

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 9, 2006 in Room 526-S of the Capitol.

All members were present except:

John Grange- excused
Don Hill- excused
Valdenia Winn- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Rena Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Steve Kelley, Kansas Department of Commerce
Wes Ashton, Overland Park Chamber of Commerce
Dr. Bart Hildreth, Regents Distinguished Professor of Public Finance

Others attending:

See attached list.

HB 2856 - Extension of IMPACT program

Kathie Sparks gave an overview of **HB 2856** which extends the life of the Investment in Major Projects and Comprehensive Training (IMPACT) Program. This bill will extend the sunset date from July 1, 2006 to July 1, 2008. The IMPACT Program is designed for new and expanding businesses that are creating a minimum of 100 new jobs at a higher-than-average wage. (Attachment 1)

Steve Kelly representing the Kansas Department of Commerce spoke as a proponent for **HB 2856**. The 2005 Legislature amended the IMPACT statute to allow enhanced use for non-training projects. The change made to the IMPACT law was made for a limited time with the understanding the Departments of Commerce and Revenue would work on analysis of various programs. Lack of data has hampered this program. The Department of Commerce would like favorable consideration of this bill. (Attachment 2)

Wes Ashton, Overland Park Chamber of Commerce spoke as a proponent for **HB 2856** which would extend the changes made last session and allow for greater flexibility in its use.

Since the amendments to the IMPACT program, there have been five projects in Johnson County that have utilized the program. Passage of this bill will give the Legislature more time to continue looking at options for improving our competitive position with neighboring states in economic development. (Attachment 3)

A motion was made by Representative Burroughs and seconded by Representative Huntington to pass out **HB 2856** as favorable and be put on the consent calendar. A vote was taken, motion passed.

Dr. Bart Hildreth, Regents Distinguished Professor of Public Finance, Wichita State University, gave a report on the State of Kansas 2005 Debt Affordability Analysis.

The purpose of this report is to provide Kansas policy makers with information to set capital financing policies so that every bond issuance proposal is considered against total state debt affordability.

As of June 30, 2005, the state of Kansas had almost four billion dollars in principal outstanding. All of this debt is in the form of a revenue bond.

The buildup from 1992 to 2005 represents mainly the KDOT debt of the two large programs and the recent KPERS bond issue. The decline after 2005 is unrealistic. It is assumed there is no debt issued after June 30, 2005.

CONTINUATION SHEET

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The rapid increases in the 90's, is mostly KDOT debt. Once the KDOT debt is removed, the largest segment is general government.

The second largest component is the KDHE's work pollution control revolving fund and the public works supply revolving fund.

Recommendations to control the state debt would be to adopt a set of debt policies to guide state debt issuance and management and require every debt issuance proposal to be evaluated against its impact on future debt affordability.

The conclusion of the debt affordability report is: by establishing affordable levels of debt burden, state leaders will be provided with the opportunity to link the issuance of new debt to the underlying economy, which supports such debt.

Kansas has matured as a debt issuer. Kansas can no longer present itself as a low debt state. Two Comprehensive Transportation Programs have fueled the debt appetite of citizens and public officials. (Attachment 4)

The full report can be found at http://hws.wichita.edu/KPF/reports_publications/

Discussion followed this presentation.

The meeting was adjourned at 4:35. The next meeting is scheduled for February 14.