

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 2, 2006 in Room 526-S of the Capitol.

All members were present except:

Tom Burroughs- Absent  
Carl Krehbiel- excused  
Annie Kuether- excused  
Judy Loganbill- Absent

Committee staff present:

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

Conferees appearing before the committee:

Howard Fricke, Secretary, Kansas Department of Commerce  
Dr. Art Hall, Kansas University  
Joan Wagon, Secretary, Kansas Department of Revenue

Others attending:

See attached list.

Chairperson Gordon recognized Secretary Joan Wagon, Kansas Department of Revenue who introduced a bill that would change the date on the IMPACT Aid Bill to July 1, 2008. (Attachment 1)

A motion was made by Representative Carlin and seconded by Representative Huntington to introduce this legislation. A vote was taken, motion passed.

Secretary Howard Fricke presented an overview of the Kansas Department of Commerce. The Mission Statement of the Kansas Department of Commerce is "To empower individuals, businesses and communities to realize prosperity in Kansas. The Department is comprised of five programmatic divisions:

- Ag Marketing
- Business Development
- Community Development
- Trade
- Travel & Tourism

The Kansas 1<sup>st</sup> initiative is imbedded within the Business Development Division in order to ensure that employer needs drive the workforce development system.

One of the primary functions of Commerce is to continue to expand the economic base by promoting Kansas companies and products overseas and by attracting businesses and investment to the State.

In January 2004, the state launched a new image campaign - Kansas...as big as you think. In March 2006, a video promoting all that Kansas has to offer in business and travel will appear on United Airlines Flights, reaching an estimated three million people. (Attachment 2)

Kansas is one of a few states to develop a statewide campaign that uses one consistent message for tourism, economic development and other state organizations.

Committee members were given documentation of the five year budget for Travel and Tourism which included monies allocated for Film Services. (Attachment 3)

Secretary Joan Wagon, Kansas Department of Revenue, gave an overview of the Kansas Tax Credit Programs.

## CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on February 2, 2006 in Room 526-S of the Capitol.

The High Performance Incentive Program is a program where a qualified firm making a cash investment in the training and education of its employees can receive a credit equal to the portion of the investment in the training and education that exceeds 2% of the businesses total payroll costs.

The Business Machinery and Equipment Credit tax credit is the most utilized of the programs. (Attachment 4).

The Tax year 2003 data sample shows the retail sector is now the most dominant portion of the corporate income tax base, generating the largest amount of Kansas taxable income and contributing the largest portion of the corporate income tax receipts. (Attachment 5)

The Committee was also provided the "Analysis of Corporate Income Tax 2000-2002 Executive Summary report dated October 15, 2004". (Attachment 6)

Chairperson Gordon commended Secretary Wagon on the work that has been done in reporting tax credits. It was noted this report could show if some credits needed to be eliminated.

Secretary Wagon introduced Dr. Art Hall who gave a presentation pertaining to the High Performance Incentive Program (HPIP) and Business and Job Development Credit Program (BJDC).

Policy makers in Kansas want to know if the policy programs they implement have a positive payoff from the perspective of the State. Tax credits represent a set of policy programs enacted to promote specific economic activities; business investment, job creation, and worker training.

Evaluating the effectiveness of the tax credit programs is to calculate a return on investment from the perspective of the State of Kansas. Data limitations prevent the calculation of an authentic return on investments on Kansas' tax credit programs. Even though important date is limited, one can gain insight into the value of tax credit programs from the perspective of the State by observing the value of the credits from the perspective of the taxpayer.

HPIP was enacted in 1993, and has two components; training and education tax credit and an investment tax credit.

The BJDC was enacted in 1976, has an investment component and an employment component. Taxpayer eligibility for the credit carries several stipulations. (Attachment 7)

Representative Gordon thanked Dr. Hall for his presentation. The meeting was adjourned at 5:05 p.m. The next meeting is scheduled for Tuesday, February 7, 2006.