



The Historic Lackman-Thompson Estate

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TO: Senator Karin Brownlee, Co-Chairperson
Senator Nick Jordan, Co-Chairperson
Members, Senate Commerce Committee

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

DATE: March 8, 2007

RE: **SB 342—Changes to Economic Development Incentive Programs**

The Lenexa Chamber of Commerce appreciates the opportunity to express its views on Senate Bill (SB) 342, which is intended to simplify and streamline key statewide economic development incentive programs.

We strongly support the business-friendly concept represented in SB 342. The current process businesses must undergo to access and retain certain state economic development incentives is often criticized for being cumbersome and complicated – so complicated that some companies are discouraged from even applying. We believe simplifying and streamlining this process could increase the state's competitiveness in attracting and retaining businesses and help to foster a more healthy and growing statewide economy.

While we applaud this step in the right direction, we do have very serious concerns about other specific proposals in the bill. We believe these proposed changes would simply put economic incentives out of reach of most growing companies and make Kansas much less competitive in attracting new businesses, particularly against our neighboring states.

First, we do not believe increasing the investment tax credit threshold from \$50,000 to \$1 million is good public policy. This significant jump effectively limits the availability of investment tax credits to only the largest companies and ignores the many growing companies that make up our economic foundation. It also does not make sense to simplify the program's application process to encourage broader participation, and concurrently increase the eligibility criteria to the point that few companies can qualify! We do understand the need to control the fiscal impact of the bill and to also ensure tax credits are awarded to projects that represent meaningful new investment in the state, so we would propose an increase in the minimum investment threshold up to a level of around \$100,000.

Second, we do not believe increasing the job creation tax credit from 5 net new jobs up to 20 jobs is good public policy. Again, this significant jump effectively limits the availability of job creation tax credits to only the largest companies – it's simply not realistic for most growing businesses. It would also put us at a specific competitive disadvantage with Missouri, which offers a job creation tax incentive based on the addition of 10 net new jobs over two years (rather than receiving a tax credit, the company is simply allowed to retain its withholding tax.) To maintain a job creation stimulus for smaller growing companies and preserve our competitiveness, we would propose the minimum job creation threshold remain at five net new jobs total.

Lastly, we do not believe eliminating the training tax credit program is good public policy. In a globally competitive marketplace, why would Kansas want to stop encouraging and rewarding employers that spend above-average resources investing in their workforce? More highly skilled workers are both more productive and earn better wages – all of which generates additional revenue for the state. We would propose not only preserving the training tax credit program, but also recognizing the 21st century workplace by including computer-based training among the program's eligible expenditures.

Without these suggested changes, SB 342 will hurt backbone Kansas businesses like Z3 Graphix, a printing operation with 32 full-time employees located on two sites in Lenexa. Z3 Graphix has consistently added employees and invested \$200,000-\$500,000 per year in additional equipment and a second operational site, all of which increased capacity and generated new revenue for the state. Z3 Graphix simply would not have been able to make these investments and hire additional employees without the investment tax credit – but under SB 342, Z3 Graphix would no longer qualify for those incentives.

While we strongly support the simplification provisions embodied in SB 342, we must oppose other specific details currently in the proposal. We sincerely hope that our concerns can be resolved so that we may fully support the bill, which we believe can enhance business attraction and expansion efforts across Kansas. Thank you very much for your time and attention to these important business issues.