Approved: March 10, 2010
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:10 a.m. on February 4, 2010, in Room 783 of the Docking State Office Building.

All members were present except:
Representative Tom Hawk - excused

Committee staff present:
Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Marla Morris, Committee Assistant

Conferees appearing before the Committee:
Representative Marvin Kleeb
John Lenio, C B Richard Ellis Economic Incentives Group (EIG)
Lavern Squier, Senior Vice President, Overland Park Economic Development Council
Dennis Lauver, President, Salina Chamber of Commerce
Tom Riederer, Executive Director, Southwest Johnson County Economic Development Council
Mike Michaelis, Executive Director, Ellis County Coalition for Economic Development
John Pagen, Vice President of Economic Development, Manhattan Area Chamber of Commerce
Mike Taylor, Unified Government , Wyandotte Economic Council
William Thornton, Secretary of Commerce
Joan Wagnon, Secretary, Kansas Department of Revenue and Chairperson, Kansas Advisory Council on Intergovernmental Relations

Others attending:
See attached list.

2/4/10

Introduction of Bills:

Representative Lukert requested the introduction of a bill regarding organ transplants, Representative Menghini seconded the motion. The motion carried.

Representative Lukert, on behalf of Representative Pat Maloney, requested the introduction of a bill for a Kingman County tax to fund construction of a jail and road improvements. Representative Menghini seconded the motion. The motion carried.

Chairman Carlson opened the hearing on:

HB 2538 - Amendments to the promoting employment across Kansas act

Staff Jason Long, Office of the Revisor of Statutes, summarized **HB 2538** which amends certain provisions of the Promoting Employment Across Kansas Act (PEAK) enacted during the 2009 legislative session. (Attachment 1). He stood for questions.

Proponents testifying on **HB 2538**:

Representative Kleeb presented testimony urging consideration of the proposal for improvements to Promoting Employment Across Kansas as outlined in **HB 2538** (Attachment 2). He included unemployment statistics from the Kansas Department of Labor December 2009 Labor Report, as well as certain unemployment statistics from 2008. He stood for questions.

Testimony in favor **HB 2538** was presented by John Lenio, C B Richard Ellis Economic Incentives Group (EIG), (Attachment 3). Mr. Lenio offered some observations of the effectiveness of the economic incentive policy changes and how Kansas ranks in competitiveness with other states when recruiting and/or retaining high impact companies with relatively high wages.

Lavern Squier, Senior Vice President, Overland Park Economic Development Council, urged support of the changes outlined in **HB 2538** to help reasonably maximize the chances of creating jobs for the people of Kansas (Attachment 4).

Dennis Lauvier, Salina Area Chamber of Commerce, focused his testimony supporting **HB 2538** to a specific portion of the bill, which deals with relocation of jobs from outside of Kansas or America to the state (Attachment 5).

Thomas Riederer, President of Southwest Johnson County Economic Development Corporation, favors passage of **HB 2538** and the changes proposed regarding wage levels (Attachment 6).

Mike Michaelis, Executive Director of the Ellis County Coalition for Economic Development encouraged the Committee to vote in favor of **HB 2538** as the changes will help in small, medium, or large communities across the state (Attachment 7).

John Pagen, President of the Kansas Economic Development Alliance, stated the provision of Promoting Employment Across Kansas (PEAK) will enable Kansas to remain competitive with surrounding states in terms of economic incentives (Attachment 8).

Mike Taylor, Unified Government, Wyandotte Economic Council spoke in favor of **HB 2538**.

Neutral conferee on **HB 2538**:

Chairman Carlson welcomed newly appointed Secretary of Commerce, William Thornton to the Committee. Secretary Thornton addressed the Committee as a neutral conferee. Secretary Thornton thanked the Committee for their willingness to work with the Department of Commerce, and the joint work modifying the proposed **HB 2538** improves the bill. He stood for questions.

Opponent testifying on **HB 2538**:

Joan Wagnon, Secretary, Kansas Department of Revenue, spoke in opposition to **HB 2538** and expressed Department concerns with the proposed expansions of PEAK (Attachment 9). She referred the Committee to the fiscal note provided in her testimony, stating passage of **HB 2538** will reduce state general fund revenues in fiscal year 2011 by $6.05 million and $12.35 million in fiscal year 2011. She urged the Committee to ask the questions found in the Policy Evaluation from the Kansas Advisory Council on Intergovernmental Relations provided them at the start of the session. Secretary Wagnon encouraged committee to not be in a hurry on this legislation. She stood for questions.

Chairman Carlson directed the Committee to the proponents providing written testimony on **HB 2538**:

J. Kent Eckles, Kansas Chamber of Commerce, (Attachment 10); Robert Vancrum, The Greater Kansas City Chamber of Commerce (Attachment 11; Ashley Sherard, Lenexa Chamber of Commerce, (Attachment 12); Gary Brunk, Kansas Action for Children (Attachment 13); Erik Sartorius, City of Overland Park (Attachment 14); James A. Martin, Shawnee Chamber of Commerce and Economic Development Council (Attachment 15); Bernie Koch, Kansas Economic Progress Council (Attachment 16); Mark D. Turnbull, City of Pittsburg, Kansas, Department of Economic Development (Attachment 17); Jennifer Bruning, Overland Park Chamber of Commerce (Attachment 18); Joann Knight, Executive Director, Dodge City/Ford County Development Corporation (Attachment 19); Mickey Fornaro-Dean, Executive Director, Harvey County Economic Development Council, Inc.(Attachment 20); Dennis Arnold, Executive Director, Linn County Economic Development & Anderson County Development (Attachment 21); Carolyn Kennett, Economic Development Director, City of Parsons (Attachment 22); Gabe Schlickau, Economic Development Manager, Black Hills Energy in Kansas (Attachment 23); Christy Caldwell, Greater Topeka Chamber of Commerce (Attachment 24); Robert L. Cole, Director, Pottawatomie Council Economic Development Corporation (Attachment 25); Beth Johnson, Vice President of Economic Development, Lawrence Chamber of Commerce (Attachment 26);

Minutes of the House Taxation Committee at 9:00 a.m. on February 4, 2010, in Room 783 of the Docking State Office Building.

Jason Watkins, Director of Government Relations, Wichita Metro Chamber of Commerce (Attachment 27); Janis Hellard, Director, Sumner County Economic Development Commission (Attachment 28); Tim McKee, Olathe Chamber of Commerce (Attachment 29);

Chairman Carlson closed the hearing on **HB 2538.**

The next meeting is scheduled for February 8, 2010.

The meeting was adjourned at 10:40 a.m.

HOUSE TAXATION COMMITTEE

DATE: February 4, 2010

NAME	REPRESENTING
DENNIS LAUVER	SALINA COMMUNITY COMMERCE
Christy Caldwell	Topeka Chamber of Commerce
Bernie Koch	KEDC
Kevin Barone	Sumner Co Eco Devo.
JAY WARNER	
Leigh Keck	Hein Law firm
Rob Francis	Allen County
Natalie Bright	KSCPA
JEFF GLENDENING	KS CHAMBER
JUDITH GADD	CAPITOL ADVANTAGE
DICK CARTER	Manhattan Chamber
HANK BOOTH	LAWRENCE CHAMBER
MARK DESETTI	KNEA
JEFF NOFEAKER	NWKREDA - Phillips County E.D.

MARY ANN TORRENCE, ATTORNEY
REVISOR OF STATUTES
JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR
GORDON L. SELF, ATTORNEY
FIRST ASSISTANT REVISOR

OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

Briefing on House Bill 2538
Amendments to the Promoting Employment Across Kansas Act

Jason B. Long
Assistant Revisor
Office of Revisor of Statutes

February 4, 2010

House Bill 2538 amends certain provisions of the Promoting Employment Across Kansas Act (PEAK) that was enacted during the 2009 legislative session. PEAK allows qualified companies that meet certain hiring criteria to retain 95% of the Kansas payroll withholding taxes for the new employees hired in accordance with the act. This retention benefit is granted to the qualified company for five to ten years depending on the number of employees hired and the wages paid to such employees. Qualified companies must first apply to the Secretary of Commerce for benefits under the act, and then enter into an agreement with the Secretary pursuant to the act.

First, the bill expands the definition of "qualified company" allowing more entities to become eligible for benefits under the act. Under section 1 of the bill the definition of "qualified company" is expanded to include not-for-profit and governmental entities. Additionally, the prohibitions on religious organizations and governmental entities are stricken from the definition.

Second, under current law the qualified company must relocate an existing business operation and the associated jobs from a location outside of the state to a location in Kansas. Section 2 of the bill strikes that qualifying act and replaces it with two separate ways for a

House Taxation
Date: 2-4-10
Attachment: 1

300 SW TENTH AVE - STE 010-E, Statehouse—TOPEKA, KANSAS 66612-1592
PHONE (785) 296-2321 FAX (785) 296-6668 E-mail: Revisor'sOffice@rs.sta

qualified company to become eligible for benefits. The first method is for the company to establish a new business unit that did not previously exist in this state. This would allow a company that currently operates outside the state to open an operation in Kansas without the necessity of relocating an operation from out of state. The provides a new definition of "business unit" which includes "a facility, plant, office, department, production line, production shift or other unit of business operations."

The second qualifying method is through the retention of jobs currently existing in Kansas after the business unit has been acquired through a merger or acquisition. The company must show that it has operated a business unit outside the state for the previous 12 months. and provide sufficient evidence to the Secretary that the acquisition was a bona fide merger or acquisition. A qualified company that qualifies through the retention of employees is eligible to retain 95% of the Kansas payroll withholding taxes for those retained employees for a period of five years.

If the qualified company meets the qualifying act requirement and will hire the required number of employees (at least 10 in a metropolitan county; at least 5 in a nonmetropolitan county; and at least 100 for a high-impact project), the company is entitled to benefits. Under current law the benefit period is determined based on the wage of the new employees compared to the county average wage. The greater the wage paid to the employees exceeds the county average wage the longer the benefit period.

The third significant amendment under the bill changes this benefit period calculation so that it is based on the *average* wage paid to the new employees as compared to the county *median* wage. Thus, some new employees could be compensated below the county median wage as long as the overall average wage meets or exceeds the county median wage. The county median wage is typically lower than the county average wage.

Additionally, if a qualified company pays an average wage to the new employees that is at least equal to the NAICS code industry average wage for that company's industry, then the company can still receive benefits for a period of five years regardless of whether the average wage is at or above the county median wage.

Finally, under section 3 of the bill companies would be allowed to receive benefits under both PEAK and the IMPACT program. Under current law a company could not receive benefits under both programs. The IMPACT program is funded by a portion of the Kansas payroll withholding taxes collected from employers across the state. The bill would allow companies to receive benefits under both programs, but not with respect to the same new employees. For example, a company could not receive retention benefits under PEAK for hiring new employees and receive benefits under IMPACT for training those new employees.

MARVIN G. KLEEB
STATE CAPITOL
300 SW 10TH AVENUE
TOPEKA, KANSAS 66212
785-296-7663
marvin.kleeb@house.ks.gov

STATE OF KANSAS
HOUSE OF REPRESENTATIVE

COMMITTEE ASSIGNMENTS
TAXATION
JUDICIARY
TRANSPORTATION

DISTRICT OFFICE:
14206 EBY
OVERLAND PARK, KANSAS 66221
(913) 707-0091
marvin@marvinkleeb.com

MARVIN G. KLEEB
48TH DISTRICT

Very few people would dispute the fact that we are in the worst economic situation since the Great Depression.

There is a well-know quote by Harry S. Truman pointing to the reality that "a recession is when your neighbor does not have a job and it is a depression when you do not have a job." Today, 95,126 of our fellow Kansans are in an economic depression.

Kansas has lost 60,000 in just the last year. The households and families with one or more breadwinners out of work are our neighbors, former associates, family members and quite possibly even a few colleagues here in the legislature.

Across the nation and in most states, the legislative and political emphasis is on economic development and jobs creation for their citizens. Our own President has stated that the top agenda priority of the United States should be the creation of jobs.

The Executive and Legislative efforts across the country are focused on making their states as economically competitive as possible to attract and develop new business, industries and jobs. One excellent example of this emphasis on jobs creation is right across our eastern border in Missouri. Governor Nixon has made clear that the most important solution for their state's economic health and the financial wellbeing of their citizens is economic development and jobs creation.

Here in Kansas, we must provide the leadership that will promote real, long lasting solutions to our fiscal problems by growing our state's economy, developing business, creating jobs and helping our families become financially solid and prosperous once again. We must not let our citizens and constituents down and we must be open-minded and serious about doing everything possible to help Kansas be competitive and to get Kansans back to work.

I urge your consideration of the proposals for improvements to Promoting Employment Across Kansas as outlined in HB 2538. The changes are designed to greatly improve the competitiveness of Kansas to win relocation and expansion opportunities. Secondly, the proposals will provide more employment opportunities for all of our citizens no matter what their educational or skill level.

House **Taxation**
Date: 2-4-10
Attachment: 2

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Wed, Jan. 20, 2010

Creating jobs in Missouri is his top priority, Gov. Jay Nixon says

By JASON NOBLE and STEVE KRASKE
The Kansas City Star

JEFFERSON CITY | Missouri Gov. Jay Nixon is banking on a resurgent economy and as-yet-nonexistent federal funds to balance a state budget with revenues nearly $1 billion below pre-recession levels.

Unlike his fellow Democrat in Kansas, Gov. Mark Parkinson, Nixon proposed doing it without a tax increase in his State of the State address Wednesday night.

"Our mission is clear: We must keep the jobs we have, and create thousands more ..." Nixon said. "And we must balance the budget without raising taxes."

Nixon insisted that Missouri has weathered the national economic downturn better than most states and noted that 29 other states last year were forced to increase taxes.

But he proposed millions more in spending cuts for this year and next, on top of the $600 million he cut in his first year in office.

Unlike last year, the governor was unable to shield education — both K-12 public schools and the state's universities — from the fiscal knife.

In his speech to the General Assembly, Nixon called job creation his top priority and described it as the pathway out of the economic difficulties facing the state.

"I want Missouri to be first in job creation," Nixon said.

He outlined a series of initiatives that would provide more development incentives for existing Missouri businesses, reinvest taxes paid by high-tech companies in the recruitment of new firms, and boost funding for job training.

"Given Missouri's need to create jobs quickly, helping loyal businesses accelerate their growth just may be the smartest investment we can make — with the fastest return," Nixon said.

But the governor said nothing about borrowing as much as $1 billion to finance building projects statewide, a plan he promoted two weeks ago.

Republicans, who have also cited economic development as their top priority and endorsed the very initiatives Nixon proposed, were critical of Nixon's budget and his use of federal stimulus dollars.

"Here we are, one year later," Lt. Gov. Peter Kinder said in the televised Republican response. "And due to the governor's failure to act swiftly to address the budget crisis, we now face an even bigger shortfall."

As he did last year, Nixon's endeavored to make the cuts with a scalpel rather than an ax, avoiding as much as possible the critical functions of government and relying on cost-saving measures alongside outright reductions.

For the current year, Nixon announced new cuts totaling $54.8 million and shifted approximately $150 million in federal stimulus funds away from economic incentives and building projects at state universities that were originally included in the budget.

Among the cuts are $13 million to a college-scholarship program, $15.9 million to a statewide emergency radio system and $9.2 million to the state's Medicaid health-care program for the poor.

2-2

It's in the 2011 budget that the governor's budget factors in a reliance on the unknown.

The spending plan incorporates nearly $1.2 billion in federal stabilization dollars — extra funds sent from Washington to Missouri to cope with the recession. About $900 million of this was included in the federal stimulus bill passed by Congress in 2009, but $300 million more has not yet been approved.

"We're quite confident that it will be available," said Linda Luebbering, budget director.

The 2011 budget also relies on a 3.6 percent growth in state revenues from the current year, a figure agreed upon by lawmakers and the governor's office as a starting point for discussions. The expected growth is a sharp departure from the nearly 7 percent drop in revenue last year and the projected 6.4 percent drop in the current year.

But even with federal dollars and revenue growth, rising mandatory expenses in health care and other programs will outstrip the gains, and force cuts to departments across state government.

The 2011 budget slices state spending by $253 million from current levels, and includes 544 fewer state positions.

The bulk of the cuts — $121 million — target Medicaid, with savings derived from lower rates paid to medical providers and cutting unnecessary services.

In education, the formula that funds school districts across the state will receive a funding increase next year, although it will be smaller than planned.

Under the plan for phasing in the formula passed by the legislature several years ago, schools were set to receive an additional $105 million next year. Nixon's budget calls for an $18 million increase.

The Parents as Teachers program is slated for a $4 million cut, while other education programs will see their funding hold steady.

For higher education, Nixon recommended a $53 million cut — 5 percent — following a deal reached with university administrators to minimize cuts in exchange for level tuition for in-state undergrads.

The governor also touted plans to require insurance companies to cover autism, crack down on payday lenders, put 1,000 young people to work in state parks and, in a proposal that drew a bipartisan standing ovation, further crack down on drunken drivers.

He waited until the end of his 47-minute speech to address government ethics reform. One essential part of any ethics package, he said, should be restoring campaign donation limits that the General Assembly removed in 2008.

That's led to an era of $5,000 to $100,000 campaign donations and one that even topped $1 million. Some Republicans support that idea, although others predict that the GOP-led Senate will reject the idea.

"It's time we gave the people of Missouri a state government that's as honest and straight-shooting as they are," Nixon said.

Afterward, Republican House leaders complained that Nixon did not invite them to be involved in the budget process.

Some Republicans said they largely agreed with many of Nixon's plans because he's approaching government in a conservative way.

"He's doing a lot of things we can agree on," said state Rep. Tim Flook, a Liberty Republican.

@ For a photo gallery, go to **KansasCity.com.**

To reach Jason Noble, call 573-634-3565 or send e-mail to jnoble@kcstar.com. To reach Steve Kraske, call 81-234-4312 or send e-mail to skraske@kcstar.com.

2-3

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Thu, Jan. 21, 2010

Missouri governor takes steps in the right direction

Missouri Gov. Jay Nixon appears to be mastering the art of the possible.

His 2011 budget presents a way for the state to survive another recession-riddled year without tax increases or draconian cuts, though it gambles on federal largesse and a rising economy.

Most of Nixon's initiatives, outlined Wednesday in his State of the State speech, have broad appeal, would cost the state relatively little money and are good for Missouri.

He proposes tougher laws for people who drink and drive, improvements to state parks, and a deal with public colleges and universities that would hold tuition steady for a second straight year even in the face of a 5 percent cut in state funding.

Nixon puts forth a comprehensive plan to recruit and retain jobs. It wisely focuses on high-tech industries and rewards employers already in the state for expansions.The governor also proposes a law requiring insurance companies to pick up the costs of therapy for autistic children. Fortunately, an insurance mandate appears to have bipartisan support.

The same does not appear to be the case for another excellent initiative proposed by Nixon — cracking down on payday loan companies. Missouri's weak laws have made the state a magnet for businesses that lend money at exorbitant interest rates.

Democrats were supportive of more regulation. Not a single Republican legislator, however, applauded the governor's initiative.

Other parts of Nixon's speech placed caution above boldness.

His reluctance to promote a bond issue that would take advantage of low interest rates and create hundreds of jobs is disappointing. A plan to fix university buildings, park structures and other state facilities would require some selling to voters, but it would be worth some of the governor's ample political capital.

It's also troubling that Nixon's priorities and the agenda proposed by legislative leaders largely ignore Missouri's poorest residents. The state invests far too little in services for the mentally ill, child care subsidies and aid to foster families.

To his credit, Nixon tried to get more impoverished Missourians on Medicaid rolls last year. But House Republicans rebuffed him. His budget for next year proposes cuts of $121 million in the $8 billion program. The reduction is expected to be achieved through efficiencies and lower rates to some providers. Officials will have to be cautious about driving doctors and other professionals out of the Medicaid business.

Overall, Nixon has proposed a damage-control budget that will get the state through another year without excess pain. That assumes the governor's team has correctly calculated a mild economic rebound and $300 million in added stimulus aid from Washington. For the sake of the state's fiscal stability, we hope Nixon is right.

The governor's upbeat assessment of Missouri's possibilities was a refreshing contrast to Lt. Gov. Peter Kinder's sour rebuttal on behalf of Republicans. Kinder's response to tough times was to criticize Nixon and offer zero solutions.

Legislative leaders must adopt a more bipartisan tone if Missouri is indeed to achieve the possible.

