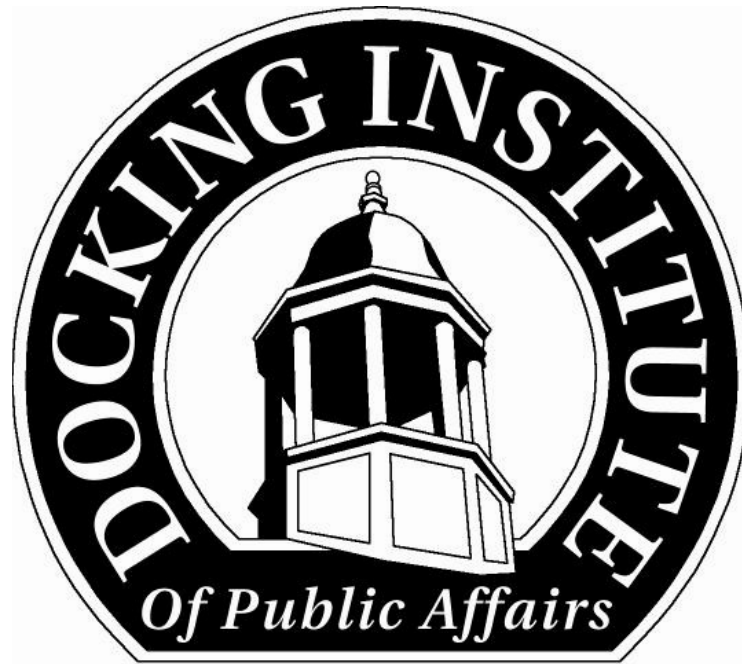


# Promoting Employment Across Kansas Program Evaluation and Economic Impact Analysis



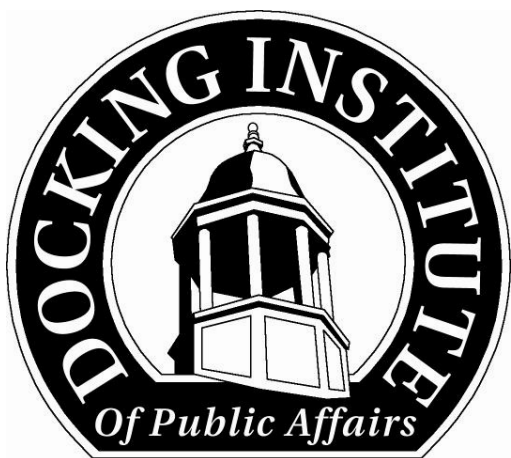
Prepared For

**Kansas Department of Commerce**

Prepared By

**The Docking Institute of Public Affairs  
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Mission:

To Facilitate Effective Public Policy Decision-Making.

The staff of the Docking Institute of Public Affairs and its  
University Center for Survey Research are dedicated to  
serving the people of Kansas and surrounding states.

# Promoting Employment Across Kansas Program Evaluation and Economic Impact Analysis

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In pursuit of  
The Docking Institute's Public Affairs Mission

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## Table of Contents

Executive Summary .....	5
Introduction to the Study .....	7
Survey of PEAK Participants .....	7
Survey Methodology .....	8
Analysis of Survey Item Distributions .....	9
General Satisfaction (Figure 1) .....	9
Ease of Application Process (Figure 2) .....	10
Ease of Reporting Process (Figure 3) .....	11
Business Outlook for 2014 (Figure 4) .....	12
Number of Employees Expected to Hire in 2014 (Figure 5) .....	13
Whether Participation in PEAK was Worth the Effort (Figure 6).....	14
Percentage of Employees Would Have Hired W/O PEAK (Figures 7) ..	15
Employees Would Have Hired Without PEAK by Type of Participant (Figure 8) .....	16
Participation in Other Dept of Commerce Programs (Figure 9) .....	17
Whether Would Recommend PEAK to Others (Figure 10) .....	18
Suggestions for Improving PEAK .....	18
Crosstabulation Analyses by Type of Participant .....	19
General Satisfaction (Figure 11) .....	19
Ease of Application Process (Figure 12) .....	20
Ease of Reporting Process (Figure 13) .....	21
Business Outlook for 2014 (Figure 14) .....	22
Whether Participation in PEAK was Worth the Effort (Figure 15).....	23
Participation in Other Dept of Commerce Programs (Figure 16) .....	24
Economic Impact .....	25
Discussion of Data Limitations (Table 1).....	25
Hiring Patterns (Table 2 / Figures 18 – 20) .....	26
Employee Wages (Tables 3 – 7 / Figure 21).....	29
Analysis and Findings .....	32
Jobs and RIMS II (Tables 8 – 12) .....	32
Discussion of Capital Investment .....	33
Literature Review .....	35
Appendices .....	43
Appendix A: Open-ended Narrative Responses .....	43
Overall Dissatisfaction with PEAK .....	43
Dissatisfaction with the Application Process .....	43
Dissatisfaction with the Reporting Process .....	45
Suggestions for Improving Program .....	46
Appendix B: Estimated Revenue for PEAK Firms by NAICS .....	49
Appendix C: PEAK Applicants by Project Type .....	49
Appendix D: PEAK Applicants by County .....	50
Appendix E: NAICS Growth Rates (GDP) for Kansas with Number of PEAK Firms by NAICS .....	51
Appendix F: Percentage of PEAK Jobs by NAICS .....	53
Appendix G: Estimated Revenue per Employee and Estimated Payroll per Employee .....	55

## Executive Summary

- The evaluation of the Promote Employment Across Kansas (PEAK) Program showed the Program to be highly successful with regards to both participant satisfaction and the economic impact on the State of Kansas.
- A total of 4,725 PEAK eligible jobs are reported from the 84 participating firms to date. An additional 6,350 indirect jobs are created as a result, for a total of 11,075 jobs created from the PEAK Program.
- According to the IMPLAN analysis, the direct economic effect of the PEAK Program on the Kansas economy is \$4,895,832,476. The indirect (change in business spending) effect is \$1,453,674,532. The induced (change in household spending) effect is \$1,244,331,450, for a total economic impact of \$7,593,838,458.
- The total PEAK eligible wages over the 6.4 year horizon for the 126 firms currently in the PEAK Program is projected to be \$2,492,151,660. This is 96 percent of total projected wages. Of the remaining 4 percent of the total projected wages, the State of Kansas retains the employee withholding taxes. On an average annual basis, the eligible wages are \$389,109,181.
- For each \$1 of foregone revenue used by the PEAK Program, the Kansas economy grows \$960.
- Although not every new job created by PEAK firms can be directly attributed to the PEAK Program, our analysis suggests that 60% of the economic benefits cited in the previous bullets can be directly attributed to the PEAK Program.
- Respondents indicated that 75% of the new employees hired under the PEAK Program would have been hired even if the PEAK Program never existed. However, all of the new employees hired by PEAK firms relocating to Kansas represent additional jobs for the State, regardless of whether they would have been hired without the PEAK Program. These employees, plus most of the PEAK employees of firms starting or already located in Kansas which respondents indicated would not have hired had it not been for the PEAK Program, represent 60% of the employees hired under the PEAK Program.
- Participant satisfaction with the Program is high, with over 90% of respondents reporting satisfaction with the Program and 60% saying they were “very satisfied.” No respondents said they were “very dissatisfied.”
- Although most (60%) respondents found the quarterly and annual reports easy to complete, over half 53% found the application process difficult to complete. Less than 10% found each of these two requirements to be “very difficult.” Those expressing dissatisfaction commented mainly on the time and resources needed to meet the application and reporting requirements. Several thought the process could be made easier.
- Over three-fourths (78%) of respondents expect to hire an additional 1,280 additional employees in 2014, while only two respondents (9%) said they expect their businesses to decline in 2014. Projecting this rate to the non-

respondents yields a projected total of 2,782 new employees to be hired by PEAK Program participants in 2014.

- Respondents expressed a high level of cost-benefit in participating in PEAK, with three-fourths saying participation has been “well worth” the effort involved. Only 9% indicated that participation was not worth the effort.
- Three-fourths of respondents said they participated in other Kansas Department of Commerce programs. Of these, the most commonly cited were the High Performance Incentive Program and the Kansas Industrial Training Program.
- The vast majority (97%) of respondents said they would recommend the PEAK Program to business owners from other states. Only one respondent indicated they would not.
- Some differences were found between PEAK participants relocating from outside Kansas and those businesses that were starting or already located in Kansas. Respondents moving their businesses into Kansas were **more likely** to 1) be satisfied overall with the Program, 2) find the application process difficult, 3) find the reporting process easy, 4) expect their businesses to stay the same size in 2014, as opposed to growing, 5) find participation in PEAK to be “well worth” the effort, and 6) not participate in other Commerce programs.
- Suggestions for improving the Program included 1) make the application and reporting procedures easier and less time consuming, 2) advertise the Program better so that more business owners are aware, 3) add more benefits and incentives, and 4) find a way to refund businesses more quickly.
- The results described in this report represent preliminary findings of a program whose full potential cannot be documented with confidence at this time. However, the preliminary findings show that the Program has been implemented well, with high levels of satisfaction among participants regarding time demands and cost-effectiveness.
- The economic value of the PEAK Program for the Kansas economy is manifest, as demonstrated by the extremely high ratio of increased economic activity to tax incentives provided. This, together with the delayed compensation structure of the Program leads the Principal Investigator to confidently conclude that the economic benefits of the PEAK Program equaled the costs of the Program in the first year. As the analyses have shown, the Program is now generating considerably more revenues for the State of Kansas than the costs of operating the Program.

## **Introduction to the Study**

The Docking Institute of Public Affairs (Institute) has performed economic impact research to determine the economic impact (Outcomes) of the Promoting Employment Across Kansas (PEAK) Program on the Kansas economy. The study attempts to determine whether the economic benefits to the State resulting from the additional employment generated by the Program outweigh the costs of implementing and sustaining the Program. The analysis will include all active participants from all phases of the Program, which include 1) employees of participating businesses that relocated to Kansas from out of state, 2) employees of participating new businesses in Kansas, and 3) additional employees hired by existing Kansas businesses. A Preliminary Report was delivered on August 12, 2013. After receiving feedback and comments from Department of Commerce representatives, this final report of the results includes an executive summary, comprehensive literature review, graphs of the relevant indicators and tables summarizing the quantitative economic impact of the PEAK Program.

### **Study objectives:**

- Estimate the direct and indirect impacts of new employees in Kansas hired under the PEAK Program.
- Estimate the proportion of new employees in Kansas hired under the PEAK Program that would not have obtained their jobs had the PEAK Program not existed.
- Estimate the time at which the economic benefits of the PEAK Program to the Kansas economy surpassed or will have surpassed the costs of the Program.

Standard economic impact analysis methodology utilizing the 2009 Implan<sup>®</sup> software/data will be applied in estimating the direct and secondary (indirect and induced) economic impacts resulting from employment incentivized by the PEAK Program.

## **Survey of PEAK Participants**

In addition to assessing the outcomes of the PEAK Program, this study also includes a process evaluation component, where the methods for implementing the Program are evaluated based on anonymous comments from Program participants. Participants' anonymous opinions of the Program's application and reporting protocols, as well as the degree to which they felt their businesses benefitted from the Program, were collected using a self-report telephone survey. A program that is perceived as requiring relatively little investment of time and cognitive energy, translating to business costs, will be much more likely to be deemed cost-effective by the typical business owner. So it is important for Program administrators to assess the perceived costs of participation, as well as identify specific problems that

participants may be having in applying for the Program and meeting the reporting requirements, so that modifications can be made to address problematic areas and make the process more user-friendly.

### **Survey Methodology**

The sample was developed from the Program's internal records, which contained the identities of Program participants, the names of their respective businesses and contact information in the form of their business phone numbers. Sample data were updated during data collection, as some of the original names and email addresses provided were no longer valid. Current contact information for all subjects was eventually obtained.

The survey instrument was developed by Institute researchers based on preliminary conversations with Kansas Department of Commerce (Commerce) representatives. Some questions were designed to measure satisfaction with the overall Program and specific procedures required for participation. Other questions measured the perceived benefits of Program participation for the business owner, such as whether participation was a cost-effective activity. Open-ended questions were developed to solicit detailed descriptions of problems respondents may have had with the Program and suggestions for improving it. The final draft was approved by designated representatives of Commerce.

The questionnaire was administered to Program participants using Ci3 CATI telephone survey software by Sawtooth®, a highly versatile application with multiple features for maximizing response and data quality. The system manages case files, automatically tracking each attempt to reach each respondent and processing each case according to the attempt outcome. Multiple attempts at various days and times were programmed for each case, to maximize the chance of catching the respondent when they were available. The system presents the questionnaire items to each interviewer, automatically navigating any skip patterns in the survey instrument, and enters the response data directly into a digital data base as the interviewer keys in the responses. When data collection is complete, the system downloads all survey data directly into an SPSS statistical software data base for analysis.

Interviews were conducted between June 24 and July 16, 2013. A total of 55 interviews were completed, for a response rate of 46%. Since the entire population was included in the sample, there is no margin of error. Although this response rate is on the low end of typical telephone surveys, there were only 8 respondents who refused to participate. Most of the non-response was due to inability to contact the designated respondent due to no answers, answering machines and gatekeepers. Some respondents felt that they had not been in the Program long enough to offer valid critiques. However, the response was high enough to obtain valid estimates of



the indicators, and highly valuable qualitative data were obtained from the open-ended responses.

Aggregated statistics were generated for the quantitative data, and the qualitative data were organized to establish which of the narrative sentiments were most common. The results of these analyses are presented below. The frequency distributions for all close-ended questions are presented, as well as cross tabulations by the type of participant, which indicate how certain type of participants tend to answer questions a certain way.

