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**Proponent Testimony for HB 2308**  
**Joshua Jefferson, Deputy Director, Kansas Department of Commerce**  
**House Commerce Committee**  
**March 4<sup>th</sup>, 2025, 1:30 p.m. Room 346 S**

Thank you for allowing us to testify in support of HB 2308, Aviation and Innovative Manufacturing in Kansas (AIM-K).

The State of Kansas currently has about 135 active leads in its business recruitment pipeline, of which 59% are manufacturing related. A trend among these projects is rapid technological development in transportation manufacturing, resulting in new processes that require large investments in new facilities and equipment. Aerospace manufacturing, including emerging aerospace technologies, sustainable aviation fuel, and new vehicle manufacturing are key drivers of these opportunities. The AIM-K bill will create a tool to emphasize that Kansas, statewide, is open for business while supporting the Air Capital of the World and leveraging Wichita State University's status as the #1 aerospace research and development program in the nation. The bill slightly enhances the state's traditional incentives, giving Kansas a competitive edge to successfully recruit these manufacturers, while maintaining strict eligibility requirements, meaningful clawbacks, and only awarding benefits AFTER companies meet requirements to create jobs and make investments.

The AIM-K tool establishes clear eligibility requirements. AIM-K qualifications include:

- Eligible industries are:
  - Aircraft assembly or vehicle manufacturers
  - Component or subassembly manufacturers
  - National headquarters
  - Research and development facilities
  - Sustainable aviation fuel production (SAF)
  - Hydrogen production
- \$250 million capital investment for aircraft assembly or vehicle manufacturers (no minimum for the other qualified activities)
- At least 250 jobs within 5 years of production start
- Base wages at least 100% or more of county median wage
- Project completion within five years of start date
- Can combine related projects in order to meet program qualifications

Program benefits include:

- Training
  - No cost access to any Kansas community college or technical college of employer's choice for the purpose of supporting training of production workers. This reimbursement component has a \$5 million cap per project.

- Up to 12 months of classroom training for each production employee, with the curriculum provided by the employer.
- Payroll Tax
  - Up to 100% of project employee payroll withholding retained by employer for up to 10 years. This is similar to PEAK, which currently offers businesses 95% of the project employee payroll withholding tax.
- Capital Investment Tax Credit
  - Up to 10% of total project capital investment in a refundable tax credit.
  - Automatic 10% if the project locates in a non-MSA area of the state.
  - Paid over at least 5 years or more.
- Kansas First
  - Qualified companies that procure at least \$20 million in goods or services from one or more unaffiliated Kansas suppliers within a fiscal year may receive up to \$1 million in incentives.
- Sales Tax Exemption
  - An abatement of the construction materials sales tax on construction, renovation or expansion of a qualifying project for the specific purpose of this industry. This is a common component of our HPIP program.

Here is a comparison of AIM-K benefits, APEX and the traditional incentives.

Category	AIM-K (HB 2308)	APEX	Traditional
Training	Up to \$5M reimbursement for no-cost access to any KS community college or technical college of employer's choice (approximately 1,860 workers)	Reimbursement up to \$5M at a 50% rate for 5 years for training	KIT/KIR: \$1,200 - \$2,000 per trainee; KIR requires a dollar-to-dollar match; KIT does not require a match
Payroll Tax	100% of payroll withholding tax rebate for 10 years	Up to 10% of total payroll costs for 10 years	PEAK: 95% of the payroll withholding for up to 7 years; high-impact projects that create at least 100 new jobs may be eligible for up to 10 years
Investment Tax Credit	Up to 10% investment tax credit (refundable) unless located in a non-MSA area of the state, then it's fixed at 10%	Up to 15% investment tax credit (refundable)	HPIP: 10% income tax credit up to 50% may be transferable; credit that exceeds the transferee's tax liability may be carried forward (not refundable)
Kansas First	Up to \$1M in incentives for the qualified company who procures at least \$20M in goods from a Kansas company	N/A	N/A
Sales Tax	100% construction material tax exemption	100% construction material tax exemption	100% construction material tax exemption

AIM-K clawbacks include:

- If the company fails to reach the committed capital investment at project completion, all earned benefits of this program shall be revoked and reimbursed to the state on a sliding scale aligned with the shortfall
- If the company abandons the project before the incentive agreement expires, all earned benefits of this program shall be revoked and reimbursed to the State of Kansas

- If employment drops below 90% of the committed jobs at any point after project completion, but not to exceed 15 years from that date, payroll tax and Kansas tax exemption benefits shall be clawed back proportionally

Lastly, this program automatically sunsets on December 31, 2027.

In short, this bill creates a new economic development tool for job creation activity and capital investments made by manufacturers or national headquarters, training partnerships with our community colleges and technical schools and a Kansas First priority to encourage procurement from Kansas companies. Overall, this tool will allow the state to continue to capture future investments and build off the established momentum that has been earned from our bipartisan efforts to make Kansas the best place in the country to do business.

I urge the committee to favorably pass HB 2308.



### AIM-K: Aviation and Innovative Manufacturing in Kansas

The AIM-K bill will create a new tool to show that Kansas is open for business, helping Wichita remain the Air Capital of the World.