2-4

KansasCity.com
THE KANSAS CITY STAR

Back to web version

Wednesday, Feb 3, 2010

Posted on Sat, Jan. 23, 2010

Gov. Jay Nixon skillfully navigates Missouri's partisan political waters

By STEVE KRASKE
The Kansas City Star

JEFFERSON CITY | Today's pop quiz:

Missouri Gov. **Jay Nixon** is a Democrat ... or a Republican?

Turns out that some members of the General Assembly aren't so sure anymore.

Minutes after the governor's generally well received State of the State message Wednesday night, two Republican lawmakers told me they practically consider Nixon one of them.

"He is governing to the right of center," said Sen. **Brad Lager** of Savannah.

Rep. **Tim Flook** of Liberty said the governor — a Democrat, to be sure — has an unmistakable conservative streak.

"He's doing a lot of things we can agree on," Flook said.

Nixon's speech could have been delivered by a rank-and-file Republican, such as the man he defeated in 2008, **Kenny Hulshof**, without changing a word.

Consider the speech's core components:

•No tax increases, even in the midst of a dire recession.

•Continued cuts to the size and scope of state government.

•No demands for new and expensive programs.

In fact, Nixon got through the entire 47-minute speech without mentioning a program he had touted just two weeks earlier in Kansas City — a call to borrow up to $1 billion to address a host of building projects.

Would that have flown with the Republican General Assembly? In the wake of the U.S. Senate vote in Massachusetts, probably not.

One year into Nixon's term, a clearer picture of the state's newest chief executive is forming. Nixon is focused intently on the budget and creating jobs in an unemployment-ravaged state. He's doing it with a host of modestly priced programs that range from worker retraining to financial incentives for existing Missouri businesses to expand.

On the edges, he's pursuing generally noncontroversial issues, such as requiring insurance companies to cover autism therapy, cracking down on the payday loan industry and pursuing drunken drivers.

When he does take a position that splits the parties, he doesn't dwell. Nixon asked lawmakers to restore campaign limits in a state that saw a contribution of $1.1 million to a candidate for attorney general in 2008. Most Democrats, and a few Republicans, favor the caps. Many other Republicans don't.

"It's the right thing to do," Nixon said simply.

His style of governing is vigorous and wholly pragmatic. He talks often of the importance of bipartisanship and clearly does not want to upset the delicate balance he's struck with the Republican-led General Assembly.

Whereas the state's last Democratic governor, **Bob Holden**, cut the budget with visible reluctance, Nixon

2-5

appears to take the task in stride.

On Wednesday night, Republicans had few places to run in their rebuttal. Their toughest shot was aimed at the budget for Nixon's office. The governor, they said, did not propose cuts to his own office even though he's demanding steep sacrifices at other agencies.

In reality, GOP leaders continue to get along with Nixon. With a year under his belt, he's been around long enough to see those ties fray and even snap. But they haven't.

Nixon is lucky. He's working with a House speaker, **Ron Richard**, and a Senate president pro tem, **Charlie Shields**, who are not consumed with partisanship, and they are guys any governor could work with.

Truth is, Nixon's approach to governing is driving some Democratic lawmakers halfway to Loony Land. They want more aggressiveness from their leader. They want more tried-and-true Democratic initiatives. They want the governor to not only listen to them, but also tell them what he's up to. They can't believe what they're seeing.

But they also say that speaking out now, amidst such dour economic times and in the wake of last week's Massachusetts vote, wouldn't accomplish much.

A native of rural Jefferson County, Nixon comes by his steady, cautious, conservative style honestly. He appears to relish the job.

So far, Missourians appear more than satisfied. Last week, a Rasmussen Reports poll showed that 61 percent of Missourians approve of Nixon's job performance, which should easily rank him as the state's most popular statewide official.

In comparison, just 41 percent of Missouri voters approve of the job President **Barack Obama** is doing.

Democrat or Republican? In a state that tilts slightly to the right, Nixon appears to have found the sweet spot.

To reach Steve Kraske, call 816-234-4312 or send e-mail to skraske@kcstar.com.

2-6

KansasCity.com
THE KANSAS CITY STAR

Back to web version

Wednesday, Feb 3, 2010

Posted on Fri, Jan. 22, 2010

Consulting firm adds jobs in KC

By KEVIN COLLISON
The Kansas City Star

Genesis 10, a New York-based business consulting firm, has opened an office in Kansas City and expects to hire 153 employees at good salaries over the next three years.

The firm has begun operations in 15,000 square feet at 8330 Ward Parkway and already has 60 employees in place doing consulting work for Bank of America, Michael Rapken, chief operating officer, told a board meeting of the Kansas City Economic Development Corp. on Friday.

The goal, company officials said, is to hire talented Kansas City-area employees who have been laid off in recent years. The projected salaries are expected to range from $64,000 to $84,000 annually.

"We wanted to use the work force already here," said Miguel Valdes, corporate vice president for human resources. "There are a lot of skilled, technical people laid off."

Jobs being filled include project managers, business analysts, systems/data analysts and software developers.

Genesis 10 is investing $2.3 million in the facility. Incentives being provided include $2 million in state job tax credits and $1 million in state job training assistance.

The EDC board also was briefed on several other business expansions:

•Two firms owned by Jerry Schaefer, A2MG, an architectural metal and glass building components company, and Sellers & Marquis Roofing, are consolidating operations in an existing 145,000 square-foot building at 8601 East U.S. 40. The operation will retain about 200 jobs at the two companies.

Schaefer said Sellers & Marquis expects to hire another 35 people over the next five years at an average starting salary of $58,000, and A2MG plans to create another 65 new jobs during the same period at an average starting salary of $56,000.

The city helped arrange a loan and is providing a 50 percent property tax abatement to assist the project. The state is assisting Sellers & Marquis with $154,000 in tax credits and A2MG with $347,000 in credits.

•Reeves Wiedeman Co., a family-owned wholesale plumbing supply company, is renovating a historic building at 3635 Main St. for its new headquarters. The firm will retain 22 jobs and expects to hire 11 additional employees over the next three years at an average starting wage of $24,764.

The $5 million project will receive a 20-year property tax abatement from the city and also will receive federal and state historic tax credits. Assistance from the federal New Market Tax Credit program and state tax credits also are anticipated.

"Without the incentives, we would have left the building as it was," said Ted Wiedeman, president of the longtime area firm. "It's a project we're going to be proud of."

To reach Kevin Collison, call 816-234-4289 or send e-mail to kcollison@kcstar.com.

2-7

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Fri, Jan. 22, 2010

What is Ford's future at Claycomo?

By RANDOLPH HEASTER
The Kansas City Star

Ford Motor Co.'s Claycomo plant has thrived during one of the worst downturns in the auto industry, employing 4,000 workers to build the popular Ford Escape/Mercury Mariner SUV and the top-selling F-150 pickup.

But union leaders and auto analysts point out that Ford is designing a new version of the Escape, which could make its debut as soon as 2011. And they're asking:

Will Claycomo get the new version, or another model altogether?

Ford isn't saying anything about its plans, and no one's predicting the 59-year-old plant will close. But economic development officials and politicians are concerned. They recently formed the Ford 20/20 Task Force to lobby the auto company to bring another product into the plant.

"We want Ford to be here in 2020," said Jim Hampton, a group member and executive director of the Clay County Economic Development Council.

On Friday, Missouri Gov. Jay Nixon met with Ford Chief Executive Alan Mulally in Detroit. Saying he expected discussions with Ford to continue, Nixon touted Missouri's advantages for the auto industry in producing energy-efficient vehicles.

"We have a central location in the U.S., we have a rich automotive history and, most importantly, we have a workforce of highly skilled and motivated workers," Nixon said in a statement.

The 20/20 task force wants legislators and the public to realize that the future of Claycomo has statewide implications. The group is urging state lawmakers to pass an economic incentive package to persuade Ford to make what could be a $400 million to $500 million investment to upgrade the line that produces SUVs.

"The Claycomo plant obviously is important for our metropolitan area, but there are very few counties in Missouri that don't have jobs tied to the facility," said Clyde McQueen, a task force co-chairman and president of the Full Employment Council in Kansas City. "There are many parts of the state that have suppliers to the plant, and there are Ford dealers everywhere that sell their popular models."

The Escape is built in three shifts exclusively at Claycomo. But the expectation among union leaders and auto analysts is that Ford will end production of the current version of the Escape with the 2011 model. That could occur by summer 2011.

Ford spokeswoman Marcey Evans said it was company policy not to comment on future products and where they might be built.

Most analysts believe Ford will move production of the redesigned Escape to Louisville, Ky., to a plant that makes Explorers. The new Escape will be based on a Ford European compact SUV called the Kuga.

Ford plans to invest in the Louisville plant so it will be able to make the new Escape as well as other vehicles based on that platform, said Alan Baum of Baum & Associates, a consulting firm in West Bloomfield, Mich.

Analysts believe Ford will convert facilities in Louisville; Wayne, Mich.; and Avon Lake, Ohio, to flexible manufacturing systems that would allow the automaker to change models quickly to meet consumer demands.

While the flexible system is in place on the Claycomo F-150 line, the SUV line is not set up that way. A new flexible body shop would have to be installed, an investment estimated at $400 million.

2-8

"As you put money into these flex plants, it essentially increases their capacity because they can easily convert to make different models," Baum said. "In that regard, it seems like the Escape line in Kansas City is on the outside looking in right now."

Last year, there was speculation that the Transit Connect, Ford's new, small commercial delivery van, could be built at Claycomo after Escape production ended. Now analysts believe Ford will build the van at Avon Lake, although that has led to speculation that Claycomo might be in line for the bigger Econoline van currently made in Ohio.

Despite the uncertainty, some experts find it hard to believe that Ford does not have a replacement product in mind for Claycomo.

"I don't think Ford has slated the Kansas City plant for closing," said David Cole, chairman of the Center for Automotive Research in Ann Arbor, Mich.

Jeff Wright, who represents the production work force at the plant, agrees.

"It doesn't make sense to run a dual-system plant with just one line," he said, referring to the F-150 line. "You lose the economic efficiencies that are built into the operations."

Wright, president of United Auto Workers Local 249, said he believes Ford will continue to make F-150s at Claycomo, regardless of what happens to the SUV line. Ford only makes F-150s at one other plant, in Dearborn, Mich.

"When the economy comes back, I think we'll be back to two shifts on the F-150," he said. "We're the only plant with the ability to make an eight-foot bed on the pickup. Every farmer and construction guy out there doesn't want the shorter bed on their truck."

Wright noted that in exchange for concessions in the national contract in 2007, Ford pledged to invest in a flexible body shop on the Escape line here. Last year, in obtaining further concessions, Ford reiterated that Claycomo was one of five assembly plants that would receive a new product by 2012.

However, that was before this past fall, when more than 90 percent of the Claycomo work force rejected additional concessions that Ford was seeking following the emergence of General Motors and Chrysler from bankruptcy proceedings. Workers at most of the other U.S. Ford plants also rejected the concessions.

"Unlike GM and Chrysler, Ford didn't go into bankruptcy and eliminate all that debt," Cole said. "This puts an enormous amount of pressure on Ford to continue to cut costs and build its vehicles in the most cost-efficient locations. Kansas City isn't just competing with other domestic Ford plants for new products. It's competing with Ford facilities worldwide."

Claycomo's product line

Ford has built trucks at Claycomo since 1957. But the car/SUV line has seen models come and go. Here's the lineup since 1970:

1970-1977: Ford Maverick

1978-1983: Ford Fairmont, Mercury Zephyr

1984-1994: Ford Tempo, Mercury Topaz

1994-2000: Ford Contour, Mercury Mystique

2001-current: Ford Escape, Mercury Mariner

To reach Randolph Heaster, call 816-234-4746 or send e-mail to rheaster@kcstar.com. Source: Ford Motor Co.

2-9

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Mon, Jan. 18, 2010

Final agreement reached for Cerner-Wizards development in WyCo

By KEVIN COLLISON
The Kansas City Star

A final agreement has been reached for a $414 million development that would bring 4,000 new Cerner jobs and the Wizards soccer stadium to Wyandotte County.

It will go to county commissioners today.

The Unified Government of Wyandotte County has scheduled a special meeting to consider and possibly approve the agreement. It calls for the 18,000-seat stadium to be completed by the 2012 soccer season, and the first 1,000 Cerner Corp. employees to be working at the office development by the end of 2012.

"We are pleased the specific details of this landmark project have been worked out," Unified Government Mayor Joe Reardon said Monday.

"The agreements are the result of partnerships which will create thousands of high-paying jobs, help the state meet its goal of becoming a national leader in the health care field and bring a major-league sports franchise to Kansas."

The project, being developed by OnGoal LLC, the owner of the Kansas City Wizards, and Lane4 Property Group, is being subsidized with $85 million in state tax credits and cash, and $144.5 million in STAR bonds.

The STAR bonds would be repaid from sales tax revenues generated by the merchants at the Village West development, the site of the proposed stadium. Those retailers, including Nebraska Furniture Mart and Cabela's, are generating about $40 million in tax revenues a year.

At that rate, the STAR bonds originally issued for Village West would be repaid in 2014, according to county officials. The addition of the new Wizards-anchored development would extend that payoff by about six years. The sales tax revenues generated by Village West would then go to state and local municipalities.

At the special meeting today, county officials will be asked to approve the development agreement and authorize issuing the STAR bonds.

"We're looking forward to meeting with the Unified Government commissioners to present the development for their review and, we hope, their approval," said Tim Weaver of Lane4.

Besides the soccer stadium, the development agreement calls for all the 4,000 new Cerner jobs to be created by Dec. 1, 2016. The average salary is estimated at $54,000 a year. The office campus will total 600,000 square feet, and the first building must be under construction by Dec. 1, 2011.

"In current economic times, we must focus on job creation," Reardon said. "The number and kinds of jobs this development will create, from immediate construction jobs to the health technology jobs at Cerner and those connected with the Wizards, will be a massive benefit for the entire state."

Officials for Cerner, which develops and sells medical records software, could not be reached for comment Monday.

If Cerner fails to fulfill its job obligation under the agreement, a $30.4 million penalty must be paid by Kansas Unified Development, the development entity formed by OnGoal and Lane4 for the project.

The soccer stadium is planned for an 11-acre site between Kansas Speedway and Nebraska Furniture Mart. The office development is planned for a 58-acre site between the Great Wolf Lodge and Chateau Avalon.

2-10

The agreement calls for the developer to pay the Unified Government $18 million for the two sites.

The agreement culminates more than four months of negotiations among the developer, the state of Kansas and Wyandotte County.

The development group announced in September that it was interested in moving the stadium and Cerner office project to the Village West area near Kansas Speedway.

It had been slated for the former Bannister Mall property in south Kansas City, but that deal failed to move forward after more than two years of work.

In addition to the Cerner office complex and Wizards stadium, the new development calls for construction of an 18-field youth soccer complex capable of hosting national soccer tournaments.

The developer also will build and maintain three other recreational fields at locations in Wyandotte County that have yet to be determined.

According to the agreement, Wyandotte County residents would be entitled to at least one discount night per season and the opportunity to purchase single-game Wizards tickets at least one day in advance of the general public.

To reach Kevin Collison, call 816-234-4289 or send e-mail to kcollison@kcstar.com.

2-11

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Sun, Jan. 31, 2010

Formula shows why it's so hard to cut jobless rate

By JEANNINE AVERSA
The Associated Press

WASHINGTON | The economy's 5.7 percent growth last quarter — the fastest pace since 2003 — was a step toward shrinking the nation's 10 percent unemployment rate.

There's just one problem: Growth would have to equal 5 percent for all of 2010 just to lower the average jobless rate for the year by 1 percentage point.

And economists don't think that's possible.

Most analysts said economic activity would slow to 2.5 percent or 3 percent growth for the current quarter as the benefits fade from government stimulus efforts and from companies drawing down less of their stockpiles.

That's why the Federal Reserve and outside economists think it will take until around the middle of the decade to lower the double-digit jobless rate to a more normal 5 percent or 6 percent.

Another way of looking at it: A net total of about 3 million jobs would have to be created this year to lower the average unemployment rate by 1 percentage point for 2010, economists estimate. Yet even optimists think the creation of 1 million net jobs is probably out of reach this year.

High unemployment poses a risk to the unfolding recovery because it leads consumers to spend less, keeping economic growth weak. A sharp pullback in spending might even push the economy back into recession.

The National Association for Business Economics and the International Monetary Fund think gross domestic product will rise just under 3 percent for all of this year. GDP, the best gauge of economic activity, measures the value of all goods and services produced in the United States.

To get a sense of just how deep a dent the worst recession since the 1930s has made in the economy, consider this: The economy shrank 2.4 percent for all of 2009 — the sharpest drop since 1946. It was also the first annual decline since 1991.

Mark Zandi, chief economist at Economy.com, and Bill Cheney, chief economist at John Hancock, agree that the economy would have to grow roughly 5 percent for all of 2010 just to ratchet down the average unemployment rate for the year by 1 percentage point — to 9 percent.

Their math is based on Okun's law, named for economist Arthur Okun. In 1962, Okun produced a formula for the connection he saw between unemployment and economic activity.

Exactly how much GDP growth is needed to lower the unemployment rate for a given period varies. That's because the formula involves several factors besides GDP growth.

When the economy was recovering from the 2001 recession, it took two years to reduce the unemployment rate by nearly a full percentage point: It fell from 6 percent in 2003 to 5.1 percent in 2005. GDP growth averaged just over 3 percent.

Economists said the formula had not always held up perfectly in recent decades. Rather, it's relied upon as a rough rule of thumb for determining how much growth will be needed to lower unemployment.

But a near-textbook case occurred in 1976, when the economy expanded at a 5.4 percent pace. As Okun would have predicted, that growth drove down the unemployment rate by nearly a full percentage point: from 8.5 percent in 1975 to 7.7 percent.

INSIDE

2-12

The budget to be sent to Congress today seeks $100 billion more to fight unemployment. | **A6**

Budget proposal going to Congress

WASHINGTON | The Obama administration on Sunday endorsed spending an additional $100 billion to attack unemployment as it prepared to send Congress a $3.8 trillion budget.

The new jobs measure includes a business tax credit to encourage hiring, increased infrastructure spending and money from the government's bailout fund to get banks to increase loans to struggling small businesses.

The price tag would be below a $174 billion bill passed by the House in December but higher than an $83 billion proposal that surfaced last week in the Senate.

Job creation is a key theme of the budget President Barack Obama is sending Congress today, a document designed to reframe his presidency after a protracted battle over health care.

Obama's $3.8 trillion spending plan for the 2011 budget year attempts to navigate between the opposing goals of pulling the U.S. out of recession and dealing with a deficit that reached an all-time high of $1.42 trillion last year.

The budget will also propose $250 payments to Social Security recipients to bolster their finances in a year when they are not receiving the normal cost-of-living boost to their benefit checks.

| *The Associated Press*

2-13

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Tue, Jan. 19, 2010

As jobs languish, college grads settle for less

By MARÁ ROSE WILLIAMS
The Kansas City Star

Being "upside-down" means owing more on your house or car than it's worth.

Right now, Patricia Summers is upside-down on her college degree.

She owes $18,000 on loans taken to get her degree in advertising from the University of Missouri. Her college time will end up costing more than $50,000, not counting what she could have earned from a full-time job had she not gone to college.

But that job probably would have been a dead-end, low-paying service job, advocates of higher education contend.

Which is exactly what Summers is doing now: serving burgers at a Sonic drive-in.

The recession is recalibrating the economics of higher education.

"Whether college is worth it depends on how much you pay for it," said Kevin Carey, the policy director at the Education Sector, a Washington-based education think tank. "It's not worth much if you pay too much for a degree that has no value in the market or one that pays too little to pay back what you borrowed."

College costs are rising fast, as are student debt loads. Take Aaron McNally, 29, who last year received a master's degree in English from the University of Northern Iowa, adding to what eventually became about $50,000 in debt. That's more than the national average — $40,208 — for a freshly inked M.A.

On the other end of the four-year slog, salaries are sputtering — if you get the job in your chosen field. Not finding a public relations post, McNally took a job as an assistant manager at an Independence grocery store.

Bigger investment. Disappointing returns. Yet college is still the only way to go, right?

Well, don't ask Bill Gates of Microsoft, Steve Jobs of Apple, Michael Dell of Dell, Larry Ellison of Oracle or Mark Zuckerberg of Facebook. They all dropped out.

Clearly college is not for everyone, but statistics and studies show a college degree usually translates to a higher income.

"People with high levels of education make more money on average," Carey said. But he warned that whether a diploma means more income or a better life depends on the individual.