### Analysis of Survey Item Distributions

Figure 1

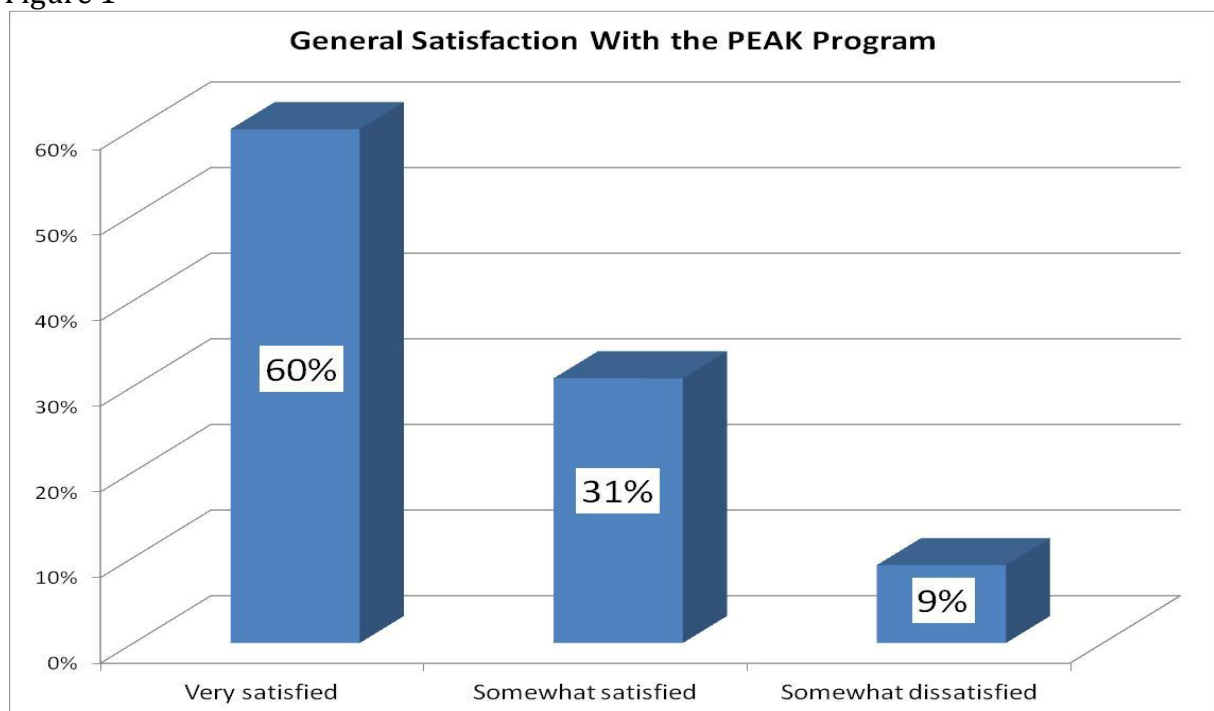


Figure 1 shows the results of the first survey question asking about overall satisfaction with the PEAK Program. Over nine-tenths of all respondents indicated overall satisfaction with the PEAK Program, while well over half (60%) said that they were “very satisfied” with PEAK. Only 5 out of 55 respondents indicated any dissatisfaction at all, while none indicated that they were “very dissatisfied.” A follow-up question was asked of the 5 respondents indicating that they were “somewhat dissatisfied” with the overall Program, asking them to describe in detail the source of their dissatisfaction. Responses included the process took too much time, the process was cumbersome or there were too many “hoops” in the process. Several said they were still waiting for financial compensation to be received. One said the bookkeeping requirements outweighed the benefits. Verbatim responses can be viewed in Appendix A.

Figure 2

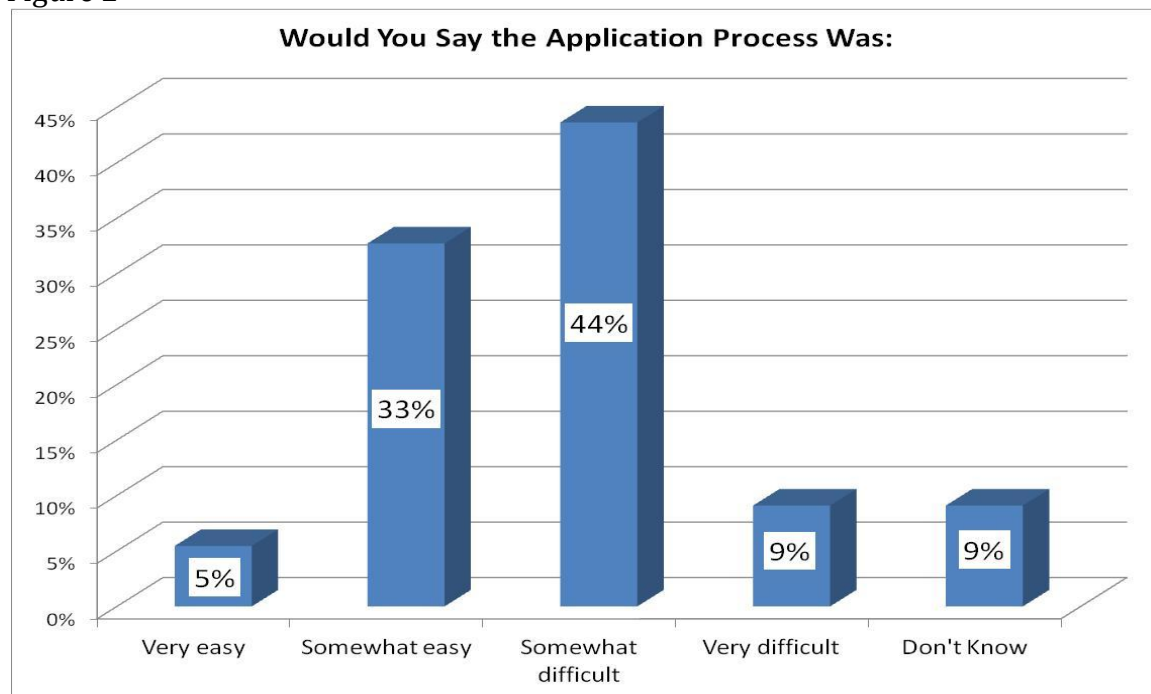
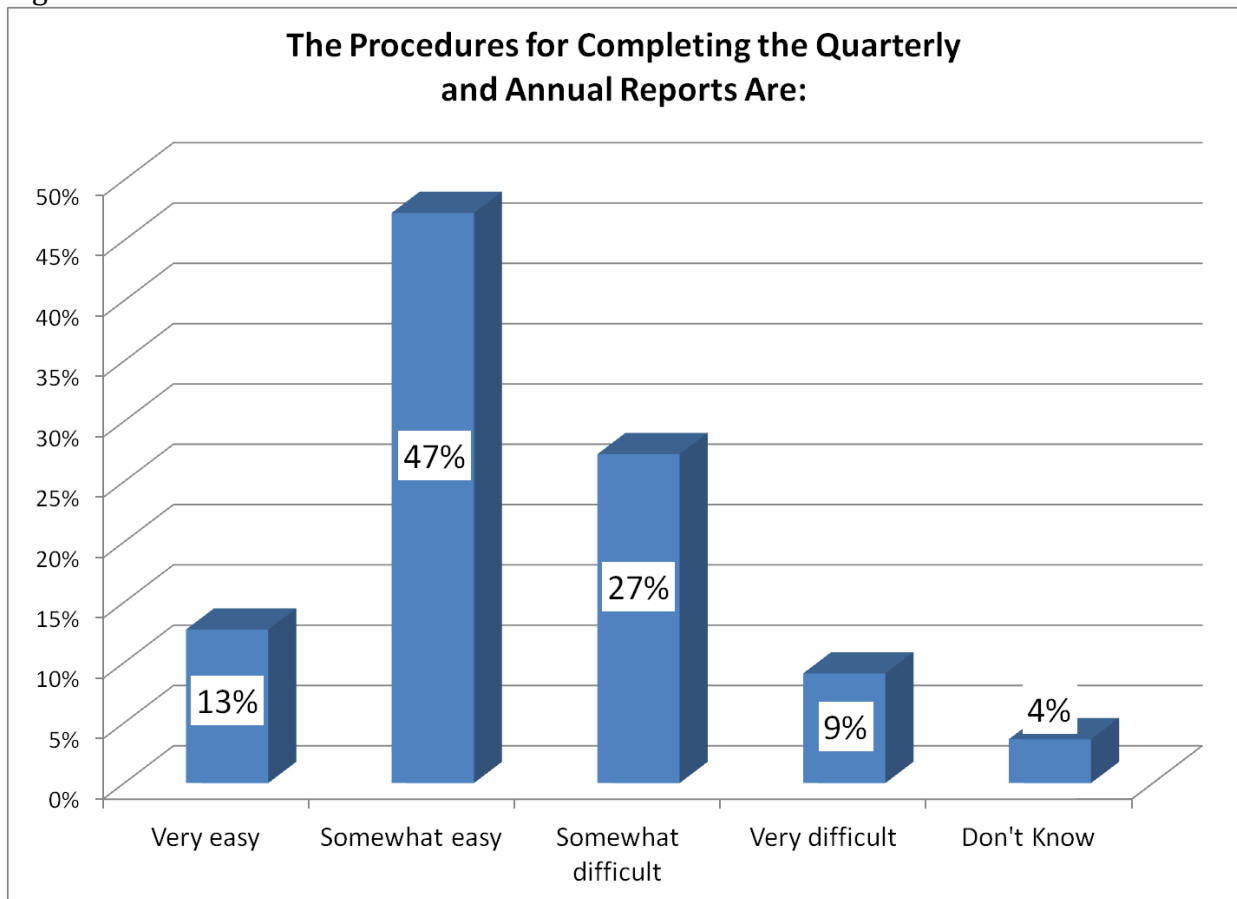


Figure 2 shows the response distribution for the survey question asking about experiences in applying for the PEAK Program. Although well over one-third indicated that had little or no difficulties, over half described the application process as difficult. Most of these respondents reported minimal difficulties, but almost one-tenth described the application process as “very difficult.”

A follow-up question was asked of all respondents indicating that they found the application process difficult, asking them to describe in detail the nature of the difficulty. Virtually all of these respondents commented. Responses were highly varied, but common themes were the length of the process, general difficulty of understanding what or how information about one’s business should be submitted, confusion regarding terms, needing assistance from Department of Commerce representatives or other consultants, redundant forms, being asked to speculate on future situations, errors on the forms and not having enough information early in the process. Verbatim responses can be viewed in Appendix A.

Figure 3



Respondents were asked to rate how easy or difficult it was to complete the quarterly and annual reports required of all Program participants. Figure 3 shows that respondents did not find the reporting requirements as difficult as the application process. Six out of 10 respondents said they found the reporting requirements easy, while only about one-third found them difficult.

Respondents who reported difficulties with completing the reports were asked to describe in more detail the nature of their difficulties. Most provided a response. The comments for this question were more congruent than those reported for the application process. Several said the process was too long, confusing and/or technical, often requiring an outside consultant to clarify. Two mentioned confusion in distinguishing between PEAK employees and PEAK eligible employees. One commented that the reporting format did not match the standard business report format. One said that quarterly reporting was too frequent. One said reporting was difficult when an employee's salary changes. Another felt that the process could be more automated. Verbatim responses can be viewed in Appendix A.

Figure 4

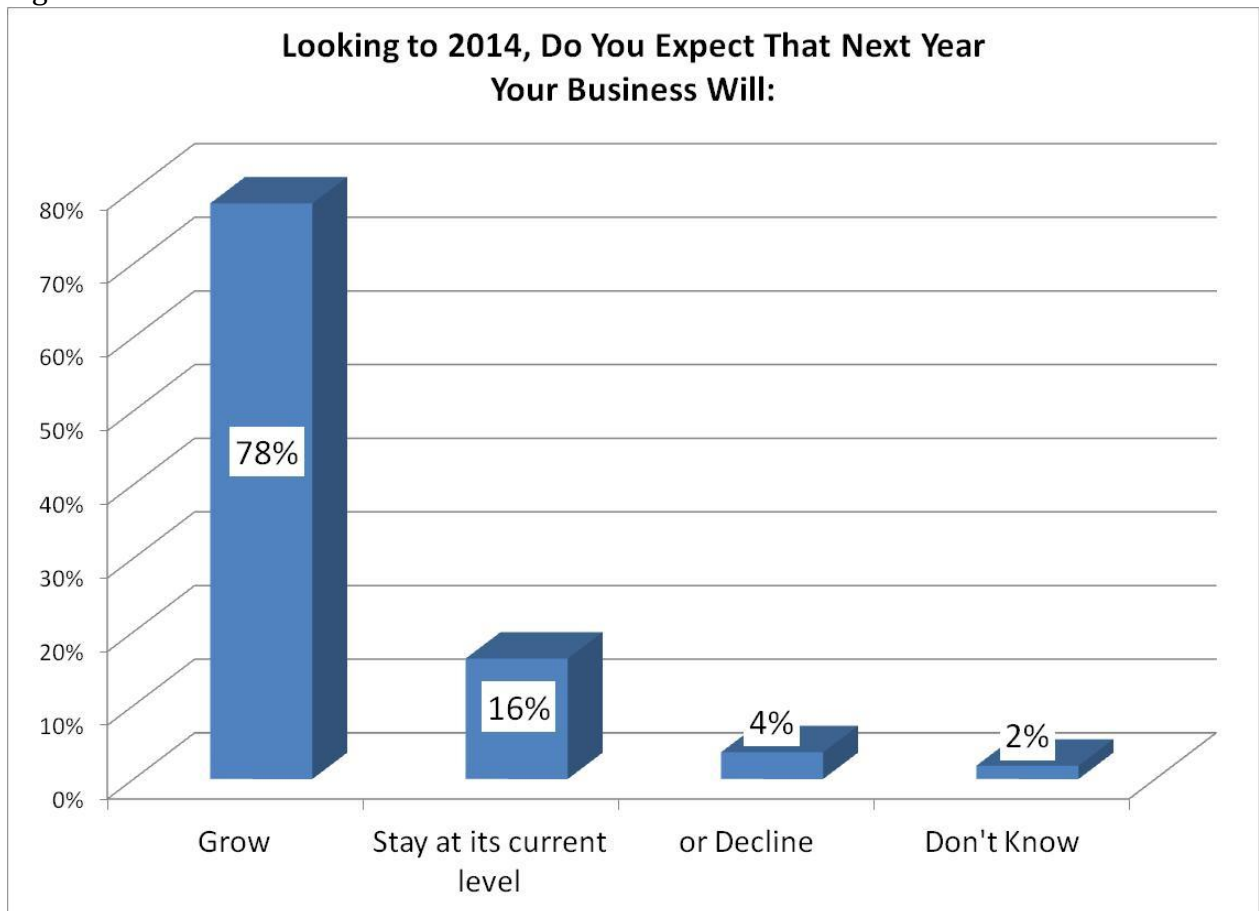
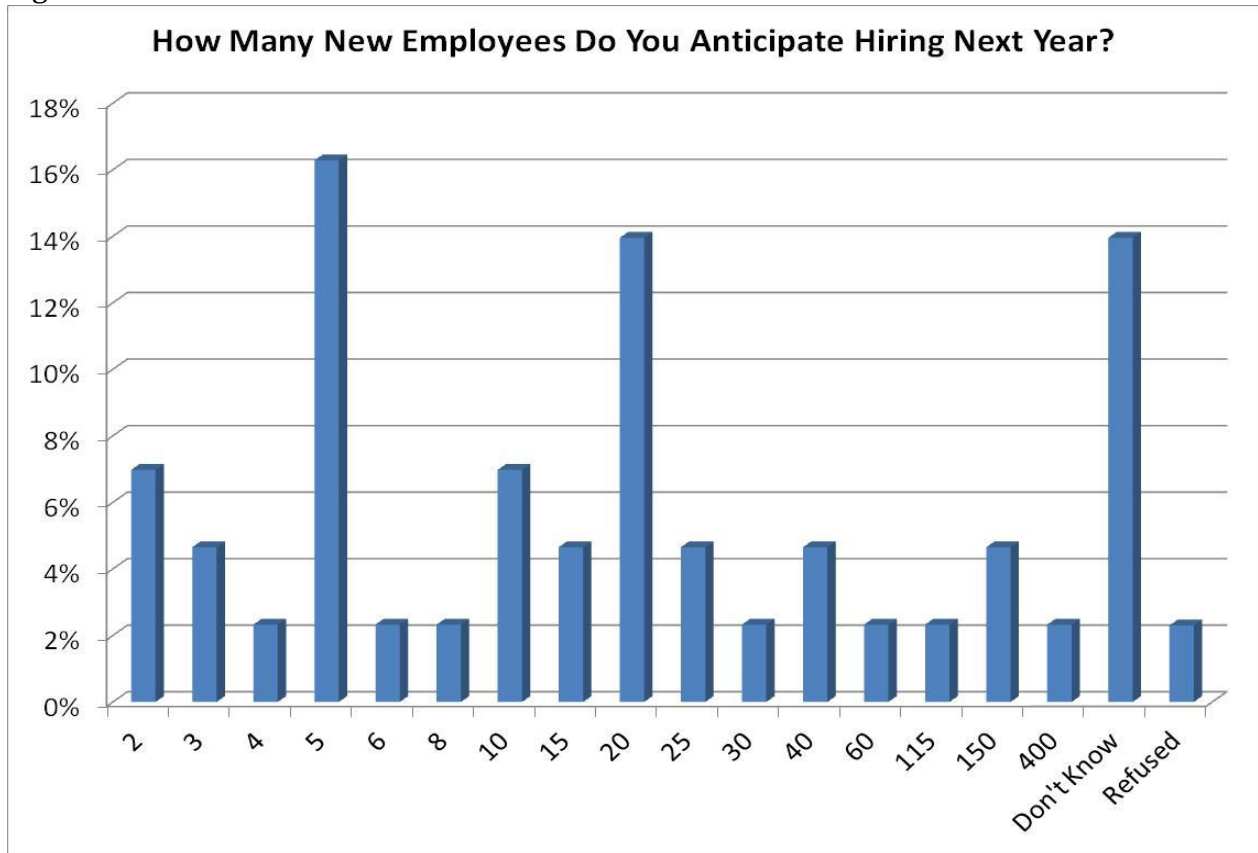


