

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 p.m. on March 2, 2009, in Room 711 of the Docking State Office Building.

All members were present.

Committee staff present:

Jason Long, Office of the Revisor of Statutes
Doug Taylor, Office of the Revisor of Statutes
Reed Holwegner, Kansas Legislative Research Department
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

David Kerr, Secretary, Department of Commerce
Natalie Haag, Director of Governmental Affairs, Security Benefit Corporation
Christy Caldwell, Vice-President Government Affairs, Greater Topeka Chamber of Commerce
Laverne Squier, Kansas Economic Development Alliance (KEDA)
Dave Holtwick, Vice-President Government Affairs, Overland Park Chamber of Commerce
John Petersen, Polsinelli Shughart, Law Firm
Mike Taylor, Public Relations Director, Unified Government Public Relations
Karl Capps, MD Management
Luke Bell, Vice President of Government Affairs, Kansas Assoc. Of Realtors
Richard Cram, Kansas Department of Revenue

SB 120 - Kansas investments in major products and comprehensive training act.

The Chair introduced Secretary David Kerr who addressed the Committee in support of **SB 120**, (Attachment 1), saying that it would further broaden the appeal of the state Investments in Major Projects and Comprehensive training (IMPACT) program and was of great interest to service-sector companies.

He said that over the past decade, the service sector was one of the fastest growing sectors of the Kansas economy and that as businesses show interest in our state, they always look to the package of incentives that we can bring to the table. He felt that at a time of limited resources, we should all look to efficiencies and a targeted and agile approach to recruitment and he believed this bill would allow the state to use the same resources in better and more useful ways.

Next on the agenda, Natalie Haag spoke as a proponent to **SB 120**, (Attachment 2), and explained that se2, a subsidiary of Security Benefit Corporation, started business a few years ago to fill a niche in the market and capitalize on our great electronic platform and cost-effective workforce. Se2, which stands for service end to end, was a third party administrator provider for other insurance companies.

Ms Haag said the IMPACT program could help spread the start up cost over several years, thereby making se2 a more attractive alternative to companies shopping for an administrator. She felt that **SB 120** would open the door to opportunities to grow service industry jobs such as those at se2.

Christy Caldwell appeared next, expressing her agency's strong support for **SB 120**, saying it clarified language within the Investment in Major Projects and Comprehensive Training programs (IMPACT). She believed this proposed change in IMPACT would make us more competitive in attracting new service companies to Kansas and in assisting the ones here to grow. (Attachment 3).

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Lavern Squier addressed the Committee next saying that KEDA members were economic development practitioners from all across Kansas. ([Attachment 4](#)). He said that our real-world experience tells us that incentives were a critical factor in the attraction and/or creation of jobs and investment. He added that they'd also found that competition was increasing and Kansas had to offer competitive incentives if they wanted to stay in the game. He concluded by saying that the change in the IMPACT program proposed in this legislation would be very beneficial and he encouraged their support to **SB 120**.

Next to appear as a proponent to **SB 120**, Dave Holtwick said that he was appearing on behalf of his agency's board of directors and their nearly 900 member companies. ([Attachment 5](#)). He said that efforts to recruit new businesses to the area and to maintain the businesses they have was growing increasingly difficult.

Mr. Holtwick told the Committee that he believed that changing this legislation would provide additional flexibility in the use of IMPACT funds that would be very valuable to companies investing in Kansas.

Written only testimony in support of **SB 120** was offered by Kent Eckles, VP of Governmental Affairs, Kansas Chamber of Commerce, ([Attachment 6](#)), and Ashley Sherard, VP Lenexa Chamber of Commerce, ([Attachment 7](#)).

Questions and answers followed.

The hearing was closed on **SB 120**.

SB 119 - Enacting the community improvement district act.

Assistant Revisor Jason Long offered an overview of **SB 119**. ([Attachment 8](#)). Telling the Committee that this bill would establish the Community Improvement District Act, he said that it would create various methods for municipalities to create improvement districts within their boundaries and various methods for financing projects within those districts. He explained the definitions in the sections of the bill.