"A college education is no guarantee."

$$$ don't lie

With money scarce, many newly cost-conscious families are trying to work out the math:

•They swallow hard when they realize that, based on the current estimated cost of tuition, room and board, four years at Harvard costs $188,860. Even the $60,236 four-year cost for an in-state student at the University of Kansas can be daunting.

•The average student debt after four years is $22,656.

•A bachelor's degree doesn't earn what it used to. "After adjusting for inflation, the earnings of male college graduates are no higher than they were in the early 1970s, and the earnings of female college graduates have increased only moderately," according to a College Board study of educational benefits.

2-14

•Fewer than 1 in 5 students in the class of 2009 had a job at graduation.

That gets us back to that Sonic in Columbia. Summers, who graduated in 2009, is searching for a job in her field. The Independence native, who also works at the MU bookstore, thinks college was worth it.

"I learned a lot of skills I couldn't have gotten if I hadn't gone to college."

But Summers said that if a decent job did not come along soon, her feelings about the value of her degree could change.

Although Summers is "upside-down" for the moment, her degree isn't really comparable with a Florida condo mortgage, experts said. There are many non-monetary intangibles that come with college.

Studies indicate that college graduates are healthier, donate more blood, vote more often than other Americans and are more open-minded. They smoke less, exercise more and, a 2005 Pew study found, were 25 percent more likely than high school graduates to declare they were happy.

Would such people, with their ambition and discipline, succeed anyway?

Studies have tried to get a fix on what more schooling adds. Some studies looked at twins and found the better-educated sibling fared better.

And the Census Bureau offers these after-tax median incomes of people 25 years or older in 2008: High school degree, nearly $33,800; some college, but no degree, nearly $39,700; bachelor's degree, $55,600.

It also should be noted that the salary gap between high school and college degrees is growing.

$1 million sheepskin

Educators and politicians — President Barack Obama included — preach loudly and frequently that everyone should seek some college. In speech after speech, you hear that college graduates make at least $1 million more in their lifetimes than those who quit after high school.

But is it true?

In 2007, Sandy Baum, a professor of economics at Skidmore College in Saratoga Springs, N.Y., studied the value of a degree for the College Board. Her research — which factored for inflation and left out advanced degrees and their higher earning power — found that someone with a bachelor of arts degree plus 40 years of earnings came closer to earning $550,000 more, on average, in today's dollars.

Baum said that college was easily worth the cost. Plus the recession has laid bare another factor to consider:

"Even in this economy, the number of unemployed college graduates is half that of the unemployed who did not go to college," she said.

Another, even grimmer way to look at it: The poverty rate is 10.8 percent among high school grads. It is one-third less for those with bachelor's degrees.

Juice the resume?

Is it just the recession that is devaluing the B.A. or is it a longer-term question of supply and demand?

The percentage of college-educated people in the U.S. population is growing. In 2008, 29 percent of adults 25 and older had bachelor's degrees, a 5 percent increase from 1998.

Now comes the freshman wave of 2009, the largest in history for many colleges and universities. Less-expensive community colleges are filled to bursting.

Some of that is because of ambition, some because of population growth. Some people are going to college to be retrained. Others see the classroom as a place to wait out the economic storm.

So the competition among B.A. holders is tougher than ever. Time to juice the resume with a master's degree, right?

Not necessarily. Although the 2008 median earnings for a M.A. holder was $67,300, an increase of more than $10,000 over the B.A., there is more variation in the price-cost analysis. A master's degree can mean extra skill or sophistication, but if it's not in the right area, it can end up being irrelevant.

2-15

McNally still believes his education was good value.

"Maybe not in the financial sense, because I believe the cost is astronomical," he said. "But I feel as though I have benefited outside of the direct professional application, in my ability to understand the world, and to communicate with people in everything from philosophy to theology to the arts."

Not for everyone

Emily Rosner, 27, of Kansas City has hopped from one low-paying job to another since she graduated in 2006 with a degree in fine arts and computer design from Olivet Nazarene University near Chicago.

"Some people I graduated with landed great graphic-design jobs. I wasn't sure what I wanted to do," said Rosner, who for now makes $20,000 a year working at a Starbucks near the Country Club Plaza.

Rosner said she learned life skills in school, and after struggling to pay rent and $19,000 in college loans, she plans to go back for a teaching license.

"College was great, but I wouldn't push someone to go just to get a piece of paper. There are a lot of good jobs that don't require a four-year degree."

College certainly is good for many, but not all, said Marty Nemko, a former instructor at the University of California at Berkeley.

"We are sending too many kids to college," Nemko said.

He said that if students don't have the drive for college, they probably won't graduate and "are likely to end up with a mound of debt and an assault on their self-esteem and not much else."

Nemko does not dispute the post-graduate boost in future incomes.

"I'm trying to help people to be smart consumers of education and know when and what they should buy," he said. He sees colleges that rake in tuition from students who are unlikely to end up with degrees as a rip-off. Even with degrees, some students can feel cheated.

Last summer a 27-year-old unemployed woman from the Bronx, N.Y., was so disappointed in what her degree in information technology had gotten her in the job market that she sued Monroe College for $70,000, the cost of her tuition. She claimed the school did not help her land a job in her field.

"I doubt if it will go anywhere," said Gary Axelbank, a spokesman for the college. "We had 3,000 graduates last June, and every one of them walked out thrilled."

Without a doubt, a degree is worth having, said Anthony Carnevale of Georgetown University's Center on Education and the Workforce.

"Graduates who say college was a rip-off probably chose the wrong school, the wrong major, or they are living in the wrong region, where jobs are hard to come by. Education can't fix those," Carnevale said.

To reach Mará Rose Williams, call 816-234-4419 or send e-mail to mdwilliams@kcstar.com.

2-16

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Sat, Jan. 23, 2010

Marked by the recession: Downturn colors generations in different ways

By RICK MONTGOMERY
The Kansas City Star

Sixty years and a dozen economic downturns separate Mason Heilman and his grandparents, Jack and Irene Carter. But tough times ultimately may connect them.

The Carters were kids of the Great Depression, branded by a 1930s thrift that burned deep into their thinking and future lifestyles. "Never played the stock market, because I'm not a gambler," said Irene, 83, of Paola, Kan.

Now Heilman's generation similarly has been etched by what some call the Great Recession.

The University of Kansas student president is hesitant to predict how long its marks may last. It's not the same, of course: He has his laptop, and Grandma began life without even electricity.

But research into past periods of bust, no matter how shallow or short, suggests many of today's young adults will be more cautious, cost-conscious and wary of the fast track — perhaps for a lifetime.

In the decade to come, this recession could be seen as "much bigger than a financial crisis," said cultural anthropologist Robbie Blinkoff. "All this is actually leading to a cultural transformation. Something's definitely permanent about it."

Just as each generation played a different role in the run-up to our downturn — many accuse Baby Boomers of creating it — each is expected to make different adjustments in the post-recession years.

"Spending money is not an end; it's a means to a possible end" of a purposeful life, said Heilman, 22. His double major in secondary education and political science foretell a future in teaching or some other public service, where he expects jobs — though none with six-figure bonuses — to be.

For most workers a bit older, in their 30s and early 40s, the plan is to change jobs as soon as the market allows, according to surveys by the global business consultant Deloitte LLP.

Feeling squeezed between the baby boomers who boss them and the younger, cheaper "millennials" supposedly preferred by recruiters, only 37 percent of Generation Xers say they intend to stay with their current employers.

And the boomers? Man, they've got issues.

The wealthiest generation ever to walk the earth also lost the most when the Dow and home values collapsed.

Collectively, boomers earned more than twice as much as their parents did at the same age — only to sink it into vast houses, vacation homes and a thousand flavors of investments. But they were far less interested in plain-vanilla savings than were their elders.

About 70 percent of boomers were deemed "unprepared for retirement" even before the stock market hit bottom last March. A 2008 McKinsey Global Institute analysis concluded: "Many are not even aware of their predicament."

Recent surveys all agree the boomers now have taken to saving and paying off debt. In the post-recession, those 55 or older will need to keep piling cash away and work a couple of years beyond original retirement plans just to make up ground lost since 2007, economists say.

2-17

Delayed retirements, in turn, will clog the ladder of promotion for younger workers.

New Normal, it's called.

Hit the reboot

"Normal" holds different meaning depending on whether you're older or younger than 40.

As KU economist Mark Hirschey notes: "People who remember will say, 'Why can't this be like the 1990s?' Well, nothing in our history was like the 1990s. It was unprecedented" — a consumer culture expanding largely on credit and imaginary wealth.

A high-tech bubble. A housing bubble. Overvalued stock portfolios. Not normal.

So now a spate of highbrow studies, market-research polls and magazine stories forecast anything but a return to normal when the downturn is done. They say history will see this as a reboot, not just a blip.

Newsweek goes so far as to predict that "in the New Normal, more American workers will be holding wrenches and loading cargo (from solar panels to bags of grain) onto trains, a la the post-Depression generation, rather than fiddling with BlackBerrys."

Maybe. Enrollment is robust at the National Academy of Railroad Sciences, a school of Johnson County Community College. The dean of technology, Bill Brown, said interest in auto repair is climbing, too.

"With moving freight or fixing cars, you can't outsource either," Brown said.

At William Jewell College in Liberty, the number of first-year nursing students rivals those majoring in the arts and humanities, said Bradley Chance, director of academics. And strikingly, only 4 percent of this freshman class entered without a declared major.

"To me, that suggests you don't want to invest $30,000 a year just to explore," at least not when the college kitty is half what you expected it to be, Chance said. "It seems students were less cautious 10 years ago."

Or maybe not. Despite sea changes under way in journalism — only a third of the nation's 2008 journalism class landed full-time work by year's end — U.S. enrollment in journalism and mass communication programs is at an all-time high.

A paper titled "Growing Up in a Recession," funded by the National Bureau of Economic Research and released in the fall, examined economic cycles going back to 1972.

Researchers found that each downturn appeared to leave a permanent imprint on the population just entering the work force at the time, ages 18 to 25, or "the impressionable years ... during which most beliefs on how society and the economy work are formed."

Among the traits linked to these recession babies:

•A long-term tendency to invest more conservatively and choose safer jobs;

•A belief that individual success is driven more by luck than by hard work;

•Support for government redistribution of wealth to help those not so lucky;

•Despite that value, a cynicism toward government's ability to deliver the help poor people need.

The findings raise contradictions, and skeptics note that baby boomers as a whole seemed to lust for the fast lane after the searing recession of the late 1970s and early '80s.

But the study notes that risk aversion, compassion for the poor and cynicism about government typically tattoo public attitudes *during* recessions. At least for those in the 18-25 age group, who may have languished after graduation in search of jobs in their chosen fields, or perhaps any work, those feelings may never be worn away.

If a deep recession can make young adults forever cautious, the effects wane among other age groups, researchers found: "People tend not to change beliefs in response to negative economic shocks experienced when they are 40 or older."

So the boomers eventually shake this off? They go back to throwing bucks and credit cards around,

2-18

revitalizing the economy?

"They have before," said Val Srinivas of Decitica Marketing Strategy & Research. His own research shows that America's "steadfast frugalists" have grown to include one-fifth of us. But the "apathetic materialists" are just as plentiful — and disproportionately populated by young adult males.

In any event, unemployment among 20- to 24-year-olds stands at 15 percent, five percentage points higher than the national average.

And for each additional percentage point in unemployment, salaries fall 6 percent for new graduates, statistics show.

It's a malaise affecting more than just the English majors. Those striving for legal careers are seeing law firms slash hiring.

"There's a whole class of young attorneys that time forgot two years ago," said David A. Fenley at Husch Blackwell Sanders in Kansas City.

Many of the largest law firms since 2007 have recalibrated their partnership tracks and lush starting salaries — in the fat years, $160,000 was standard for new associates on the East Coast. Once derided by the legal giants, "performance-based" pay for associates may become a no-brainer in the New Normal.

Hard pedaling ahead

Career consultant and author Peter Weddle has his own vision of what lies ahead. It's in the title of his next book, "The Career-Activist Republic."

"Being a career activist begins with understanding there is no such thing as job security," Weddle said.

"On the one hand, it's daunting to think about an economy in continuous change. But it's also about continually replenishing your talent and knowing your options, and those are healthy things."

The middle-aged or older want the path to a safe retirement to be like riding a bus, Weddle said. Find an employer you hope is headed to a place you want to be, and sit down for a long ride.

"Now the appropriate analogy is riding a bike," he said. "On the bus you couldn't control how fast it could go, or the stops it might make. But on that bike, you decide. You can coast a short while but eventually have to pedal — and sometimes pedal hard."

Bookstore operator Tom Shawver, 62, shifted into a new gear a few years back when he realized that online sales of used books were stealing business from his Kansas City storefronts.

So he closed his Crestwood used-book shop and now sells only on the Internet. He'd first had success there, selling rare and valuable books online.

Shawver recognizes there's no reversing the trajectory in online shopping, even after consumer spending climbs.

"I'd *like* to open a shop back up. My heart says yes. My brain says no."

His trepidation helps explain why vacant retail stores — the shells of shopping malls, a former Circuit City, the independent jeweler — may continue to dot the landscape like Mayan ruins long into the recovery.

Americans are upping their spending, new reports show, but if buying online and working from home are part of the New Normal, can commercial real estate ever be the same?

Some experts say we all should chill a bit, that Gen Xers might strike gold again (as many did in the dot-com boom) and boomers may be relaxing in Arizona before they're 70, as their parents did.

OK, perhaps the smart money is on college graduates of 2010 switching *careers*, not just employers, several times in their lifetimes. But KU economist Hirschey said we should avoid falling into something called "recency bias," or the mistake of thinking recent pain means long-term hardship.

"We're going to live through this one," Hirschey said. "There's no reason to think America's economic engine is dead. It's recalibrating," as it does with every generation.

We versus Me

2-19

Certainly, the Depression recalibrated everything.

Jobs exploded in the public sector, Social Security came into being, high school diplomas became common. After the hard times (and a world war) passed, hardly anyone looked back, University of Missouri historian Robert Collins said:

"I don't think people in the 1940s particularly wanted to go back to the halcyon days of the 1920s. There was a widespread sense that America had been rebooted."

In fact, in recent surveys by Context-Based Research Group, 43 percent of Americans said the recession had "had some positive impact" in their lives: More family time, less hustling for Christmas gifts, more conversation with others distressed.

Especially for Americans younger than 40, the idea of a national identity of consumerism being replaced by "a more rational, balanced identity — a 'We' economy instead of a 'Me' economy" — sounds good, said Blinkoff of Context-Based.

Yet to Grandma Irene, the Old Normal seemed good, too.

Despite their hardscrabble upbringing, she and Jack paid off their four-bedroom home in Paola long before any of the grandchildren were born. Now six of them are in college, crossing their fingers, and two older ones are out, making do with temp work.

"I think they face a horrible debt to pay," she said, "and through no fault of their own."

MILLENNIALS
15 percent of 20- to 24-year-olds are jobless, and for each percentage point tacked on, salaries drop 6 percent for new graduates.

GEN X
Eager to bolt to better jobs, only 37 percent of workers in their 30s and early 40s plan to stick with their employers after the economy turns.

BOOMERS
Hoping to hang on, they lost the most when the stock market crashed — and now their "retirement" means working part-time.

"GREATEST GENERATION"
Better savers than their children, retirees on fixed incomes will be hit hard if inflation and fuel bills soar.

To reach Rick Montgomery, call 816-234-4410 or send e-mail to rmontgomery@kcstar.com.

2-20

KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Feb 3, 2010

Posted on Thu, Jan. 21, 2010

Claims for jobless benefits increased last week by 36,000

By DIANE STAFFORD
The Kansas City Star

Payroll job cuts have been easing, so why do new unemployment claims keep rising?

On Thursday, the U.S. Labor Department reported a surprising increase last week in first-time filings for jobless benefits. Job market analysts had expected a drop.

Instead, new claims rose by 36,000 to a seasonally adjusted 482,000 for the week.

The department attributed much of the increase to an administrative backlog, saying that claims processing simply had piled up over the year-end holiday period in the state agencies that handle claims.

Unfortunately, that means that the new applications reported for the previous two weeks were too low.

Initial claims for jobless benefits have dropped by about 10 percent since October. But employers eliminated about 85,000 jobs in December, and hiring has yet to rebound.

Continuing claims for unemployment benefits fell by 18,000, to 4.6 million, in the week that ended Jan. 9, the department said. But that figure includes only those workers who were receiving regular state benefits, which cap out at 26 weeks.

The decline doesn't include workers who are receiving extended or emergency federal benefits — a number that now totals more than 5.9 million persons.

Under the federal programs, sparked by the recession and high unemployment, some job hunters are eligible for up to 73 additional weeks of federal benefits.

To reach Diane Stafford, call 816-234-4359 or send e-mail to stafford@kcstar.com.

2-21

LEGISLATOR'S EXECUTIVE SUMMARY ON PEAK PROPOSALS

The Kansas Economic Development Association has been working this past summer and fall. The following is an executive summary of the recommendations and the resulting HB 2538 proposals to the Promoting Employment Across Kansas Act, which was enacted during the 2009 legislative session. The sole intent of these proposals is to provide additional employment and career opportunities for all Kansas citizens: a) now during this economic crisis; and b) in the future as we seek to grow and diversify our economy.

Increasing Job Opportunities for All Kansas Citizens Regardless of Their Educational, Skill or Experience Levels

- The intent of PEAK, Promoting Employment Across Kansas, is to create jobs for all Kansans...including citizens with no college education, those needing entry level jobs and those in industries that require basic skill levels which experience significant competition from low-cost national and foreign competition.
- Current PEAK requirements will preclude many jobs from being created because the county average wage requirement is too high of a threshold for many industries, skill sets, experience qualifications, educational levels and entry-level job opportunities.
- The proposal: For "Qualified Companies" hiring new employees, the benefit period would be based on the county *median* wage paid to those employees rather than the county *average* wage.
- If a company cannot meet the county median wage, it may still qualify for a five-year benefit period if the average wage of the new employees is equal to at least the NAICS code industry average wage for employees in the region that work in the same NAICS code classification.
- The Secretary of Commerce would have final decision-making authority to determine the appropriate wage thresholds for becoming a "Qualified Company."

Expanding Jobs Creation Opportunities by Having "Qualified Companies" Include:

- Out-of-state and Kansas companies would be eligible for benefits by expanding and/or creating "new business" operations in Kansas.
- Clarifying that eligible companies are not required to close existing out-of-state facilities or operations and relocate those jobs.
- "New Business" clarification: a facility, plant, division, department, shift, production line, production shift, or other unit of business operation.
- Secretary of Commerce would have sole discretion over and decision-making approval of "new business" qualifications to control and eliminate any manipulation of incentives.
- Organic growth of existing Kansas companies and mere expansion of operations would not qualify; the Secretary of Commerce must determine that a Kansas company has genuinely established a "new business unit".

Expanding Jobs Creation Opportunities by Having "Qualified Companies" Include:

- Headquarters/Administrative Offices of National and Regional Not-for-Profit Organizations

  *Examples: American Cancer Society; American Red Cross; NCAA
- Governmental Entities

  *Examples: IRS, Veterans Administration, Federal Reserve, EPA
- Expansion and Location of Government and Non-Profit HQs are competitive

Expanding Jobs Creation Opportunities by Clarifying: Kansas and out-of-state companies will be encouraged to relocate out-of-state and foreign operations, business units and jobs to Kansas as "Qualified Companies"

Jobs Retention When Kansas Companies are Purchased by Out-of-State Entities:

- When a Kansas company has been purchased by an out-of-state entity, incentives would be available for five years to keep open the Kansas operation and retain its Kansas employee subsequent to the acquisition of that Kansas business operation.
- The acquiring out-of-state company must have been in operation for at least twelve months and there cannot be common ownership between the companies.

The PEAK program and the IMPACT program would no longer be mutually exclusive

- A company could not qualify for benefits under both programs for the same jobs simultaneously; in other words, there be no "double dipping" on the same jobs.
- Rather, there would now be flexibility for the Secretary of Commerce to design a package offering some "up-front" cash incentives and "future" benefits which would begin after the jobs are created, employees are at work and earning a paycheck.

