

**DRAFT MINUTES**  
**Legislative Post Audit Economic Development Sub-Committee**  
**Legislative Post Audit Conference Room**  
**800 SW Jackson Street, Ste. 1200**  
**4:30 – 5:30 pm**  
**March 4, 2020**

**Call to Order**

The meeting was called to order by Chair Lynn at 4:44 p.m. in LPA Conference Room #1. Committee members present:

Senator Julia Lynn, Chair  
Representative Kristey Williams  
Representative Jim Gartner

**Consideration of Economic Development Incentive Inventory**

Sen Lynn explained the purpose of this initial meeting is to prioritize which incentives staff should evaluate.

Kristen Rottinghaus, audit manager explained the original bill (2019 HB 2223), and the types of incentives the bill included. Prior to the meeting, LPA staff identified 40 economic development incentives eligible to be evaluated. Kristen explained that LPA would like the sub-committee to prioritize which incentives staff should evaluate during the first 3-year cycle.

Rep. Williams asked how much additional funding the division might need to do this work. Justin Stowe explained that the Post Audit Committee has already approved funding for two staff positions to do this work. LPA also may contract out for some evaluation work. Going forward, LPA should be able to perform the evaluations with its current resources for at least the first few years.

LPA staff estimated they could evaluate 10-15 incentives on a 3-year cycle. Initially staff proposed including 23 incentives as candidates for evaluation during the first 3-year cycle. Staff proposed excluding 17 incentives for further consideration in this first 3-year cycle, for a variety of reasons. These included incentives not clearly related to economic development, an incentive too new to evaluate, and two incentives that could change significantly in the near future. These 17 incentives would be re-considered

for the subsequent 3-year cycle.

Sub-committee members discussed focusing on “business” incentives and those that are state-funded.

Representative Williams made a motion to make the following adjustments to the list proposed by staff. Representative Gartner seconded, and the motion carried.

**Eliminate from consideration for the first 3-year cycle:** Incentives #7, #8, #12, #13, #14, #15, #16, #17, #18, #19, and #21.

**Add to consideration for the first 3-year cycle:** Incentives #24 and #40.

The sub-committee recommended STAR Bonds, PEAK, HPIP, and the Angel Investor tax credit as a priority for staff to evaluate.

The list of evaluations identified by number is attached.

Rep. Williams asked for additional information on the Abandoned Well Plugging tax credit. Rep. Gartner specifically asked for information regarding changes to the program. Staff said they would follow up with agency officials to collect this information and report back to the subcommittee at its next meeting.

### **Discuss next meeting**

Kristen Rottinghaus discussed timelines and proposed meeting dates. The subcommittee agreed to meet March 30, same time and location. This meeting will be to identify the specific 10-15 programs for the first 3-year cycle of evaluation.

### **Adjournment**

The meeting adjourned at 5:32 p.m.

---

Nicole Blanchett, Secretary  
Legislative Post Audit Committee

date

*All handouts and other documents referred to in these minutes are on file with Legislative Post Audit. Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim and have not been submitted to the individuals appearing before the committee for editing or corrections.*

