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Testimony of Patrick Fucik on behalf of Sprint Corporation
In Support of SB 334
Before the Kansas Senate Commerce Committee
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Good morning Madame Chair and members of the committee. My name is Patrick Fucik and I am the National Director of State Legislative Affairs for Sprint. Thank you for the opportunity to provide comments on behalf of Sprint and our 6,136 employees in Kansas in support of SB 334.

Let me start by describing what SB 334 actually does and then provide some additional background as to why the bill is necessary. SB 334 would provide an extension of investment tax credits awarded to any qualifying company through the High Performance Incentive Program (HPIP) administered by the Department of Commerce (DOC). This bill is similar to the one that Kansas Legislature passed in 2011 providing a six-year extension for HPIP recipients at that time.

Starting on or after 1/1/18, SB 334 would allow HPIP recipients that are in the 16th year (last qualifying year) to take a 25% reduction in their HPIP credits and only carryforward 75% of those credits to be used in the future. The bill provides that no more than 25% of those remaining carryforward credits could be used in any one year until the reduced credit has been fully utilized and the company must continue to certify that it meets the investment requirements of the program. Lastly, the bill provides that no tax credit that expired prior to 1/1/18 can be revived under the provisions of this amended language.

HPIP Credit Background

HPIP provides for a 10% investment tax credit on qualified capital investment of an eligible company in Kansas. For certain Kansas counties (which includes Johnson county), the minimum annual investment threshold to qualify for credit is \$1M. The credit is awarded to companies that operate an eligible business, pay above average wages and invest in employee training.

Sprint's Situation

In 2002, Sprint built our world headquarters campus in Overland Park and Sprint generated \$108M of HPIP credit. Sprint has struggled with losses for many years since then except for the last few years when we have actually had taxable income and utilized roughly \$8M of the credit carryforward. Since the credit only has a 16 year carryforward, an estimated \$100M of credit is set to expire at the end of Sprint's fiscal year which would be on 3/31/18.

Sprint makes a very large economic contribution to the State of Kansas with 6,136 employees on our campus of which 4,228 are Kansas residents. An economic analysis estimates that Sprint's headquarters supports more than 9,500 jobs throughout Kansas. That estimate is based on a multiplier of 1.6x, for every 10 Sprint employees, there were an additional six employees supported elsewhere throughout the State as a result of indirect and induced economic activity. Sprint's 6,136 headquarters employees make up 65% of that total job impact. Including indirect and induced economic activity, Sprint's headquarters generates \$600 million of income for Kansas employees (by work location).

Sprint's employees earn an average of \$85,000 in total compensation and have a direct impact of nearly \$500M from its campus employees alone (not including indirect impact). Finally, Sprint's headquarters supports an estimated \$39 million of state taxes and \$28 million of local taxes throughout Kansas paid by businesses and households (\$67 million combined).

The Request for Legislative Relief

Knowing that our HPIP credits were due to expire on 3/31/18, Sprint reached out to the DOC last summer to engage in a conversation about what options were available. Sprint has been in constant contact with the DOC since that initial meeting and also worked with the Department of Revenue (DOR) to review and draft legislation that would provide for an extension of HPIP credits. Both the DOC and the DOR are supportive of an incentive to retain capital investment in Kansas and provide some relief from expiring HPIP credits.

The result of those conversations is what you have before you in the form of SB 334. The bill allows Sprint, and any other company that qualifies, to eliminate a portion of the HPIP credit liability from its books in the 16th year, if unused, while retaining an incentive to keep businesses in the state. In order for the reduced HPIP credit to be utilized, the taxpayer must still be HPIP certified each year, which ensures the business is paying above average wages and training its employees. This retained business operations and headcount in the state provides for a direct and indirect larger economic benefit to Kansas. Further, there is no impact on the current budget for Kansas.

As I mentioned earlier, SB 334 is similar to a bill that the Kansas Legislature passed in 2011 providing a six-year extension for HPIP recipients at that time. I appreciate your time this morning, would respectfully urge you to support SB 334 and would be happy to answer any questions.

Thank you.