KANSAS
DEPARTMENT OF LABOR

December 2009 Labor Report

January 22, 2010

Unemployment in Kansas and MSAs

Place of Residence Data

	December 2009	November 2009	December 2008
Kansas			
Civilian Labor Force	1,512,406	1,523,835	1,497,695
Employment	1,417,280	1,428,403	1,424,686
Unemployment	95,126	95,432	73,009
Unemployment Rate	6.3	6.3	4.9
Lawrence MSA			
(Douglas County)			
Civilian Labor Force	61,393	62,241	61,804
Employment	58,542	59,162	59,264
Unemployment	2,851	3,079	2,540
Unemployment Rate	4.6	4.9	4.1
Topeka MSA			
(Jackson, Jefferson, Osage, Shawnee and Wabaunsee Counties)			
Civilian Labor Force	123,734	124,719	121,466
Employment	116,304	117,057	115,021
Unemployment	7,430	7,662	6,445
Unemployment Rate	6.0	6.1	5.3
Wichita MSA			
(Butler, Harvey, Sedgwick and Sumner Counties)			
Civilian Labor Force	324,935	328,786	321,695
Employment	300,195	302,472	305,922
Unemployment	24,740	26,314	15,773
Unemployment Rate	7.6	8.0	4.9
Kansas City Area			
(Franklin, Johnson, Leavenworth, Linn, Miami and Wyandotte Counties)			
Civilian Labor Force	450,813	451,680	439,231
Employment	419,589	422,997	414,476
Unemployment	31,224	28,683	24,755
Unemployment Rate	6.9	6.4	5.6
Manhattan MSA			
(Geary, Pottawatomie and Riley)			
Civilian Labor Force	63,974	64,487	63,942
Employment	61,095	61,562	61,766
Unemployment	2,879	2,925	2,176
Unemployment Rate	4.5	4.5	3.4

Developed in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Counties With Improved Unemployment Rate		
	August 2008	December 2009
Area Name	Unemployment Rate (%)	Unemployment Rate (%)
ALLEN COUNTY	4.8	6.9
ANDERSON COUNTY	5.1	7.1
ATCHISON COUNTY	4.7	8.0
BARBER COUNTY	3.5	4.1
BARTON COUNTY	3.2	5.8
BOURBON COUNTY	4.4	6.4
BROWN COUNTY	4.6	5.2
BUTLER COUNTY	4.2	6.9
CHASE COUNTY	3.6	4.7
CHAUTAUQUA COUNTY	4.8	7.1
CHEROKEE COUNTY	5.0	7.5
CHEYENNE COUNTY	3.5	2.7
CLARK COUNTY	3.2	3.3
CLAY COUNTY	3.5	4.0
CLOUD COUNTY	3.5	4.2
COFFEY COUNTY	5.3	5.9
COMANCHE COUNTY	3.6	3.3
COWLEY COUNTY	4.4	6.8
CRAWFORD COUNTY	5.4	6.8
DECATUR COUNTY	3.3	3.1
DICKINSON COUNTY	3.9	5.1
DONIPHAN COUNTY	4.9	8.9
DOUGLAS COUNTY	4.1	4.6
EDWARDS COUNTY	3.0	4.3
ELK COUNTY	6.1	6.5
ELLIS COUNTY	2.9	3.1
ELLSWORTH COUNTY	3.2	3.7
FINNEY COUNTY	3.4	3.7
FORD COUNTY	3.3	3.2
FRANKLIN COUNTY	5.0	6.9
GEARY COUNTY	5.4	8.2
GOVE COUNTY	2.8	2.4
GRAHAM COUNTY	3.6	3.5
GRANT COUNTY	2.6	3.4
GRAY COUNTY	2.8	2.2
GREELEY COUNTY	3.9	3.2
GREENWOOD COUNTY	6.3	6.5
HAMILTON COUNTY	3.1	3.6
HARPER COUNTY	3.2	4.6
HARVEY COUNTY	4.0	8.7
HASKELL COUNTY	2.6	2.9
HODGEMAN COUNTY	3.4	3.4
JACKSON COUNTY	5.2	6.2

JEFFERSON COUNTY	4.8	6.7
JEWELL COUNTY	3.5	5.0
JOHNSON COUNTY	4.9	6.0
KEARNY COUNTY	3.0	3.5
KINGMAN COUNTY	3.6	5.1
KIOWA COUNTY	3.6	4.0
LABETTE COUNTY	5.2	7.7
LANE COUNTY	3.3	2.6
LEAVENWORTH COUNTY	5.6	7.5
LINCOLN COUNTY	4.1	5.3
LINN COUNTY	6.5	9.1
LOGAN COUNTY	2.5	2.9
LYON COUNTY	6.4	4.8
MARION COUNTY	3.8	6.2
MARSHALL COUNTY	3.5	4.7
MCPHERSON COUNTY	3.5	4.7
MEADE COUNTY	3.0	3.4
MIAMI COUNTY	4.7	6.9
MITCHELL COUNTY	3.5	7.0
MONTGOMERY COUNTY	5.7	8.6
MORRIS COUNTY	4.5	6.6
MORTON COUNTY	2.9	3.4
NEMAHA COUNTY	3.1	3.5
NEOSHO COUNTY	5.4	7.6
NESS COUNTY	3.2	3.1
NORTON COUNTY	3.3	3.7
OSAGE COUNTY	5.2	7.4
OSBORNE COUNTY	3.7	4.8
OTTAWA COUNTY	4.2	5.5
PAWNEE COUNTY	3.0	4.1
PHILLIPS COUNTY	3.5	5.0
POTTAWATOMIE COUNTY	3.4	4.3
PRATT COUNTY	3.8	4.5
RAWLINS COUNTY	3.3	3.2
RENO COUNTY	4.3	5.7
REPUBLIC COUNTY	3.3	3.4
RICE COUNTY	3.8	4.2
RILEY COUNTY	3.3	3.4
ROOKS COUNTY	5.4	6.3
RUSH COUNTY	4.1	5.0
RUSSELL COUNTY	3.8	4.2
SALINE COUNTY	3.9	5.3
SCOTT COUNTY	2.5	2.9
SEDGWICK COUNTY	4.6	7.6
SEWARD COUNTY	3.2	4.1
SHAWNEE COUNTY	5.3	5.8
SHERIDAN COUNTY	2.5	2.3

SHERMAN COUNTY	2.9	3.5
SMITH COUNTY	4.7	3.8
STAFFORD COUNTY	3.7	4.8
STANTON COUNTY	3.4	2.9
STEVENS COUNTY	3.5	3.7
SUMNER COUNTY	4.4	8.0
THOMAS COUNTY	2.9	3.0
TREGO COUNTY	3.0	2.9
WABAUNSEE COUNTY	4.3	5.5
WALLACE COUNTY	4.8	7.3
WASHINGTON COUNTY	3.7	4.6
WICHITA COUNTY	3.7	2.5
WILSON COUNTY	6.9	8.8
WOODSON COUNTY	6.6	8.4
WYANDOTTE COUNTY	8.4	10.3

Annual wage or salary Kansas Wage Survey data for 2008 in Every County(s) for Total, All Industries

Area Name	Employment	Entry Level	Mean (average)	Median	Experienced
ALLEN COUNTY	6,940	$17,932.00	$33,778.00	$28,389.00	$41,702.00
ANDERSON COUNTY	1,730	$15,859.00	$30,550.00	$26,044.00	$37,895.00
ATCHISON COUNTY	5,700	$17,546.00	$31,696.00	$27,969.00	$38,771.00
BARBER COUNTY	940	$18,524.00	$32,416.00	$29,715.00	$39,363.00
BARTON COUNTY	14,060	$16,203.00	$30,833.00	$25,704.00	$38,148.00
BOURBON COUNTY	6,590	$17,186.00	$30,967.00	$25,871.00	$37,857.00
BROWN COUNTY	4,930	$16,846.00	$30,748.00	$25,726.00	$37,699.00
BUTLER COUNTY	16,210	$16,949.00	$34,734.00	$27,228.00	$43,626.00
CHASE COUNTY	1,360	$13,876.00	$27,117.00	$21,076.00	$33,738.00
CHAUTAUQUA COUNTY	990	$15,350.00	$26,019.00	$22,035.00	$31,354.00
CHEROKEE COUNTY	6,730	$16,186.00	$30,724.00	$25,748.00	$37,994.00
CHEYENNE COUNTY	950	$16,270.00	$27,117.00	$23,861.00	$32,540.00
CLARK COUNTY	870	$17,048.00	$31,439.00	$26,264.00	$38,634.00
CLAY COUNTY	3,550	$16,394.00	$31,052.00	$25,684.00	$38,380.00
CLOUD COUNTY	4,390	$14,947.00	$26,154.00	$20,110.00	$31,757.00
COFFEY COUNTY	4,560	$16,699.00	$34,899.00	$27,097.00	$43,998.00
COMANCHE COUNTY	700	$16,061.00	$27,379.00	$22,279.00	$33,037.00
COWLEY COUNTY	15,200	$16,540.00	$31,407.00	$26,456.00	$38,841.00
CRAWFORD COUNTY	17,960	$16,078.00	$30,257.00	$23,847.00	$37,347.00
DECATUR COUNTY	840	$15,184.00	$26,890.00	$22,349.00	$32,742.00
DICKINSON COUNTY	6,930	$16,179.00	$30,011.00	$24,768.00	$36,928.00
DONIPHAN COUNTY	2,190	$18,486.00	$32,809.00	$29,834.00	$39,971.00
DOUGLAS COUNTY	46,670	$16,525.00	$35,271.00	$27,661.00	$44,645.00
EDWARDS COUNTY	1,840	$16,957.00	$28,995.00	$21,402.00	$35,014.00
ELK COUNTY	530	$17,189.00	$27,190.00	$23,506.00	$32,190.00
ELLIS COUNTY	14,360	$16,488.00	$32,813.00	$25,816.00	$40,976.00
ELLSWORTH COUNTY	2,710	$16,552.00	$33,502.00	$26,936.00	$41,977.00
FINNEY COUNTY	16,590	$15,775.00	$29,128.00	$24,029.00	$35,805.00
FORD COUNTY	16,430	$17,845.00	$30,903.00	$27,381.00	$37,432.00
FRANKLIN COUNTY	11,350	$17,399.00	$31,883.00	$26,145.00	$39,125.00
GEARY COUNTY	14,680	$17,597.00	$33,476.00	$28,281.00	$41,415.00
GOVE COUNTY	1,270	$13,951.00	$25,517.00	$22,593.00	$31,301.00
GRAHAM COUNTY	590	$14,285.00	$22,765.00	$17,535.00	$27,005.00
GRANT COUNTY	3,710	$17,192.00	$35,389.00	$28,067.00	$44,488.00
GRAY COUNTY	2,130	$16,538.00	$29,741.00	$23,701.00	$36,342.00
GREELEY COUNTY	490	$14,422.00	$28,749.00	$23,869.00	$35,913.00
GREENWOOD COUNTY	1,620	$14,276.00	$26,871.00	$22,255.00	$33,168.00
HAMILTON COUNTY	1,270	$16,643.00	$30,612.00	$25,902.00	$37,597.00
HARPER COUNTY	2,030	$16,815.00	$29,260.00	$24,906.00	$35,483.00
HARVEY COUNTY	14,910	$17,749.00	$35,189.00	$29,416.00	$43,909.00
HASKELL COUNTY	1,160	$15,871.00	$33,104.00	$26,734.00	$41,720.00
HODGEMAN COUNTY	780	$16,715.00	$28,807.00	$25,173.00	$34,853.00
JACKSON COUNTY	4,710	$17,318.00	$30,304.00	$26,310.00	$36,797.00
JEFFERSON COUNTY	3,700	$16,007.00	$32,074.00	$28,048.00	$40,108.00
JEWELL COUNTY	1,710	$15,837.00	$27,978.00	$23,675.00	$34,048.00

Area Name	Employment	Entry Level	Mean (average)	Median	Experienced
JOHNSON COUNTY	324,790	$19,704.00	$44,244.00	$34,391.00	$56,514.00
KEARNY COUNTY	1,240	$17,611.00	$31,644.00	$29,512.00	$38,661.00
KINGMAN COUNTY	2,210	$16,851.00	$30,705.00	$26,589.00	$37,632.00
KIOWA COUNTY	580	$17,198.00	$26,978.00	$23,096.00	$31,867.00
LABETTE COUNTY	9,760	$17,140.00	$30,648.00	$25,479.00	$37,402.00
LANE COUNTY	440	$19,134.00	$32,980.00	$28,017.00	$39,903.00
LEAVENWORTH COUNTY	21,680	$19,874.00	$42,650.00	$34,874.00	$54,038.00
LINCOLN COUNTY	670	$18,687.00	$30,285.00	$25,037.00	$36,083.00
LINN COUNTY	2,120	$17,656.00	$37,028.00	$30,465.00	$46,714.00
LOGAN COUNTY	720	$17,230.00	$29,786.00	$25,317.00	$36,064.00
LYON COUNTY	17,390	$16,324.00	$30,469.00	$26,704.00	$37,541.00
MARION COUNTY	4,690	$15,705.00	$31,019.00	$24,930.00	$38,676.00
MARSHALL COUNTY	5,330	$18,433.00	$31,537.00	$26,817.00	$38,089.00
MCPHERSON COUNTY	15,290	$18,267.00	$34,589.00	$29,125.00	$42,750.00
MEADE COUNTY	870	$18,346.00	$31,765.00	$25,810.00	$38,474.00
MIAMI COUNTY	9,460	$15,991.00	$32,849.00	$25,911.00	$41,277.00
MITCHELL COUNTY	2,250	$17,809.00	$35,002.00	$28,848.00	$43,598.00
MONTGOMERY COUNTY	16,210	$16,749.00	$30,976.00	$25,959.00	$38,089.00
MORRIS COUNTY	1,800	$14,357.00	$27,318.00	$22,992.00	$33,799.00
MORTON COUNTY	1,530	$17,453.00	$33,499.00	$27,017.00	$41,523.00
NEMAHA COUNTY	4,380	$19,568.00	$32,516.00	$28,041.00	$38,991.00
NEOSHO COUNTY	7,460	$17,243.00	$32,535.00	$27,204.00	$40,181.00
NESS COUNTY	1,090	$18,182.00	$34,422.00	$27,825.00	$42,542.00
NORTON COUNTY	2,540	$15,212.00	$28,424.00	$21,979.00	$35,030.00
OSAGE COUNTY	3,260	$16,227.00	$30,451.00	$25,565.00	$37,563.00
OSBORNE COUNTY	970	$16,670.00	$28,986.00	$23,783.00	$35,144.00
OTTAWA COUNTY	2,240	$17,415.00	$30,365.00	$25,994.00	$36,839.00
PAWNEE COUNTY	3,860	$17,011.00	$28,458.00	$24,132.00	$34,182.00
PHILLIPS COUNTY	2,590	$14,651.00	$28,658.00	$24,063.00	$35,661.00
POTTAWATOMIE COUNTY	8,760	$16,494.00	$30,767.00	$25,066.00	$37,904.00
PRATT COUNTY	4,190	$17,306.00	$32,949.00	$28,884.00	$40,771.00
RAWLINS COUNTY	710	$14,831.00	$25,326.00	$21,999.00	$30,574.00
RENO COUNTY	26,610	$16,784.00	$32,487.00	$26,483.00	$40,338.00
REPUBLIC COUNTY	2,300	$16,049.00	$24,989.00	$19,296.00	$29,459.00
RICE COUNTY	3,530	$15,650.00	$30,463.00	$26,252.00	$37,870.00
RILEY COUNTY	28,580	$15,680.00	$33,410.00	$25,540.00	$42,275.00
ROOKS COUNTY	2,670	$15,804.00	$29,283.00	$21,242.00	$36,022.00
RUSH COUNTY	850	$21,543.00	$39,106.00	$33,454.00	$47,888.00
RUSSELL COUNTY	2,660	$16,195.00	$29,963.00	$25,210.00	$36,847.00
SALINE COUNTY	32,390	$17,467.00	$33,165.00	$27,461.00	$41,014.00
SCOTT COUNTY	2,060	$13,944.00	$28,004.00	$21,037.00	$35,034.00
SEDGWICK COUNTY	263,260	$18,185.00	$38,986.00	$31,746.00	$49,386.00
SEWARD COUNTY	11,160	$16,750.00	$29,879.00	$24,148.00	$36,444.00
SHAWNEE COUNTY	96,200	$18,282.00	$38,893.00	$31,564.00	$49,198.00
SHERIDAN COUNTY	430	$15,792.00	$31,270.00	$24,563.00	$39,008.00
SHERMAN COUNTY	2,710	$16,254.00	$29,151.00	$23,735.00	$35,600.00
SMITH COUNTY	1,470	$15,189.00	$27,419.00	$22,176.00	$33,535.00
STAFFORD COUNTY	1,060	$18,327.00	$33,241.00	$26,253.00	$40,698.00

Area Name	Employment	Entry Level	Mean (average)	Median	Experienced
STANTON COUNTY	720	$16,256.00	$29,769.00	$25,266.00	$36,526.00
STEVENS COUNTY	1,830	$18,605.00	$32,899.00	$29,786.00	$40,045.00
SUMNER COUNTY	7,060	$14,585.00	$28,176.00	$22,697.00	$34,972.00
THOMAS COUNTY	3,930	$16,085.00	$31,828.00	$26,021.00	$39,699.00
TREGO COUNTY	840	$18,403.00	$31,740.00	$29,458.00	$38,409.00
WABAUNSEE COUNTY	1,460	$19,291.00	$34,078.00	$28,825.00	$41,471.00
WALLACE COUNTY	430	$16,526.00	$28,705.00	$25,257.00	$34,794.00
WASHINGTON COUNTY	1,910	$14,445.00	$25,206.00	$21,312.00	$30,586.00
WICHITA COUNTY	580	$18,085.00	$34,647.00	$24,868.00	$42,928.00
WILSON COUNTY	4,350	$17,744.00	$30,644.00	$25,965.00	$37,094.00
WOODSON COUNTY	480	$17,241.00	$28,375.00	$24,242.00	$33,943.00
WYANDOTTE COUNTY	80,150	$20,330.00	$42,224.00	$35,180.00	$53,171.00

Source: Kansas Department of Labor in conjunction with U.S. Department of Labor

Entry level and experienced wage rates represent the means of the lower 1/3 and upper 2/3 of the wage distribution, respectively

CBRE
CB RICHARD ELLIS

M E M O R A N D U M

CBRE
CB RICHARD ELLIS

TO: **Kansas House Taxation Committee**

FROM: **John Lenio, CBRE Economic Incentives Group (EIG)**

DATE: **February 4, 2010**

RE: **Kansas Incentives Policy Changes**

We understand the Committee is considering a number of economic incentive program amendments during the 2010 Legislative Session. Amendments to the PEAK Program are reflected in HB2538 that appear to help enhance the program's eligibility and propose refinements for more flexible uses. We also understand a Deal Closing Fund and other sales tax exemptions are in the discussion stage. This memo is intended to offer some observations of the effectiveness of these economic incentive policy changes and, in particular, how Kansas ranks in competitiveness with other states in the U.S. when recruiting and/or retaining high impact companies with relatively high wages.

What Makes an Economy Tick?

One needs to first understand how different types of businesses impact the economy before recommendations can be made. Not all companies are alike. "Base" (a.k.a. export) industries are those that export their products out of a region, and result in the importation of money into that region. The issue of importing dollars into the State is a crucial economic development concept. Once a dollar makes its way into the State, it flows from person to person as demanded products and services are supplied. These local goods and services are provided by "domestic" sector companies. Eventually some money leaves the local economy when products (and some services) are provided by companies outside of the State.

Base industry operations can be considered the engine that drives an economy. The ghost towns of the Old West further illustrate their importance. Once the local mine ran out, the railhead moved, or a drought caused agriculture to no longer be viable, many communities ceased to exist because monies were no longer flowing into the community.

Examples of base industries include the manufacturing sector, export-related business services, tourism, retirement, and federal government employment. Some base industries are high paying while others are relatively low paying. Also, some base industries such as tourism and retirement require marketing but do not require incentives for operations (i.e. they are more captive to the State). The key is to encourage higher value added/higher paying base industry development. Base industry companies also tend to be more capital intensive, and/or utilize skilled labor (not in every case though, i.e. tourism, federal government). As local capital investment improves and as more high skill workers are employed, productivity increases. This also leads to higher incomes and a higher standard of living for employees in these industries.

The aforementioned local serving industries provide goods and services to the local population. Activities include most retail operations, construction, and local service banks, to name a few. The existence of base industries creates demand for these local serving industries. Without base industries, there is no means of supporting local serving businesses.

