Testimony in Opposition to SB223

To: Senate Assessment and Taxation Committee
From: Tom Robinett, Vice President of Public Policy and Advocacy
Overland Park Chamber of Commerce
Date: Thursday, March 9, 2017

Madam Chair and Members of the Committee:

Thank you for the opportunity to submit testimony in opposition to SB223 on behalf of the more than 800 business members of the Overland Park Chamber of Commerce.

If there are concerns with the PEAK program, it would be much better to address those concerns specifically, retaining and strengthening PEAK, rather than simply declaring a unilateral disarmament in the economic development arena, leaving the professionals, both local and with the Department of Commerce, who are working to attract and retain businesses in Kansas. Particularly, in the difficult financial time that we are attempting to deal with, it makes little sense to take away what has been demonstrated to be a very successful and effective economic development tool, not only for the Overland Park Chamber and Economic Development Council, but throughout Kansas, having resulted in thousands of new jobs and capital investment in the state. To do so just does not understand the world that is economic development and fails to realize the benefits of PEAK in being successful in that world, thus benefitting the state of Kansas at a time when those benefits of economic development are needed most.

Over the past five years in Overland Park alone, PEAK has had a major role in securing **9,956 new jobs and 5,190 retained jobs** with an **average annual wage of $73,000** and associated with **$540 million in capital investment.** These jobs mean income tax revenue, sales tax revenue, property taxes and simple business and economic activity in our community and across Kansas.

To assess the statewide impact, Legislative Post Audit (LPA) looked at which economic development tools were the most important and effective in promoting job creation and economic growth in Kansas.

In its Performance Audit Report released in September 2013, LPA responded to the question "[w]hat economic benefits has Kansas realized as a result of PEAK…?" Among its conclusions were:

- "Based on the best information we could compile, companies participating in PEAK have generated 5,200 jobs – about half were relocated from outside the state while the other half were newly created within the state."
- "Most of the jobs associated with the PEAK program are relatively high paying, located in metropolitan counties, and represent several different industries."
- "A similar program in Missouri and the recent reduction of Kansas income tax rates could undermine the benefits of the PEAK program in the future." (This conclusion is mentioned primarily to highlight the importance of having economic development tools in being competitive with other states in the attraction of businesses to, and retention of businesses in, the state of Kansas. LPA expressed concern over the diminution of the program's impact due to the existence of competitive programs available in other states. SB223 would eliminate PEAK for a full year, leaving Kansas behind as other states move along.)

Further investigation by LPA into economic development tools in Kansas resulted in another Performance Audit Report released in December 2014. In addressing whether the implementation of major Kansas economic development programs have been successful, LPA concluded that they have, stating:

- "According to our analysis, the state's six major economic development programs created significant returns on investment for Kansas with regard to business activities." (PEAK was among the six programs analyzed by LPA).
- "All programs appeared to generate significant returns on investment, which means that the business activities programs generated greatly exceeded the incentives they contributed."
- "The programs also appeared to generate more business activities in Kansas than an across-the-board tax cut equal to the incentive (net present value)." **That statement was followed by a chart showing that PEAK generated a return per $1.00 invested of $57.00.**

- "All major programs also appeared to yield positive returns on investment in terms of tax revenue generated for state and local governments."
- "All programs appeared to generate a positive return on investment, which means that **the tax revenue programs generated exceeded the incentives they contributed** (emphasis added)."
- "The programs also appeared to **generate more tax revenue in Kansas than an across-the-board tax cut equal to the incentive** (emphasis added."
- These last three statements were also followed by a chart showing that **for the $29.4 million in incentive contributed under the PEAK program, the net present value of: state and local taxes created was $127.7 million, and the return per $1.00 invested was $4.40.**

We acknowledge that the LPA Reports also found areas of some concern and made recommendations to address those concerns, the Chamber again asserts that **it is much better to make changes to the program that are needed to improve it while allowing a clearly successful program to continue to be available to aid ongoing economic development work that is particularly critical to our state right now.** Other states will not sit back and wait while Kansas takes a year off; we should not endanger the momentum, and success, that we are now experiencing, in material part thanks to programs such as PEAK.