#	Incentive	LPA Description	Year Created	Number of Recipients	Incentive Value in FY 2018	Mechanism(s)	Purpose(s)	Administering Agency	LPA Notes About Incentive
<b>Incentives for Possible Evaluation During First 3-Year Cycle</b>									
1	Job Creation Program Fund (JCF)	This fund provides cash awards to businesses. Companies receive cash when they meet certain goals. These goals might include creating jobs or making investments. Payments are usually made over three years.	2011	10	\$ 2,025,000	Forgivable loan or grant	Job creation/retention Employee training/retraining Capital investment	Commerce	
2	Kansas Industrial Retraining (KIR)	This program provides worker training funds to companies. It helps workers who have obsolete or inadequate job skills or knowledge. Companies have to retrain at least one worker and pay a certain wage to qualify. They also have to show the worker would otherwise lose their job.	1988	40	\$ 412,835	Grant	Job retention Employee training/retraining	Commerce	Recipient number combined with KIT
3	Kansas Industrial Training (KIT)	This program is like the KIR program. It provides training funds to companies. It helps new workers gain the skills and knowledge they need to do their new jobs. Companies have to create at least one new job and pay a certain wage to qualify.	1988	40	\$ 412,835	Grant	Job creation Employee training/retraining	Commerce	Recipient number combined with KIR
4	Promoting Employment Across Kansas (PEAK)	This program lets companies keep some of their employees' state income tax payments. Businesses must meet several criteria to qualify. This includes hiring a minimum number of people and paying them certain wages. Businesses can receive payments for up to 10 years.	2009	140	\$ 33,691,916	Retention or refund of state withholding taxes	Job creation/retention	Commerce, Revenue	
5	Owners Promoting Employment Across Kansas (PEAK) Credit	This tax credit is for taxpayers who own and take part in companies that have relocated to Kansas. Only taxpayers who take part in the PEAK program qualify. The credit is equal to 95% of the income tax amount payable because of the business.	2011	0	\$ -	Income tax credit	Job creation Capital investment	Commerce, Revenue	
6	High Performance Incentive Program (HPIP)	This program gives companies tax credits or sales tax exemptions. Businesses have to meet several conditions to qualify. These include being in certain industries and paying certain wages. Companies can receive a credit for training their workers. They can also receive a credit for investing in certain business facilities. The credit amount depends on many factors.	1992	220	\$ 36,806,458	Income tax credit or sales tax exemption	Employee training/retraining Capital investment	Commerce, Revenue	
9	Community Entrepreneurship Investor Credit	This tax credit is for taxpayers who contribute to NetWork Kansas. The credit is equal to 50% of donations of \$250 or more.	2004	199	\$ 1,689,756	Income tax credit	Capital investment	Revenue, Kansas Center for Entrepreneurship	
10	Kansas Angel Investor Tax Credit	This program gives tax credits to qualified investors in Kansas businesses. The investor must invest in a qualifying business. They can receive a 50% credit on cash investments up to a total of \$250,000 per year.	2004	267	\$ 3,105,939	Income tax credit	Capital investment	Commerce, Revenue	
11	Telecommunications Credit	This tax credit is for certain telecommunications companies. It helps offset some of their property tax. The credit is equal to the difference between paying a 33% rate and a 25% rate.	2000	17	\$ 1,363,097	Income tax credit	Capital investment	Revenue	Eligibility restricted beginning in 2013
20	Employee Salary/Small Company Credit	This tax credit is for insurance companies that pay premium taxes. It is equal to 15% of the wages the company pays to workers employed in Kansas. For smaller companies, it is equal to a percentage of the tax they paid.	1997	409	\$ 64,743,431	Premium tax credit	Job creation/retention	Insurance	
22	Economic Development Exemptions (EDX)	This property tax exemption is for businesses in certain industries. The business has to be new or expanding to create new jobs. A city or county has to grant the exemption, which can last for up to 10 years.	1986	127	\$ 981,554,457	Property tax exemption	Job creation Capital investment	Revenue, BOTA	Incentive amount is the total of all existing awards in FY18. Each award covers several years. BOTA determines exemptions. Revenue audits businesses and maintains data.

