

SESSION OF 2009

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 108**

As Recommended by Senate Committee on  
Commerce

**Brief\***

SB 108 would revise the Economic Revitalization and Reinvestment Act by expanding the definition of an eligible aviation business and by allowing wind or solar energy manufacturing businesses to qualify for benefits.

**Eligible Aviation Business**

The bill would expand the meaning of an eligible aviation business so that it may include an entity that has an average annual gross Kansas compensation that is at least \$150.0 million. Currently the law mentions an eligible aviation business having paid an average annual gross Kansas compensation of \$300.0 million.

**Eligible Wind or Solar Energy Business**

The bill would define an eligible wind or solar energy business as a person or entity that is engaged in the wind or solar energy manufacturing industry in Kansas and that satisfies other conditions stipulated by the Secretary of the Department of Commerce which may include:

- Pay a minimum of \$32,500 of average annual compensation per Kansas employee; and
- Classified by the North American Industrial Classification System as being in the manufacturing sector.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The bill would define an eligible wind or solar energy project as a project relating to the research, development, engineering, or manufacturing of a business component or product for either the wind or solar energy industries. An eligible project would require a minimum of \$30.0 million of project costs proposed to be invested in Kansas. The project would also have to employ a minimum of 200 full-time employees within five years.

Once a project's application is approved, the bill would require the Secretary of Commerce to request the Kansas Development Finance Authority (KDFFA) to issue bonds not to exceed \$5.0 million for a single eligible wind or solar energy project. No new project could be approved after July 1, 2013, which is the current statutory deadline for the approval of other projects.

## **Background**

The purpose of the Economic Revitalization and Reinvestment Act, which the Legislature authorized in 2003, is to foster Kansas employment by encouraging product development and engineering leading to new manufactured products in the state. Any agreements made under the Act require the approval of the State Finance Council. Prior to receiving the proceeds from the bonds issued by KDFFA, an eligible business is required to agree to pay the principal and interest if the withholding taxes on wages paid by the business are not sufficient to make the payments. The project of an eligible business that benefits from this program is ineligible to participate in the state's Investment in Major Projects and Comprehensive Training (IMPACT) Program. An eligible business project that receives funding is subject to audit by the Legislative Division of Post Audit.

Proponent testimony was provided by the Department of Commerce, the Chamber of Commerce for Reno County and the City of Hutchinson, the Salina Area Chamber of Commerce, the Kansas Chamber of Commerce, the Topeka Chamber of

Commerce, and the Kansas Economic Development Alliance. In its written testimony, the Department of Commerce estimated that the bill could lead to the creation of nearly 1,000 new aviation jobs and over \$500.0 million in capital investment. The agency also estimated that the bill could lead to the creation of over 500 jobs and \$50.0 million in capital investment in renewable energy technologies. Other proponents observed that the nature of economic incentives is trending away from tax credits because they have minimal appeal to companies that have little or no tax liability in a state. Successful incentives in other states have included some sort of cost incentives. Proponents also explained the potential for wind or solar development in Kansas.

There was no opponent testimony against the bill.

The fiscal note prepared by the Division of the Budget indicates that the bill would reduce the revenue to the State General Fund by \$350,000 in FY 2010. The fiscal note also states that the Department of Commerce would require an additional \$100,861 from the State General Fund and 1.0 FTE position to administer the expanded program in FY 2010. However, the Secretary of Commerce revised the cost estimate in his oral testimony before the Senate Committee on Commerce, stating that the Department would be able to absorb these additional expenses within existing resources.