helping to attract out-of-state companies, but true economic development success is measured in the retention and expansion of existing companies. Your consideration of adding a retention component to PEAK, as well as the other points addressed in HB 2220, have the potential to make an already powerful tool even more so.

Accordingly, we support efforts to continue to strengthen the effectiveness and efficiency of the PEAK program, and we encourage you to consider HB 2220 favorable for passage. Thank you for your time and consideration of this important issue.

House Taxation
Date: 2-14-11
Attachment: 5

Business Development Division

FY2010 media accolades and ranks:

- Kansas ranked **Top 10** in eight of 20 categories in *Business Facilities'* 2010 Rankings Report, our best-ever finish.

Business Facilities
THE LOCATION ADVISOR

- Kansas was ranked **No.3** in *Southern Business & Development's* “Top Deals and Hot Markets” report, the state’s best-ever finish and our second straight Top 5 ranking.

SOUTHERN
BUSINESS & DEVELOPMENT

Business Development Division

FY2010 media accolades and rankings:

- Kansas was ranked the **No. 7** most pro-business state in the Pollina “Top 10 Pro-Business States” report for the second straight year. It was our third straight Top 10 finish.

Pollina Corporate

- Kansas was ranked **No. 11** in CNBC’s annual “America’s Top States for Business” report for the second time in three years.



Business Development Division

- *Area Development* magazine named Kansas the **Silver Shovel Award** winner for excellence in job creation and capital investment. This was our fourth Silver Shovel in five years.

AREADEVELOPMENT
SITE AND FACILITY PLANNING
ONLINE

- *Site Selection* magazine named Kansas one of the nation's **Top 10** most competitive states for capital investment and facility development. This was our second straight Top 10 finish.

SITE
Selection



February 14, 2011

Mr. Chairman and Honorable Members of the Committee,

On behalf of the Wichita Metro Chamber of Commerce and our 1600 member businesses, it is my pleasure to appear before you today in support of HB 2220.

HB 2220 makes significant improvements to the Promoting Employment Across Kansas Act. Most notable are the provisions allowing PEAK to be used as a tool for retaining Kansas jobs and new section 1 will which allows the members of Limited Liability Companies and shareholders of sub-chapter S Corporations relocating to Kansas to have their Kansas personal income taxes forgiven.

PEAK has been an important and needed tool used by the Kansas Department of Commerce often in concert with regional economic development organizations throughout the state of Kansas. However, there have been numerous situations where Kansas has failed to land coveted employers and the high paying jobs associated with them. In these situations it was not a matter of PEAK not being used; rather, it was a matter of PEAK not being sufficiently competitive with other state's programs and offerings.

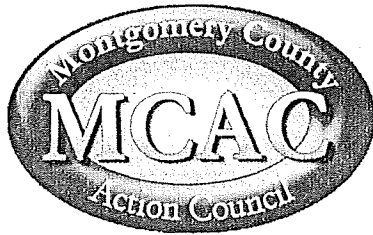
While Kansas has great workers, affordable housing and a great educational system, we have struggled to regain our economic footing after the most recent financial meltdown and the accompanying recession. This is especially true for south-central Kansas and the city of Wichita. For example, the city of Wichita has one of the highest unemployment rates in the state at 9.2% (US Dept. of Labor, November). The national unemployment for the same period was 9.8%. In addition, while our neighbor to the south, Oklahoma, led the nation in 2010 state GDP growth at 6.9%, Kansas actually lost 1.9%.

The state's current approach to economic development and business recruitment is laudable. However, in an ever changing and hypercompetitive global market for jobs, Kansas must not only be proactive and willing to change in rapid order; we must also have a determination to lead and apply innovative approaches to economic development. The changes to PEAK proposed in HB 2220 are a huge step in that direction. We urge the committee to report HB 2220 favorable for passage.

Thank you,

Jason Watkins
Director of Government Relations

House Taxation
Date: 2-14-11
Attachment: 6



February 14, 2011

Representative Carlson and Members of the House Taxation Committee:

Thank you for allowing me to be here today to provide testimony regarding enhancements to the Promoting Employment Across Kansas, or PEAK program, as described in House Bill 2220. It is an honor to be here and I appreciate the opportunity.