23	Industrial Revenue Bond Exemption (IRB)	This property tax exemption is for businesses in certain industries. It is for property or projects funded with industrial revenue bonds. A city or county has to grant the exemption, which can last for up to 10 years.	2013	188	\$ 2,261,086,427	Property tax exemption	Capital investment	Revenue, BOTA	Incentive amount is the total of all existing awards in FY18. Each award covers several years. Amended a 1975 law to include more recently issued IRBs. BOTA determines exemptions, Revenue maintains data and audits businesses.
24	Abandoned Well Plugging Credit	This tax credit is for certain companies that pay to plug an abandoned oil or gas well on their land. It provides a credit equal to 50% of the cost to plug the well.	1998	Confidential	Confidential	Income tax credit	Environmental conservation	KCC, Revenue	Eligibility restricted beginning in 2013
40	STAR Bonds	This program lets cities and counties issue bonds for major projects. The city or county can only use the bond proceeds for certain expenses. It can then use the increased sales tax revenue from the project to pay off the bond. Projects must meet certain requirements to qualify.	2007	20	\$ 500,000,000	Tax-exempt bonds repaid through sales taxes	Job creation/retention Capital investment	Commerce	20 projects in 12 cities have used STAR bonds. Total distribution is an estimation of the all-time issuance total.  Sunsets in 2020. If program is extended, it may undergo substantial change during the 2020 legislative session.
<b>Incentives Not Evaluated During First 3-Year Cycle</b>									
7	Community Development Block Grant Program (CDBG)	This is a federal program the Department of Commerce oversees. It gives grants to cities and counties for projects meeting certain conditions. These projects benefit lower income Kansans or address blight or disasters. Urban cities and counties are not eligible for this program.	1984	34	\$ 59,395,265	Grant	Capital investment Community development	Commerce	Federal program, with no state funding involved. Total distribution excludes city/county matching funds.
8	Private Activity Bonds	These are tax-exempt bonds issued by cities, counties, or the state. Private entities use the bond proceeds to finance certain types of projects. This can include things like apartments, sewage facilities, or airports. Projects must meet certain conditions to qualify.	1986	8	\$ 48,998,322	Tax-exempt bonds	Capital investment Low-income assistance	Commerce	Federal program, with no state funding involved. Total distribution reflects bonds issued.
12	Community Service Tax Credit Program	This program gives tax credits to people who donate money to nonprofit organizations. Organizations can request up to \$250,000 in tax credits to give out each year. They must apply to give out these credits through a competitive process. Donors receive a credit equal to 50% of donations of \$250 or more. In rural areas, the credit is equal to 70% of donations.	1994	670	\$ 2,854,172	Income tax credit	Capital investment in non-profit organizations	Commerce, Revenue	
13	Child Day Care Assistance Credit	This tax credit is for certain companies that provide day care for their employees. They can also pay for day care or help workers find day care. The amount of the credit depends on how the company provides day care.	1989	0	\$ -	Income tax credit	Daycare coverage expansion Job creation/retention	Revenue	Eligibility restricted beginning in 2013
14	Small Employer Health Benefit Plan Credit	This tax credit is for certain companies that contribute to health benefit plans or savings accounts. Only companies with between 2 and 50 workers qualify. The amount of the credit depends on certain factors. These factors include when employees began taking part in the plan.	1990	Confidential	Confidential	Income tax credit	Health care coverage expansion	Revenue, Insurance	Eligibility restricted beginning in 2013
15	Historic Preservation Credit	This tax credit is for taxpayers who preserve certain historic buildings. The credit is equal to either 25% or 30% of certain preservation projects that cost \$5,000 or more.	2001	145	\$ 5,571,121	Income tax credit	Historic preservation Community development	Revenue, Historical Society	Numbers from KDOR do not include insurance companies
16	Individual Development Accounts and Tax Credit Program	This program allows low-income Kansans to open special savings accounts. Any person or entity who donates to this program receives a tax credit. This credit is equal to 75% of the amount they contributed.	2005	40	\$ 339,315	Income tax credit	Low-income assistance	Commerce, Revenue	