### Example Firm: Wichita Aerospace Manufacturing Company

This ROI analysis utilizes an example firm, to be located in Wichita, Sedgwick County, which meets all the project requirements and qualifies for all the benefits of the AIM-K bill. The firm would be a large-scale advanced aerospace manufacturing operation capable of producing several aerospace products.

### ROI Description and Results

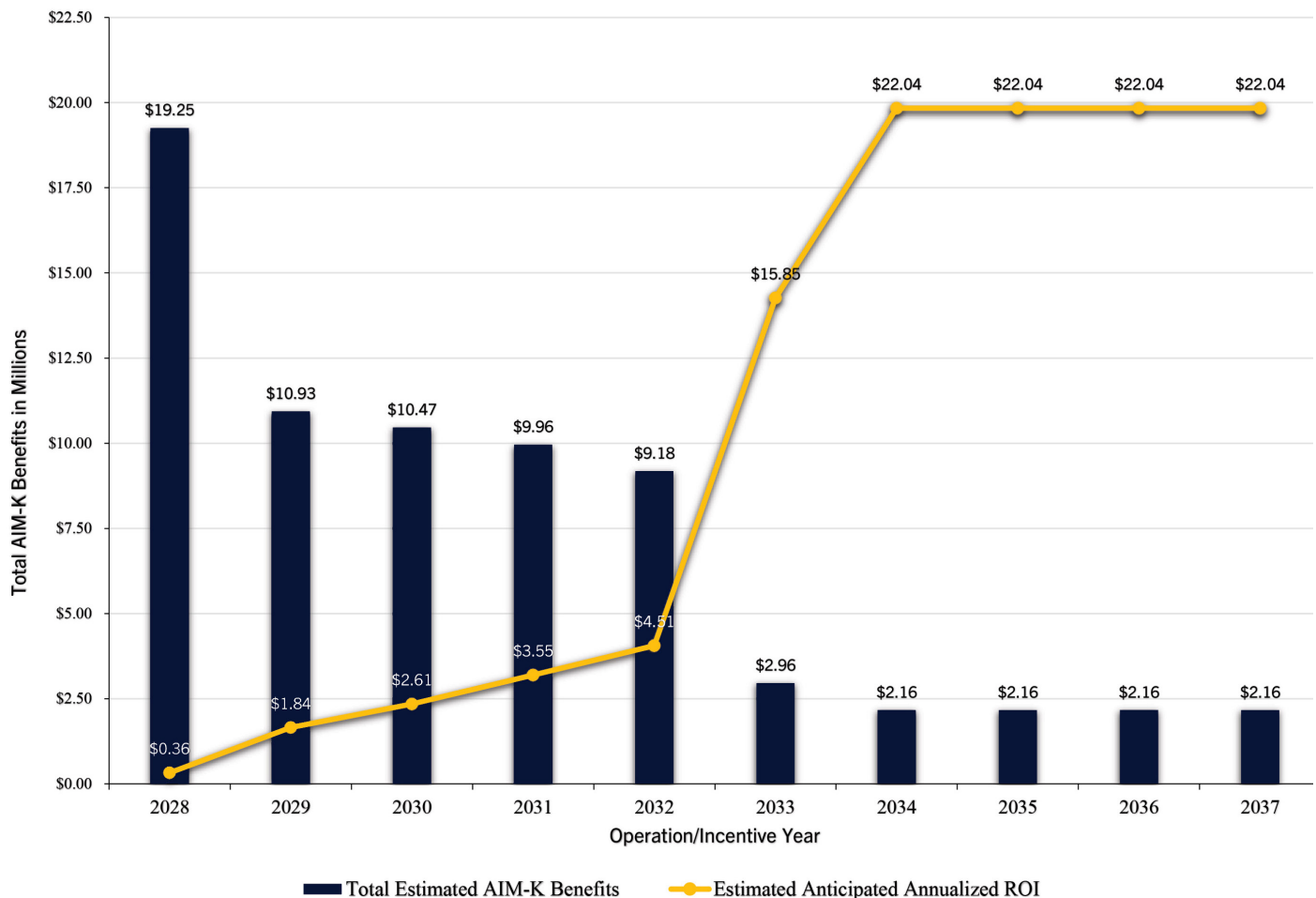
This study measures the total economic impact from the example firm, which includes: Jobs created, value-added and economic output. The economic impact is then measured against the anticipated AIM-K benefits provided by the state for ten years of the operations phase of the project. We expect yearly variation in the AIM-K benefits, because they can be claimed at different stages of the project. The graph below tracks the increase in ROI, as the dollar amount of AIM-K incentives decreases.

The results indicate:

The project will yield a positive ROI in year 1 of the operation phase, which means the state will start recovering the incentives, and that ROI will be greater than \$1 by the second year of operation.

The ROI for every dollar the state will spend during the ten years of the operation phase ranges from \$0.36 to \$22.04.

When comparing the estimated total impact with the anticipated AIM-K incentives over the ten-year period, the overall anticipated annualized ROI is \$21.38. Which means, for every dollar spent by the state, the Kansas economy will gain **\$21.38**.



# \$1 = \$21.38