John Peterson appeared on behalf of his client, the Community Improvement Coalition in support of **SB 119**. ([Attachment 9](#)), saying that it would allow local Kansas communities to establish Community Improvement Districts (CID). This is very similar in form and substance to what has been an effective economic development tool in many states, most notably in Missouri.

Generally stated, he said the creation of CID would allow new revenue sources to be established within the District for purpose of paying certain development costs incurred within the District. He pointed out that unlike Tax Increment Financing or STAR Bond Financing, a CID would not divert any sales tax or property taxes away from taxing jurisdictions.

Questions and answers followed.

Speaking in support of **SB 119**, Mike Taylor said it would give the Board of Commissioners and citizens of Wyandotte County another valuable tool to continue growing the economy, creating jobs and improving neighborhoods. ([Attachment 10](#)).

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Mr. Taylor told the Committee that with traditional local government revenues such as the Local Ad Valorem Tax Reduction Fund, Machinery and Equipment “slider” reimbursement and other dollars being stripped away on a regular basis by the Legislature, communities need more options and flexibility to pay services and fund projects which improve the community.

Christy Caldwell briefly addressed the Committee again saying that her agency thought of **SB 119** as a great tool that others states, including our neighbors in Missouri, were using to develop their communities and provide a great quality of life. They felt that Kansas would benefit as well. ([Attachment 11](#)).

Karl Capps spoke next in support of **SB 119**, saying that as a developer of 30 years in the State of Kansas, he felt this type of economic development tool had been available in a number of states for several years and he believed that in today’s economic climate we have to be competitive with our neighboring states. He felt that Kansas should add this important option to the toolbox of economic development. ([Attachment 12](#)).

Appearing next was Luke Bell who spoke in support of **SB 119**, saying it would allow cities and counties to establish a Community Improvement District to provide financing for economic development projects. The formation of these districts would be entirely voluntary through petition of property owners within the proposed district. ([Attachment 13](#)).

Lavern Squier presented testimony in support of **SB 119** saying that it was important that Kansas attract capital investment and development, including increased retail activity that stabilized local property taxes. He felt that tools such as **SB 119** would assist their efforts. He pointed out that CIDs were entirely a local option and provided significant flexibility to encourage progress and were formed via a voluntary petition of property owners with the proposed district. Stressing that a CID would not divert any sales or property tax away from any local or state government, he pointed out that district revenues could be used to finance land acquisition, horizontal or vertical development costs and some operations costs of a project. ([Attachment 14](#)).

Speaking in favor of **SB 119**, Dave Holdwick appeared once again, saying that one of the strengths of this legislation was that the Community Improvement District (CID) was formed voluntarily with the property owners within the proposed District. It would provide local municipalities another tool for their use to help stimulate local development. ([Attachment 15](#)).

Saying that another benefit was that creating the CID would no divert sales or property taxes away from other taxing jurisdictions. Also, these revenues may be used to finance land acquisition, horizontal development costs, vertical development costs and certain operational costs of the development project.

Richard Cram appeared in opposition to the advancement of **SB 119**, saying that if this proposal did advance, the Department would request an amendment that would allow them to retain 2% of the sales tax revenue collected from the CID tax to cover their administration costs. ([Attachment 16](#)).

He said the Department believed this proposal would likely cause significant proliferation of special taxing jurisdictions for the purposes of financing a greatly expanded list of types of potential projects with special local sales taxes imposed within those jurisdictions – even when there were businesses objecting to imposition of those taxes.

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Written only testimony in support of **SB 119** was offered by Eric Stafford, Dir. Of Government Affairs for Assoc. General Contractors of Kansas, Inc., ([Attachment 17](#)); Dennis Lauver, Pres. And CEO, Salina Area Chamber of Commerce, Rita Deister, Administrator, Saline County and Jason Gage, City Manager, City of Salina, ([Attachment 18](#)); Jason Hilgers, Asst. City Manager, Manhattan, ([Attachment 19](#)); Ashley Sherard, VP, Lenexa Chamber of Commerce ([Attachment 20](#)) and Northeast Johnson County Chamber of Commerce, ([Attachment 21](#)).

The meeting was adjourned at 5:20 p.m. The next meeting is scheduled for Wednesday, March 4, 2009.