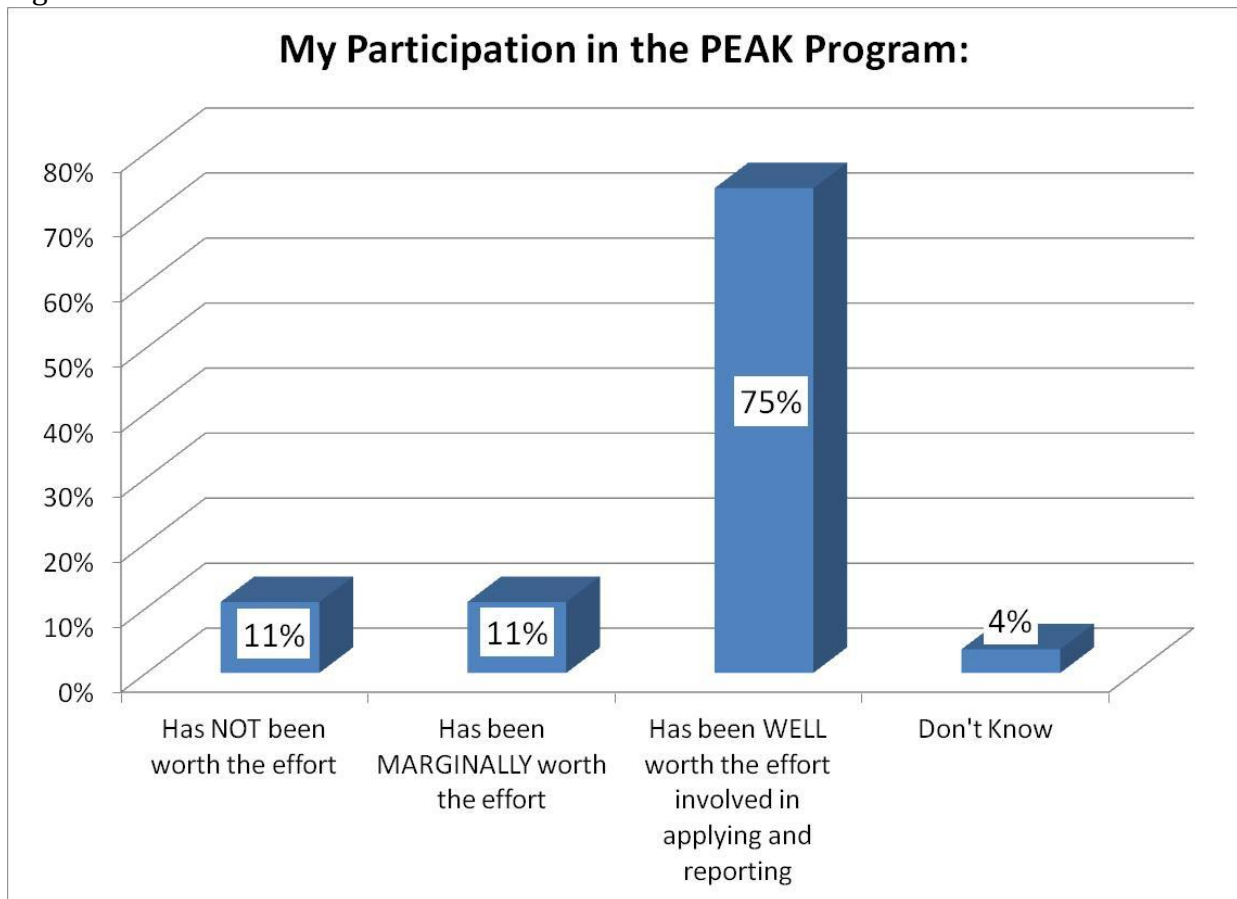
Figure 4 shows that, when asked whether they expected their business to grow, decline or stay the same, over three-fourths said they anticipated growth in 2014. Most of the remainder expected stable business in 2014. Only two respondents believed their business would decline in 2014, and one was too unsure to answer.

Figure 5



Respondents who indicated that they expected their businesses to grow in 2014 were asked how many new employees they anticipated hiring in 2014 as a result of their growth. Figure 5 shows highly varied responses to the question, ranging from 2 to 400 new employees. Combined, 36 respondents reported a total of 1,280 additional employees they anticipated hiring in 2014 as a result of their businesses growing. Note that this number does not include the 54% of PEAK businesses that did not respond to the survey. Although it is intuitive that the more successful PEAK businesses might be more likely to respond to the survey, there should be considerably more new hires at all PEAK businesses combined. If we assume that non-respondents to the survey are similar to respondents, we estimate that PEAK participants anticipate hiring 2,782 new employees in 2014.

Figure 6



Respondents were asked to report whether the time and effort they were required to invest in participation in the PEAK Program was worth the effort. Figure 6 shows that three-fourths of respondents indicated participation in PEAK was “well” worth the effort involved in applying and completing the required quarterly and annual reports. Another 11% indicated that it was “marginally” worth the effort. Only 6 out of 55 (11%) respondents indicated that the benefits involved in participating in PEAK were not worth the effort. Two respondents were uncertain.

A critical question when assessing the true cost-effectiveness of the PEAK Program is, “How many of the additional employees hired by PEAK participants to meet the requirements for tax incentives would have been hired even if the PEAK Program had not existed?” All employees of PEAK Program firms who moved their businesses to Kansas, regardless of whether they were new or would have been hired even if the PEAK Program had existed, represent additional jobs for Kansas. For PEAK participants whose businesses were already located in Kansas, employees who would have been hired even if the PEAK Program did not exist cannot be attributed to the PEAK Program.

It is intuitive from a business owner’s perspective that those who anticipate an increased demand for labor for their businesses would find the PEAK requirements

for new employees more easily obtainable than business owners with no anticipated need for additional labor, and thus be more likely to apply for and participate in the PEAK Program. So it is unrealistic to assume that all new employees hired by PEAK participants would be a direct result of participation in the Program. It is also unrealistic to assume that an empirical measurement can be made, given the subjective and speculative nature of the indicator. However, given the importance of this indicator to an accurate assessment of the impact of the PEAK Program, an attempt is made.

In an attempt to measure the proportion of new hires by participating PEAK businesses that are a direct result of the PEAK Program, a survey question was constructed to obtain an estimate from each respondent of what percentage of the new employees they hired to meet the criteria for obtaining the resultant tax benefits of the PEAK Program would have been hired anyway, had the PEAK Program not existed. Figure 7 shows the resultant distribution.

Figure 7

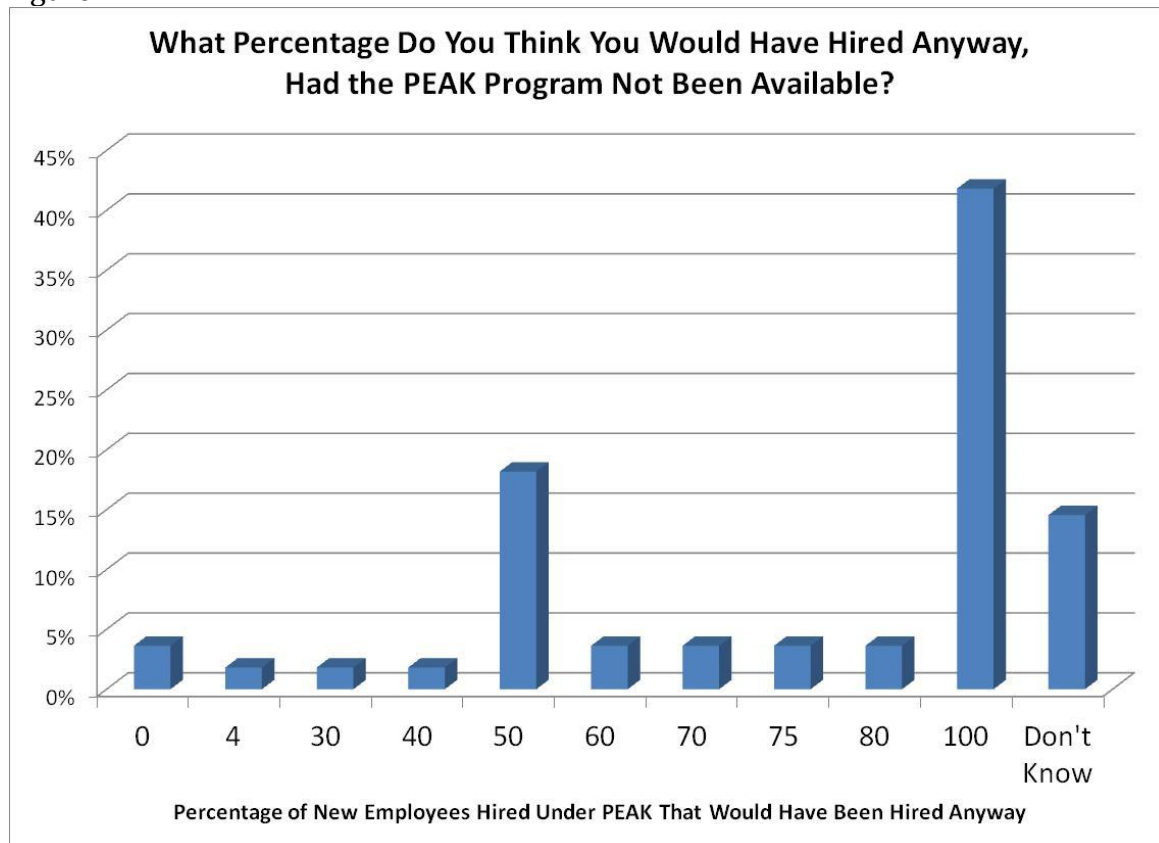


Figure 7 gives an indication of the proportion of new employees hired to meet the criteria for tax benefits that would have been hired even if the PEAK Program had not existed. Just over 40% of respondents indicated that, as of the time of the survey interview, all of the new employees hired would have been hired anyway. About 17% indicated that half would have been hired anyway. The mean value is

74.87%, suggesting that about 25% of the total new employees hired to meet the PEAK criteria would not have been hired but for the PEAK Program. However, since firms who relocate from other states bring all of their employees to Kansas, the employees they would have hired without the PEAK Program represent additional jobs for Kansas, so about 60% of the total new employees hired to meet PEAK criteria can be directly attributed to the PEAK Program.

It is important to note that the employees that would have been hired anyway would be the first employees hired, and the employees hired late in Program participation would tend to be the ones that would not have been hired had it not been for the PEAK Program. It is especially important to note that all of the employees hired by relocating participants represent additions to the Kansas workforce as a result of the PEAK Program, since without the PEAK Program, the employees that would have been hired without the PEAK Program would have been hired in another state.