Local serving employment created as a result of export activity is often referred to as "indirect and induced" employment. These are also called multiplier effects. "Indirect" jobs are those created by businesses that provide goods and services to the export-oriented business/industry. "Induced" jobs are created as a result of the spending by direct and indirect employees in the local economy on such things as food, housing, transportation, etc. Many

House Taxation
Date: 2-4-10
Attachment: 3

forget that when the higher paying base industries are pursued, new job opportunities arise for all levels of employment from the highly skilled to those with basic skills. Therefore, base industry promotion actually serves all Kansans. Higher wages in base industry operations directly enhances the multiplier effects in terms of job creation and salaries.

No public policy measure, no matter how well crafted, can result in an immediate and significant change in a large community's economic composition. However, if the proper tools are made available, public policy can indeed begin to attract individual base industry companies to a region rather quickly. Policymakers will not only need to provide these tools but will need to continue to be aggressive about economic development for many more years. This will allow for a gradual improvement in per capita personal income among Kansas residents.

What Drives Business Locations?

Site Selection Magazine conducts an annual survey of corporate real estate executives from a broad array of industries. This survey asks each executive to list the main site selection factors they consider when evaluating a location decision. Infrastructure, workforce, and tax climate are on the top of the list. Following these items are availability and cost of real estate, and regulatory concerns. Economic incentives tend to be one of the final factors in a location decision. Again, a competitive tax structure (and an adequate supply of affordable or skilled labor, etc.) may get us on the list of considered sites, but the incentive programs tend to separate the winners from the losers. In some cases, such as in the recommendations included in this report, improving workforce skills can be part of the incentive package (Quality Jobs Program) as can infrastructure improvement or the offsetting of start-up costs (Deal Closing Fund, etc.).

Top Site Selection Factors
2009 Corporate Real Estate Executive Survey

1	Transportation infrastructure
2	Existing workforce skills
3	State and local tax scheme
4	Utility infrastructure
5	Land/building prices & supply
6	Ease of permitting & regulatory procedures
7	Flexibility of incentives programs
8	Access to higher education resources
9	Availability of incentives
10	State economic development strategy

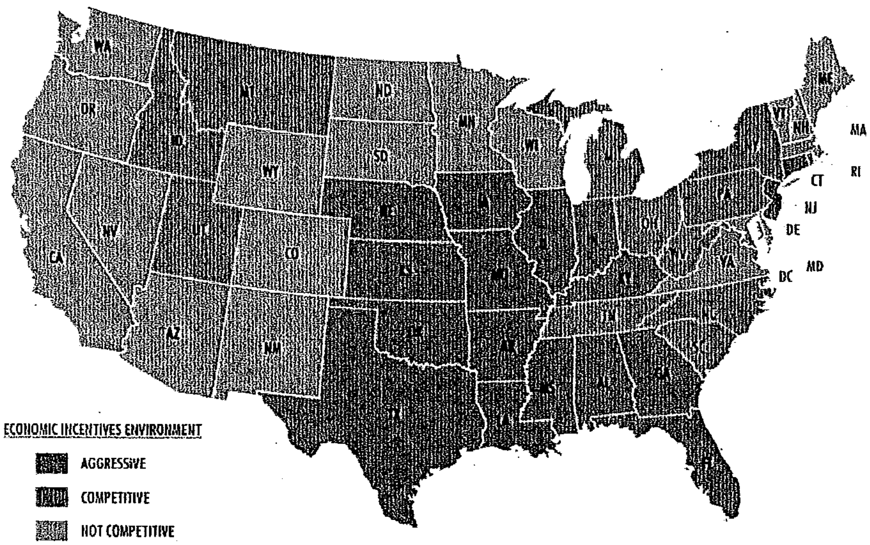
Source: Site Selection Magazine

The results of the Corporate Executive Survey provide a practical and realistic picture of site selection today. Based on a fifteen year history of site selection engagements conducted by the CBRE Labor Analytics Group and Economic Incentives Group, the availability and cost of adequate labor, land, and facilities are usually the most important initial site selection factors. Incentives become more decisive when competing markets have relatively similar labor costs, tax structures, employee skill levels, etc. Again, being broadly competitive in terms of tax rates gets us in the game, but the economic development packages close the deal.

Kansas's Competitiveness in Economic Development and Incentives

On a yearly basis, we are involved in 35 to 50 site selection engagements that include 3 to 5 States per engagement. The end result is we actively evaluate each state and most primary & secondary markets at least once every year. Based on this broad & deep recurring experience, the following map illustrates each State's general competitiveness when it comes to economic incentives. **Kansas is currently considered "Aggressive" in this particular assessment.**

Economic Development & Incentives Environment in 2009



Source: CBRE Economic Incentives Group

Over the last decade, Kansas's economic development strategy has grown up, so to speak, consisting of its quality of life, good transportation system, affordable workforce, and pro-business governments, just to name a few. The State's economic development toolbox has expanded in both depth and breadth from tax credit and job training grant programs to personal property & sales tax exemptions.

Times continue to change and Kansas finds itself looking for creative solutions to maintaining its competitive advantages with surrounding states and even the rest of the U.S. Today, more is needed to lure higher value added industries to the State. A multitude of states (mostly east of the Mississippi River) are providing limited and very targeted economic development tools designed to have an immediate influence on business decisions. In combination with aggressive and strategically targeted business development efforts, these incentive tools have been implemented to respond to a company's primary concern of finding the best overall net economic opportunity.

Incentive Policy Recommendations

There are two components to economic growth that should be top of mind: 1) the provision of a competitive tax structure, and 2) the provision of competitive economic development programs. Many studies have been written on how tax policy impacts an economy. However, most exclude the necessary economic development component. Competitive tax policy that targets base industry operations gets you "in the game", but competitive economic development policy "closes the deal." This leads us to a singular question: ***How can policymakers best facilitate the closing of such deals and create higher paying base industry jobs while diversifying the economic base and stabilizing the revenue base?***

PEAK Program

Kansas has historically been uncompetitive with its tax credit programs because some surrounding states offer cash-based incentives or allow tax credits to be transferred or refundable. These states include Missouri, Oklahoma, Arkansas, Louisiana, Ohio, and Indiana, just to name a few. The PEAK Program responds to a Company's desire for cash and provides recurring cash rebates to companies creating a significant number of jobs with above County average wages. The Program is self-funding and provides to no opportunity cost to the State. This means that all subsidies in this program are directly tied to employee withholding taxes. At the end of the day, PEAK is designed to be at least revenue neutral.

The amendments in HB 2538 appear to add additional flexibility to the Program. The original PEAK legislation was limited to companies relocating entire operations from another state to Kansas. This restriction was very limiting and excluded high impact companies experiencing significant organic growth. The amendments extend PEAK's eligibility to all companies meeting the job and wage thresholds of the program. In addition, the proposed adjustments in wage standards and the ability to qualify for IMPACT are also included.

In our professional opinion, PEAK will help keep Kansas in the top list of states when it comes to economic development competitiveness because of the cash nature of the incentives. The proposed amendments appear to give the State additional firepower when competing for high impact, high wage projects. We see no downsides to the proposed amendments in HB 2538.

Deal Closing Fund

Nineteen out of 50 states offer some type of currently funded deal closing fund or cash grant program. A deal closing fund involves upfront cash grants and/or forgivable loans only in highly competitive situations and only for projects with a substantial economic and fiscal impact to a state & community. Deal closing funds are mostly financed through periodic general fund appropriations. In a world where financial incentives are desirable and business recruitment is highly competitive for select projects, a deal closing fund is a highly effective economic incentive program that contributes cash to bring closure to a deal and win the business.

Due to the current budget deficits seen across the U.S., well-financed and active deal closing funds are few and far between. The Texas Enterprise Fund is the most plentiful, active, and highly marketed deal closing fund among the states. Arkansas, Florida, Louisiana, North Carolina, and Virginia have established deal closing funds and have been actively funding projects during 2009.

These deal closing funds are discretionary and certain industries are eligible. The allowable industries are considered base industries such as manufacturing, wholesale distribution, headquarters, and other base industries that generate a majority of revenue / sales from out of state. Each of the programs requires average wages above the county average wage, local support with incentives, private funding match, and but-for situation. The but-for situation simply means there must be interstate competition and without the incentives the company would not locate in the state.

The funding committees for each deal closing fund run an economic and fiscal impact model to best ascertain a project's return on investment. Due to scarce funding, investment of deal closing fund dollars is focused on projects that that will generate the highest return on investment to the State while strategically targeting industries of interest and regions of the state. All in all, these deal closing funds are designed to be revenue-positive.

The KEIOF Program has been in existence for a number of years and is designed to serve the purpose of a deal closing fund. Refunding this Program, to any extent, would give State economic development leaders additional tools to hit the proverbial economic development homerun.

Sales Tax Exemptions

Under the Kansas Enterprise Zone program, companies have the ability to request exemption of sales taxes on construction materials and purchases of tangible personal property for a two year period. This exemption is particularly useful in attracting capital intensive industries that have heavy investments in machinery and equipment. Under certain scenarios, the two-year cap on the exemption can be a hindrance to some operations – such as a data center.

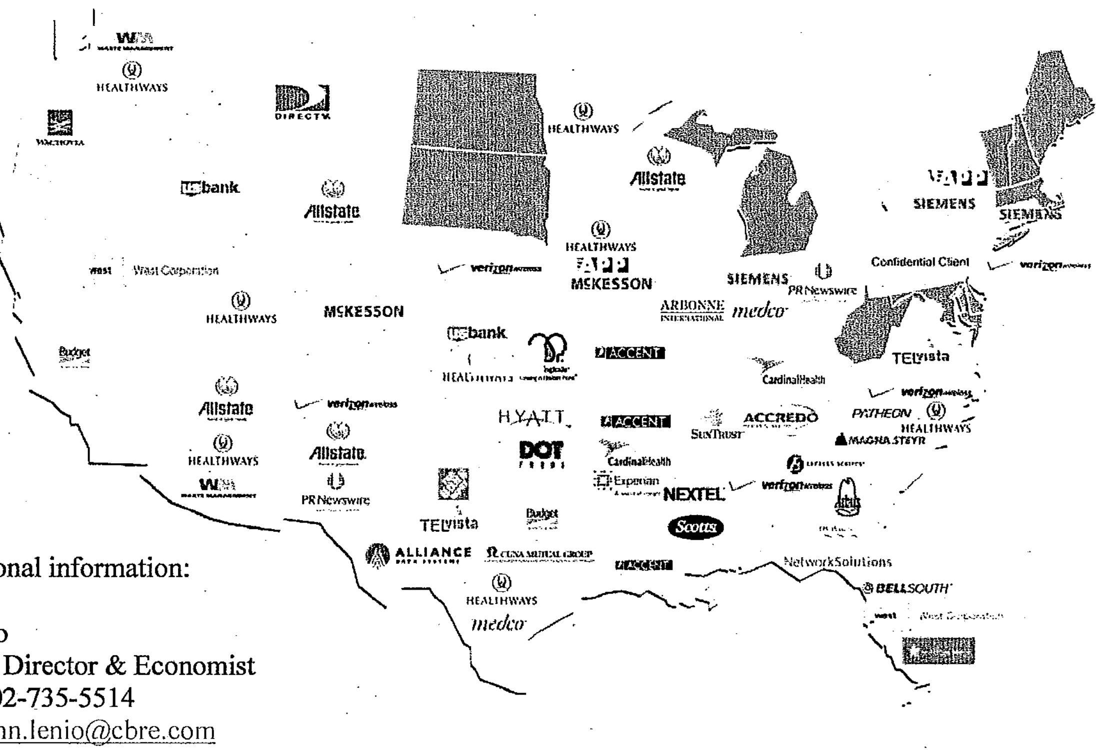
Consideration should be given to strategically targeted sales tax exemptions if these exemptions are what truly makes or breaks a deal.

The Goal of Economic Development

The goal of economic development in Kansas is to create and retain well-paying jobs. Business recruitment and retention of high impact economic development prospects is highly competitive in the U.S. When combined with the overall business climate, Kansas's economic incentive programs must be forward-looking to effectively compete for business in the 21st Century. **Today, Kansas is often spoken of as a model of success for placing economic development as one of the top policy priorities to the State. At the end of the day, job creation is almost the only ingredient for generation of net new State tax revenues. This view can change though as modifications in public policy and how elected officials view economic development practices change.**

CBRE Economic Incentives Group

The CBRE Economic Incentives Group is a national consulting practice of experienced economists and management consultants who specialize in tax and economic incentive negotiations across the U.S. and Canada. Since 2005, the Economic Incentives Group has helped companies secure over $670 million in incentive savings. The Economic Incentives Group has successfully negotiated economic incentive packages in all 50 States. EIG has an excellent track record of representing Fortune 500 corporations and has negotiated the award of millions of dollars of economic and financial incentives. The following map shows a selection of recent incentive successes.



For additional information:

John Lenio
Managing Director & Economist
Phone: 602-735-5514
Email: john.lenio@cbre.com
URL: www.cbre.com/eig

KEDA
Kansas Economic Development Alliance

OVERLAND PARK
KANSAS
ECONOMIC DEVELOPMENT COUNCIL

Testimony in support of HB 2358

Submitted by Lavern Squier
On behalf of the Kansas Economic Development Alliance (KEDA)

House Taxation Committee
Thursday, February 4, 2010

Chairman Carlson and Committee Members:

My name is Lavern Squier - I lead the Overland Park Economic Development Council and am chair of the KEDA Competitiveness Task Force. Today, I am submitting written testimony today in support of House Bill 2358 on behalf of KEDA and its 200 economic development members across the state.

As economic developers, we share a common goal: **Jobs** for our communities/areas. This commonality of purpose also rings true with the mission of the Kansas Department of Commerce - *To Deliver the Highest Level of Business Development, Workforce and Marketing Services That Build a Healthy and Expanding Kansas Economy.*

The purpose of all of this effort is to bring jobs to our citizens and help build our economies at the local and state levels – period. We find ourselves undertaking this task in challenging economic and budget times, and in the face of stiff competition from cities and states who are committed to the same mission. However much we don't like the working environment, it does nothing to change the fact that we have to be understanding of, and committed to, our goal. More so now than ever.

As you have just heard from a national expert on economic development projects, the decision making process companies/projects go through to ultimately make job creation happen is a unique and complex one. Our resolve to be a success in economic development as a state reflects in our programs, which in turn are evaluated and studied by consultants to the nth degree

The fact is we have to have adequate economic development tools at the state level to join with the communities' abilities and assets to achieve our expected (and sorely needed) outcomes of creating jobs and prosperity across our state. Of all of the Cabinet level agencies, the Department of Commerce (and the tools it possesses) is the one tasked with raising the economic bar, which ultimately helps resolve/temper the budget problems we face.

This legislation (HB2358) being considered today is but one step to keeping our economic development programs up to date. You will hear from proponents today both in oral testimony as well as written testimony – and the message is clear - support the changes outlined to help us reasonably maximize the chances of creating jobs for our people.

House Taxation
Date: 2-4-10
Attachment: 4

PEAK is a program that requires no cash outlay from state coffers, is self-regulating in the sense that employers get no gain if no employees are hired, has performance thresholds embedded in the regulations, and has a clear and distinct focus on bringing job creating entities and investments from out of state into Kansas. There are many benefits to having a nationally recognized and competitive job creation tool.

As it relates to competition amongst states around us, we have to look no further than to our eastern border state – Missouri. In an effort to bolster their chances to retain and recruit businesses, they are considering creating the following: a deal closing fund to help stop job losses to Kansas and other states, a loyalty program coined as Missouri First which provides a bonus incentive in their Quality jobs program, a program called Missouri Science Reinvestment Act targeting plant and life science companies and uses withholding taxes from existing companies to create a fund that will help create new companies, and through the Missouri Coalition of Data Centers they are working to exempt sales taxes on equipment and electricity/fuel used in data centers.

In closing, I would say that if we remain committed in our pursuit of job creation in Kansas, we can and will find a way to keep our individual communities viable and great places to live, work, and play.

Salina
Area Chamber of Commerce
120 W. Ash, P.O. Box 586 • Salina, KS 67402-0586 • 785-827-9301 • fx 785-827-9758 • www.salinakansas.org

Statement to Kansas House Taxation Committee re: HB 2538
February 4, 2010

Thank you for approving the Promoting Employment Across Kansas Act during last year's legislative session. I am here today to support HB2538 and to encourage several important changes that will improve the utility of this law.

I will direct my comments to a specific part of the bill. In particular, I am focused on the part starting on page 2, line 41 and continuing to line 18 on page 3. This section deals with relocation of jobs from outside of Kansas or outside of America to the state.

We believe that it is important to change the definition of "Qualified Companies" to include company expansions or opening of new operations. Currently, a foreign or out-of-state business must close completely shut down operations and relocate the jobs to Kansas to qualify for PEAK. I'd like to describe a situation in Salina to show the potential impact of HB 2538.

We had a growth opportunity for Kansas that involved $70,000,000 of capital investment and 300 new well paying jobs. The prospect was proposing to move production from Europe to Salina. Currently the product made in Europe goes around the world and their plan was to produce for the North American market in Salina.

However, they were NOT going to shut down European operations. The prospect planned to make their existing facility the single production facility for the Eastern hemisphere. A strict reading of current PEAK law meant this prospect did not qualify for the attractive PEAK incentives. In the end, they decided to move North American operations to an empty building the company owned in another state.

HB 2538 would have allowed us to be more competitive to attract the capital investment and jobs associated with this opportunity. HB 2538 would not have guaranteed that this opportunity would have located in Kansas. However, it certainly would have allowed Kansas to be competitive on a global basis for an important project.

House Taxation
Date: 2-4-10
Attachment: 5

Salina
Area Chamber of Commerce
120 W. Ash, P.O. Box 586 • Salina, KS 67402-0586 • 785-827-9301 • fx 785-827-9758 • www.salinakansas.org

I do want to acknowledge the exceptional work of Governor Sebelius, Governor Parkinson, Senators Brownback and Roberts, Congressman Moran, the Kansas Department of Commerce and then Secretary Kerr. They all personally worked on this opportunity.

In addition to the aspect I just described, HB 2538 will address several other aspects of the PEAK law. Others that are here today are prepared to address those issues.

We urge you to advance HB 2538.

Thanks for your service to Kansas and I am ready for any questions you may have.

Sincerely,

President & CEO

House Taxation
Date: ______
Attachment: ______

SOUTHWEST
JOHNSON
COUNTY
ECONOMIC
DEVELOPMENT

Testimony in support of HB 2358

Submitted by Thomas Riederer
On behalf of the Southwest Johnson County Economic Development Corp.

House Taxation Committee
Thursday, February 4, 2010

Chairman Carlson and Committee Members:

My name is Tom Riederer, and I am President of Southwest Johnson County Economic Development Corporation. I am submitting written testimony today in support of House Bill 2358 on behalf of the organization.

I would like to address briefly the changes proposed regarding wage levels. In Southwest Johnson County we are looking forward to the BNSF Intermodal facility. An impact study estimated that facility and the development adjacent to it will generate 13,000 jobs for Kansas. That will be the initial impact and we hope to develop a significant industry cluster around the logistics industry. We will market our area as the "Logistics Location of Choice" in the Kansas City area. We will compete with Missouri for those jobs. Without some changes we may loose our competitive edge because wage levels of this specific industry do not meet County Average in Johnson County. These are good paying jobs for the industry and will require health insurance be provided. We ask you to consider substituting County Median Wage (100% as determined by KDOL) and adding NAICS Industry Code (must exceed average NAICS in region/area) to be used to qualify for PEAK eligibility. The NAICS code alternative would evaluate a project and its compensation on an industry-by-industry basis and be limited to a five year fixed benefit period.

Thank you for your consideration of this bill. We believe it is sound policy, and we feel that HB 2358 help Kansas compete in the economic development arena. We urge you to support HB 2358.

House Taxation
Date: 2-4-10
Attachment: 6

Testimony in Support of HB2538

House Committee on Taxation – Richard Carlson, Chair

February 4, 2010

Mr. Chairman and Members of the House Committee on Taxation:

My name is Mike Michaelis. I am the Executive Director of the Ellis County Coalition for Economic Development, based in Hays, and I support HB 2538 and the changes it makes to PEAK - the Promoting Employment Across Kansas Act .

During the last year, a large group of Kansas Economic Development Alliance (KEDA) members met a number of times to discuss legislation that would make Kansas more competitive with other states, but more importantly with our neighboring states. As we dreamed about what we wanted and what could be, we also took into full consideration the budget issues facing the state and understand that your focus should be on making the state solvent and not on new legislation for economic development.

