

Kansas Economic Development Policy and Programs

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Overview

- Concept and components of economic development
- Kansas economic development policy
- Economic development tools
- Kansas economic development programs and incentives

Economic Development

What do we mean by economic development?

- *Broadly* – Process involving economic growth and the development of its contributing factors
- In public policy –
 - Incentives and other tools are used to strategically guide this process to promote economic prosperity or foster particular economic and societal outcomes

Economic Development

What kinds of things are included in economic development?

- Workforce development
- Business & industry development
- Infrastructure development
- Community development
- etc.

Kansas Economic Development Policy

Kansas Economic Development Policy

How is economic development defined in Kansas law?

- No clear definition of “economic development” in Kansas law, but...
 - Many examples of the kinds of things economic development entails
 - Definite (but often vague) statements about the kinds of results intended to be achieved by enacted policies.

Kansas Economic Development Policy

The **Kansas Economic Development Act** (1963)¹ clearly outlined public policy on economic development:

Purpose: “To promote, stimulate and encourage development of the general economic welfare and prosperity of the state...”

Method: “... through the promotion and development of industry, commerce, agriculture, labor and natural resources”

Goal: “... in order to create additional employment opportunities, increase personal income and promote the general welfare of the people of this state.”

¹ KSA 74-5002.

Kansas Economic Development Policy

This statute also lists outcomes deemed necessary to be fostered in order to achieve the overall goals:

...diversification and attraction of additional industry...

...expansion of existing industry...

...creation of new uses for agricultural products...

...accelerated development of natural resources...

...greater emphasis on scientific research...

...development of new markets...

¹ KSA 74-5002.

Kansas Economic Development Policy

- The Act created the **Department of Economic Development** to:
 - Attain the stated outcomes of the policy, and
 - Coordinate the activities of public and private groups engaging in such efforts.
- Facing severe economic downturn in the mid-1980s, the Legislature:
 - Commissioned an economic development study in 1985, and
 - Enacted several policy measures in 1986 to promote sustained economic growth.
- The Department of Economic Development was reformed as the **Department of Commerce** with no change to the original public policy mandate.
- The Economic Development Initiatives Fund (EDIF) was created to finance programs supporting the development and expansion of business and industry in Kansas.

Kansas Economic Development Policy

- The House and Senate standing commerce committees were also created in 1986¹ with a purpose similar to that of the Department of Commerce:
 - Facilitate growth, diversification, and expansion of existing business
 - Promote increased productivity, innovation, and creation of new business
 - Maintain and revitalize economically depressed areas through targeted resource allocation in close collaboration with local communities
 - Ensure a productive workforce that meets the needs of the economy
- The same year, the Kansas Constitution was also amended² to authorize local governments to provide property tax exemptions to businesses for economic development purposes for up to 10 years.

¹ KSA 46-1601; ² L. 1986, ch. 423, § 1.

Economic Development Tools

Economic Development Tools

What kinds of tools are used for economic development?

- **Tax incentives**, which can include:
 - Credits
 - Investment credits, refundable credits, transferable credits, carry-forward
 - Exemptions/abatements
 - Rebates/refunds

Economic Development Tools

What kinds of tools are used for economic development?

- **Financing tools**, which can include:
 - Direct payments – state-awarded grants, reimbursement funding
 - Loans or loan guarantees
 - Government-issued bonds
 - Incremental tax financing
 - Special tax levies and assessments (local)
 - Transferable income tax credits

Economic Development Tools

What kinds of tools are used for economic development?

- **Other incentives**, such as:
 - Reimbursement for expenditures
 - Workforce services
 - Administrative resources
 - Infrastructure support

Kansas Economic Development Programs

Economic Development Programs

What are some of the major programs for economic development?

- Attracting Powerful Economic Expansion (APEX)
- High Performance Incentive Program (HPIP)
- Promoting Employment Across Kansas (PEAK)
- Kansas Angel Investor Tax Credit Program (KAITC)
- Aviation and Aerospace Tax Credits (AATC)
- Kansas Industrial Training/Retraining Programs (KIT/KIR)
- Job Creation Fund (JCF)
- Rural Opportunity Zones (ROZ)
- STAR Bonds
- Industrial Revenue Bond (IRB) Exemptions

Economic Development Programs: APEX

Attracting Powerful Economic Expansion (APEX)¹

- Aims to attract large capital investments in specified industries:
 - Advanced manufacturing and aerospace
 - Distribution, logistics, and transportation
 - Food and agriculture
 - Professional and technical services
- Provides tax incentives to qualified firms who agree to invest at least \$1.0 billion in Kansas within a five-year period and to up to five qualified suppliers.

¹ KSA 74-50,311 through 74-50,324

Economic Development Programs: APEX

Available APEX incentives:

- Refundable investment tax credits for capital investment
 - **Firms**: up to 15% **Suppliers**: scaled based on amount, up to 10% of first \$100 million
- Sales tax exemption for construction costs of qualified business facilities
- Partial payroll rebates for up to 10 years
 - **Firms**: up to 10% of total payroll cost **Suppliers**: up to 65% of withholding tax
- Up to 50% reimbursement for employee training and/or relocation expenses

Economic Development Programs: HPIP

High Performance Incentive Program (HPIP)¹

- Provides tax incentives for qualifying employers paying above average wages who provide training and skills development for employees:
 - A transferable, 10% investment tax credit for eligible capital investments in qualifying firms that can be carried forward up to 16 years
 - Tax credit of up to \$50,000 for investments in employee training exceeding 2% of total payroll costs
 - Non-transferable and must be claimed in the year in which the investments were made
 - Sales tax exemption for costs of construction or improvement of qualified businesses

¹ KSA 74-50,131.