Figure 8

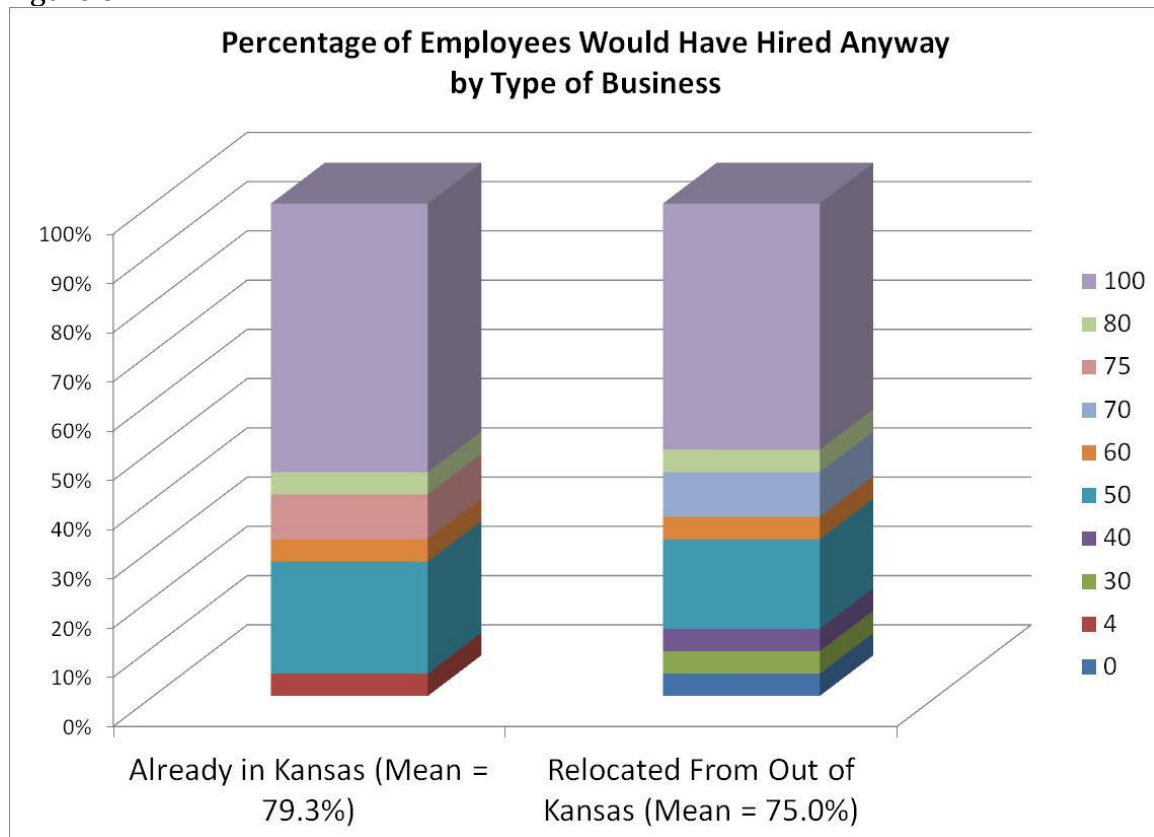


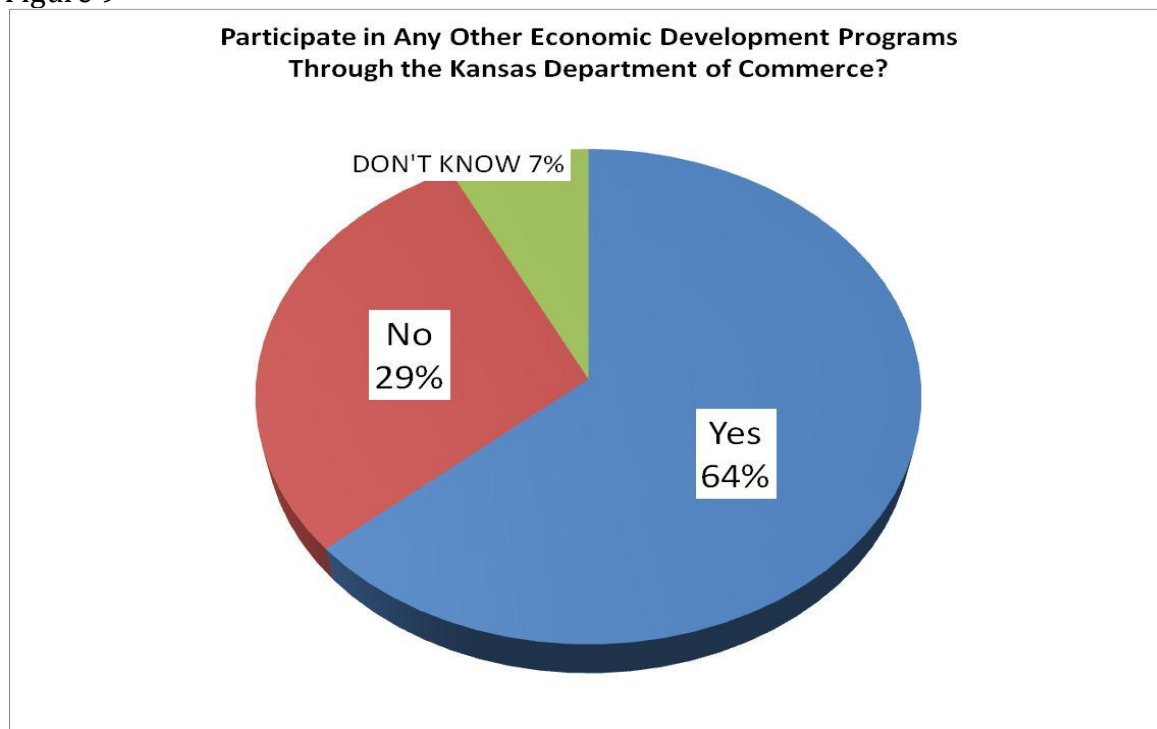
Figure 8 shows the previous distribution cross tabulated by whether the company relocated to Kansas from out-of-state or added employees to a new or already existing business in Kansas. This analysis is important because employees who would have been hired anyway from businesses relocating to Kansas still represent additional jobs brought to Kansas by the PEAK Program, while employees who



would have been hired anyway by Kansas-based firms would represent additional jobs that probably would have been added to the Kansas economy without the PEAK Program.

The distributions are similar, with the relocating businesses reporting a slightly lower percentage of employees that would have been hired had it not been for the PEAK Program. The larger purple section for businesses already in Kansas indicates they were more likely to say 100% of their employees would have been hired without the PEAK Program, while relocating businesses were more likely to report lower percentages of employees that would have been hired anyway. This observation suggests that the PEAK participants that relocated to Kansas are more likely to be hiring employees as a direct result of the PEAK Program. When all of the additional jobs from firms relocating to Kansas are added to the additional jobs firms already in Kansas indicate were a direct result of the PEAK Program, we find that 60.35% of the jobs added to the Kansas economy by participating PEAK companies are a direct result of the PEAK Program. It was previously estimated that PEAK participants anticipate hiring 2,782 new employees in 2014. If 60.35 % are a direct result of the PEAK Program, then 1,678 new employees will be hired in Kansas in 2014 as a direct result of the PEAK Program.

Figure 9



Respondents were asked if they participated in any other economic development programs through the Kansas Department of Commerce. Figure 9 shows that almost two-thirds indicated that they participated in other programs, while 7% was not sure.

Respondents who indicated that they participated in other programs were asked which other programs they participated in. The table below quantifies the responses.

High Performance Incentive Program (23)	Energy Training Grants
Kansas Industrial Training (14)	Engineering Credit
Kansas Industrial Retraining (5)	Enterprise Zone Tax Exemption
Sales Tax Refund (5)	Grant from KDOC
Engineering Program (2)	Job Creation Fund
On the Job Training (2)	Renewable Energy Grants
AIR	Summer Youth Employment
ASDFDF	Training Grants
County Level Packages	

Figure 10

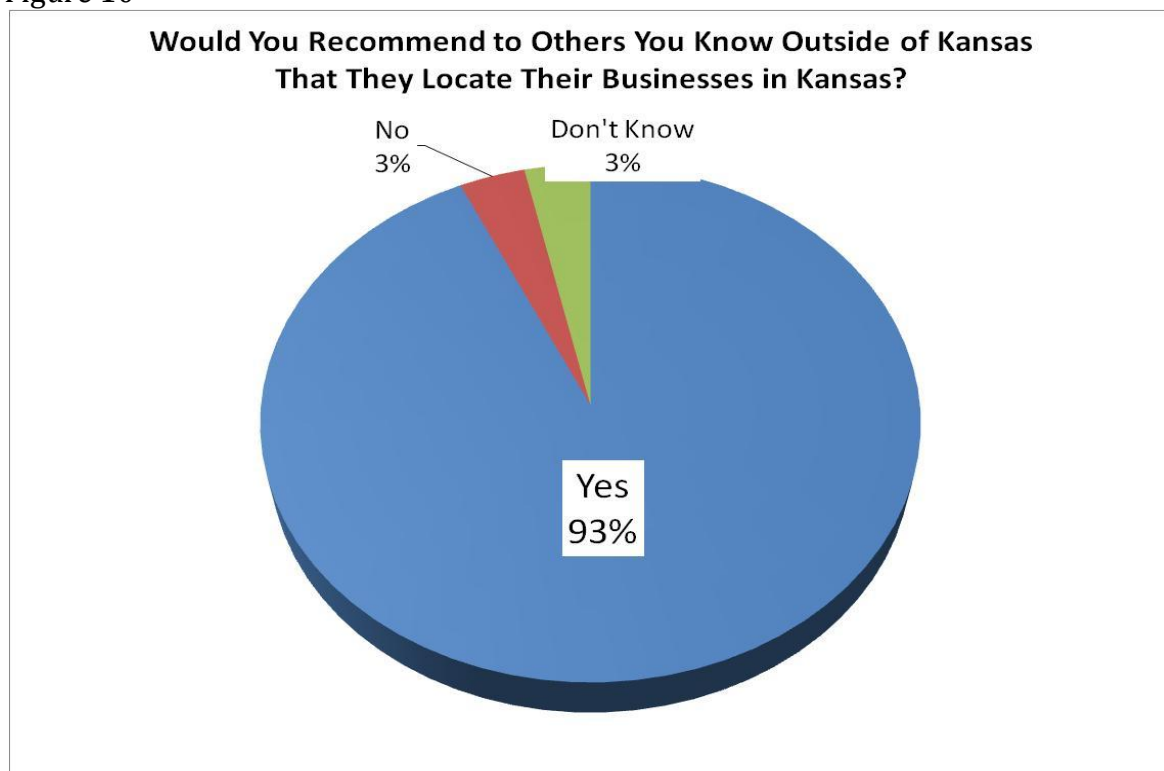


Figure 10 shows that, overall, the 29 respondents who had relocated their businesses to Kansas were extremely supportive of Kansas as a place to relocate a business, with only one indicating that they would not recommend to other employers they know outside of Kansas that they relocate their businesses in Kansas, and one other indicating they were not sure.

And finally, respondents were asked if they had any suggestions for making the PEAK Program more appealing to Kansas business owners. Some of the more common suggestions were to 1) make the application and reporting procedures

easier and less time consuming, 2) advertise the Program better so that more business owners are aware, 3) add more benefits and incentives, and 4) find a way to refund businesses more quickly. Several respondents commented that the Program was operating fine as is. Other individual comments included better coordination within PEAK Departments, less redundancy in reporting, not asking to send two accounts, clarification between PEAK and PEAK-eligible employees, more openness in the contract, better informed KDOC employees, lower salary requirements for new employees, restructure reporting requirements to match a business model, protection of business owners from the media and changing the way the Program is funded to make it sustainable. Verbatim responses can be found in Appendix A.

### Crosstabulation Analyses by Type of Participant

Figure 11

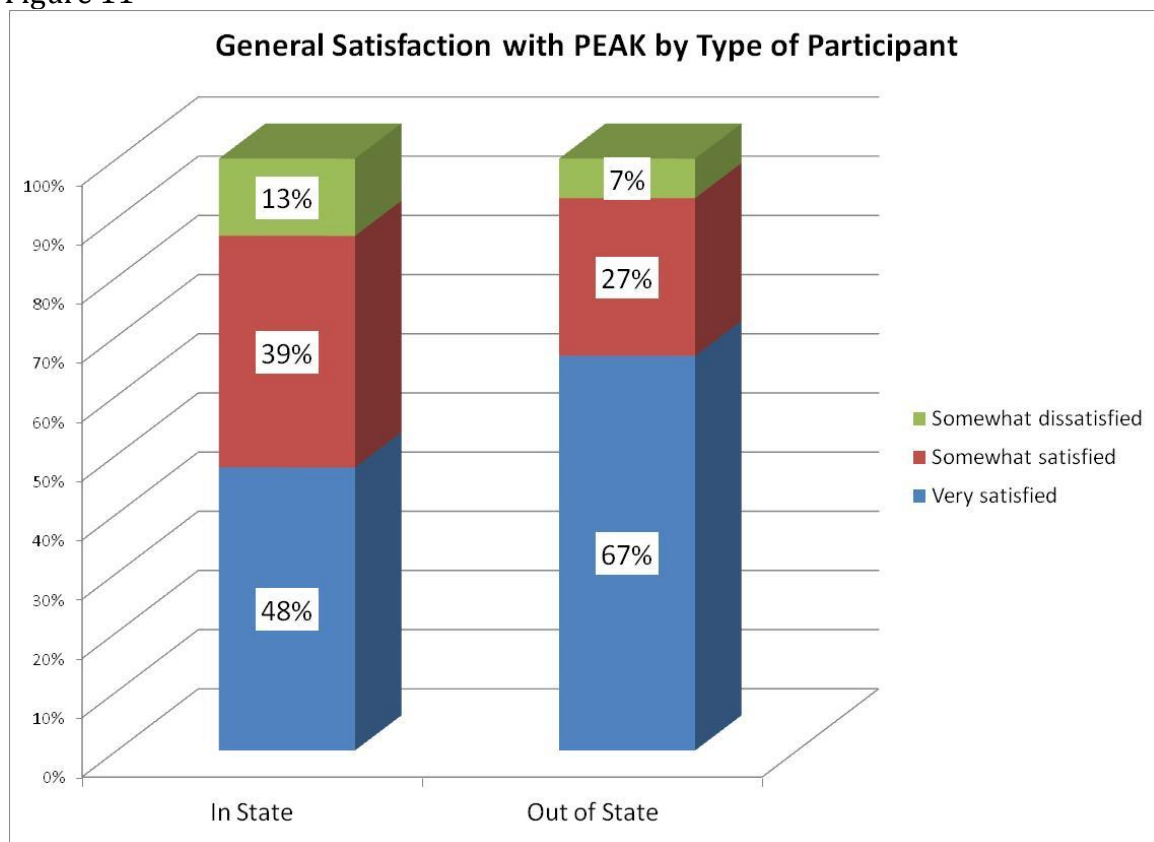


Figure 11 shows some variation in overall satisfaction between the two types of PEAK participants. Participants who relocated from outside Kansas were considerably more likely to say they were “very satisfied” with the PEAK Program. Participants from within Kansas were twice as likely to say they were “somewhat dissatisfied.”

Figure 12

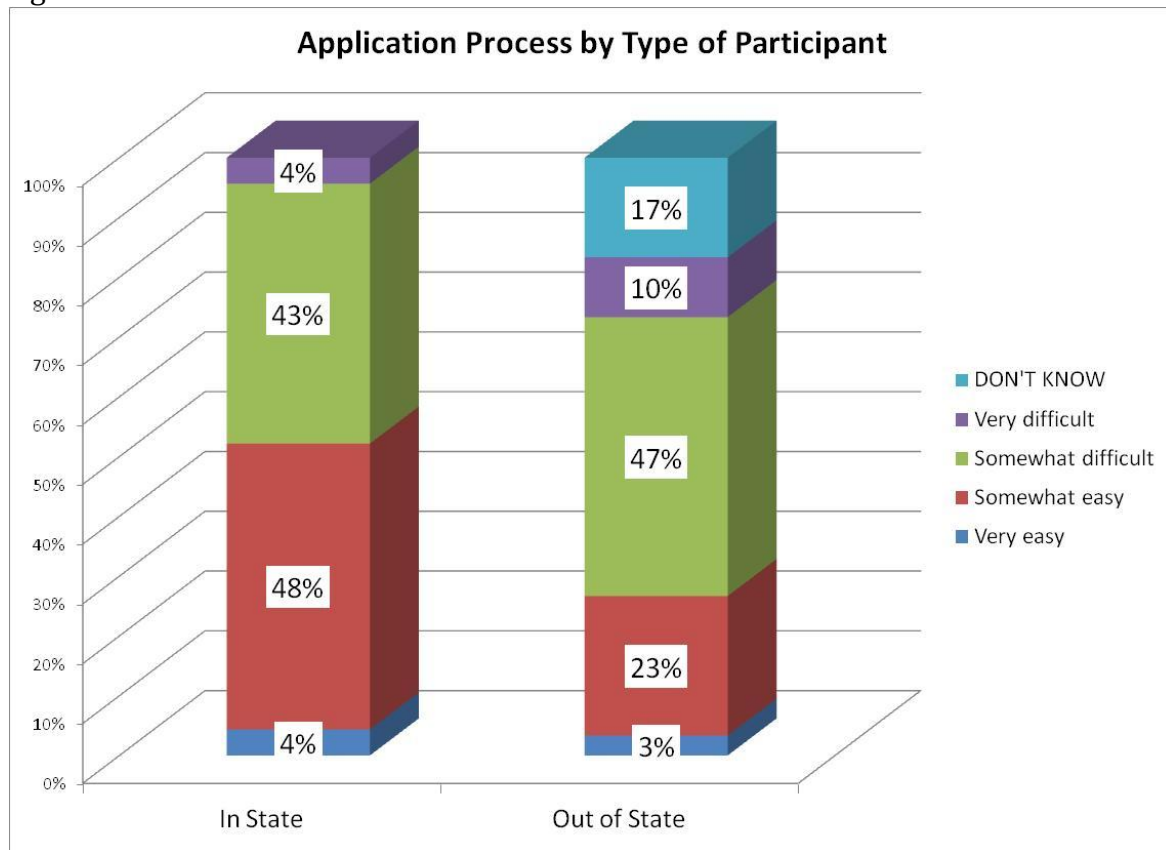


Figure 12 shows variation in the perceived difficulty of the application process between participants that relocated vs. those from within Kansas. Kansas businesses expressed less difficulty in completing the application process than businesses that relocated to Kansas.