17	Temporary Assistance to Families Contribution Credit	This tax credit is for certain companies that give money to people who can get help from Temporary Assistance to Needy Families. The credit is equal to 70% of the donation. The credit amount cannot be more than the help the person would have gotten from TANE.	1994	0	\$ -	Income tax credit	Low-income assistance	Revenue, DCF	Eligibility restricted beginning in 2013
18	Low Income Students Scholarship Credit	This tax credit is for taxpayers who donate to organizations that give scholarships to attend certain nonpublic schools. The credit is equal to 70% of the donation.	2014	Confidential	Confidential	Income tax credit	Low-income assistance School choice	Revenue, KSDE	
19	Research and Development Credit	This tax credit is for certain companies that spend money on research and development. It only includes expenses allowed under the federal tax code. The credit is equal to 6.5% of the difference between what the company spent and the average of what it spent in the previous two years.	2001	166	\$ 837,380	Income tax credit	Research and development	Revenue	Eligibility restricted beginning in 2013
21	Economic Development Initiatives Fund (EDIF)	This fund supports and enhances new and existing Kansas companies in certain ways. The Legislature decides how to use the money in the fund. It gives money to certain agency programs or transfers money to other funds.	1986	7	\$ 42,286,473	Appropriated fund	Capital investment Research and development Community development	Kansas Legislature	Recipients include 5 state agencies and 2 transfers to other funds.
25	Agritourism Liability Insurance Credit	This tax credit is for certain registered agritourism operators. It provides a credit equal to 20% of the cost of their liability insurance.	2004	0	\$ -	Income tax credit	Insurance coverage expansion	KDWPT, Revenue	Eligibility restricted beginning in 2013
26	Alternative Fuel Tax Credit	This tax credit is for certain companies that buy alternative fuel vehicles or fuel stations. The amount of the credit depends on certain factors. These factors include vehicle size and the date the company started using the vehicle or fuel station.	1995	Confidential	Confidential	Income tax credit	Environmental conservation	Revenue	Eligibility restricted beginning in 2013
27	Assistive Technology Contribution Credit	This tax credit is for certain companies that give money to help people buy assistive technology. They provide this money through special savings accounts. The credit is equal to 25% of their donation up to a total of \$6,250.	2001	0	\$ -	Income tax credit	Disabled assistance	Assistive Technology for Kansans, Revenue	Eligibility restricted beginning in 2013
28	Credit For Taxes Paid to Another State	This tax credit is for taxpayers who earn income in and pay taxes to another state. It keeps them from paying state taxes twice on the same income. The credit is equal to the amount paid to the other state.	1967	123,592	\$ 358,162,198	Income tax credit	Double taxation avoidance	Revenue	
29	Disabled Access Credit	This tax credit is for taxpayers who make their property accessible to the disabled. The credit is equal to a percentage of the amount the taxpayer spent. The credit cannot be higher than \$9,000 for individuals. It cannot be higher than \$10,000 for businesses.	1978	Confidential	Confidential	Income tax credit	Disabled assistance	Revenue	
30	Environmental Compliance Credit	This tax credit is for certain companies that make refineries follow environmental standards. The credit is equal to the amount paid to change the refinery.	2006	0	\$ -	Income tax credit	Environmental conservation	KDHE, Revenue	Eligibility restricted beginning in 2013
31	Purchases From a Qualified Vendor Credit	This tax credit is for taxpayers who buy from certain vendors. The vendor must meet several criteria to qualify. This includes paying certain wages and benefits and having a workforce that is 30% Kansans with disabilities. The credit is equal to 15% of certain purchases.	2019	--	--	Income tax credit	Disabled assistance Job creation/retention	Revenue	
32	Single City Port Authority Credit	This tax credit is for certain companies that retire debt. Only debt authorized by a single city port authority qualifies. The credit is equal to 100% of the retired debt up to \$500,000.	2002	Confidential	Confidential	Income tax credit	Debt reduction	Revenue	Eligibility restricted beginning in 2013
33	Swine Facility Improvement Credit	This tax credit is for certain companies that improve certain swine facilities. The credit is equal to 50% of the cost of needed facility improvements.	1998	0	\$ -	Income tax credit	Environmental conservation	KDHE, Revenue	Eligibility restricted beginning in 2013
34	Fire Marshal Tax Credit	This tax credit is for insurance companies that pay premium taxes. It helps reduce the 1.25% tax on fire insurance companies must pay. This tax supports the Office of the State Fire Marshal. The credit is equal to the tax paid.	1984	440	\$ 8,740,710	Premium tax credit	State Fire Marshal support	Insurance	

35	Firefighter Relief Fund Tax Credit	This tax credit is for insurance companies that pay premium taxes. It helps reduce the 2% tax on fire insurance companies must pay. This tax supports firefighters relief associations. The credit varies each year depending on how much companies paid the previous year.	1984	440	\$ 2,148,041	Premium tax credit	Firefighter support	Insurance	
36	Insurance Department Service Regulation Fund Assessment Credit	This tax credit is for insurance companies that pay premium taxes. The Insurance Department can ask companies to pay a service regulation fund assessment. This helps fund the department. This credit offsets similar fees other states may make Kansas companies pay. The amount is equal to the fees paid to other states.	1992	0	\$ -	Premium tax credit	Insurance Department support Double taxation avoidance	Insurance	
37	Kansas Insurance Guaranty Association Credit	This tax credit is for insurance companies that pay an insurance guaranty association. These payments help cover claims paid by other companies that are insolvent. The credit is equal to a percentage of the payment.	1976	8	\$ 19,718	Premium tax credit	Insurance coverage protection	Insurance	
38	Kansas Life & Health Insurance Guaranty Association Credit	This tax credit is for insurance companies that pay a life and health insurance guaranty association. These payments help the association operate. They also help cover claims paid by other companies that are insolvent. The credit is equal to a percentage of the payment.	1973	346	\$ 3,035,193	Premium tax credit	Insurance coverage protection	Insurance	
39	Rural Opportunity Zones	This program gives benefits to people who move to certain rural parts of Kansas. It provides a state income tax exemption for up to 5 years. For college graduates, it also forgives up to \$15,000 in student loan debt.	2011	499	\$ 1,361,411	Income tax exemption or student loan debt forgiveness	Job creation Debt reduction	Commerce, Revenue	Sunsets in 2022