Competition for economic development projects do not exist solely within the borders of the State of Kansas, but on a national and a global scale. Over the last few years, two significant and aggressive legislative acts have enhanced the competitiveness of Kansas businesses and strengthened business recruitment and retention efforts on the local and the State levels. They have resulted in millions of dollars in investments for new technology and machinery and equipment upgrades in Montgomery County alone.

First, the elimination of property taxes on machinery and equipment, or personal property, has lowered costs to our existing businesses, improving their competitiveness. It also differentiates Kansas from our neighboring states. In fact, only twelve other states in the Country currently do not tax business machinery and equipment. It gives us a significant advantage while we are pursuing business recruitment and expansion projects.

Second, the creation of the PEAK program was one of the best tools that economic developers have to offer to businesses looking to expand facilities into Kansas. I have personally visited with a number of site selection consultants and national realtors in several different states about the PEAK program and it has never failed to get their attention. You could say that it "peaks" their attention.

It is one of the few programs that provide "cash equivalent" assistance for capital investment and the creation of high quality jobs and jobs offering, perhaps the most important benefit that a company can offer, health insurance (the business must pay at least 50% of the costs).

House Taxation
Date: 2-14-11
Attachment: 7

House Bill 2220 further improves the PEAK program, expanding its scope, widening eligibility, creating more flexibility and amplifies its possibilities for economic development. Specifically:

- It adjusts the minimum wage threshold to a choice by the company of either "average wage" or "median wage" which allows more companies to qualify for the program, particularly manufacturing jobs in rural areas.
- It allows PEAK to be used for in-state retention and removes the cap for in-state expansions
- It removes discretionary language/authority for the Commerce Department regarding the "up to..." offerings/usage of the program.
- If companies/owners moving into Kansas from out-of-state would get 100% of their personal income tax liability forgiven.

Thank you again for allowing me to testify in support of House Bill 2220. I hope that you will support these enhancements and the associated positive changes. I will do my best to answer any questions that you have.

Sincerely,

Bradley Eilts
Director

February 11, 2011

Chairman Carlson and members of the Kansas House Tax Committee:

Good morning. my name is Kent Heermann. CFCD. President of the Regional Development Association of East Central Kansas (RDA). We serve as the lead economic development organization for the City of Emporia and Lyon County.

In my nearly 17 years at the RDA, we have had many basic employers expand, location, downsize and some have closed. Two of our top ten employers are gone – Didde Web Press and Modine Manufacturing. Many new basic employers have located in our region, such as Caterpillar, Inc. now Camoplast, Menu Foods Midwest Corporation, now a subsidiary of Simmons Pet Food, Hill's Pet Nutrition and Norfolk Iron & Metal. Many of our existing basic employers have expanded over that time period, such as Detroit Diesel Remanufacturing, Dolly Madison Cake Company, VEKTEK, Glendo, Kansa Technologies, EVCO and Hopkins Manufacturing. A few of our basic employers have downsized, the most notable was Tyson Foods in 2008. Prior to the lay-off, there were 2,400 employees and today there are 1,000. Nearly 7% of our total workforce in Lyon County lost their job. Then the great recession hit and employers downsized by 5, 10 or 20 employees, which adds up.

We believe when the census data is released later this year that for the first time ever in the history of the City of Emporia and Lyon County, we lost population. The attached map entitled, census year of maximum population by Kansas 1890-2000 indicated which Kansas communities continue to grow in population, and some rural counties have had no population growth since 1890.

Now, I don't want to sound all doom and gloom. Emporia is a competitor and we have been proactive at growing our economy. We have partnered with the Kansas Department of Commerce and other Kansas allies utilizing the performance-based incentives to bring projects to a successful conclusion in our region.