Therefore, rather than introduce new legislation, we agreed that the best way to help the state increase employment was to improve existing legislation and specifically focus on one that was approved just this past year. The PEAK legislation is a valuable tool for economic development professionals but a few "tweaks" to PEAK will make this bill much more usable for economic development professionals, much clearer to the Kansas Department of Commerce, and ultimately, much better for the State of Kansas. By clarifying definitions such as "business unit;" adding flexibility to include NAICS codes, new businesses, not-for-profits and governmental units; and allowing the use of IMPACT funds to compliment the PEAK legislation; you improve the effect this bill will have on new businesses and the number of new jobs for Kansas.

KEDA members will say that changes to other programs are needed as well, but we will deal with those at a future date. Today, I encourage you to vote in favor of HB 2538. These changes will help in small, medium, or large communities across the state.

Economic professionals across the state and KEDA want to thank the legislators that have worked side by side with us to better understand the PEAK legislation and our concerns. Specifically, I want to thank Representative Marvin Kleeb for his time and effort in working with KEDA.

Thank you for your time and consideration of this matter.

House Taxation
Date: 2-4-10
Attachment: 7

KEDA
Kansas Economic Development Alliance

Insert Company Logo or Letterhead

Testimony in support of HB 2358

Submitted by John Pagen
On behalf of the Kansas Economic Development Alliance (KEDA)

House Taxation Committee
Thursday, February 4, 2010

Chairman Carlson and Committee Members:

My name is John Pagen, and I am President of the Kansas Economic Development Alliance (KEDA) for 2009-2010. I am submitting written testimony today in support of House Bill 2358 on behalf of the KEDA and in my role as Vice President, Economic Development for the Manhattan Area Chamber of Commerce.

I am supporting House Bill 2358 because the provisions of PEAK – Promoting Employment Across Kansas -- will enable Kansas to remain competitive with surrounding states in terms of economic incentives. In the November 2009 issue of *Site Selection Magazine*, John Lenio, Managing Director and Economist for the Economic Incentives Group of CB Richard Ellis summed it up well:

> "If I were advising the governor's office in Virginia, I'd want them to model a new incentive program, maybe after Kansas (and others) are doing, which is a payroll rebate program. It's easy to sell and easy to understand – you get X percent for every dollar of new payroll you generate. From a fiscal perspective, the state is showing a positive impact on their tax rolls, meaning taxes coming in are greater than subsidies going out. Everybody wins."

The state of Arizona has also been taking note; their HB 2250 has provisions very similar to PEAK. As the national economy continues to improve, it will be vital for states that want to compete for high-wage jobs to be innovative in their approach to incentives. PEAK is a large step in this direction.

Thank you for your time and consideration of the PEAK bill. We believe HB 2358 is sound policy, and will create an environment that makes it easier to create high-wage jobs for the future.

Regards,

John Pagen

John Pagen

House Taxation
Date: 2-4-10
Attachment: 8

2227139.2

House Taxation Committee

Joan Wagnon

February 4, 2010

Testimony in Opposition to House Bill 2538

Representative Carlson, Chair, and Members of the Committee:

The Department raises several concerns with House Bill 2538's significant expansion of the Promoting Employment Across Kansas (PEAK) act passed last session. The ink has barely had time to dry on this legislation--it has been on the books for only seven months--so we have no data on the effectiveness of this program yet. Department of Commerce implementing regulations are still in the approval process. This expansion proposal is premature—especially now, when state general fund revenues are expected to fall for an unprecedented three consecutive fiscal years and state government has already endured enormous budget reductions.

Fiscal Concerns

Employer withholding tax is a vital component of the State's individual income tax base and currently makes up about 70% of individual income tax receipts. About 50% of State General Fund tax receipts consist of individual income tax. Six years ago, employer withholding tax made up about 72% of individual income tax receipts, and as a result of the legislative trend to divert more and more employer withholding tax revenue for specific projects, that percentage has been shrinking. During an economic downturn, the loss of employer withholding tax revenue can be devastating. To balance the FY 09 and FY 10 budgets, transfers of employer withholding tax revenues dedicated to the Bioscience Fund under the Bioscience Act (the annual growth in withholding from 2003 for Bioscience companies and university employees involved in Bioscience) had to be reduced, and transfers for FY 11 will also need to be reduced. Since FY 06, over $132.5 million in employer withholding tax revenues have been transferred to the Bioscience Fund. These types of revenue diversions shrink the tax base to the point where necessary State funding can be jeopardized.

If we currently cannot afford to transfer to the Bioscience Fund the withholding tax revenues dedicated in the Bioscience Act, how can the State handle a significant expansion of PEAK in House Bill 2538, another withholding tax diversion program?

When the Consensus Revenue Estimating Group meets twice a year to forecast the State General Fund tax receipts for the current and next fiscal year, economic growth trends are factored in. As the State's economy grows, businesses increase investment,

House Taxation
Date: 2-4-10
Attachment: 9

income and hiring, and tax receipts respond positively. When the economy shrinks, businesses lay people off, stop investment projects, and tax receipts go down. When the State's economy does turn around, proposals such as House Bill 2538 can potentially divert withholding tax revenue growth that the State would otherwise use to satisfy the ever-growing demand for services. Expected employer withholding tax growth has traditionally been one of the reasons why a State would provide incentives to a business to expand in or move to the State. House Bill 2538 would deny the State that source of revenue growth.

As our fiscal note indicates, this proposal will have a significant negative fiscal impact that increases by $6 million each year for the next 5 fiscal years. Given the current fiscal environment, the program is too costly.

PEAK Expansions Proposed

PEAK, enacted in 2009 Senate Bill 97, carefully focused on providing incentives to out-of-state for-profit businesses meeting certain criteria to move higher wage jobs from out-of-state to Kansas, permitting those businesses to retain the withholding taxes on those moved jobs. The fiscal note for enrolled 2009 Senate Bill 97 is attached. House Bill 2538 expands PEAK as follows:

-- Adds a broad, new definition of "business unit" and provides that a qualified company need not relocate jobs to Kansas, but can qualify for benefits by either 1) establishing a new business unit in Kansas or 2) retaining the employees of an existing business unit in Kansas after an acquisition, provided the company operated outside of Kansas for at least 12 months and the Secretary of Commerce deems the acquisition a bona fide acquisition. Under the current law, only out-of-state businesses moving jobs from out-of-state into Kansas qualify. House Bill 2538 opens PEAK up not only to existing Kansas businesses establishing a new "business unit" to add jobs, new businesses that start up in Kansas, but also to existing Kansas businesses that are acquired by another company and merely retaining existing jobs in Kansas. This drastically increases the pool of applicants.

--Changes the wage standard from "county average wage" to the county median wage; adds a new definition for "NAICS code industry average wage", so if the business fails to meet either the "county average wage" or the "county median wage," it can qualify to retain withholding taxes under PEAK using an even lower standard, the "NAICS code industry average wage" in that region.

Under current law, for the business to be able to retain the withholding tax for the job moved to Kansas, the wage level must equal or exceed the county average wage. This assures that the incentive of the state foregoing the withholding taxes on wages is only available for the higher wage jobs. The county median wage is generally significantly lower than the county average wage: the national average wage is $39,600 and the national median wage is $26,500. Under House Bill 2538, two options are available: (1) the county median wage level can be met, and if that level is not met, then (2) an even lower wage level can be used: the NAICS code industry average for that region. A call center that pays employees minimum wage could qualify, assuming it paid the same average wage level of other call centers in the region.

--Expands the definition of "qualified company" to include not-for-profit and governmental entities; Changes the categories of companies excluded from PEAK so that religious organizations and public administration entities are expressly included.
Current law expressly excludes not-for-profit and governmental entities from participating in PEAK. House Bill 2538 removes that exclusion. Non-profits do not pay income tax and many are exempt from sales tax and property tax. Governmental entities do not pay income tax, sales tax or property tax. Under this proposal, they will not be paying withholding tax either.

--Provides that the employer can keep the withholding tax from all employees' wages in the new or retained business unit, regardless of whether they were above or below the county median wage threshold.
Under current law, the employer may retain withholding taxes only on the wages for the jobs moved to Kansas that equal or exceed the county average wage. House Bill 2538 would eliminate that restriction, so the employer could retain the withholding taxes on all jobs—even if only one or some of the jobs equaled or exceeded the county median wage.

--Allows a company that retains the employees of an existing business unit Kansas for two years to retain 95% of the employee withholding for those employees for five years.
Under current law, simply retaining existing jobs will not qualify for PEAK. Does it make sense to allow a company that retains employees in Kansas for 2 years to keep the withholding taxes on those jobs for 5 years?

--Allows a company to use both the PEAK and IMPACT programs, but not for the same jobs.
Under current law, a business cannot participate in PEAK and IMPACT at the same time.

The State cannot afford such a large-scale expansion of PEAK before we have had a chance to measure the effectiveness of the current program and at a time when the Governor is looking to fill at least a $400 million negative balance between projected expenditures and revenues for FY 2011.

2010 House Bill 2538b Fiscal Note
Introduced as a House Bill

Brief of Bill
2010 House bill 2538, as introduced, would amend and expand the Promoting Employment in Kansas Act (PEAK).

Section 1 amends K.S.A. Supp 74-50,211 by adding definitions for "Business Unit" and "NAICS code industry average wage". The bill also changes the "country average wage" to "country median wage" in the subsection (c). In addition, the bill amends the definitions for "New employee" and "Qualified company". The amendment would allow "qualified company" to include religious organizations (industry group 8131) and public administration entities (sector 92).

Section 2 of the bill would amend K.S.A. 74-50,212 to loosen the criteria for qualified companies to receive PEAK program benefits. In order to qualify for such benefits, a qualified company shall either (1) establish a new business unit in the state of Kansas that did not exist prior to the submission of an application for benefits under this act and locate the job positions associated with the new business unit in Kansas; or (2) retain the employees of an existing business unit located in Kansas subsequent to the qualified company's acquisition of such business unit, provided, the qualified company has continuously operated a business outside of the state of Kansas during the 12-month period immediately preceding the qualified company's application for benefits under this act, and can provide sufficient evidence of a bona fide acquisition of the existing Kansas business unit to the satisfaction of the secretary. Under current law, to receive benefits, the qualified company must relocate an existing business facility, office, department or other operation located outside of Kansas and locate the jobs from such business facility, etc to Kansas.

A qualified company may continue to contract with an unrelated third party to perform services whereby the third party serves as the legal employer of the new employees providing services to the qualified company and such services are performed in Kansas and the third party and the new employees are subject to Kansas state withholding.

Any qualified company whose business operation unit is located in a metropolitan county and will hire at least 10 new employees or any qualified company whose business operation unit is located in a non-metropolitan county and will hire at least five new employees shall
(1) be eligible to retain 95% of the qualified company's Kansas payroll withholding taxes for such new employees for a period of:
(A) Five years if the average wage paid to the new employees is equal to at least 100% of the county median wage;
(B) six years if the average wage paid to the new employees is equal to at least 110% of the county median wage; or
(C) seven years if the average wage paid to the new employees is equal to at least 120% of the county median wage; or

(2) be eligible to retain 95% of the qualified company's Kansas payroll withholding taxes for such new employees for a period of five years if the average wage paid to the new employees is equal to at least 100% of the NAICS code industry average wage.

Any qualified company that engages in a high-impact project whereby the qualified company will hire at least 100 new employees within two years of commencement of operation shall be eligible to retain 95% of the qualified company's Kansas payroll withholding taxes for such new employees for a period of:
(1) Seven years if the average wage paid to the new employees is equal to at least 100% of the county median wage;
(2) eight years if the average wage paid to the new employees is equal to at least 110% of the county median wage;
(3) nine years if the average wage paid to the new employees is equal to at least 120% of the county median wage; or
(4) ten years if the average wage paid to the new employees is equal to at least 140% of the county median wage.

Any qualified company that retains the employees of an existing business unit located in Kansas for a period of two years from the date the qualified company enters into an agreement with the secretary shall be eligible to retain 95% of the qualified company's Kansas payroll withholding taxes for such employees for a period of five years.

Section 3 of the bill amends K.S.A. 74-50,213 to allow a qualified company seeking PEAK program benefits to participate in the IMPACT program. However, the bill provides that such qualified company shall not be eligible to receive benefits from PEAK program and IMPACT program for the same new employees.

The bill shall be effective after its publication in Kansas statute books.

Fiscal Impact

Passage of this bill will reduce state general fund revenues in fiscal year 2011 by $6.05 million and by $12.35 million in fiscal year 2012.

The bill would significantly expand the PEAK program in the following way:

1) The bill would allow not-for-profit and governmental entities to qualify for PEAK program benefits;

2) The bill would loosen the criteria for qualified companies to receive PEAK program benefits. Under current law, to receive benefits, the qualified company must relocate an existing business facility, office, department or other operation located outside of Kansas and locate the jobs from such business facility, etc to Kansas. Under the amendment, to qualify for benefits, a qualified company may either establish a new business unit in the state of Kansas and locate the job positions in Kansas or retain the employees of an existing business unit located in Kansas following an acquisition. Such business does not need to relocate. It can simply expand by either

establishing a new business unit or retaining an existing business unit following an acquisition. Relocating to Kansas would still qualify for benefits.

3) The bill would use median county wage or NAICS code industry average wage instead of average county wage in deciding whether a company is eligible to receive benefit The median wage is also used in determining the number of years a qualified company may retain withholding tax. According to the Social Security Administration (http://www.ssa.gov/OACT/COLA/central.html), the average national wage is about $39,652.61 while the median wage is only $26,514.38. As a result of this amendment, certain companies that would not qualify for the PEAK benefits because the average wage paid to the new employee is lower than the average county wage or NAICS code industry average wage would now qualify. This change would also significantly increase the total amount of withholding tax a company can retain over a number of years.

Based on employment information from the Kansas department of labor, it is estimated there are currently about 750,000 jobs in Kansas that would qualify for this program.

Assuming about 4,000 jobs would qualify each year for this program. Using a statewide average wage of $40,000 and an average withholding rate of 5%, the fiscal impact to the state general fund in fiscal year 2010 would be $8.0 million (4,000 x $40,000 x 5%). Assuming a 2% growth in wages, the fiscal impact after five years is shown below:

Fiscal Year	2011	2012	2013	2014	2015
	$ 8.00	$ 8.16	$ 8.32	$ 8.49	$ 8.66
		$ 8.16	$ 8.32	$ 8.49	$ 8.66
			$ 8.32	$ 8.49	$ 8.66
				$ 8.49	$ 8.66
					$ 8.66
Withholding Impact (millions)	$ 8.00	$ 16.32	$ 24.97	$ 33.96	$ 43.30
Withholding Impact Under Current Law (millions)	$1.95	$3.97	$6.08	$8.27	$10.54
Fiscal Impact (millions)	-$6.05	-$12.35	-$18.89	-$25.69	-$32.76

Section 3 would allow a qualified company seeking PEAK program benefits to participate in the IMPACT program, as long as such company do not receive benefits from PEAK program and IMPACT program for the same new employees. This may increase the IMPACT program cost. It does not, however, affect tax revenue or the state general fund.

Administrative Impact

The administrative cost can be absorbed with existing resources.

Administrative Problems and Comments

None.

Taxpayer/Customer Impact

MEMORANDUM

To: Mr. Duane Goossen, Director
Division of Budget

From: Kansas Department of Revenue

Date: 04/30/2009

Subject: Senate Bill 97
Enrolled Copy of the Bill

Brief of Bill

Senate Bill 97, as enrolled, creates the promoting employment in Kansas act.

Section 1 states that the intent of this act is to foster economic development and the creation of new jobs and opportunities for the citizens of Kansas through incentivizing the repatriation of business facilities, other operations and jobs from foreign countries and to incentivize the relocation of business facilities, other operations and jobs from other states to Kansas. The primary objective is economic development for Kansas.

Section 2 provides definitions used in the act, unless the context otherwise requires.

''Commencement of operations'' means the starting date for the qualified company's first new employee, which date must be no later than
12 months after the date such qualified company's application is approved;

''High-impact project'' means a business development project for which the qualified company shall meet the requirements of subsection
(c) of section 3;

''New employee'' means a person newly employed by the qualified company in the qualified company's business operating in Kansas
during the taxable year for which benefits are sought under section 3. A person shall be deemed to be so engaged if such person performs duties in Kansas in connection with the operation of the Kansas business on: (1) A regular, full-time basis; (2) a part-time basis,
provided such person is customarily performing such duties at least 20 hours per week throughout the taxable year; (3) a seasonal basis, provided such person performs such duties for substantially all of the season customary for the position in which such person is employed. New employees shall be the number of employees employed at the qualified company's Kansas business on the last business day of the qualified company's tax year. Employees acquired or

relocated to Kansas from another state through an expansion or relocation of a business operation to Kansas from another state shall be considered new employees.

''Qualified company'' means any corporation, partnership or other entity, organized for profit making adequate health insurance coverage available to its full time employees and paying at least 50% of the premium for such health care insurance, which meets the requirements of section 3.

''Qualified company'' shall not include any corporation, partnership or other entity: (A) Which is identified by any of the following NAICS
code groups, sectors or subsectors:

(i) Industry group 7132(Gambling Industry) or 8131(Religious Organizations);

(ii) sectors 44(Retail Trade), 45(Retail Trade), 61(Educational Services), 92(Public Administration) or 221(Utilities) (including water and sewer services);

or

(iii) subsection 722(Food Services and Drinking Places);

(B) which is a bioscience company defined in K.S.A. 74-99b33;

(C) which is delinquent in the payment of any nonprotested taxes or any other amounts due to the federal government, the state of Kansas or
any other political taxing subdivision; or

(D) which has filed for or has publicly announced its intention to file for bankruptcy protection.

(3) Notwithstanding any provision of this subsection, a company may be deemed a qualified company if such company's headquarters or administrative offices located in this state serve an international or multistate territory and such company meets the requirements of section 3.

Section 3 provides that in order to qualify for benefits under this act a qualified company shall:

relocate an existing business facility, office, department or other operation located outside the state of Kansas, whether located in a
foreign country or another state, and locate the jobs from such business facility, office, department or other operation to Kansas.

A qualified company may contract with an unrelated third party to perform services whereby the third party serves as the legal employer of the new employees providing services to the qualified company.

Any qualified company whose business operation is located in a metropolitan county that will hire at least 10 new employees, or any qualified company whose business operation is located in a non-metropolitan county that will hire at least five new employees shall be eligible to retain 95% of the qualified company's Kansas payroll withholding taxes for such new employees for a period of:

(1) Five years if the new employees are compensated at a rate equal to at least 100% of the county average wage;

(2) six years if the new employees are compensated at a rate equal to at least 110% of the county average wage; or

(3) seven years if the new employees are compensated at a rate equal to at least 120% of the county average wage.

Any qualified company that engages in a high-impact project whereby the qualified company will hire at least 100 new employees within two years of commencement of operations shall be eligible to retain 95% of the qualified company's Kansas payroll withholding taxes for such new employees for a period of:

(1) Seven years if the new employees are compensated at a rate equal to at least 100% of the county average wage;

(2) eight years if the new employees are compensated at a rate equal to at least 110% of the county average wage;

(3) nine years if the new employees are compensated at a rate equal to at least 120% of the county average wage; or

(4) ten years if the new employees are compensated at a rate equal to at least 140% of the county average wage.

In the event a qualified company contracts with a third party, the third party shall remit payments equal to Kansas withholding to the qualified company and report such amount to the department of revenue.

Section 4 provides that any qualified company meeting the requirements of this act may apply to the secretary of commerce for benefits under this act. The application shall include evidence that the applicant is a qualified company, evidence that the applicant meets the requirements of section 3, and amendments thereto, and a certification that the qualified company is able to hire the new employees solely due to the benefits being provided under this act.

The secretary of commerce shall either approve or disapprove the application.

Upon approval of an application for benefits under this act, the secretary shall certify to the secretary of revenue that the qualified company is eligible to receive benefits under this act, the number of new employees being hired by the qualified company, the amount of gross wages to be paid to each new employee.

The agreement between the qualified company and the secretary shall be entered into before any benefits may be provided under this act, and shall specify that should the qualified company fail to comply with the terms and conditions set forth in the agreement, or fails to comply with the provisions set forth in this act, the secretary may terminate the agreement, and the qualified company shall not be entitled to any further benefits provided under this act and shall be required to remit to the state an amount equal to the aggregate Kansas payroll withholding taxes retained by the qualified company, or remitted to the qualified company by a third party, pursuant to this act as of the date the agreement is terminated.

A qualified company that is already receiving benefits pursuant to this act may apply to the secretary for additional benefits if the qualified company meets the requirements of section 3.

