

Opposition to SB 283
Oral Testimony by Joshua Jefferson, Deputy Secretary of Business Development
at the Kansas Department of Commerce
Senate Assessment and Taxation
March 5, 9:30 A.M.
Room 548 S

Thank you for allowing us to testify in strong opposition of SB 283. This bill ends three critical economic development tools utilized by businesses across the state and managed by Commerce: Promoting Employment Across Kansas (PEAK), the High Performance Incentive Program (HPIP) and the Job Creation Fund (JCF). Last year, Kansas was honored with a Gold Shovel Award for the fourth consecutive year. This recognition reflects our sustained excellence in business attraction and economic development and serves as a testament to the momentum we have built ensuring Kansas remains an attractive place for new and expanding businesses. Ending programs like PEAK, HPIP and JCF will crush established Kansas companies, send the wrong message to the business world and jeopardize our thriving economy.

Promoting Employment Across Kansas (PEAK)

The Promoting Employment Across Kansas program is designed to help recruit and retain jobs in Kansas by allowing companies to keep up to 95% of the payroll withholding taxes generated by new employees. In 2024, 34 companies signed new agreements, and we currently have 200 active agreements. With these new 34 agreements, more than 2,836 PEAK jobs are projected to be created, \$228.2 million direct annual payroll projected and more than \$737.7 million in capital investment expenditures projected. From the 200 active agreements, more than 30,148 jobs have been created or retained. 54% (16,181) of those jobs have been created or retained from existing companies in the state. Table 1 shows the job creation and retention from this program since 2019. The return on investment (ROI) on the \$39.8 million withholding retained by PEAK participant companies in FY 2024 is estimated to be over \$2.3 billion, including over \$175.2 million in state and local tax revenue, and over \$38.2 billion in growth to the Kansas economy.

Table 1: PEAK FY2019-FY2024

PEAK	
Year	Created or Retained Jobs
2019	33,670
2020	39,657
2021	37,141
2022	36,138
2023	33,309
2024	30,148

High Performance Incentive Program (HPIP)

The High Performance Incentive Program provides tax incentives to qualifying employers who pay above average wages. HPIP provides a 10% tax credit on the qualified capital investment of an eligible company. In the five metro counties of Douglas, Johnson, Sedgwick, Shawnee and Wyandotte, the minimum investment threshold to qualify is \$1 million. For all other counties, the investment threshold is \$50,000. The tax credit can be carried forward up to 16 years provided that the company can recertify with HPIP. Beginning with credits earned in 2021, the qualifying companies can sell or transfer up to 50% of the HPIP tax credit to any individual or entity. Table 2 shows the number of HPIP certifications and recertifications as well as capital investment since 2019.

Table 2: HPIP FY2019-FY2024

HPIP						
	FY19	FY20	FY21	FY22	FY23	FY 24
Initial Project Certifications	52	35	36	72	63	63
Certifications Issued (incl. recertification)	304	304	280	343	357	362
Total Estimated Capital Investment	\$2B	\$2.1B	\$4.4B	\$4.9B	\$7.2B	\$7.3B

Job Creation Fund (JCF)

The Job Creation Fund (JCF) was created in 2011 by combining Investment in Major Projects and Comprehensive Training (IMPACT) and the Kansas Economic Opportunities Initiative Fund (KEOIF). The purpose of JCF is to give the state latitude to recruit out-of-state jobs and businesses and retain companies in our state. Essentially, it is our deal-closing fund. If we know that another state's incentive offer is close to ours, we use JCF to make an offer to ensure that Kansas wins. These funds are awarded to companies with a requirement that the company will create or retain a specific number of jobs, provide training or be used for other types of economic development. Companies that fail to meet performance standards do not receive JCF funds or are required to pay funds back depending on the structure of the agreement. This program has an impressive return on investment for the state. For every dollar spent, the state can expect to receive \$40.97.

Table 3. JCF Statistics in FY2024

JCF	
Number of Funded Projects	6
Total Amount Awarded	\$13M
New Jobs Committed	693
Existing Jobs Committed to Retain	862
Total Committed Capital Investment	\$353M

Ending these three successful programs will significantly limit our efforts to recruit and retain businesses in the state. One of the common misconceptions is that PEAK and HPIP primarily support only new businesses. Existing company expansions account for more than half of our PEAK agreements. In the PEAK list at the end of the testimony, you will find the details regarding these 126 existing expansions and the 89 other agreements. In Table 4, you will see the

number of existing expansion projects that are earning PEAK benefits. Additionally, Table 5 shows the details for the Kansas companies with existing PEAK agreements. More than 50% of the PEAK created or retained jobs is from existing companies expanding in the state.