The City of Emporia has a ½-cent City Sales Tax for economic development which was approved by the voters in the fall of 1994. The voters have approved extensions of the ½-cent city sales tax twice, in 2000 and 2010. Our sales tax will expire on December 31, 2024 unless reauthorized by the local voter approval. The past Kansas Legislators allow cities and counties to use this tool after voter approval.

We have utilized the sales tax for infrastructure improvements, land acquisition, performance-based cash grants and the RDA operations. It makes us extremely competitive. A few Kansas communities have the ability and chose to use sales taxes for economic development.

RDA11024

House Taxation
Date: 2-14-11
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Emporia is one of about a dozen or so Kansas communities that are considered a micropolitan community, which is greater than 10,000 but less than 50,000 in population. Attached is a map entitled Metropolitan and Micropolitan areas in Kansas.

We all are in the fight of our life to keep our communities and regions growing and prospering. Action needs to be taken now by the State of Kansas to give the necessary tools for all Kansas communities to be competitive in today's global economy.

Many of our basic employers across the state have plant sites throughout North America and the world. The Kansas plant managers of those basic employers compete on expansion projects within the company. We need PEAK legislation to be improved to give those plant managers and Kansas communities a fighting chance.

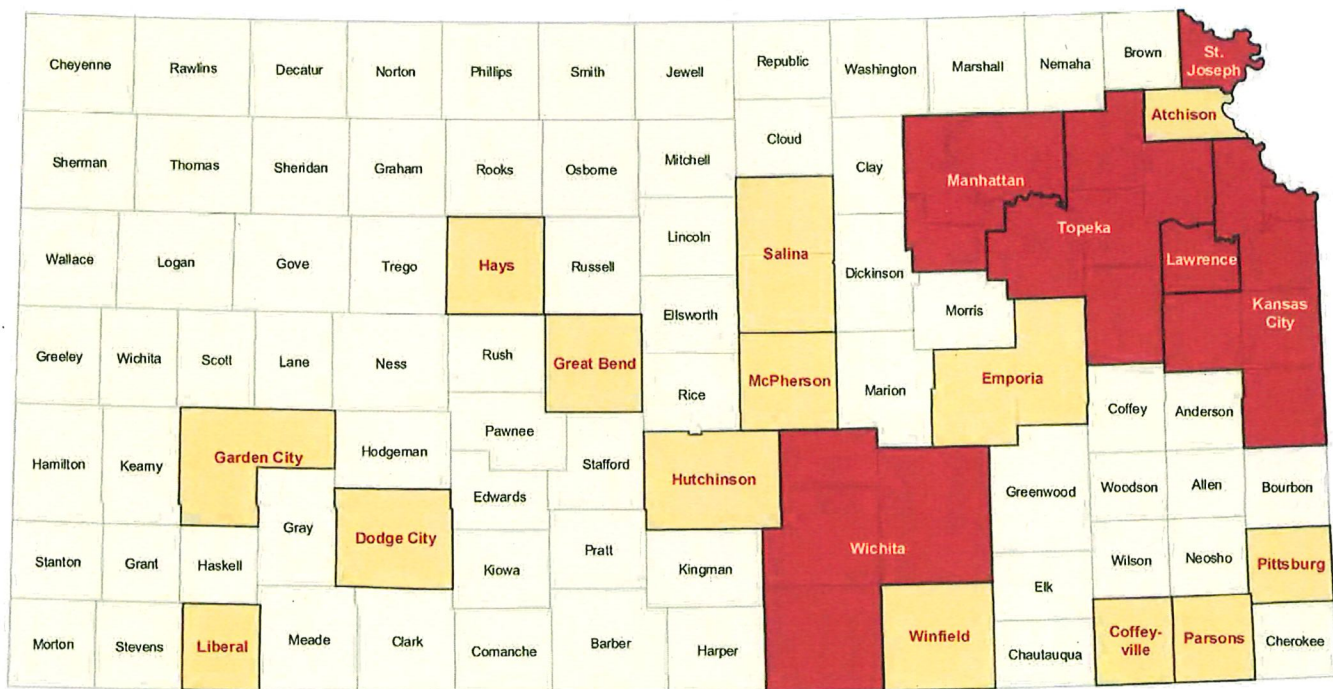
Over my last 30 years of economic development experience in rural communities with populations of 4,000, 8,000 and 25,000, all have weathered the economic downturns of the past. The local and state economy is beginning to recover slowly. Typical of rural communities, there will be expansions of existing basic employers before new projects will look beyond the metropolitan areas.