A qualified company seeking benefits shall not be allowed to participate in the IMPACT program, or any program pursuant to K.S.A. 74-50,102, and amendments thereto, or any other program in which any portion of such qualified company's Kansas payroll withholding taxes have been pledged to finance indebtedness or transferred to or for the benefit of such company. A qualified company shall not be allowed to claim any credits under K.S.A. 79-32,153, 79-32,160a or 79-32,182b, and amendments thereto, if such credits would otherwise be earned for the hiring of new employees and the qualified company has retained any Kansas payroll withholding taxes from wages of such employees.

Section 5 provides that any qualified company shall complete and submit to the department of revenue a form setting forth the amount of Kansas payroll withholding tax being retained by the qualified company pursuant to this act. Such form shall be prescribed by the secretary of revenue and shall be submitted in accordance with the statutes and rules and regulations for submitting other forms relating to Kansas payroll withholding taxes.

Section 6 provides that the secretary shall conduct an annual review of the activities undertaken by a qualified company pursuant to this act to ensure that the qualified company or third party is in compliance with the provisions of this act. The secretary may request the department of revenue to audit the qualified company or third party for compliance with the provisions of this act.

Section 7 provides that the secretary shall transmit annually to the governor, the standing committees on taxation and assessment and commerce of the senate, the standing committees on taxation and economic development and tourism of the house of representatives and the joint committee on economic development, or any successor committee, a report, based on information received from each qualified company receiving benefits under this act, describing the following:

(a) The names of the qualified companies;
(b) the types of qualified companies utilizing the act;
(c) the location of such companies and the location of such companies' business operations in Kansas;
(d) the number of new employees hired;
(e) the wages paid for such new employees;
(f) the annual amount of benefits provided under this act;
(g) the estimated net state fiscal impact, including the direct and indirect new state taxes derived from the new employees hired; and
(h) an estimate of the multiplier effect on the Kansas economy of the benefits received under this act.

Section 8 amends K.S.A. 79-3234 to allow disclosure of findings related to a compliance audit conducted by the department of revenue to the secretary of commerce.

The effective date of this bill is on publication in the statute book.

Fiscal Impact
Passage of this bill will reduce state general fund revenues in fiscal year 2010 by $1.95 million and by $3.97 million in fiscal year 2011.

Based on employment information from the Kansas department of labor, it is estimated there are currently about 750,000 jobs in Kansas that would qualify for this program.

This bill allows a qualified company to retain their employees withholding if a company relocates jobs to Kansas from outside Kansas, or if a qualified business contracts with an unrelated third party as the legal employer of the new employees providing services to the qualified company.

Assuming about 1,025 jobs would qualify each year for this program. Using a statewide average wage of $40,000 and an average withholding rate of 5%, the fiscal impact to the state general fund in fiscal year 2010 would be $1.95 million (1,025 x $40,000 x 5% x 95%). Assuming a 2% growth in wages, the fiscal impact after five years is shown below:

	Fiscal Years (dollars are in millions)				
Year	2010	2011	2012	2013	2014
1	$ 1.95	$ 1.99	$ 2.03	$ 2.07	$ 2.11
2		$ 1.99	$ 2.03	$ 2.07	$ 2.11
3			$ 2.03	$ 2.07	$ 2.11
4				$ 2.07	$ 2.11
5					$ 2.11
Withholding Impact	$ 1.95	$ 3.97	$ 6.08	$ 8.27	$ 10.54

Administrative Impact
Administrative costs to implement this bill are estimated to be about $250,626 in fiscal year 2010.

IS costs are estimated to be about $126,000, or 1,400 hours, of contract programming salary to develop and implement a new tax type.

Tax Operations costs are estimated to be about $124,626 in fiscal year 2010. Those costs include $1,500 for new forms and postage; $96,640 for two FTE, $1,526 for annual expenses, and $8,860 in one time expenses for workstations. Also required is an estimated $16,100, or 560 hours, to test the new programs associated with this new tax type.

Administrative Problems and Comments

Taxpayer/Customer Impact

Legal Impact

Approved By:

Joan Wagnon

Joan Wagnon
Secretary of Revenue

achieve more

Written Testimony before the House Taxation Committee
HB 2538 – The Promoting Employment Across Kansas (PEAK) Act
Submitted by J. Kent Eckles, Vice President of Government Affairs

Thursday, February 4th, 2010

The Kansas Chamber of Commerce appreciates the opportunity to submit written testimony in favor of House Bill 2538, which clarifies and expands the Promoting Employment Across Kansas (PEAK) Act passed during the 2009 Legislative session.

The Chamber believes it is absolutely critical for the State to shift its focus from using tax credits as a business development incentive to up-front cash incentives.

Multiple studies have found that tax credits, which were considered cutting-edge incentives in the 1970s, don't work anymore because they are not as attractive to companies as cash-equivalent incentives for creating jobs or making capital investments. Additionally, many site location consultants throughout the country advise their clients (companies) to not even consider remaining in an existing state or relocating to other states that only have tax credits in their business development toolkits and instead advise them to consider ONLY those that have cash-based incentives.

Several of our surrounding states including Iowa have already moved away from obsolete tax credit incentives toward more valued cash incentives. In order for Kansas to remain competitive, the Legislature passed the PEAK bill in 2009 to make the transition to avoid falling further and further behind our peers.

Given the current increased levels of unemployment, HB 2538 seeks to create more opportunity for Kansas jobs by expanding and clarifying the 2009 PEAK bill. Both Kansas and out-of-state companies would be eligible for benefits by closing down or relocating existing out-of-state operations to Kansas. Kansas companies that have been purchased by out-of-state entities would be eligible for benefits for five years by retaining the employees of a Kansas business operation subsequent to the acquisition of that Kansas operation. Out-of-state and Kansas companies would be eligible for benefits by expanding business operations in Kansas or starting new ones. Eligible companies are not required to close existing out-of-state operations.

We urge the Committee to pass favorably House Bill 2538 to make the state more competitive and help spur investment and job creation in Kansas.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.

THE KANSAS CHAMBER

835 SW Topeka Blvd. Topeka, KS 66612 785.357.6321

House Taxation
Date: 2-4-10
Attachment: 10

Testimony to House Taxation Committee on HB 2538
Robert Vancrum, Government Affairs Consultant
The Greater Kansas City Chamber of Commerce

February 4, 2010

Chairman Carlson and Other Honorable Representatives:

On behalf of the Greater Kansas City Chamber of Commerce, we support House Bill 2538. HB 2538 would make significant amendments expanding and clarifying last year's Promoting Employment Across Kansas Act (the PEAK program). The Chamber and our members feel the PEAK program can be considerably improved with adoption of this legislation.

This bill would extend the benefits provided by the PEAK program to new workers employed by a business located in Kansas. In addition, the benefits would be extended to employees who are retained when a business outside of Kansas acquires a Kansas company and agrees to maintain those employees within Kansas.

The Chamber also supports the measure in the bill that revises the term "qualifying employee" to mean a worker whose wage is at or above the county median. The Chamber believes this is a better measure of the value of newly created jobs.

The Chamber applauds last year's adoption of the PEAK program to incentivize the hiring of new employees regardless of the size of the business operation. Small business has been the source of most new job creation in Kansas in the Greater Kansas City area. In fact, 90% of The Chamber's members are small businesses.

A recent poll of Chamber members shows 70.6% are at or above employment levels they were at six months ago. In addition, six months from now, the poll shows 94% of the respondents expect to have the same number of or more employees than they currently have.

House Taxation
Date: 2-4-10
Attachment: 11

Finally, 42% of the survey respondents answered that, if the government offered tax credits; they would hire more employees, approve new capital expenditures, extend health care for employees, **or** invest more in energy efficiency.

We stand in full support of the PEAK program and certainly support the intent of the amendments suggested by Representative Kleeb this year.

We hope the committee will work the bill at an early date and pass it forward with a favorable recommendation. Thank you for the opportunity to express our support for this bill.

Lenexa Chamber of Commerce

The Historic Lackman-Thompson Estate

11180 Lackman Road

Lenexa, KS 66219-1236

913.888.1414

Fax 913.888.3770

TO: Rep. Richard Carlson, Chairperson
Members, House Taxation Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 4, 2010

RE: **HB 2538—Clarification and Expansion of the Promoting Employment Across Kansas (PEAK) Economic Development Incentive Program**

The Lenexa Chamber of Commerce appreciates the opportunity to express its support for House Bill (HB) 2538, which would clarify certain eligibility requirements for the Promoting Employment Across Kansas (PEAK) economic development incentive program and expand the program to better promote job opportunities across all socio-economic and educational classes.

HB 2538 clarifies last year's PEAK legislation regarding the circumstances under which a company may be eligible for the program, including clarifying that to be eligible a company is not required to close existing out-of-state facilities. HB 2538 would also expand the definition of a "qualified company" to include competitive projects in the not-for-profit and governmental sectors, such as NBAF or, for example, a major trade association. These eligibility provisions are critical to insuring that our state does not unnecessarily miss opportunities to compete for valuable projects that would earn jobs for Kansans and generate significant revenue for the state, among them property taxes, income taxes, sales taxes, franchise taxes, and motor fuels taxes paid not only by the company but also its individual employees and their families.

HB 2538 also expands the PEAK program to promote job creation across a broader range of work opportunities – beyond jobs that are simply the highest-paying or may require the highest levels of education or training. By shifting to county median wage criteria and providing a new regional NAICS code-based eligibility alternative, we believe HB 2538 would help create jobs and better opportunities among all socio-economic groups – importantly, good jobs that have health benefits and pay well for that industry or location.

In summary, we believe HB 2538 would be a very positive step in ensuring Kansas incentives remain globally competitive, in supporting job creation and more broad-based opportunity, and in maintaining a healthy and growing statewide economy for the years ahead. For those reasons we strongly urge you to recommend HB 2538 favorable for passage.

Thank you very much for your time and attention to this important issue.

House Taxation
Date: 2-4-10
Attachment: 12

FISCAL FOCUS

Budget and Tax Policy in Perspective

Gary Brunk, President and CEO
Kansas Action for Children
WRITTEN TESTIMONY - House Taxation Committee
February 4, 2010
Legislative Testimony - HB 2538

Kansas Action for Children is a not-for-profit child advocacy organization founded in 1979. For more than 30 years, KAC has worked with lawmakers on policy solutions that improve the lives of Kansas children and their families.

The individual income tax is a key source of revenue for the State General Fund (SGF). Our opposition to House Bill 2538 is a reflection of our general concern about the erosion of the Kansas tax base. Among our key concerns with this bill:

Poor return on investment
When lawmakers decide to forgo tax revenues through the adoption of tax incentives the effect is the same as if the state had given a direct subsidy. As a result, the return on investment is a key consideration in determining the viability of the tax incentive. In the case of HB 2538, the circumstances under which companies are able to keep employee income taxes for their own use will be greatly expanded. However, the evidence of effectiveness of economic development incentives is inconclusive at best. In fact, a recent audit of Kansas economic development spending showed that a majority of the research on the effectiveness of economic development incentives was either inconclusive or found that the incentives offered did not create significant intended outcomes, such as job creation or longevity of business entities.

Weakening the Tax Base
The budget shortfall that we face in Kansas is not entirely a function of a struggling economy. We know that our state's current tax structure is no longer keeping pace with public infrastructure costs. Although major components of the Kansas tax structure have been in place for quite some time, the strength of our tax policy has been eroded little by little through legislative action each year. In the past four years alone, tax cuts - including elimination of the franchise tax and passage of several sales tax exemptions - has resulted in the loss of nearly $180 million in SGF this fiscal year alone.

The state of Kansas is facing a $400 million budget gap for fiscal year 2011. We simply cannot afford to adopt legislation that will further erode the Kansas tax base without a comparable return on investment for our state. For this reason we urge your opposition to HB 2538.

House Taxation
Date: 2-4-10
Attachment: 13

OVERLAND PARK
K A N S A S

ABOVE AND BEYOND. BY DESIGN.

8500 Santa Fe Drive
Overland Park, Kansas 66212

913-895-6000 | www.opkansas.org

Testimony Before The
House Taxation Committee
Regarding House Bill 2538
By Erik Sartorius

February 4, 2010

The City of Overland Park appreciates the opportunity to appear before the committee in support of House Bill 2538. The bill makes changes to the Promoting Employment Across Kansas (PEAK) legislation which should improve its functionality as an economic development tool.

In 2009, the legislature took an important step to encourage the creation of jobs in Kansas with the PEAK legislation. PEAK has certainly piqued the interest of several companies as they have looked at possibly moving operations to Kansas. As with most new legislation, on the ground experience with the law shows shortcomings or opportunities for improvement.

The changes to PEAK sought in HB 2538 should enhance the usefulness of the statute. Expanding the definition of "qualified companies" to include not-for-profits and governmental agencies may allow communities to attract good jobs that are not traditionally identified in economic development legislation. Additionally, allowing new jobs to be eligible for PEAK benefits if their wages meet requirements on an industry-specific level provides valuable flexibility to the statute.

The City of Overland Park asks for the committee's favorable consideration of House Bill 2538, in order to provide communities additional tools for attracting quality jobs to Kansas.

SHAWNEE
K A N S A S
Shawnee Economic Development Council
15100 W. 67th Street, Suite 202
Shawnee, KS 66217
(913) 631-6545

Testimony in Support of HB 2358

Submitted by James A. Martin
On Behalf of the Shawnee Chamber of Commerce and Economic Development Council

House Committee on Taxation
Thursday, February 4, 2010

Chairman Carlson and Members of the House Committee on Taxation:

Thank you and your colleagues throughout the Kansas Legislature for your support of the Promoting Employment Across Kansas (PEAK) measure last year. PEAK is an important step in maintaining Kansas' economic development competitiveness with states in the Midwest region.

The Shawnee Chamber of Commerce and Economic Development Council support House Bill 2358, which would provide important enhancements and clarifications to the PEAK program. The bill as currently written would allow PEAK and IMPACT (Investments in Major Projects and Comprehensive Training) to be offered on the same project—but not for the same jobs or positions. We are aware of at least one missed opportunity because of the current requirement that a company must completely cease operations out of state to qualify for PEAK and HB 2358 would create a fix for this problem. The bill would also increase Kansas' competitiveness in cases of mergers and acquisitions, an area where our state has been at a marked disadvantage in the past. The measure would allow eligibility for certain, well defined, not-for-profit organizations that create exceptionally high quality jobs. Finally, HB 2538 would make important changes to the wage threshold requirements that would significantly enhance our ability to create jobs.

These are indeed challenging times. The Shawnee Chamber and Economic Development understand the difficult decisions that need to be made this session. We believe your vote in favor of HB 2358 would enhance a tool to help us grow out of these difficulties. Thank you once again for your time and consideration; and your efforts on behalf of the State of Kansas.

House Taxation
Date: 2-4-10
Attachment: 15

Kansas Economic Progress Council
Suite 200
212 West 8th
Topeka, Kansas 66603

Submitted Testimony on House Bill 2538
Changes to PEAK
February 4, 2010
Bernie Koch
Executive Director, KEPC

Chairman Carlson and members of the committee, thank you for the opportunity to submit written testimony in support of House bill 2538.

The Kansas Economic Progress Council is a statewide not for profit organization of business, trade associations, and chambers of commerce. We support pro-growth policies for communities. House Bill 2538, which amends the 2009 PEAK legislation (Promoting Employment Across Kansas), fits our criteria for pro-growth economic development legislation and we endorse it.

It expands the type of businesses eligible for the incentive which allows businesses to retain payroll withholding.

In a time when many states are extremely competitive with economic development incentives, we believe Kansas must be vigilant in assessing our economic development "toolbox" on a regular basis, constantly tweaking what we have to make it as effective as possible.

When economic recovery comes, as we are certain it will, Kansas needs to be in a position to take advantage of the companies that also plan to take advantage of recovery through expansion.

Thank you for the opportunity to submit comments. We urge your favorable support of House Bill 2538.

House Taxation
Date: 2-4-10
Attachment: 16

Pittsburg
A Great Quality of Life
DEPARTMENT OF FINANCE AND ADMINISTRATION
201 West 4th Street • P.O. Box 688 • Pittsburg, Kansas 66762-0688
Tel: 620-231-4100 • Fax: 620-231-7327
Internet Address: www.pittks.org

Testimony in support of HB 2358

Submitted by Mark D Turnbull
On behalf of the City of Pittsburg, Kansas
Department of Economic Development

House Taxation Committee
Thursday, February 4, 2010

Chairman Carlson and Committee Members:

My name is Mark Turnbull and I have the privilege of serving the people of Pittsburg, Kansas as the Director of Economic Development. This written testimony is submitted in support of House Bill 2358 on behalf of our community. I was honored to provide testimony before a committee last year in consideration of this original legislation. Leadership of your and other committees resulted in the passage of one of the most significant tools for business recruitment in years. We applaud your commitment to building a strong and competitive economy in our state.

The PEAK legislation is critical as we compete to recruit new higher paying jobs for Kansas. Pittsburg is fortunate to have a mix of employers with diverse markets. However, in late 2007 Superior Industries announced the close in of the Pittsburg facility which resulted in the loss of 711 jobs . This one action, followed by two additional plant closings, resulted in a 7 percent loss in employment. Existing business within the community most likely cannot create enough jobs to begin to fill this void. We must locate employers to our community from other states.

A few minor adjustments to PEAK will make this bill much more usable for economic development professionals, much clearer to the Kansas Department of Commerce, and ultimately, much better for the State of Kansas. One need is to clarify or define terms within the document including "business unit;" adding flexibility to include NAICS codes, new businesses, not-for-profits and governmental units; and allowing the use of IMPACT funds to compliment the PEAK legislation; you improve the effect this bill will have on new businesses and the number of new jobs for Kansas.

The modification under consideration today is not the only change needed in the economic development arsenal. Other programs modernizations are needed as well, but we will deal with those at a future date. Today, I encourage you to vote in favor of HB 2538. These changes will help in Pittsburg as well as other small, medium, or large Kansas communities.

Our community thanks each of you and the legislators that have worked side by side with us to better understand the PEAK legislation and our concerns. Representative Marvin Kleeb has been a champion of this legislation and we appreciate his dedication to commitment to increasing wealth in our state through this leadership role in sheppardiing improved legislation.

Thank you for your time and consideration of this matter. We support the recommended set before you today. We believe the bill is sound public policy, and we feel that HB 2358 will provide a competitive asset for Kansas business recruitment. We urge you to support HB 2358. Thank you.

I remain,
Sincerely

Mark D Turnbull

Mark Turnbull
Director of Economic Development

Overland Park
Chamber of Commerce

Written Testimony in Support of House Bill 2538

Submitted by Jennifer Bruning
On behalf of the Overland Park Chamber of Commerce

House Taxation Committee
Thursday, February 4th, 2010

Chairman Carlson and Committee Members:

My name is Jennifer Bruning, and I am Vice President of Government Affairs with the Overland Park Chamber of Commerce. I am writing today on behalf of our board of directors and our nearly 1,000 member companies. I appreciate the opportunity to share written testimony in support of House Bill 2538, which makes several key amendments to the Promoting Employment Across Kansas (PEAK) Act passed last year.

For some time, professionals engaged in economic development throughout Kansas have said the incentives available to help with job creation are not usable for many situations. We have programs that reward companies for making capital investments, but we have lagged other states in offering job creation incentives to allow us to compete for projects that are service oriented and create jobs but may not have a large capital investment component. This has severely impacted our competitiveness with neighboring states.

Last year the Legislature made a huge first step in addressing Kansas' lack of job creation incentives with the passage of the PEAK Act. Since that time, numerous economic development professionals throughout the country have lauded Kansas for its foresight during a time of huge budget shortfalls to recognize the need for more resources to attract jobs and investment to our state.

HB 2538 would alter several provisions of PEAK to make the incentive more useful to businesses that are absolutely committed to creating the jobs our state needs to help pull us out of this economic downtown. This bill epitomizes a proactive approach to job creation.

One of the most important alterations proposed is to allow PEAK eligibility for companies creating or retaining jobs as a result of a merger or acquisition. Since Kansas is not often the base for an acquiring company, we tend to lose any new jobs and fail to retain existing ones as a result of the

9001 W. 110th Street • Suite 150
Overland Park, KS 66210
t: 913.491.3600 • w: opchamber.org

House Taxation
Date: 2-4-10
Attachment: 18

M&A activity. Allowing these companies to utilize PEAK incentives will help stem this tide. Furthermore, the bill also clarifies that a company that is wishing to open a new operation in Kansas does not have to completely close or cease operations in another state in order to be deemed eligible for PEAK.

