

Finney County Economic Development Corporation



**HB2023 TESTIMONY BEFORE THE HOUSE COMMITTEE ON TAXATION
LONA DUVALL, PRESIDENT/ CEO
FINNEY COUNTY ECONOMIC DEVELOPMENT CORPORATION
January 19, 2017**

Chairman Johnson and Members of the House Committee on Taxation,

Thank you for including this written testimony on behalf of Finney County Economic Development Corporation in support of House Bill 2023. Finney County has experienced significant growth over the past several years. That growth has been diverse and includes manufacturing, food processing (including North America's largest powder milk facility), logistics (including the largest Transloading Facility in North America), health care, housing, retail, and dining. Over the past five years, we have grown the real property valuation in Finney County by \$77.8 million and have created in excess of 3,500 net new jobs. This growth has been the result of the public sector working with the private sector to create opportunity. We have been successful in attracting these private investments because we have forward-thinking elected bodies that have worked diligently to meet the needs of our existing and new industries.

The tax exemptions approved by the Kansas legislature in 2012 have had negligible effects on our ability to recruit, grow, and retain businesses. We have never-either before or after 2012-had a prospect who identified state corporate income tax rates as a determining factor in their decision to do business in our community. In Finney County, we are solutions-based, so instead of spending this time telling you what hasn't been a factor in our economic development success, it would be more powerful for you to understand what *does* create economic growth. Businesses have indicated that their ability to thrive in our community has been most influenced by the following:

Infrastructure needs:

Our local governments have been very proactive in investing in the infrastructure improvements necessary to support existing and new industry. Unfortunately, their ability to do so is now being threatened by the Kansas legislature. Because of diminishing fiscal resources at the state level (much of which has been caused by the tax cuts of 2012), many services have been pushed down to local governments for provision. These mandated services are costly and place undue burdens on local governments which makes it difficult to invest in progressive and aggressive development strategies. Local elected officials' ability to create economic growth is further hampered by unnecessary legislation that limits local governments' ability to pay for such infrastructure, namely SB316.

Ease of Doing Business:

Businesses in our community consistently note that one of the most important factors for them is the "ease of doing business" here. Our governing bodies and administrative staff practice government in an open and accessible manner. We are committed to always seeking a private solution before relying upon government and tax dollars to provide the amenities that our community members desire. In doing so, we have created an environment where private businesses thrive and do not feel that they must compete or conflict with the public sector. While we are committed to the highest level of provision of those services that are best delivered through governmental sources, it has been our experience that by attracting private sector investment and growth, our community is able to meet significantly more of the quality of life demands of businesses and their employees.

The single most limiting factor that our businesses experience is a lack of workforce available to meet the demands of growing businesses. We enjoy a very low unemployment rate across most of western Kansas. This is a positive factor for those who reside here now, however it requires that we creatively and aggressively work to attract new residents to the area in order to meet the needs of our fast-growing economy. When tax burdens are shifted from businesses to individuals, it becomes more difficult to attract new residents to our state. Further, reductions in state revenues have measurably impacted quality of life components. The workforce that we need to attract to Kansas must be assured that we can meet their needs. These individuals are no different than any of us. They have children who need quality education. Perhaps they have mental health needs in their families. All of us, businesses and individuals, need quality and sufficient transportation capacity. If the state of Kansas cannot ensure the proper provision of these services which **are** best left to the government, we cannot expect to continue to attract the private investments necessary to grow our business community and opportunities for our residents.

The stated purpose of the tax cuts of 2012 was to improve business attraction and to allow existing businesses to create new jobs and invest more capital in Kansas. While some businesses have undoubtedly made those investments, many have not. There is no mechanism in place that requires them to perform in order to receive these tax incentives. As an economic development professional, if I granted an incentive of this sort to a business in my community, it would be considered reckless and irresponsible. The only incentives we offer directly correlate to the business performing to a pre-determined set of benchmarks.

The tax breaks of 2012 have not proven to be a business recruitment, retention, or expansion tool. The financial fallout as a result of losing tax revenues at the state level has only served to shift responsibilities to the local level and to reduce the resources available to build critical infrastructure that is necessary for true, sustainable growth. For these reasons, we strongly support revision of the tax structure in Kansas. In our experience, so long as tax rates are comparable to other states in our region, it does not create a hurdle in the recruitment of new businesses or the workforce necessary to support them.



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