I support the following changes to PEAK HB 2220 –

- Removal of the \$4.8 million cap for in-state expansions
- Allow in-state expansions
- Allowing the company to choose median or average wage in the determination of qualification
- Allow the company the choice under HB 2220 (PEAK) to pay the Department of Revenue and then be reimbursed the qualifying amount back
- Fix the “unrelated third party” issue for companies with separate entities under common ownership

Thank you for your time and attention this afternoon and I would welcome any questions you may have at this time.

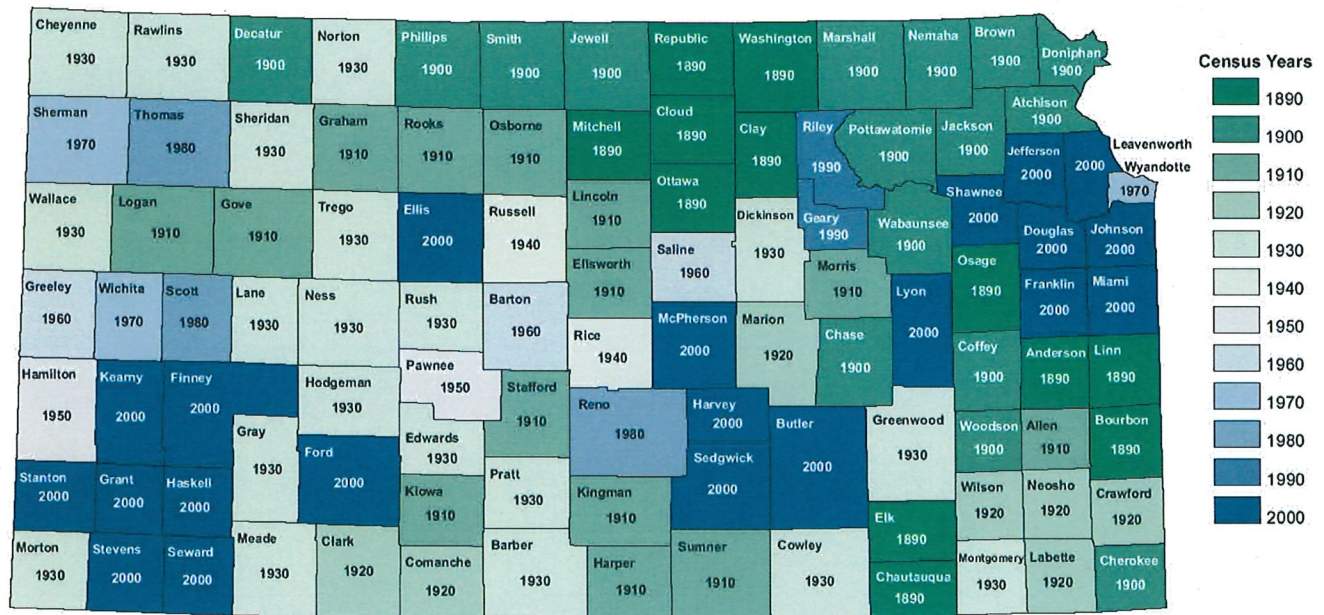
Metropolitan and Micropolitan Areas in Kansas



Source: Institute for Policy & Social Research; data from the Executive Office of the President, Office of Management and Budget, Bulletin 09-01 released 11/20/2008. This release upgraded the Manhattan Micropolitan Area to a Metropolitan Area.

- Metropolitan Area
 Micropolitan Area
 Outside Core-Based Statistical Area (CBSA)

Census Year of Maximum Population by Kansas County 1890-2000



Source: U.S. Census Bureau, Population Estimates, Vintage 2009.