Economic Development Programs: PEAK

Promoting Employment Across Kansas (PEAK)¹

- Designed to encourage economic development and job creation by incentivizing companies to locate, relocate, expand, or retain their business facilities/operations and related jobs.
- Eligible companies can retain 95% of state payroll withholding tax of PEAK-eligible employees who receive wages at or above the county median wage, for a benefit period of up to 10 years.

¹ KSA 74-50,210 through 74-50,216.

Economic Development Programs: Angel Investors

The Kansas Angel Investor Tax Credit Program (KAITC)¹

- Provides a transferable tax credit for up to 50% of a private investor's cash investment up to \$50,000 in qualified securities of a Kansas business.
- Credits are capped at \$350,000 per investor and \$100 million per business.
- The program sunsets after tax year 2026.
- Credits are capped at \$7.5 million in TY25 and \$8.0 million in TY26.

¹ KSA 74-8131 through 74-8137.

Economic Development Programs: AATC

Aviation and Aerospace Tax Credits (AATC)¹

- Provides an employer hiring incentive and tuition reimbursement for newly hired employees of up to \$5,000 per year, up to \$25,000 total
- Employer non-refundable tax credit of 10% of compensation up to \$75,000 in credits per employee
- Employer tax credit of up to 50% percent of employee tuition in a qualified program for up to four years
- Qualified new hires can receive a state income tax credit up to \$5,000 per year

¹ KSA 79-32,290 through 79-32,293.

Economic Development Programs: KIT/KIR

Kansas Industrial Training/Retraining Programs (KIT/KIR)¹

- Provides reimbursements for expenses related to training and skills development of workers with wages at or above the median county wage.
- KIT is available to firms creating net new jobs.
- KIR is available as an employee retention tool for firms that are restructuring.
 - KIR requires a dollar-for-dollar employer match.

¹ KSA 74-5066, 74-5067.

Economic Development Programs: ROZ

Rural Opportunity Zones Program (ROZ)¹

- Provides student loan repayment assistance and state income tax credits to incentivize relocation to rural Kansas.
- 95 designated ROZ counties can offer one or both benefits.
- Loan repayment recipients can receive up to a total of \$15,000 in student loan repayment assistance over 5 years.
- Income tax credit recipients may receive a 100% credit for up to 5 years.

¹ KSA 79-32,267

Economic Development Programs: JCF

Job Creation Program Fund (JCF)¹

- The JCF was combined from two programs: Investments in Major Projects and Comprehensive Training (IMPACT) and Kansas Economic Opportunities Initiatives Fund (KEIOF).
- Provides state-awarded grants to fund projects promoting job creation and economic development.
- Funds are awarded to companies that agree to create or retain a certain number of jobs or achieve other economic development goals.

¹ KSA 74-50,224 et seq.

Economic Development Programs: STAR Bonds

STAR Bonds Program¹

- The STAR Bonds program is a tax increment financing program that allows city governments to issue special revenue bonds to pay for major development projects within a “sales tax and revenue” (STAR) bond district.
- Bonds are repaid by any incremental city or county tax revenue from transient guest taxes and local sales/use taxes collected within the district.
- A designated portion of increased state sales/use tax revenues also may be used to repay the bonds, which typically have a 20-year repayment period.
- The program sunsets in July 2026.

¹ KSA 12-17,160 through 12-17,179.

Economic Development Programs: IRBs

Industrial Revenue Bonds (IRB) and Tax Exemptions¹

- IRBs are issued by cities, counties, and the Kansas Development Finance Authority.
- Proceeds from the sale of bonds to private investors enable companies to purchase land and pay for costs of building and equipping new facilities or improving and expanding existing facilities.
- Interest payable on IRBs is exempt from Kansas income taxation, which reduces the rates by 2.0 to 2.5 percent below comparable taxable bonds.

¹ KSA 12-1740 et seq; 74-8901; 79-201a; 79-3606.

Economic Development Programs: IRBs

Industrial Revenue Bonds (IRB) and Tax Exemptions¹

- Properties financed with IRBs qualify for:
 - Property tax abatements of up to 100% percent property tax for 10 years on real property, and
 - A state and local sales tax exemption on costs of building materials, labor, and fixed machinery and equipment.

¹ KSA 12-1740 et seq; 74-8901; 79-201a; 79-3606.

Economic Development Programs: Other tools

Other programs and tools (not exhaustive)

- The [KDOT Economic Development Program](#) provides grants for transportation improvements that can be shown to support job growth and capital investment in the state.
- [Utility Incentive Programs](#) provide discounted rates or other cost-saving tools to companies looking to establish or grow operations in Kansas.
- [Tax Increment Financing](#) (TIF) is used to fund industrial, commercial, intermodal transportation, and residential projects that use the incremental increase in property taxes to finance improvements within the TIF district.
- [Property Tax Abatements](#) of up to 100% percent of property tax for 10 years on real property are authorized by the Kansas Constitution.

¹ KSA 12-1740 et seq; KSA 74-8901; KSA 79-201a.

Questions?