Figure 13

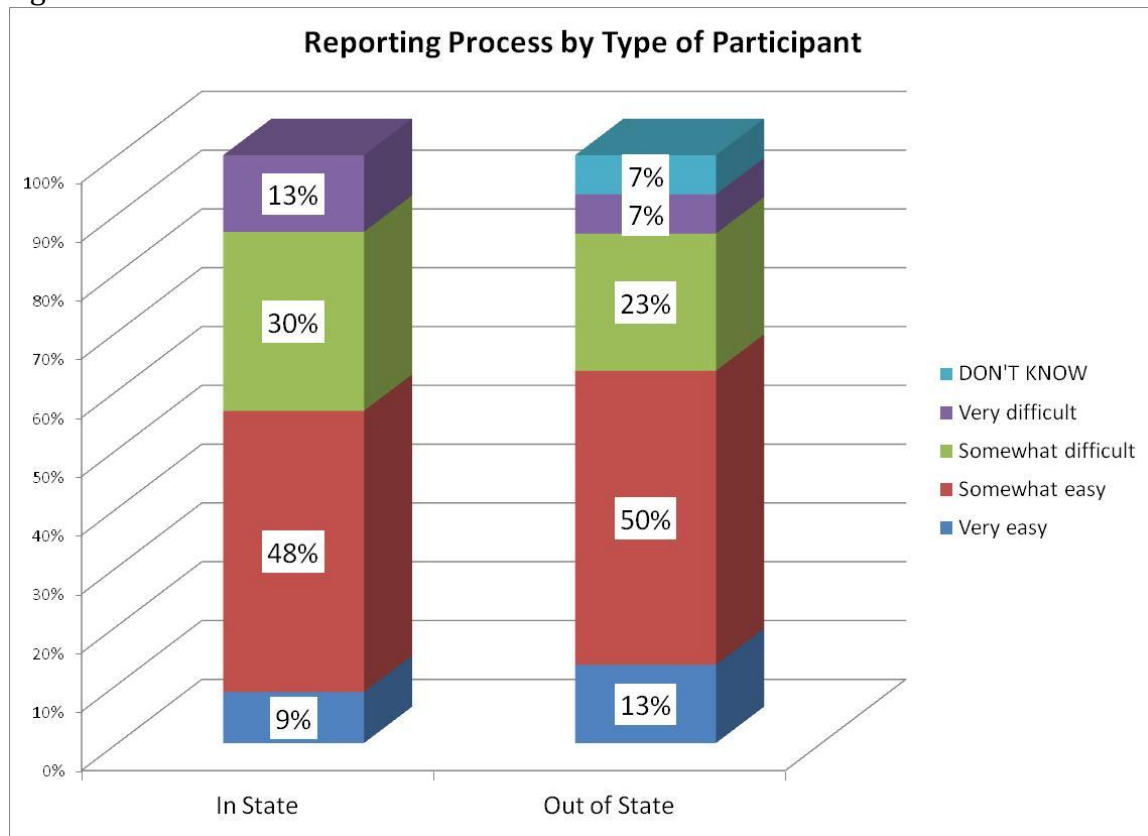


Figure 13 shows considerably less variation in the reported difficulty of the reporting process between the two types of participants than for the application process. Participants that relocated from outside Kansas were slightly more likely to find the reporting process easy than participants from Kansas.

Figure 14

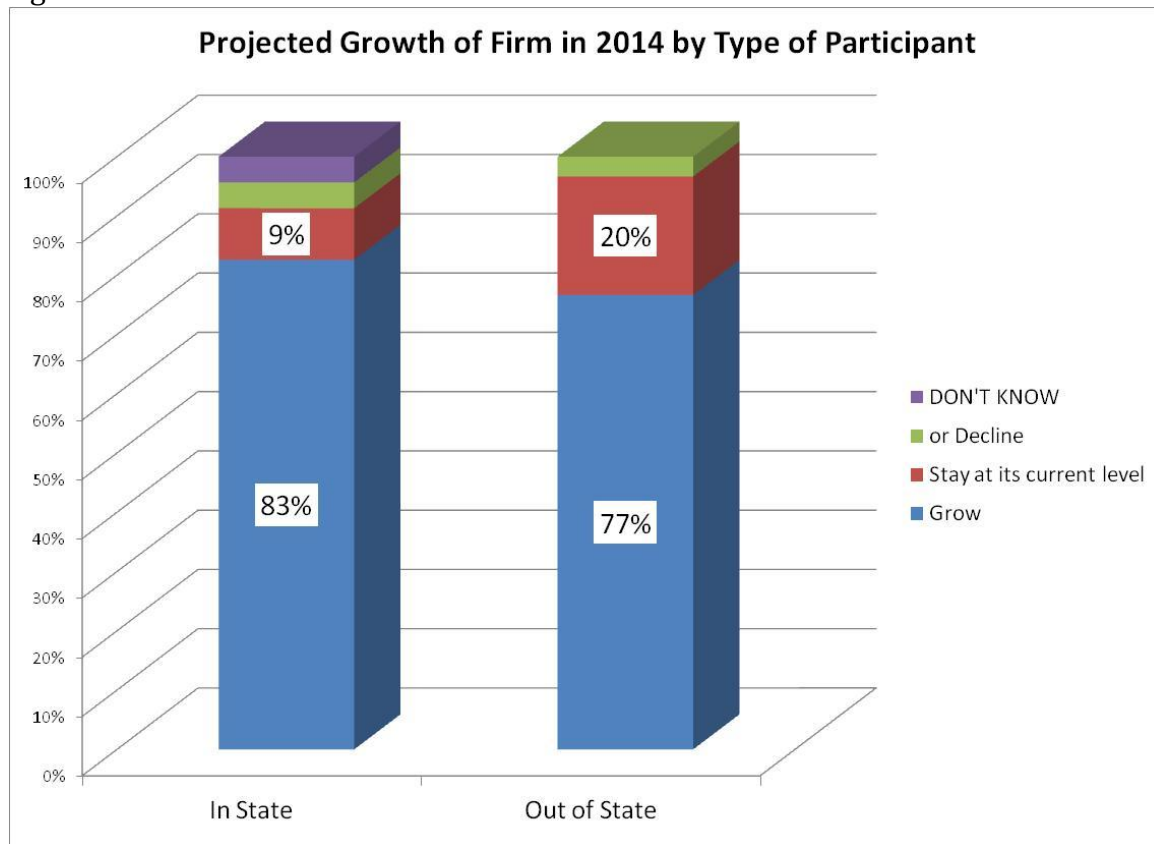
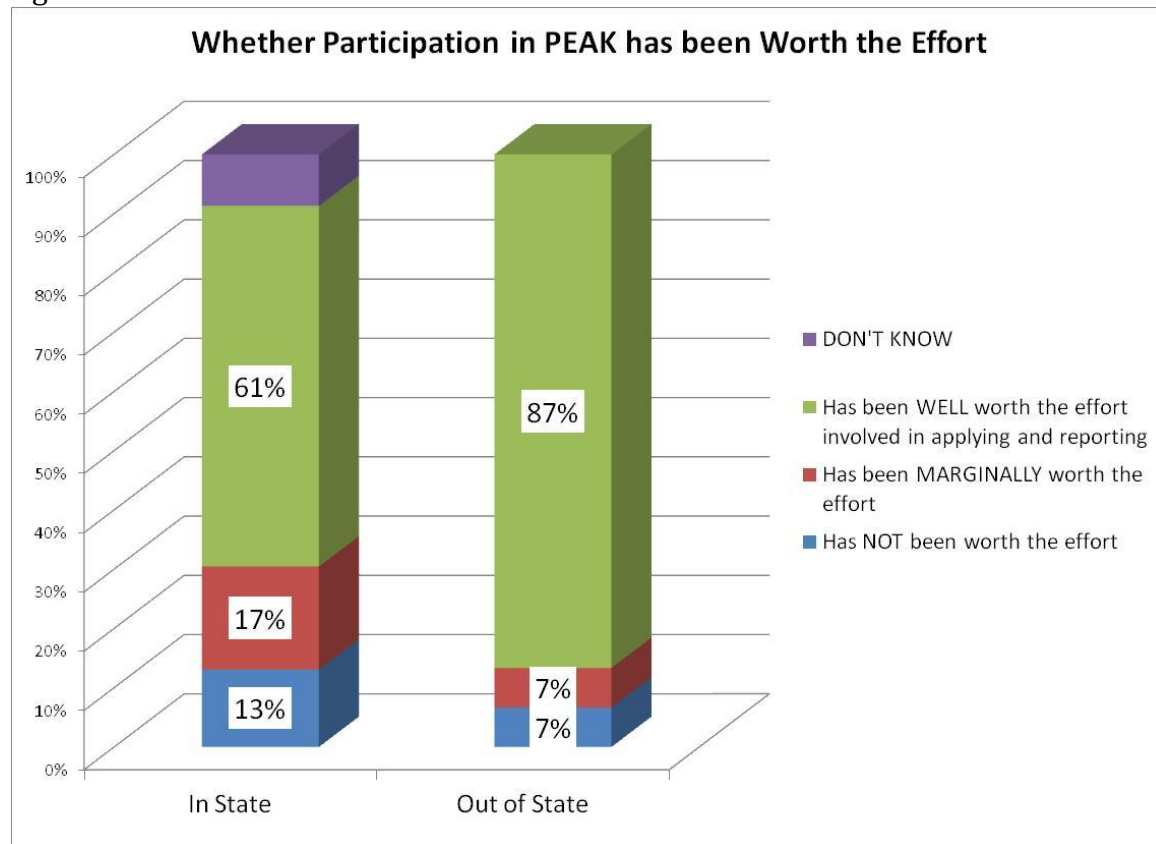


Figure 14 shows that participants from Kansas were slightly more likely to anticipate growth in their companies in 2014 than participants relocating from outside Kansas, who were more likely to believe their business would stay at their current level in 2014. It is intuitive that relocation alone would have a negative impact on production and profits for the first few subsequent years.

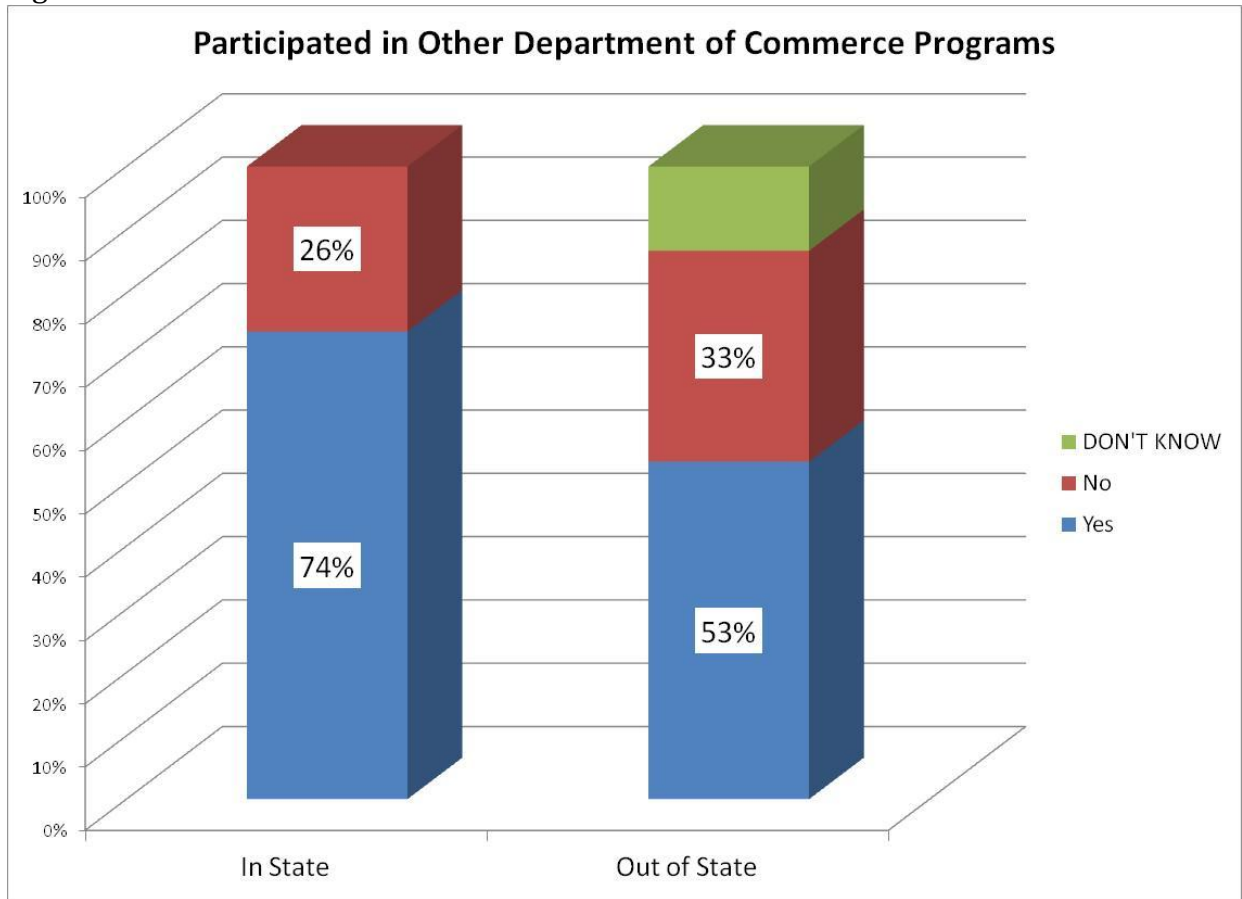
Figure 15



Participants that relocated from outside Kansas were more likely to report that participation in PEAK was “well” worth the effort in applying and fulfilling the reporting requirements. Firms located in Kansas were twice as likely to say participation has “marginally” been worth the effort and twice as likely to say the benefits have “not” been worth the effort.

These results may have been influenced by different repayment criteria for businesses already located in Kansas. Existing Kansas companies’ projects that are non-competitive receive much lower benefits due to Program caps. Since companies relocating to Kansas have the potential to earn additional benefits, it is intuitive that they would be more likely to perceive the Program as being more worth their while.

Figure 16



As might be expected, Figure 16 shows that participants from Kansas were much more likely to say they participated in other Kansas Department of Commerce programs than participants relocating from outside Kansas. Firms that relocated were more likely to say they did not participate in Department of Commerce programs or did not know.



