

**Kansas Department of Commerce  
Testimony on HB 2334, APEX Changes  
Deputy Secretary of Commerce Paul Hughes  
House Commerce Committee  
February 14, 1:30 p.m.  
Room 346-S**

The Kansas Department of Commerce requests that the Kansas Legislature support changes to the economic development tool APEX, Attracting Powerful Economic Expansion, to permit the state to continue to compete for an additional megaproject and other supplier companies.

Through bipartisan collaboration not only was the APEX tool created, two APEX agreements have been signed (Panasonic and Integra). These historic economic development projects will diversify the state's economy, invest billions of dollars in Kansas and provide thousands of high-quality jobs for Kansans.

**Panasonic APEX Agreement:**

As announced on July 13th the Department of Commerce, with unanimous approval from the SFC, reached an agreement with Panasonic Energy Co. Ltd. Panasonic plans to build one of the largest electric battery facilities of its kind in the U.S. at a site in De Soto. The facility represents:

- \$4 billion approximate capital investment
- 4,000 new jobs
- 4,000 additional jobs created by suppliers and community businesses
- 16,500 construction jobs<sup>1</sup>

**Integra APEX Agreement:**

With unanimous approval from the SFC, the Department of Commerce reached an agreement with Integra on February 2<sup>nd</sup>. This agreement paves the way for the company's transformative semiconductor project and provides the opportunity for Integra to apply to the U.S. Department of Commerce for CHIPS and Science Act funding. Integra's expansion plans are designed to address recent risks identified in the U.S. semiconductor supply chain, support the domestic semiconductor ecosystem, and strengthen advanced manufacturing in the Kansas. The facility represents:

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<sup>1</sup> As cited in an independent economic impact study conducted by Director Jeremy Hill, Wichita State University Center of Economic Development and Business Research.

- \$1.8 billion planned capital investment
- 1,994 new jobs
- 3,161 additional jobs created by suppliers and community businesses<sup>2</sup>
- The construction of a new 1,000,000 sq ft facility in Wichita

### **Extending the APEX Sunset**

The extension of the sunset to December 31, 2024 and the ability for the state to compete for one additional APEX agreement with a qualified firm is the first change proposed created by this bill. The business community has been watching Kansas as our two APEX agreements have been negotiated and fully executed. Following the passage of APEX, nine megaprojects approached us with interest in investing in Kansas. Since then, the pace of megaproject interest has slowed due to the approaching APEX sunset in December. The details of the 2023 sunset were well publicized since the inception of the tool and the site selector community took notice. Now with the Integra announcement, the megaproject site selector community is pausing on Kansas until a compatible incentive program is available.

Our recent success demonstrates the power of the APEX tool. There remains time to capture one more megaproject deal if the sunset is extended and one additional agreement is allowed. With these changes, the Department of Commerce can return to working diligently to land another megaproject.

### **Corporate Income Tax**

It is important to note the third APEX agreement would not trigger a reduction of 0.5 percent to the corporate income tax. This is the second change proposed identified in the bill.

### **Availability of Traditional Incentives**

Additionally, this bill allows a qualified firm who has signed an APEX agreement to be eligible for traditional incentives for a new and different project. Currently, this is not permitted under APEX. However, with our standard incentive tools companies can negotiate multiple agreements and receive multiple benefits for each new project.

Most new jobs are created by existing companies. Once we get the companies to Kansas, we need to maximize their value by making Kansas their choice for all new expansions. Handcuffing a company to prevent them from accessing tools to grow their presence in the state is the opposite of the goal of APEX. If we use APEX incentives to bring a company to Kansas, we should be able to use our traditional incentives to keep them here.

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<sup>2</sup> As cited in an independent economic impact study conducted by Director Jeremy Hill, Wichita State University Center of Economic Development and Business Research.

**Supplier Benefits**

Lastly, to fully maximize the momentum and utilization of APEX three changes are needed regarding the supplier benefits. These updates include:

Current Supplier Benefits	Supplier Benefit Updates
Scaled refundable investment tax credits: up to 10% for first \$100 million of qualifying capital investment that is refundable over 10 years	<b>Remove the sliding scale requirement and change the language to read “up to 10 years” to provide flexibility regarding the timeline of the refundability</b>
Training reimbursement up to \$250,000 per year for five years	<b>Increase training reimbursement up to \$500,000 per year for five years</b>
No relocation reimbursement	<b>Add a relocation reimbursement incentive that does not exceed \$250,000 per supplier per year</b>

The update to the language regarding the refundable investment tax credits for suppliers would provide Commerce the ability to better negotiate with supplier companies. The additional training support will enhance companies’ efforts to skill up a workforce related to EV batteries and semiconductors, as well as other future industries where the workforce does not currently have the necessary skills. Similarly, the relocation reimbursement benefit, which is offered to the megaproject, would address the workforce shortage issues and grow our state when the suppliers bring people to work. These updates to the supplier benefits creates a more robust recruitment package.

These changes to the APEX bill will send a strong message to the business community that Kansas remains open for business. It further leverages the momentum we have built to seize the opportunity to provide good paying jobs that help keep our talented young people in the state and generate billions in net new revenue. I urge to the committee to favorably pass HB 2334 that makes the much-needed changes to the APEX law.