Table 4. PEAK Agreements in FY2024

PEAK Agreement Type	Total Number of Agreements
Existing Expansion	126
New Location-Start Up	24
New Location-Out of State Expansion	26
Relocation	39
	215

Table 5. PEAK Active Agreements for Existing Expansions in FY2024

PEAK Agreement Type	Number of Existing Employees	Projected New Jobs
Existing Expansion	30,180	16,181

Additionally, both PEAK and HPIP are utilized across the state. Given their populations, the state's metro areas have the most companies earning benefits from these programs. However, the PEAK program is utilized in 34% of the counties in Kansas and HPIP is utilized in 61% of counties. Table 6 and Table 7 provide these details.

Table 6: Number of PEAK agreements by county and agreement type in FY2024

County	Number of Agreements	Existing Expansion	New Location-Start Up	New Location-Out of State Expansion	Relocation
Allen	1	1	0	0	0
Brown	2	2	0	0	0
Butler	2	2	0	0	0
Cherokee	3	1	0	0	2
Cloud	2	1	1	0	0
Cowley	1	1	0	0	0
Crawford	1	1	0	0	0
Dickinson	2	1	0	0	1
Doniphan	1	1	0	0	0
Douglas	8	5	0	2	1
Finney	5	1	3	1	0
Ford	2	0	0	2	0
Geary	3	2	1	0	0
Harper	1	1	0	0	0
Johnson	107	62	9	8	28
Labette	1	1	0	0	0
Leavenworth	3	2	1	0	0
Lyon	3	2	0	0	1
McPherson	3	2	1	0	0
Montgomery	1	0	0	0	1

Nemaha	2	2	0	0	0
Neosho	1	0	0	1	0
Pottawatomie	4	2	0	2	0
Reno	2	1	0	0	1
Rice	1	0	1	0	0
Riley	2	2	0	0	0
Saline	2	1	0	1	0
Sedgwick	22	17	0	4	1
Shawnee	9	5	2	2	0
Sherman	1	1	0	0	0
Smith	1	0	1	0	0
Stevens	1	0	1	0	0
Sumner	3	1	2	0	0
Wyandotte	12	5	1	3	3
Total	215	126	24	26	39

Table 7: HPIP Active Agreements by County and Project Type in FY2024

County	Initial Project Certifications	Recertifications Issued	Total Certifications
Allen	0	1	1
Anderson	0	1	1
Atchison	0	1	1
Barber	0	2	2
Brown	0	2	2
Butler	0	4	4
Cherokee	0	6	6
Cloud	0	2	2
Cowley	0	2	2
Crawford	0	7	7
Dickinson	0	3	3
Doniphan	1	0	1
Douglas	1	5	6
Edwards	0	2	2
Ellsworth	0	1	1
Finney	0	9	9
Ford	0	3	3
Franklin	0	1	1
Geary	0	2	2
Gove	1	2	3
Gray	2	0	2
Harper	0	1	1
Harvey	2	5	7
Jackson	0	2	2

Jefferson	1	0	1
Johnson	22	83	105
Kingman	0	1	1
Labette	0	3	3
Leavenworth	1	4	5
Logan	0	1	1
Lyon	0	6	6
Marion	0	3	3
Marshall	0	1	1
McPherson	0	13	13
Miami	0	8	8
Montgomery	1	4	5
Nemaha	1	7	8
Neosho	0	2	2
Osborne	1	0	1
Ottawa	0	3	3
Phillips	0	1	1
Pottawatomie	0	4	4
Pratt	0	1	1
Rawlins	1	1	2
Reno	0	4	4
Rice	0	3	3
Riley	2	1	3
Russell	0	2	2
Saline	0	9	9
Sedgwick	15	37	52
Seward	0	1	1
Shawnee	3	6	9
Smith	0	1	1
Stafford	0	1	1
Stevens	0	1	1
Sumner	1	1	2
Thomas	1	2	3
Trego	0	1	1
Wichita	0	2	2
Wilson	0	1	1
Wyandotte	6	16	22
Grand Total	63	299	362

40 states have economic development tools similar to both PEAK and HPIP, and at least 23 states have comparable tools to JCF. These programs have different names, but the objectives and eligibility requirements are designed in the same way as PEAK, HPIP and JCF. Abruptly ending these three programs will take Kansas from one of the leading states in economic

development to the bottom of the pack. Not only will new businesses not want to come to the state, but our established companies will also look to grow their operations outside of Kansas.

Our state's economy is trending in the right direction. Eliminating economic tools that are benefiting both existing companies and new businesses would immediately stop this momentum. To continue to thrive, we must continue to support PEAK, HPIP and JCF. We urge the committee to oppose SB 283.