## Economic Impact

### Discussion of Data Limitations

Most data sets are not collected with a particular research question in mind. There are two common limitations with using existing data sets. First, there are time lags associated with most data sets. Publication of national and state data often lags at least two years from the time period of the data set. Second, it is also common that data may be suppressed when it could identify a particular firm. Thus, data are often aggregated at higher levels in order to avoid this problem. Consequently, this requires the researcher to use an average measure rather than a precise one. Both of these limitations introduce imprecision into economic modeling.

The CRM data set provided to the Docking Institute by KDOC is constructed from multiple sources and contacts over time. Some of the information comes from applications submitted by firms prior to their acceptance. Some of this information may be revised during the approval process. Finally, firms that are approved for participation in the process are required to submit information on an ongoing quarterly basis. Thus, there were a number of time lags associated with participation in the PEAK Program. For instance, there is the time associated with filling out the application and becoming a qualified PEAK firm. The application process calls for an estimate by the firm of the number of PEAK employees they anticipate hiring not only in the first year of participation in the Program, but in the subsequent years. There is a natural tendency to be rather optimistic in these estimations. A second time lag occurs between the agreement date and the effective date of the agreement. The agreement date may precede the effective date of participation by as much as 460 days. The average length of this lag has grown from 146 days in 2010 to a projected 460 days for firms in 2014. The iterative nature of the process and the associated time lags introduce some inconsistencies in the data set.

Table 1 PEAK Firms Approved per Year

Calendar Year	Number of Firms	Average Lag (Days)
2010	9	146
2011	9	175
<b>2012</b>	<b>77</b>	<b>196</b>
2013	29	206
2014	2	460

Table 1 shows the number of firms with an effective date beginning in 2010. The effective date lags behind the PEAK agreement date for many reasons that are associated with making changes in the operations of a firm. However, these delays have the effect of reducing the length of the data series that KDOC is collecting from the PEAK firms.

There are also time lags associated with the reporting of information by the PEAK participant firms. Information is reported to KDOC on a quarterly basis, but it is also reported to the Kansas Department of Labor and to the Kansas Department of Revenue. Each of these departments has its own reporting schedule and requirements. Although KDOR did provide some data to the researcher, it proved to have very little value to the project. It may be that over a longer time period sufficient data could be collected on an aggregate basis to be helpful for a future study.

## Hiring Patterns

The number of total proposed PEAK jobs is 14,289 based on participant applications in the KDOC CRM database file. This number is slightly different in the list of approved applications and is larger than the number of new PEAK eligible employees.

Projected new jobs over five years across all PEAK firms are shown in Figure 18. In essence, this is the expected hiring pattern of all PEAK firms. Year 1 is the first year the firm participates in the PEAK Program and is not a particular calendar year.

Figure 18 Expected Hiring Pattern, all PEAK firms

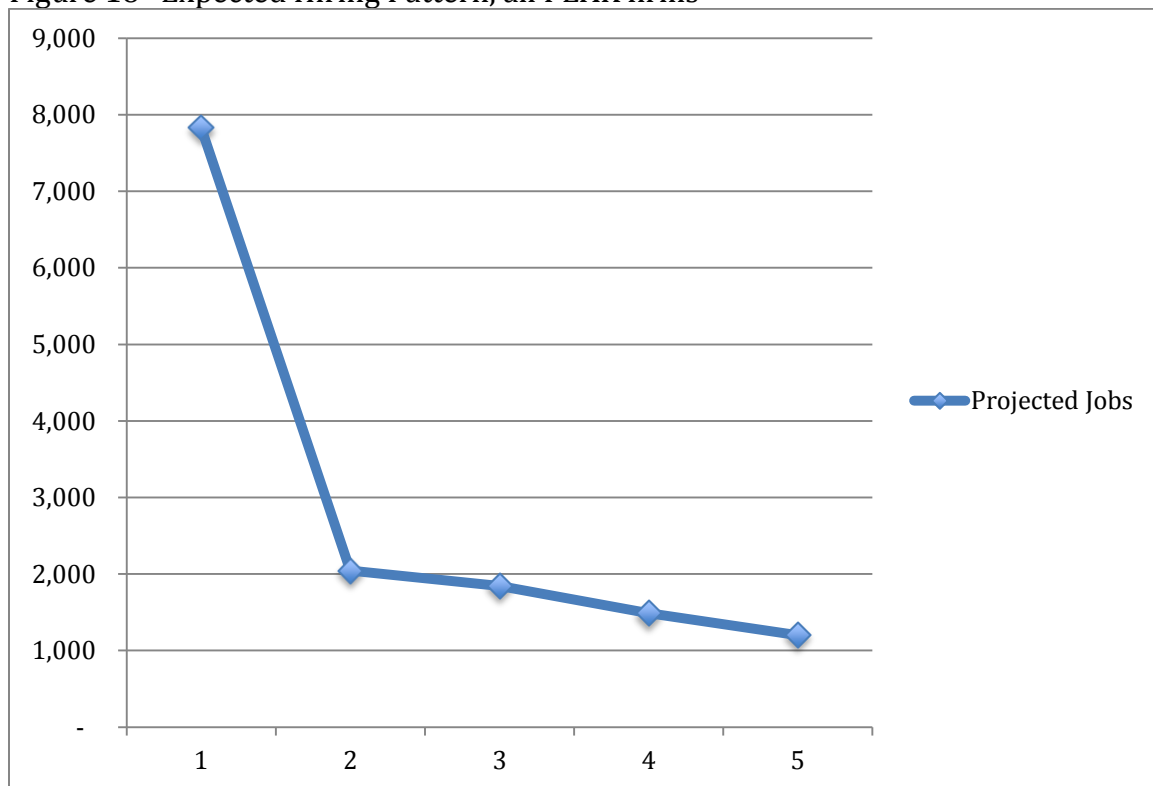


Table 2: Projected PEAK Jobs

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected PEAK Jobs	7,832	2,044	1,845	1,488	1,201
Annual Growth Rate		26.1%	18.7%	12.7%	9.1%

The annual growth rate in projected PEAK jobs, shown in Table 2, reflects the simple one-year growth rate using the cumulative projected jobs for the previous year(s) as the base for each subsequent year. The decline in the growth rate can be attributed to a couple of factors. One is the natural tendency to be more conservative the farther into the future one is estimating. The second is that as the base number of jobs increases, the resulting percentage decreases (even if the number of jobs were to remain constant).

Figure 19

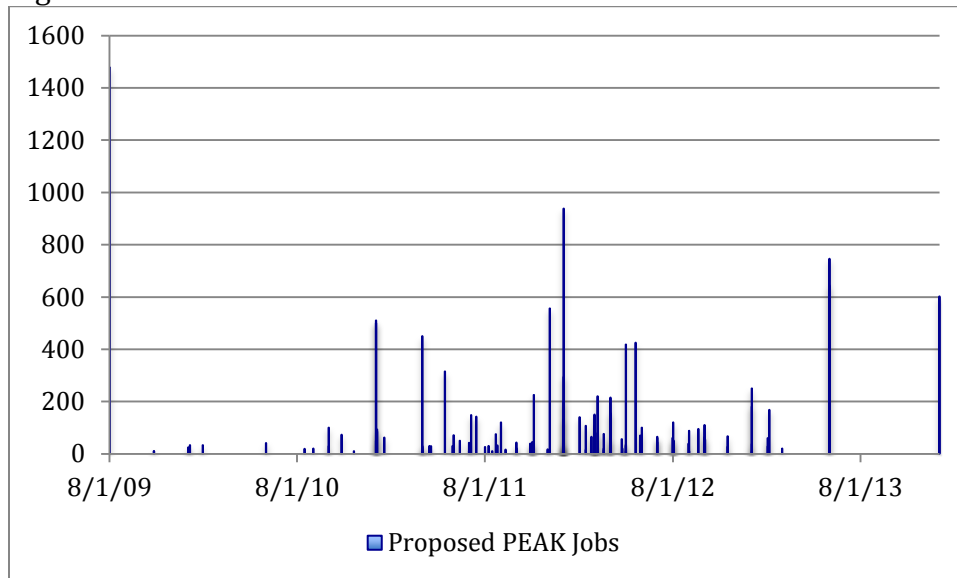


Figure 19 shows the number of initial jobs and when they were expected to start. It shows that firms do not follow a regular pattern for adding jobs.

Figure 20

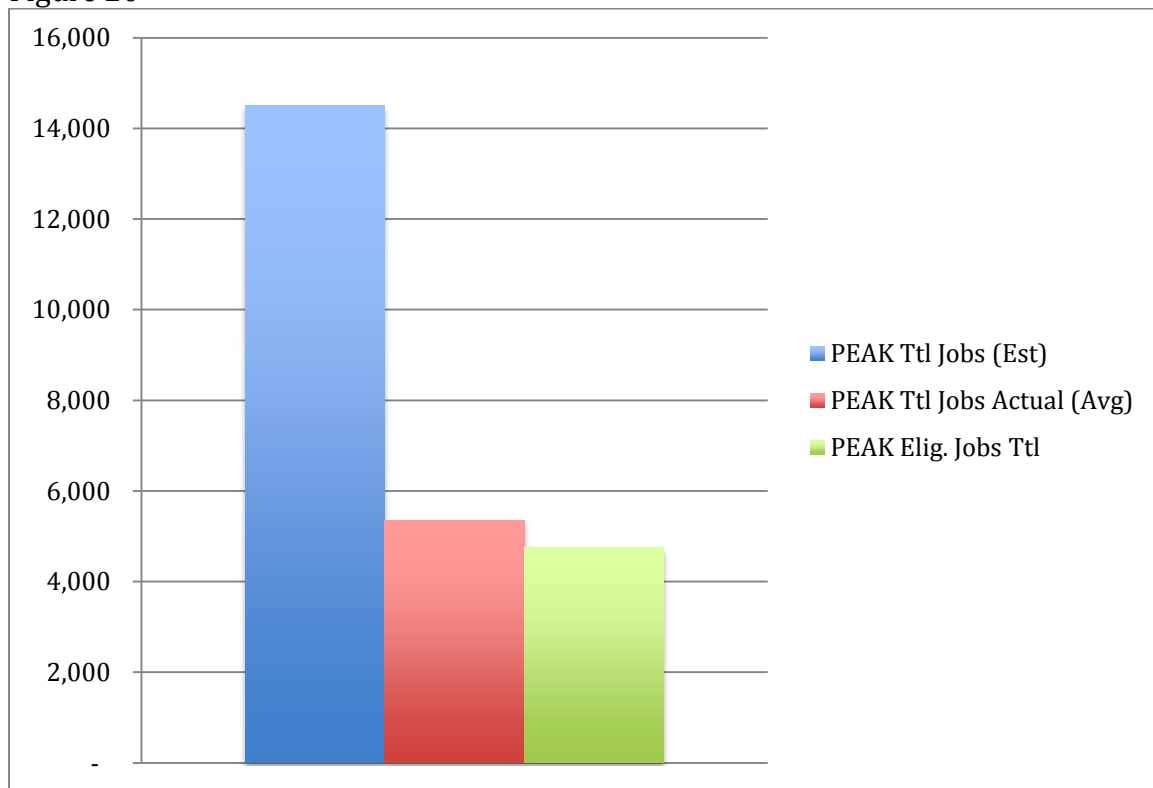


Figure 20 shows the differences between projected PEAk jobs over the life of the current agreements, actual PEAk jobs to date, and PEAk eligible jobs to date. These differences reflect different ways of looking at the jobs that the PEAk Program is intended to generate. For the purpose of determining the direct economic benefits of the PEAk Program, and all the secondary economic benefits, these differences are crucial. The base level of activity is extended to the rest of the economy through the use of multipliers. A smaller base will generate a smaller total economic impact.

The estimated total number of new jobs associated with these 126 approved applications is 14,270. Because some of these jobs are part-time, the number of full-time equivalent jobs is slightly less at 14,209. The number of new jobs is less than the projected jobs shown on the preliminary applications for the PEAk Program. The initial preliminary applications reveal an expected 16,757 jobs with an estimated total average annual payroll for these jobs of \$1,027,170,539 or approximately \$61,298 per job. Payrolls, of course, include benefits as well as wages.

The number of PEAk Ttl Jobs (Est) by NAICS code can be viewed in Appendix F.

## Employee Wages

A major requirement of PEAK eligible jobs is that the pay rate must be above the median wage of the county where the job is located. PEAK jobs are intended to be good jobs.

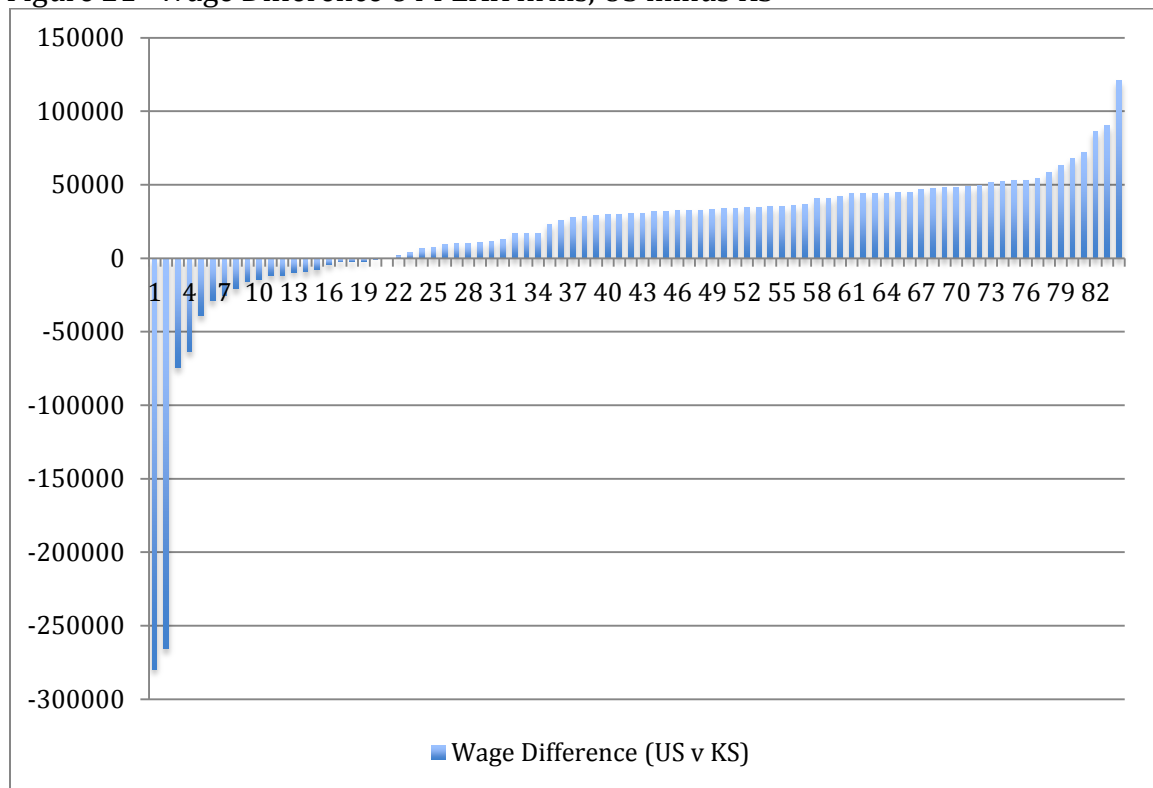
Table 3 shows total estimated payroll by NAICS code for the projected number of PEAK eligible employees based on the payroll per employee by NAICS code for Kansas from the 2007 Economic Census.