120 W. Ash, P.O. Box 586 • Salina, KS 67402-0586 • 785-827-9301 • fx 785-827-9758 • www.salinakansas.org

HB 2220 Testimony Before the Kansas House Tax Committee – February 14, 2011

Chairman Carlson and members of the Kansas House Tax Committee, I am Larry Powell. I am part of the Business Retention & Expansion staff at the Salina Chamber of Commerce.

HB2220 contains several revisions to the current PEAK program. We support the objectives of this bill because they will strengthen a very helpful item in the Kansas economic development toolbox.

In January, a Salina retention and expansion project used PEAK as part of a \$5,000,000 capital investment project. PEAK support was leveraged by local economic development dollars to support creation of 50 new quality jobs. In addition, the project is directly responsible for retaining another 50 current jobs in Salina. The project would not have happened if not for PEAK support. If we had not secured the 50 jobs related to the PEAK incentive, another 50 Kansas jobs would also disappear because the entire product line would be manufactured elsewhere.

However, this project was not really about 100 jobs; it was really about the 500 jobs the employer currently has in Salina. The employer involved has a strategic objective to reduce its corporate footprint from 25 worldwide locations to a maximum of 5 facilities. Winning the smaller projects, a dozen or two jobs at a time, positions Salina Kansas as the long term location of choice. Coming down the road is another expansion opportunity for the firm that will solidify Salina. The PEAK program is an effective tool that encourages job creation in Kansas.

We can quantify and validate that a minimum of 737 manufacturing jobs have been eliminated elsewhere during the recession as corporate parents increased the workload to their Salina operations. Jobs have permanently disappeared in Tennessee, Alabama, Washington, West Virginia, Pennsylvania, Poland, Holland, Brazil and China to the benefit of Salina workers.

Programs like PEAK tell corporate decision makers that Kansas welcomes their growth. HB2220 will provide more flexibility for employers as they consider using average or median wages to qualify. HB2220 will remove a cap related to in-state expansion projects. For these reasons, and the reasons others will state today, we urge you to move this bill forward.

Right place. Right reason. Right now.

House Taxation
Date: 2-14-11
Attachment: 9



To: Chairman Richard Carlson, Vice-chair Marvin Klee and
Members of the House Taxation Committee

From: Tim McKee, Executive Vice-President of Economic
Development, Olathe Chamber of Commerce

Re: House Bill 2220

Date: February 14, 2011

To assure the effectiveness of PEAK, Promoting Employment
Across Kansas, the Olathe Chamber supports enhancements
specified in HB 2220, regarding qualification for benefits.

Flexibility for businesses to use median or average wage and the removal of the \$4.8 million in-state expansion cap are critical components of HB 2220. This bill creates a competitive marketplace and attracts businesses to the state of Kansas.

Retaining jobs in Kansas is increasingly challenging in a competitive global economy. HB2220 could be applied for in-state companies, keeping Kansans employed in our state, while unemployment rates are high across the U.S. And, businesses are incentivized to move to Kansas with the personal income tax liability waived.

Kansas will have to continue to work smarter to draw quality development in an ever competitive market. Olathe competes less with Kansas communities and more with cities like Dallas, Indianapolis, Phoenix, and Minneapolis, whose incentive packages are far more robust than ours. Increasingly, Olathe is competing nationally and internationally.

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

- Pure Fishing explored building a 400,000-square-foot distribution facility in Olathe at the cost of approximately \$20 million and 80 jobs. They chose to locate in Missouri.
- P.O.M., the nutrition juice company, was interested in locating a manufacturing facility in Olathe's vacant ADM building, expanding the building and investing \$27 million in our community. The project would have yielded 45 new jobs. They chose to locate in Indiana.

To attract the type of development the state needs—projects that bring higher-salaried jobs and top-dollar investment—it is important that state incentive programs continue to be funded. In hard times, these incentives will bring us the development that we need to boost our economy.

The Olathe Chamber of Commerce asks for your support of House Bill 2220. This important legislation will enable our Kansas communities to compete regionally, nationally, and internationally.