HB 2538 would also allow PEAK "qualified company" eligibility for competitive not-for-profit projects and for governmental corporations. In the last several years, the federal government has become increasingly diligent in weighing state and city economic development incentives when determining a site location for a new facility (i.e. IRS and Federal Reserve projects in Kansas City, MO), with many of these projects potentially bringing thousands of new jobs to our state. It is important for Kansas to have not-for-profits and the federal government putting our state at the top of their site location short list.

This bill also allows for qualified companies to be able to utilize both the PEAK incentive and the state's IMPACT program, but not for the same new employees. This provides companies with the flexible option of being able to use the ever important up-front incentives from IMPACT, followed by incentives once the jobs are created (PEAK), thus creating lots of new jobs to the state without creating a "double dipping" scenario.

Finally, HB 2538 further enhances Kansas' ability to create new jobs by changing the PEAK wage threshold and substituting "County Median Wage" for "County Average Wage." This change promotes job creation among ALL socioeconomic groups rather than just the most educated and highest paid, an extremely important provision in these challenging economic times.

Passage of HB 2538 provides an opportunity for you as Kansas' legislators to show your constituents that in addition to trying to find more ways to cut the shrinking state budget, you are also doing everything in your power to grow the Kansas economy by encouraging job creation through creative, precise and responsible means.

Thank you very much for your time today. We encourage you to support House Bill 2538.

Dodge City
Ford County
DEVELOPMENT CORPORATION
311 W. Spruce • P.O. Box 818 • Dodge City, KS 67801-0818 • (620) 227-9501 • FAX (620) 338-8734 • 1-800-381-3690
www.dodgedev.org • email: jknight@dodgedev.org

Testimony in Support of HB2538

House Committee on Taxation – Richard Carlson, Chair

February 4, 2010

Mr. Chairman and Members of the House Committee on Taxation:

My name is Joann Knight. I am the Executive Director of the Dodge City//Ford County Development Corporation. I support HB 2538 and the changes it makes to PEAK - the Promoting Employment Across Kansas Act.

This past year, a group of Kansas Economic Development Alliance (KEDA) members met numerous times to discuss legislation that would make Kansas more competitive with other states, but more importantly with our neighboring states. Budget issues facing the state were taken into consideration.

The PEAK legislation is a valuable tool for economic development professionals and I feel that with the changes proposed in HB 2538, the PEAK legislation will be significantly better for our communities, Commerce and the State of Kansas.

I ask for your vote in favor of HB 2538. These changes will help communities of all sizes across the state.

Your consideration of this bill is greatly appreciated.

House Taxation
Date: 2-4-10
Attachment: 19

A Vision For Tomorrow.
Harvey County KANSAS

Harvey County Economic Development Council, Inc.
500 Main Place • Suite 109 • Newton, Kansas 67114
Office 316-283-6033 • 800-648-7759 • Fax 316-283-8732
info@harveycoedc.org • www.harveycoedc.org

Testimony in support of HB 2538

House Taxation Committee

Representative Richard Carlson, Chair
Thursday, February 4, 2010

Representative Carlson and Members of the House Committee on Taxation:

My name is Mickey Fornaro-Dean, and I am Executive Director of the Harvey County Economic Development Council, Inc. I am submitting written testimony today in support of House Bill 2538 and the changes it makes to PEAK - the Promoting Employment Across Kansas Act.

As a county-wide economic development professional and a member of KEDA (the Kansas Economic Development Alliance), this is a very important issue to our county/state in the attraction and expansion of business.

Over the last year, the board of directors of KEDA formalized the creation of the KEDA Economic Development Competitiveness Task Force. This task force organized grass roots meetings and listened to the voices of economic development professionals from across the state. Whether from small, medium, or large communities, this diverse group spoke in unison about the need to make changes in economic development policies to make Kansas more competitive.

The passage of the PEAK legislation last year was a step in the right direction. However, the proposed enhancements to PEAK in HB2538 will make it a more useful tool in recruiting new businesses to our state and also encouraging our existing businesses to expand locally.

It has been very rewarding to see organizations from across the state come together to support KEDA's efforts in this area. This initiative has received very broad based support from metro areas to very small rural communities. It is my hope that we can continue to strengthen our efforts for recruitment and expansion across our state.

Passage of HB 2538 is a step in the right direction.

Please vote in favor of HB 2538. Thank you for your time and consideration.

Sincerely,

Mickey Fornaro-Dean

Mickey Fornaro-Dean
Executive Director
Harvey County Economic Development Council, Inc.

House Taxation
Date: 2-4-10
Attachment: 20

Mr.Richard Carlson, Chairman, and Members of the House Committee on Taxation:

As the Economic Development Director for both Linn and Anderson counties, I participated in the discussions with other Kansas E.D.. professionals over the last year on ways to improve our statewide economic incentive programs. I believe the changes proposed in HB 2538 to be practical, fair, changes to the PEAK program, which will make Kansas more competitive in attracting new jobs, and make the program more "user friendly".
Please vote in favor of HB 2538 and it's changes to the "Promoting Employment Across Kansas Act".

Sincerely,

Dennis Arnold
Executive Director
Linn County Economic Development & Anderson County Development

House Taxation
Date: 2-4-10
Attachment: 21

KEDA
Kansas Economic Development Alliance

Insert Company Logo or Letterhead

Testimony in support of HB 2358

Submitted by Carolyn Kennett
On behalf of the City of Parsons

House Taxation Committee
Thursday, February 4, 2010

Chairman Carlson and Committee Members:

My name is Carolyn Kennett, and I am the Economic Development Director with the City of Parsons. I am submitting written testimony today in support of House Bill 2358 on behalf of Parsons Economic Development Advisory Board.

House Bill 2358 is a critical tool for the recovery and expansion of the economy of Kansas. Competition is fierce among states for fewer and fewer expansion projects. It is imperative that we strive to offer the best incentives possible to encourage job growth for the citizens of Kansas.

We believe this bill is sound policy, and we feel that HB 2358 will encourage job growth and put Kansas in a more competitive position. We urge you to support HB 2358. Thank you.

House Taxation
Date: 2-4-10
Attachment: 22

Testimony in Support of HB2538

House Committee on Taxation – Richard Carlson, Chair

February 4, 2010

Mr. Chairman and Members of the House Committee on Taxation:

My name is Gabe Schlickau. I am the Economic Development Manager for Black Hills Energy in Kansas and Vice President of the Kansas Economic Development Alliance. I support HB 2538 and the changes it makes to PEAK - the Promoting Employment Across Kansas Act.

PEAK is a valuable tool that has raised the State's level of competitiveness in the economic development market. However, there is still work to be done to ensure Kansas economic development professionals have the tools they need to succeed in an extremely competitive national environment.

Members of the Kansas Economic Development Alliance have met over the past year to discuss ideas that would help Kansas continue to progress toward the goal of bringing more jobs to the state. Given our awareness of State budget issues, KEDA membership agreed the focus for 2010 should be on doing what we can to maximize the effectiveness of our existing economic development programs.

The PEAK legislation that was passed last year was an important first step toward making Kansas more competitive. A few changes that would make the bill more useable include:

- Allow all new jobs to Kansas to be eligible, not just those that result from shutting down foreign or out-of-state operations.
- Allow not-for-profit organizations to be eligible for PEAK when Kansas is competing for their jobs.
- Change the wage threshold to allow substitution of the County Median Wage in place of County Average Wage and to include NAICS industry code wages, allowing for compensation to be evaluated on an industry-by-industry basis.
- Allow PEAK and IMPACT programs to be used together on the same projects, with the understanding they will not be used for the same jobs.

Thank you to the legislators who helped bring PEAK to fruition in 2009. These suggested amendments will now serve to make PEAK even more useable, bring clarity to implementation of the program and broaden the scope of projects the legislation could impact. These changes will make the legislation more valuable to communities of all sizes and geographic locations across Kansas.

I encourage you to vote in favor of HB 2538. Thank you for your time and consideration.

House Taxation
Date: 2-4-10
Attachment: 23

GREATER TOPEKA CHAMBER
GO TOPEKA
120 SE 6th Avenue, Suite 110
Topeka, Kansas 66603-3515
P.785.234.2644 F.785.234 8656
www.topekachamber.org
topekainfo@topekachamber.org

WRITTEN TESTIMONY
HOUSE TAXATION COMMITTEE
February 4, 2010
HB 2538 – Amendments to the Promoting Employment Across Kansas Act
Provided by: Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce

Chairman Carlson and Members of the Taxation Committee:

The Greater Topeka Chamber of Commerce would like to express our support for the amendments to the Promoting Employment Across Kansas Act (PEAK) in HB 2538. As our state continues to suffer from a recession and job losses it is clear there is a critical need is to bring more investment and jobs to our communities and state. The PEAK Act approved last year was a welcome tool to help communities attract companies to the state. However there are changes that can be made to make this tool even more effective in growing, attracting and retaining more business in Kansas. Economic development professionals across the state worked over the summer to craft the amendments embodied in this bill; these amendments will make it more effective.

One of the changes is to expand the definition of qualified companies to include company expansions, the establishment of new operations, divisions, facilities or business units. This expansion in definition will enable communities to facilitate expansions of current companies to the state. We have learned over the years here in Topeka that several of our corporations, who have multiple plant sites nationally and in some cases internationally, must compete with their sister facilities for many investment and job expansions. When Kansas becomes more attractive for such expansions it will result in more jobs and private investment in Kansas. PEAK as written today requires a foreign or out of state company to close down and relocate its jobs and facility in Kansas, this is an infrequent opportunity; so local communities experience lost opportunity for attracting new jobs and new investment.

HB 2538 would also make the PEAK incentive usable when working to attract federal operations and non-profit headquarters. These institutions usually create well-paid jobs for communities. Topeka is fortunate with growth in federal jobs, again our local incentive funds played a significant role in making this happen. PEAK would also be available to use when needed to retain jobs; we have experienced several situations in Topeka where we might have lost a major employer would it not have been for the vigilance of the Department of Commerce and local incentives funds provided by the citizens of Shawnee County through a local sales tax.

Amendments to PEAK delineate changes to the wage threshold which make the incentive more workable in multiple situations. Preference for higher waged jobs is still an element of the bill and we strongly support these provisions remaining in the bill. The enhanced timeframes for receiving PEAK incentives are an excellent tool to encourage higher waged jobs. We have similar enhanced payments in our local incentive package that has helped Topeka/Shawnee County attract new jobs at an average payroll of $50,000 in the last few years.

The bill allows the use of the IMPACT program along with the PEAK program, although not for incentivizing the same jobs. This provision provides flexibility for state and local economic development professionals to craft an incentive package that best meets the needs of the company they are working with. Flexibility is critical in working with companies either moving to the state or growing their operations within Kansas.

We urge the committee to approve HB 2538 and support it on the floor of the House. We know you understand the fragile nature of our state's resources, we also believe you understand the only way to turn our state's economy around is by growing the private sector who create the jobs our communities so desperately need. We must recognize that creating jobs will positively impact many revenue factors. It will create personal income tax, increases in sales taxes, reduction in the use of Unemployment Funds, increases in property taxes and other tax funds as individuals who are now working make purchases in their communities. There are also, many times, construction jobs created for facility expansions and there are company purchases from other local and statewide businesses. This is the way our economy will rebound; your support is greatly appreciated.

Testimony in Support of HB2538

House Committee on Taxation – Richard Carlson, Chair

February 4, 2010

Mr. Chairman and Members of the House Committee on Taxation:

My name is Robert L. Cole. I'm the Director of the Pottawatomie County Economic Development Corporation.

I support HB 2538 and the changes it makes to PEAK - the "Promoting Employment Across Kansas" Act.

We members of the Kansas Economic Development Alliance (KEDA) have met many times over the past year to discuss legislation that would make Kansas more competitive, especially with neighboring states. During these discussions we also were mindful of the difficult budget issues facing the state. We understand that your primary focus is on ensuring that the budget is balanced and the state solvent – not new economic development legislation.

Accordingly, we agreed that the best way we could help the state increase business presence and volume, and employment, would be to enhance existing legislation, particularly PEAK which was just passed last session.

The PEAK legislation is a valuable tool for economic development professionals. However, our proposed amendments to the legislation will make it much more valuable for economic development professionals, and more productive for the State of Kansas.

We ask that you consider the following enhancements to the existing PEAK legislation: 1) clarifying definitions such as "business unit;" 2) adding flexibility to include NAICS codes, new businesses, not-for-profits and governmental units; and 3) allowing the use of IMPACT funds to compliment the PEAK legislation.

These few recommended changes would enhance the effect of this legislation and help us all going forward to use the legislation to help induce new business and expanded employment.

The KEDA organization is comprised of nearly 200 economic development and associated professionals from throughout the state. KEDA has other legislation that it would like to have considered in the future. However those matters can wait until the state's budget difficulties are less daunting.

For the time being, I ask your approval of HB 2538. These few changes will help small, medium and large communities statewide.

Thank all of you for your kind consideration of this matter – especially during this time when you are having to wrestle with the many difficult budget issues before you.

Respectully,

Robert L. Cole
Director

House Taxation
Date: 2-4-10
Attachment: 25

KEDA
Kansas Economic Development Alliance

LAWRENCE•KS
CHAMBER of COMMERCE

Testimony in support of HB 2358

Submitted by Beth Johnson
On behalf of the Lawrence Chamber of Commerce

House Taxation Committee
Thursday, February 4, 2010

Chairman Carlson and Committee Members:

My name is Beth Johnson, and I am the Vice President of Economic Development for the Lawrence Chamber of Commerce. I am submitting written testimony today in support of House Bill 2358.

Job creation is important to everyone throughout the State of Kansas. The Kansas Economic Development Alliance has taken a serious look at ways to make the state more competitive with other areas and especially neighboring states. Thank you for the steps that were taken last year to approve the PEAK legislation and the additional tool that it provides for increasing employment in the State of Kansas.

This year, rather than introducing new legislation, KEDA understands that strengthening current programs is preferred and for that reason ask that support HB2538. The changes proposed by HB2538 will strengthen the PEAK legislation and increase its usefulness for communities of all sizes across Kansas. These changes that include language clarification, flexibility for use of NAICS code and inclusion of IMPACT funds will improve the effectiveness and strengthen what we already have in place.

Thank you again for your consideration and we urge you to support HB 2358.

House Taxation
Date: 2-4-10
Attachment: 26

WICHITA METRO
CHAMBER OF COMMERCE

February 3, 2010

Mr. Chairman and Members of the Committee,

Thank you for this opportunity to provide written testimony in support of H.B. 2538. The Wichita Metro Chamber of Commerce and our 1,500 members applaud you for any and all attempts to encourage economic growth and the creation of jobs in the state of Kansas.

Kansans, like most Americans, have a wide array of concerns in today's environment. However, the issue of jobs is number on their priority list and they believe it should be the top agenda item for all elected officials. True economic recovery for Kansas will only occur after the creation of jobs and the accompanying creation of wealth within our region.

H.B. 2538 would be a step in the right direction. While high paying jobs should remain a target for policymakers, we should also be careful not pass up opportunities to create jobs and attract employers that pay mid-level wages. There is no shortage of Kansans qualified for these types of jobs and they are eagerly pursuing employment at this time. H.B. 2538 would expand eligibility provisions within the PEAK Act and attract employers desperately needed in this economic environment.

In addition, The Wichita Metro Chamber of Commerce believes that the changes and expansions contained within H.B. 2538 will put Kansas on a more level playing field as we compete with other states for employers and the jobs they bring to states where they locate.

In closing, we encourage policymakers to be mindful of the fact that this bill would not only benefit the state in terms of job creation but would also expand the tax rolls. These employers would pay property, incomes, sales, and franchise taxes, among other taxes.

Thank you for your consideration and we hope you will vote favorably for H.B. 2538.

Jason Watkins
Director of Government Relations

House Taxation
Date: 2-4-10
Attachment: 27

SUMNER COUNTY ECONOMIC DEVELOPMENT COMMISSION

Physical Address: 123 N. Jefferson, Wellington, Kansas 67152
Mailing Address: P. O. Box 279, Wellington, Kansas 67152
Office Phone Number: (620) 326-8779 Office Fax Number: (620) 326-6544
Email Address: scedc@co.sumner.ks.us
Website: www.gosumner.com

February 4, 2010

To: House Committee on Taxation – Richard Carlson, Chair
RE: Testimony in Support of HB2538

Mr. Chairman and Members of the House Committee on Taxation:

Thank you for allowing me the opportunity to submit this testimony regarding the PEAK program. My name is Janis Hellard. I am the Director of the Sumner County Economic Development Commission.

Last year, Kansas Economic Development Alliance (KEDA) members met a number of times to discuss legislation that would make Kansas more competitive with other states taking into consideration the budget issues of the State.

In reviewing the incentive legislation already in place it was determined that the PEAK legislation needed a few changes to clarify some points and make it more usable for economic development professionals and the Department of Commerce. By clarifying definitions such as "business unit;" and allowing the use of IMPACT funds to compliment the PEAK legislation; the bill will be more effect in bringing in new businesses and new jobs for Kansas.

The PEAK program is a tool we are currently using as an incentive for a business we are trying to recruit to Sumner County. We hope to be successful in this endeavor and be able to announce new jobs coming to Sumner County. Without this incentive, we would not be in the running for this opportunity as we would not be able to compete with the other states they are looking at. Having had firsthand knowledge of the importance of programs like this, I am a strong proponent of "tweaking" this program/legislation to make it an even better tool for our use. I encourage you to vote in favor of HB 2538. These changes will help in small, medium, or large communities across the state.

Thank you for your time and consideration of this matter.

Sincerely,

Janis Hellard, Director

Tim McKee

OLATHE
CHAMBER OF COMMERCE
ONE VISION. ONE VOICE.

To: Chairman Carlson and Members of the House Taxation Committee

Re: House Bill 2538

Date: Thursday, February 4, 2010

The passing of PEAK legislation last session is a significant step towards bringing business to the state of Kansas. To assure the effectiveness of PEAK, the Olathe Chamber supports a variety of enhancements, specified in HB 2538.

Kansas gains an economic development tool at no risk or investment by combining upfront cash and cash incentives and by expanding company eligibility to use PEAK and IMPACT in conjunction with each other (not for the same positions). In addition, the state is losing opportunities by requiring companies to close or cease operations elsewhere to qualify. The Olathe Chamber also supports a broad enough definition of eligible companies to include expansion and/or establishment of new operation divisions and facilities.

Incentives for economic development in Kansas should apply to companies which retain and create jobs in Kansas as a result of a merger or acquisition. This is extremely important when considering that partners in a merger or acquisition are frequently from out of state, especially when Kansas is not often the base for the acquiring company. If incentives are not available in these circumstances, the result may be job loss for the state.

Not-for-profits are also a significant employer in the state of Kansas. Currently there are nearly 8,000 not-for-profits in the state of Kansas. By allowing eligibility for these entities as well as federal operations, we significantly increase jobs throughout the state.

One of the most significant enhancements needed to the PEAK legislation is a change in wage thresholds. Warehouse, call center, and manufacturing jobs often do not meet the county average, but are excellent paying jobs for the industry. The Olathe Chamber supports a county median wage that exceeds average NAICS code in the region to be used to qualify for PEAK, once again to remain competitive with our surrounding states.

Kansas will have to continue to work smarter to draw quality development in an ever competitive market. Olathe competes less with Kansas communities and more with cities like Dallas, Indianapolis, Phoenix, and Minneapolis, whose incentive packages are far more robust than ours. Increasingly, Olathe is competing nationally and internationally.

In Olathe, we have lost millions of dollars of capital investment and thousands of jobs as the result of losing projects to communities out of state that offered better incentive packages. Two examples follow:

- Pure Fishing explored building a 400,000-square-foot distribution facility in Olathe at the cost of approximately $20 million. They chose to locate in Missouri.
- P.O.M., the nutrition juice company, was interested in locating a manufacturing facility in Olathe's vacant ADM building, expanding the building and investing $27 million in our community. The project would have yielded 45 new jobs. They chose to locate in Indiana.

To attract the type of development the state needs—projects that bring higher-salaried jobs and top-dollar investment—it is important that state incentive programs continue to be funded. In hard times, these incentives will bring us the development that we need to boost our economy. **The Olathe Chamber of Commerce asks for your support of House Bill 2538.** This important legislation will enable our Kansas communities to compete regionally, nationally, and internationally.

House Taxation
Date: 2-4-10
Attachment: 29