Table 3 Estimated Payroll by NAICS code

NAICS Code	Estimated Payroll
21	\$9,946,266
23	\$6,801,088
31-33	\$216,773,387
42	\$21,329,011
44-45	\$5,380,825
48-49	\$28,996,406
51	\$92,655,869
52	\$109,846,006
53	\$609,137
54	\$100,267,996
55	\$80,674,849
56	\$14,524,416
61	\$4,637,154
62	\$4,714,412
81	<u>\$1,416,648</u>
Total	\$698,573,469

Actual employee wages were available for the 84 companies that currently have PEAK Program employees on the payroll. Figure 21 shows how those wages compare with average US wages in the same NAICS code.

Figure 21 Wage Difference 84 PEAK firms, US minus KS



In Figure 21, points above the horizontal axis mean that the firm pays less than the US average. Points below the axis mean that the firm pays more.

Table 4

Measure	Value
Count	84
Mean	\$17,624
Standard Deviation	\$55,298
Median	\$30,552

The average US annual wage (by NAICS) is \$17,624 greater than the wage paid by the current PEAK firms. However, as the graph above shows, there are a couple of outlier firms that pay above the average US annual wage. The standard deviation for this data series is \$55,298. Because of the distorting effects of the outliers the median difference (\$30,552) was also calculated. Clearly, labor costs in Kansas are often lower than for the United States as a whole. Whether labor wage rates will increase in Kansas over time, or decrease in other parts of the United States cannot be determined. However, it is unlikely that labor wage rates will decrease in Kansas.

Table 5 Wage Comparison

Average Annual Wage per PEAK eligible job	\$38,797
Average Annual Wage per job	\$36,014

The figures shown in Table 5 are for the 4,212 PEAK eligible jobs that are currently filled. The Average Annual Wage per job is based on the 4,725 hires to date (some of whom were not PEAK eligible). The Kansas per capita income (2012) is \$41,835. This is an average number and the average is skewed by a lower boundary of zero and the high income of some individuals. The average annual wage per PEAK eligible job is very competitive for the State of Kansas.

Table 6 Wages 84 PEAK firms

Percentage Growth	Annual Total Jobs	Annual Total Wages
	4,725	170,163,955
26.1%	5,958	214,573,445
18.7%	7,071	254,659,310
12.7%	7,969	286,988,724
9.1%	8,693	313,082,558
9.1%	9,484	341,548,918
9.1%	10,346	149,041,408

Because the average PEAK Program contract is 6.4 years, the Annual Total Wages for the last year were adjusted to represent 0.4 years. The total wages for the 84 firms for the 6.4 year period is \$1,730,058,318. This amount is then adjusted to represent the 126 firms that have a PEAK Program contract. The total wages that are expected over the 6.4 year horizon for all 126 firms currently in the PEAK Program are \$2,595,087,477. The total wages are \$405,180,944 on an average annual basis.

Table 7 Eligible Wages 84 PEAK firms

Percentage Growth	Annual Elig Jobs	Annual Elig Wages
	4,212	163,414,292
26.1%	5,311	206,062,251
18.7%	6,303	244,558,085
12.7%	7,104	275,605,131
9.1%	7,750	300,663,936
9.1%	8,454	328,001,160
9.1%	9,223	143,129,585

The data above show the PEAK eligible jobs and wages. The number of jobs and the level of wages are slightly lower. The total PEAK eligible wages over the 6.4 year horizon for the 126 firms currently in the PEAK Program is projected to be \$2,492,151,660. This is 96 percent of total projected wages. On an average annual basis the eligible wages are \$389,109,181.

## Analysis and Findings

### Jobs and RIMS II

Table 8

PEAK Total Jobs (Estimated)	14,502
Total Indirect Jobs (Calculated)	<u>19,460</u>
Total Jobs	33,962

The PEAK Total Jobs (Estimated) are taken for each participating firm (n=126) from the CRM database. The estimate for each firm is then multiplied by the RIMS II multiplier for the firm's NAICS for Kansas. All of these calculated numbers are then summed to determine the Total Indirect Jobs.

Table 9

Total PEAK Eligible Jobs	4,725
Total Indirect Jobs (Calculated)	<u>6,350</u>
Total Jobs	11,075

The Total PEAK Eligible Jobs are taken for each participating firm (n=84) from the CRM database. The estimate for each firm is then multiplied by the RIMS II multiplier for the firm's NAICS for Kansas. All of these calculated numbers are then summed to determine the Total Indirect Jobs.

The IMPLAN analysis begins with an estimate of the output (revenue) of the firms by sector. This was converted into an output per employee. The output per NAICS two digit sector was used to estimate the output of the 126 PEAK firms. The resulting data were transferred to the corresponding IMPLAN sectors through the use of a correspondence table. Then, these average levels of output per employee (by sector) were multiplied by the projected number of PEAK employees and the respective multiplier. Finally, all of these results were added together to get the aggregate measures in Table 10.

Direct effects are the initial expenditures by a business or industry for the production of goods and services. These initial expenditures are income to the suppliers of the initial inputs into the production process and are in turn used by the suppliers to purchase additional goods and services. These additional, or secondary, purchases are considered the indirect effects. The induced effects are the result of the additional income that accrues to households. The additional household income is spent for the purchase of goods and services which also leads to an increase in economic activity. All of this economic activity provides opportunity for increased tax revenues.

Table 10 IMPLAN Output Analysis

Direct Output	Indirect Output	Induced Output	Total Output
\$4,895,832,476	\$1,453,674,532	\$1,244,331,450	\$7,593,838,458



The IMPLAN Program estimates jobs based on output in millions of dollars. Thus, all of the previously calculated output measures were converted to millions of dollars and then multiplied by the appropriate multipliers to estimate the jobs associated with PEAK Program participants. The IMPLAN estimates of jobs (Table 11) results in more direct jobs than participants forecasted and more total jobs than those projected by using RIMS II multipliers.

Table 11 Estimated Jobs, IMPLAN

Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
20,489	11,392	11,679	43,561

In Table 12, the IMPLAN estimated direct jobs are adjusted to the number of jobs that the 126 PEAK Program firms have estimated. The indirect, induced, and total jobs are proportionately reduced.

Table 12 Estimated Jobs, Adjusted to Projected Jobs

Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
14,398	8,006	8,207	30,611

Cost-Benefit Analysis is useful in determining if the costs of the PEAK Program are covered by the benefits that result from the Program. The direct cost of the PEAK Program is the transfer of 95 percent of the PEAK eligible employees' withholding tax from the State of Kansas to the PEAK participant firms. This amount is calculated by multiplying the total payroll by the appropriate withholding tax rates published by KDOR. The CRM data set shows an estimated annual cost of \$7,001,354 based on 4,212 PEAK-eligible employees to date. The estimated eligible annual payroll is \$163,414,292.17, for an effective withholding rate of 4.3 percent or a cost of \$1,662 per PEAK eligible job. Since the total number of jobs through the multiplier effects is approximately 2 times the number of PEAK eligible jobs, the effective cost per new PEAK job is between \$711 (RIMS II) and \$820 (IMPLAN).

A second way of looking at this is that for less than \$8,000,000 in refunded withholding taxes the economy of Kansas is increased by \$7,593,838,458 in total output. In smaller terms, for each \$1 of foregone revenue used by the PEAK Program, the Kansas economy grows \$960.

Finally, the PEAK Program has provided a positive economic impact from the first participant in the first year. The benefits of the PEAK Program exceed the costs, and there is also a time lag in rebating the withholding taxes to the participating firms. Employees are hired and output is produced before the PEAK employer receives any rebate. Therefore, the increased economic activity occurs before the State of Kansas "pays for" the PEAK Program.

## **Discussion of Capital Investment**

Capital investment recorded as in place is \$5,459,792. However, projected capital investment is \$1,464,742,829. The economic impact of capital investment is different from the ongoing impact that results from increasing the number of jobs. Many economic impact analyses exclude capital investment expenditures because they are not ongoing business expenses. Capital investment by firms is a one-time activity. It may involve new construction or equipment, but is more often the purchase of existing facilities and/or equipment. The firm may choose to own the new capital or it may lease it. In either case the capital investment decision reveals a longer term view by the company. That is, the company expects to continue operations in a particular location over the effective life of the capital investment. Secondly, an investment in capital goods tends to increase the productivity of labor. This has two consequences. One is that less labor is needed for the same level of output. And two, the employees are more valuable to the firm.

## **Review of Literature**

The literature associated with job creation incentives generally falls into one of three areas: 1) those articles that are supportive of a particular mechanism for encouraging job creation; 2) articles that are skeptical (or in some cases hostile) to the idea that government should encourage job creation; and 3) articles that attempt to take an objective look at government involvement in job creation. A common problem with job creation incentives for all of these articles is that there is limited empirical data in most cases. The lack of reliable data is related to the political nature of the initial decision to establish a government program to promote job creation and to the extended period of time for the implementation of the program.

For instance, when contiguous states offer job creation tax credits for businesses that either relocate or expand operations, and therefore create new jobs, there are political pressures for the state without such a program to institute one at least as good. Once a decision is made by a business owner to either relocate or to expand, and to take advantage of a tax credit program, there are all the time-consuming processes involving application to the program, acquiring land and capital resources, establishing a business presence, *et cetera*. These may take more than a year. This is followed by a start-up phase and the initial hiring of employees. Eventually the firm will file tax returns. Only then, and if the firm is profitable, are the tax credits of any value to the firm. During this time interval the rest of the economy has changed because the economy is a dynamic process.

The articles reviewed are representative of the types of articles that are available. It is not an exhaustive review of the literature, for there are many articles that simply plow over the same ground. The last section of the literature review looks at some of the other programs that are in place to encourage job creation in other states.

### **Supportive**

Those who are supportive of government programs that encourage job creation believe that increasing the economic health of an area is a function of government and that working people are preferable to unemployed people. The following articles are typical of this viewpoint.

Loren Scott and Associates in “The Economic Impact of Louisiana’s Entertainment Tax Credit Programs” (April 2013) discuss the entertainment tax credit programs in Louisiana. The important advantage they have over other studies is that they use certified financial results as the basis for their data. They use a standard input output table or multiplier table to do their estimations. And finally even with all of the things that they tried to do to avoid problems, they have the issues of insufficient numbers to estimate some of the impacts. The other take away from this analysis is

that none of these programs work in a vacuum, and the competing state programs and other states are major players in the success of a particular state program.

Mulkey and Hodges ("Using Implan to Assess Local Economic Impacts," Institute of Food and Agricultural Sciences) provide an introductory paper for using IMPLAN in Florida agriculture. The paper also provides a nice basic understanding of how IMPLAN is utilized to do the economic analysis.

The University of Wisconsin Center for Cooperatives has a paper dealing with the economic impact of cooperatives. They found the IMPLAN modeling approach useful for this purpose. There is a fairly detailed discussion of the advantages of using the system in this context.

Sampson Research in "Rules of Thumb for Interpreting Economic Multipliers," suggests a number of rules of thumb for understanding multipliers. What's important from our perspective is that, since we're dealing with economic effects at the state level, the effects tend to be larger as there are more connections between various parts of the economy.

The Tax Policy Center puts out lots of materials. "Tax Incentives for Economic Development" looked at various kinds of tax credits at the federal level - work opportunity expenditures and low income community tax credits. It suggests that Work Opportunity, New Market and Low-Income Housing Tax Credits encourage economic development at costs that are quite low compared to expenditures for other items the federal level, for example the mortgage interest deduction.

### **Skeptical**

Those who are skeptical of government programs that encourage job creation believe that the market will arrive at a sustainable and better equilibrium if the government minimizes its impact on the economy. The following articles are typical of this viewpoint.

"Tax Credits as a Tool of State Economic Development Policy" by Howard J. Wall, Show-Me Institute #30, October 2011. This is an extensive paper that presents the arguments against government intervention and provides a summary of the existing research that supports this view. This is a good introductory article for those wanting to better understand these beliefs.

A more populist rendering is a brief "news" story from CNN Money by Jeanne Sahadi titled, "States with sweetest corporate tax breaks," which concludes that the biggest firms get the biggest tax breaks in the states of Michigan and New York. But, states and the federal government have done a poor job of measuring the effectiveness of these corporate tax breaks. (June 25, 2013)

Along a similar line is Leah Samuel's "PA gives billions to companies, gets little back, studies say," from PublicSource (November 8, 2012) in which she supports her argument through quotations and summary points of reports critical of government tax incentive programs in Pennsylvania.

Summers and Chawla, in "Tax Credits in California: Economic Growth Engine or Wasteful Corporate Welfare?" Reason Foundation Policy Study 412, January 2013, argue that tax credits fail to accomplish their goal of increasing economic development in most cases and are probably counter-productive. These are views that are in harmony with the Reason Foundation and its mission statement and with the Howard Jarvis Taxpayers Foundation, which is also listed as supporting this research.

Gerry Bradley, Research Director for New Mexico Voices for Children, comes at this question from an unusual perspective. Although an advocate for government involvement in social issues, he questions the efficacy of tax credits in the article, "Economic Development Tax Credits in New Mexico: Are They Doing the Job?" April 2009, because the costs of the programs are readily available to the public, but the benefits are not. In essence, the information is collected by the state, but it is not available to citizens. Bradley argues that it should be public information.

Robert G. Lynch in "Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development" Economic Policy Institute, 2004, provides a comprehensive examination of the economic arguments for tax incentives, including tax credits, as a means for economic development. He argues that the better policy choice for increasing economic development lies in increasing public spending on public services that provide a more desirable environment for business growth. In this regard he differs from most of the preceding authors.

In the article, "More States Abandon Film Tax Incentives as Programs' Ineffectiveness Becomes More Apparent," Henschman discusses some of the reasons many states abandoned film tax incentives. The primary reason is because of the ineffectiveness of programs to generate longer-term economic development. Kansas is among the states that have suspended their film tax incentive programs. Obviously when one incentive program comes under scrutiny, other programs are also subject to greater scrutiny as the failure is cited by those who oppose these kinds of government programs.

## **Objective**

Probably the best starting point for understanding the object viewpoint is the just published report, "States' Use of Cost-Benefit Analysis," Pew-MacArthur Results First Initiative, July 2013. The report considers both issues of methodology with respect to cost-benefit analysis and its implementation in the political arena. The

level of usage in all 50 states is measured and the best examples are discussed. Kansas is often in the group of states that is at the forefront of cost-benefit analysis.

Sarah L. Coffin *et al.* did “An Evaluation of the Missouri Historic Preservation Tax Credit Program’s Impact on Job Creation and Economic Activity Across the State [Missouri]” that is based on nearly ten years of experience with the Program and the resulting empirical data. Although this Program is different from the PEAK Program, the methodology and analytical approach is characteristic of the best objective studies.

Rothstein and Wineinger in “Transferable Tax Credits in Missouri: An Analytical Review” Federal Reserve Bank of St. Louis *Regional Economic Development* 3:2 2007, consider 53 legally authorized tax credit programs in Missouri and more deeply analyze the 6 largest tax credits issued. Among their conclusions is that making the tax credits refundable, as well as transferable, is in the interest of the state and the firm.

