

House Committee on Appropriations

Monday, March 20th, 2017

Testimony Subject:

HB2375: AN ACT making and concerning appropriations for the fiscal years ending June 30, 2018, and June 30, 2019, for the department of commerce.

Testimony given by:

Nick Poels, Executive Director - Phillips County Economic Development

Chairperson Waymaster, and members of the House Committee on Appropriations; I appreciate you giving me this opportunity to express the full support of Phillips County Economic Development for the appropriation of funds to the Rural Opportunity Zone program and to maintain funding for the program as extended by the Senate Substitute for House Bill 2109 during the 2015 Legislative Session

As originally enacted, the provisions of K.S.A. 79-32,267 allowed a Rural Opportunity Zone (ROZ) credit to be claimed for tax years commencing after December 31, 2011, and ending before January 1, 2017. Section 27 of Senate Substitute for House Bill 2109 extended this period to tax years ending prior to January 1, 2022.

To give a brief history of Phillips County's participation in the ROZ program; since the inception of the resource in 2011, we have effectively utilized ROZ as an incentive for 134 participants to apply for student loan repayment. Of this number, 22 have been out of state applications and a total of 79 have been accepted to receive assistance while we successfully maintained that no candidate remains on our annual wait list for more than 12 months.

To achieve this result, we have raised funds from local entities for allocation to the Department of Commerce matching commitment, in the amount of \$475,000.00. Our local businesses have used ROZ as a recruitment tool, attracting an educated workforce to the community. This is highlighted by the industries that have effectively used it: we have had at least 11 participants take skilled manufacturing positions, 17 as healthcare professionals, 7 to take State or local government/agency positions, 14 to be employed as educators, with many other professionals in CPA roles, the energy sector, transportation and infrastructure, pharmacists, entrepreneurial business owners, and agricultural/energy cooperatives.

Although it is difficult to precisely measure a physical return on investment for the funding that has been allocated to this program, we do observe an obvious impact. Approximately 43% of the participants have relocated to the community with additional family members. This has introduced, and continues to introduce more children into our school districts, additional educated workforce (spousal), succession planning for existing businesses and a boost to the property market. Evaluate the increased revenue from the additional property tax and consumer sales tax, and the local ROZ investment is more than justifiable to our stakeholders.

In November 2015, 24 out of 42 of the approved participants responded to a survey about the ROZ program in Phillips County:

21 of 24 (87.5%) said ROZ was a contributing factor in their decision to move to Phillips County and to

remain living there. 15 of 24 (62.5%) said they had purchased or built a home in Phillips County. 1 of 24 (4.2%) said they had started or purchased a business in Phillips County.

The outmigration of youth and an aging population are factors that have caused a steady decline in the population of many rural communities across western Kansas. Since 2011, when Phillips County opted into the ROZ program, the population of Phillipsburg has instead seen a marginal increase.

Our rural communities are developing with the introduction of fiber to the premise internet connections, allowing for remote offices and competitive industry to locate into lesser populated areas while benefiting from lower overhead and an improved quality of life for employees. The ROZ program has repeatedly been cited as a driving force for recent college graduates to embrace the rural-by-choice mindset and accept well-paid positions in communities where property is less than half the cost of the US median.

All of these factors combine to show how much the municipalities of rural Kansas can, and do, benefit from the ROZ program. When the credit was extended in 2015 to allow for ROZ participation until 2021, Phillips County Economic Development sought an extra \$172,500 in local commitment to fund all of the remaining 23 candidates on the waiting list. This was achieved and each of those participants are now integral members of our business and residential community.

In this respect, Phillips County Economic Development urges you to continue supporting the the Rural Opportunity Zone program to both fulfil the commitment that we have collectively made to those currently being assisted by the program and to reap the benefit of enlarging our skilled workforce, population and tax base.

Should you have any further questions or require further information, please do not hesitate to contact me at your convenience.

Nick Poels
Executive Director – Philips County Economic Development.