Finally, I have attached a copy of the Coalition of Local Chambers Legislative Position Statement regarding Economic Development calling for the "preservation of existing programs…including PEAK" as "critical tools used to retain and attract businesses and create jobs throughout Kansas." This statement has been endorsed by twenty-one local chambers of commerce all across Kansas, at least some of which will be submitting individual testimony in opposition to SB223.

For the reasons stated above, the Chamber respectfully requests that you oppose SB223 and look for ways to improve, rather than stall, the program and economic development efforts in our state. Thank you for your consideration.

Coalition of Local Chambers
The Voice for over 13,000 Kansas Businesses

The coalition of local chambers of commerce listed below, representing more than 13,000 Kansas businesses, small and large, are aware of the difficult choices state government has been faced with in recent years with a challenging economy and dwindling revenues.

Our Kansas local chambers, governed by local businesses, believe it is critical to emphasize how statewide decisions impact efforts to attract and retain jobs in cities across our state. State Government is responsible to educate our children, provide certain levels of infrastructure for travel of our citizens as well as the movement of goods and services, and additionally to care for a percent of our population which do not have the ability to care for themselves.

We have joined together to present these position statements to advocate for policies which we believe create a strong economy, a qualified and nimble workforce, a sustainable infrastructure and ultimately a quality of life which retains our best and brightest and attracts businesses and talent to Kansas. Our members stand ready to work with you to bring our collective vision to reality.

ECONOMIC DEVELOPMENT

The Coalition realizes that economic development programs are critical tools used to retain and attract businesses and create jobs throughout Kansas. Thus, the Coalition supports the preservation of existing programs and other resources, including PEAK and HPIP and the renewal of the STAR Bond program, and strongly encourages the creation of a comprehensive and coordinated statewide plan to facilitate and enhance economic development and job growth.

See back for endorsements

These local chambers have endorsed this 2017 Legislative Position as of February 9, 2017:

Derby Chamber of Commerce – Mark Staats, President & CEO
DeSoto Chamber of Commerce – Sara Ritter, IOM, Executive Director
Emporia Are Chamber of Commerce – Jeanine McKenna, IOM, President & CEO
Garden City Area Chamber of Commerce – Steve Dyer, IOM, President
Gardner Edgerton Chamber of Commerce – Jason Camis, IOM, President
Grant County Chamber of Commerce and Tourism – Marieta Hauser, Director
Greater Topeka Chamber of Commerce – Matt Pivarnik, IOM, CCE, President & CEO
Hutchison/Reno County Chamber of Commerce – Kirk Johnson, Interim President
Junction City Area Chamber of Commerce – Dennis Beeson, President & CEO
Kansas City Chamber of Commerce – Joe Reardon, President & CEO
Lawrence Chamber of Commerce – Larry McElwain, President & CEO
Leawood Chamber of Commerce – Kevin Jeffries, President & CEO
Liberal Area Chamber of Commerce – Rozelle Webb, CEO
Manhattan Area Chamber of Commerce – Lyle Butler, IOM, President & CEO
Northeast Johnson County Chamber of Commerce – Deb Settle, President & CEO
Ottawa Area Chamber of Commerce – John Coen, President & CEO
Overland Park Chamber of Commerce – Tracey Osborne, IOM, CCE, President
Pittsburg Area Chamber of Commerce – Blake Benson, IOM, CCE, President
Salina Area Chamber of Commerce – Don Weiser, IOM – President & CEO
Shawnee Chamber of Commerce – Linda Leeper, IOM, President & CEO
Wichita Regional Chamber of Commerce – Gary Plummer, IOM, President & CEO