Thank you for your consideration,

Tim McKee

House Taxation
Date: 2-14-11
Attachment: 10



**Written Testimony before the House Taxation Committee
House Bill 2220 – The Promoting Employment Across Kansas (PEAK) Act
Submitted by J. Kent Eckles, Vice President of Government Affairs**

Monday, February 14th, 2011

The Kansas Chamber of Commerce appreciates the opportunity to submit written testimony in favor of HB 2220, which expands and adds much needed flexibility to the Promoting Employment Across Kansas (PEAK) Act, originally passed during the 2009 Legislative session.

PEAK has been a highly valuable tool in the Kansas Department of Commerce's job development "toolkit" since its enactment in 2009 and expansion in 2010. Multiple companies have relocated thousands of jobs to Kansas from competing states and have cited PEAK as a factor in their relocation decision. There have even been multiple press stories in other states citing Kansas' PEAK program, how effective it is and how those states need to improve their economic development programs to compete with us. It is time we further improve upon this program as other states are sure to redouble their efforts to catch us in the increasingly competitive environment of job attraction.

This bill offers more flexibility under PEAK for companies considering Kansas by allowing them to choose median **or** average wage when determining qualifying thresholds during the project application process. Additional opportunities for existing Kansas companies would be possible by removing the \$4.8 million cap for in-state expansions and by allowing PEAK to be used for in-state retention efforts. Further, by allowing new Sub-S companies to be forgiven their personal income tax liabilities by moving to Kansas, a major incentive is created without costing the state fiscally.

Finally, this measure fixes the "unrelated third party" issue for companies with separate entities under common ownership and addresses the payroll processor problem of dissecting payments by allowing the company the choice under PEAK to pay the Department of Revenue and get back the 95% withholding.

We urge the Committee to pass favorably HB 2220 to make the state more competitive and help spur investment and job creation in Kansas.

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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
HOUSE TAXATION COMMITTEE
February 14, 2011**

**HB 2220 – Amendments to the Promoting Employment Across Kansas Act
Provided by: Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce**

Chairman Carlson and Members of the House Taxation Committee:

The Greater Topeka Chamber of Commerce would like to express our support for HB 2220, Promoting Employment Across Kansas Act (PEAK) amendments. As our state continues to struggle with the recession, it is clear there continues to be a critical need to bring additional investment and jobs to communities across the state. The PEAK Act approved two years ago is a welcome state tool to assist communities in attracting companies and business expansions to the state. As this economic development tool is used, there is continued need to refine in order to assure it is even more valuable in growing, attracting and retaining Kansas businesses.

PEAK is an incentive program designed to capture a percentage of withholding from the new jobs created to provide an employer with up-front investment dollars. The level of wages determines the number of years a company has access to such up-front dollars. Flexibility built into the PEAK program is well-received and intended to incentivize the growth of better paying jobs.

At the present time the aggregate amount of available incentive funds for in-state expansion is \$4.8 Million per year. As amended this cap would be lifted to encourage local Kansas companies to invest in growing their companies through the creation of additional jobs. The proposed amendments also place a premium on attracting companies and jobs from out-of-state to Kansas.

The amendments also include provisions to allow the use of the PEAK incentive when the state is working to retain a company that has indicated plans to leave Kansas. Unfortunately there are circumstances where companies begin making decisions to move operations elsewhere. We have had such situations here in Topeka; for example an international company decided it would need to close one of two manufacturing plants, one was here in Topeka and the other outside our state. Our community in partnership with the Governor and Legislature worked extremely hard to convince the company that the plant in Topeka was the one that should remain open. If PEAK would have been available it would have made our ability to keep the company, in Kansas, with their quality jobs, much more straightforward. These types of situations do come up; the more prepared Kansas is to deal with them the more likely we will be on the winning side of retaining a company, its jobs and maybe growing it in the future.

The Topeka Chamber encourages the Committee to vote "Yes" for HB 2220. The more active the state is in encouraging business growth the greater the opportunity we have to get more people to work in quality jobs.

Thank you.

House Taxation
Date: 2-17-11
Attachment: 12