The paper, “Job Creation Tax Credits and Job Growth: Whether, When and Where?” is a working paper (2010-25) issued by the Federal Reserve Bank of San Francisco. Chirinko and Wilson look at the issues of job creation tax credits from an academic perspective. The answer to the questions are that, yes job creation tax credits do create jobs, but there is some question as to whether there is an anticipatory effect. In fact, there appears to be the possibility that some job creation is delayed as job creation goes down prior to enactment, jumps up with enactment of legislation, then gradually returns to a level slightly higher than was the case before the enactment of the job creation tax credits. Most job creation tax credits simply provide a credit against taxes owed – typically income taxes at the corporate level. However there are a few states, and Kansas is one of those, that provide a direct rebate of the tax. The rebate is more valuable to a firm, particularly a firm that has zero or very small income tax liability. The authors stress the preliminary nature of their work, basically because there is a real problem with getting good data. It is interesting that they identify Kansas and Missouri as two states that do not have job creation tax credits, while the states surrounding Kansas, with the exception of Missouri, do have such tax credits. One of the issues they raise obliquely is whether job creation tax credits are a necessary defensive move by states that do not have them. From a public policy perspective, it is marred by a heavy reliance upon mathematics and statistical technique.

Jennifer Weiner, in an article, “Evaluating Business Tax Credits: Reading Between the Lines,” Policy Brief 10-1, published by the New England Public Policy Center at the Federal Reserve Bank of Boston, suggests that evaluations of business tax credit programs try to answer one or more of the following questions. “Does the credit induce the targeted activity?” “What is the credit’s overall economic impact?” “What is the credit’s fiscal impact?” And finally, “Is the credit cost-effective?” She argues for more comprehensive and rigorous evaluations that address all of these questions.

Low and McNamara, in “The Indiana Enterprise Zone Program: Fiscal Impact of a Job Creation Tax Credit,” published by the Center for the Study of Rural America at the Federal Reserve Bank of Kansas City (2004), look at the results of the Indiana Enterprise Zone Program. The Program attempted to reinvigorate areas, or zones, that had either high levels of household poverty or high levels of unemployment through the use of various tax credits. The authors used GIS mapping software to adjust existing data (that was available by either census block, zip code or county) to the boundaries of the enterprise zones. The authors determined that the static one-year effect of a proposed \$1,500 job creation tax incentive would be minimal.

Fred T. Goldberg, Jr., *et al.* in their article, “Reforming Tax Incentives into Uniform Refundable Tax Credits,” Brookings Policy Brief Series #156 (August 2006), make the case at the federal level to promote all socially beneficial behavior through the use of a uniform refundable tax credit. They argue that this is the most financially efficient way to apply incentives.

“An Assessment of Connecticut’s Tax Credit and Abatement Programs” is a legislatively mandated report produced by the Connecticut Department of Economic and Community Development (December 2010). It considers all of the Connecticut programs and finds that some have low levels of participation, generally due to perceived application and reporting costs, some have low levels of benefits to the state, and some are worth continuing or expanding. The REMI economic modeling software was used for the analysis of these programs. “Appendix A: A Literature Review of the Economic Impact of Corporate Tax Policy Changes” considers states that have changed their tax policy *vis a vis* corporate taxation.

Zhong Jin, a fiscal and policy analyst with the Iowa Department of Revenue, in “Methodologies for Tax Credit Evaluation: The Iowa New Jobs Training Program” applied statistical methods to the question of effects of job training on wage rates and job tenure. Because he had access to individual data for about 95,000 observations (the number of workers was not stated) he was able to achieve some statistically significant conclusions. However, without access to that large data set, those methods would have very limited usefulness.

Jin in a more recent paper, “Iowa’s Targeted Jobs Withholding Tax Credit Evaluation Study,” (2012) finds that the direct costs (tax credit claims) are about 50 percent of the total new tax revenues from increased total individual income tax revenues. Thus, each dollar of tax credits claimed generates about two dollars of new individual income tax revenue for the State of Iowa.

In a report (#12-08) to the New Mexico Legislative Finance Committee titled, “Economic Development Department and Taxation and Revenue Department Job Creation Incentive: The Job Training Incentive Program, the Local Economic Development Act, and Select Economic Development Tax Expenditures,” the authors attempt to evaluate job creation incentives in New Mexico. The report identifies issues of statutorily required confidentiality of tax data and a lack of consistent

reporting requirements, among others, as complicating the management and evaluation of these programs. The report is very critical of the current state of job creation incentives in New Mexico and the lack of oversight and accountability by the administering departments. This can be read as a case study on how not to do job creation from a state perspective. However, the report does suggest some positive actions for the state going forward.

“Characteristics of Effective Tax Incentives,” is a white paper from the Pennsylvania Budget and Policy Center (a policy research organization) that lays out eight principles that should be considered in writing legislation and evaluating programs that are designed to spur economic development in Pennsylvania, or any other state. The goal in following these principles is to have focused programs with transparency, accountability, and measurable outcomes.

Lawrence, Briskin and Qu, in “A Review of State Tax Incentive Programs for Creating Jobs,” *Journal of State Taxation* March-April 2013, provide a broad overview of the goals, types of programs, desirable characteristics and evaluation criteria that are important for successful job creation programs at the state level. They conclude that “well-designed programs are cost effective for reaching their goals.”

## **Descriptive**

### **Job Creation Programs in Nearby States**

State	Program Name	Program Type
Indiana	EDGE	Income Tax Credit
Illinois	EDGE	Income Tax Credit
Iowa	Varies	Income Tax Credit
Nebraska	Varies	Income Tax Credit
Colorado	Job Growth Incentive Tax Credit	Income Tax Credit
Oklahoma	Quality Jobs	Cash Rebate
Arkansas	Varies	Income Tax Credit/Refund
Missouri	Varies	Income Tax Credit
Texas	Varies	Income Tax Credit
New Mexico	Varies	Income Tax Credit

The table above shows that most of the nearby states have utilized some form of income tax credits to encourage job creation.

A report titled, “Comparison of Nebraska Tax Incentive Programs to those Available in Other States,”

([http://www.revenue.ne.gov/incentiv/annrep/11an\\_rep/neb\\_adv/neb\\_adv\\_compare.html](http://www.revenue.ne.gov/incentiv/annrep/11an_rep/neb_adv/neb_adv_compare.html)) provides a summary of Nebraska tax incentives with those of other states that offer comparable programs. The criteria for inclusion on the list are stated and the factors compared are briefly described for each state.



A brief news article by Tom Mooney about Lincoln Chafee's promise to do an immediate evaluation of Rhode Island's economic development tax credit programs reveals the difficulties in getting already collected data from one state entity to another. In this case the Rhode Island Department of Labor and Training raised concerns about sharing information with the Office of Revenue Analysis because they said that federal law prohibit sharing some of the needed information with anyone else.

Based on the information at the Arkansas Economic Development Commission website (<http://www.arkansasedc.com>), Arkansas has job creation incentives that are essentially income tax credits available to the company based on numbers of employees that are qualified. It seems to the author of this report that income tax credits are less valuable to start up companies or growing companies that may have no income tax liability.

The Colorado Program provides an income tax credit based on net new jobs for a firm relocating to Colorado or expanding in Colorado with at least one *bona fide* offer from a competing state. The usual requirements for pay rates above a threshold and minimum numbers apply to this Program.

The Illinois EDGE Program provides a tax credit that is usable on a carry forward basis for five years. The tax credits are not to exceed 10 years, are nonrefundable credits that can only be used as corporate income taxes and are nontransferable. Also, there are some requirements; 1) the company must have an offer from a competing state, 2) they have to invest 5 million in capital improvements, and 3) they must create a minimum of 25 full-time jobs. If the company has less than 100 employees, then they have to make \$1 million in capital improvements and create at least five full-time jobs. This is a typical job creation tax credit program.

The Oklahoma Program is called Quality Jobs and provides a cash incentive back to the company up to 5% of new payroll for ten years. There are several variations on the basic Program, including a small employer seven-year cash incentives program and a 21st-century cash incentives quality jobs program.

Oakley *et al.*, in "State Tax Incentives for Economic Development in Wisconsin," Wisconsin Department of Revenue, 2011, discuss the Wisconsin tax incentives for economic development. The take away from this article is that without having someone to guide you through the process, you wouldn't have the slightest idea what was available to you as a business owner.

The IMPLAN website, [www.implan.com](http://www.implan.com), provides a number of white papers for gaining an understanding of how their multipliers are created and how their multipliers may be used for economic modeling.

The Bureau of Economic Analysis website, [www.bea.gov](http://www.bea.gov), has a wealth of information about economic impact and the RIMS II multipliers. In particular, the

RIMS II user guide, “An essential tool for regional developers and planners,” is recommended reading.

The Regional Economic Models, Inc. website, [www.remi.com](http://www.remi.com), provides information about their economic modeling software and products.

## **Appendices**

### **APPENDIX A Open-Ended Narrative Responses**

#### **Can you briefly explain the source of your dissatisfaction (with the PEAK Program)?**

Too hard and too cumbersome - the benefits didn't outweigh the bookkeeping.

Reporting requirements, no resemblance to business reporting. Haven't received any money.

It takes a significant amount of time for the state to give their rebates. I've been doing my new rebate and haven't received my rebate for the last quarter. Other than that, I am completely satisfied.

There is very poor communication and a lot of hoops that have to be jumped through.

I submitted forms and have received no refund.

#### **Can you describe something specific about the application process that made it difficult to complete?**

They asked for some specific information that was hard to forecast 5 years out.

Technical aspects, translating spreadsheets into the application, time consuming, general understanding of the wording in the application

It was more than one page.

The information that needed to be collected.

Reporting doesn't fit with payroll (quarterly).

Had to ask a consultant to help out.

No.

Too long.

Some of the questions were a little based on what they thought the future would be like, and that is hard to predict.

Missed deadlines because they typed her email wrong. Should have been a follow up by phone.

Would have liked more information about the Program and the time frame to get started.

The length, complexity, planning, and the amount of paperwork involved made it difficult to complete.

Some portions are repetitive.

You have to come up with a lot of projections that are hard to come up with.

There was lot of paperwork involved that is difficult to complete when starting a business. There also seemed to be a lot of "red tape" involved.

Some of the questions were worded in such a manner that they were difficult to understand. Some of the parts of the application were vague.

Confusion between PEAK employees and PEAK eligible employees. Didn't know about a contract to be signed. Making projections without knowing about the contract.

Have three and gets more difficult as time goes on. Had trouble with Attachment B. It was tedious.

Had to keep making phone calls.

There were a lot of data requests, and going back and forth from verbal and written agreements.

The paperwork was difficult and was a disaster to complete. The pdf was full of mistakes. The Department of Commerce also needs to find someone who is more knowledgeable to help with that area, because the one they have isn't.

It was difficult, but he thought that was a good thing.

Unclear direction in regards to minimum annual wage. Got different info since they set it up.

The unknown aspects that needed to be on the application. Trying to project income levels and number of associates was too ambiguous to use, and the application was very specific.

Took too long.

Forms were complicated.

Just so detailed, and things had to be redone a lot.

Don't remember.

A lot of directions had to be obtained in order to get approval.

**Can you describe something specific about the reporting process that makes it difficult to complete?**

Considerably long.

Time consuming.

The reporting process was a little too confusing.

Factoring in the withholding.

Putting information into the reports into the Excel template is difficult; having to distinguish who is PEAK eligible and who isn't.

Too detailed.

No

As a salary level of an employee changes, it becomes hard to determine when they would be okay.

Had to clarify a lot. Wasn't clear.

There should be a more specific time frame when starting the Program.

Just doing it. It should be automated.

I had to hire someone to help me to get through it. Not easy enough to figure out on my own.

Have to report too often, quarterly is difficult. For some certain sized businesses, reporting quarterly is too often because there isn't enough data to collect that makes it worth the administrative effort to collect it.

Distinction between PEAK and PEAK eligible employees.

The way they want it reported has no resemblance to the way other businesses report.

The reporting should be more straightforward, because we have to have a person who is more knowledgeable to complete those for us.

There is lack of communication of what is needed to complete the reports.

Extra man hours.

Some of the language was confusing and very technical. Needs to be more simple and less detailed. It is hard to understand what is being asked for at times and time consuming to report that quarterly.

Time consuming.

**Do you have any suggestions for making the PEAK Program more attractive to Kansas business owners?**

No (17)

Find qualified employees, affordable housing, improved education of work force.

Not at this time - due to the time working with the company.

More publication to business owners that it's available.

Get the word out more about the Program to speed up hiring.

Application process - long time to get applicants.

Advertise more.

Add additional benefits.

Simplify application and give better financial benefits. Immediate gratification.

More savings is always nice.

Simplify application process and reporting process.

Simplifying some of the requirements and time commitment for employees.

Reconsider salary requirements for the newly hired employees. The salary requirement is too high in most situations. We're hiring, but not meeting the salary requirements.

Paper work is overwhelming. Simplify application process.

The way the Program is funded could cause problems in the near future. Maybe they should consider changing how it is funded.

Nice to have reps from organizations know about all the programs.

They need to have more awareness for the Program, and make it more available to business owners.

More incentives.

Needs to be simplified more or allow more incentives for the work it is to report the required information.

Simplify application process a little more.

The Program would be better if there was less "red tape" involved.

It's fine the way it is.

More clarification between PEAK and PEAK eligible and more openness of the contract to be signed.

Reporting requirements need to match the way a business works. Where is the money?

Pretty happy with it. The only thing is the timely response in receiving rebates.

They should make the reporting more straight forward.

Advertise.

There needs to be more protection for the businesses involved in the Program from the media.

Work with payroll departments to automate the process as much as possible.

Promote better coordination within the various departments of the Program.

Speed up reimbursement process.

Make the refund/retain method easier for the businesses. Business would love to retain without the limitations of having to send it to two accounts. Let businesses retain dollars more easily. Shouldn't have to wait for the incentives.

Dual reporting of information. It'd be better if the redundant reporting did not occur.

Just to continue.

The processing procedures are way too slow. They have still not gone through reports that were filed in April of this year and may not have even gone through some that were filed in October of last year. The benefits need come in a more timely fashion.



**Appendix B**  
**Estimated Revenue for PEAK Firms by NAICS**

NAICS Code	Estimated Revenue
21	\$114,786,012
23	\$33,669,006
31-33	\$2,084,053,261
42	\$454,904,360
44-45	\$59,305,357
48-49	\$103,534,516
51*	\$489,132,939
52*	\$1,166,733,578
53	\$3,364,416
54	\$285,112,037
55	\$40,358,716
56	\$30,411,651
61	\$14,152,870
62	\$11,798,969
81	<u>\$4,514,789</u>
Total	\$4,895,832,476

\*US data used because KS data is suppressed.

**Appendix C**  
**PEAK Applicants by Project Type**

PEAK Applicant Firms	
Project Type	Number of Firms
Recruited	5
New	57
Expansion	48
Expansion/Retention	12
Retention	1
International	<u>3</u>
Total	126

## Appendix D

### PEAK Applicants by County

PEAK applicant firms located in 21 different counties.

County	Number of Firms
Allen	1
Bourbon	1
Brown	1
Butler	3
Cherokee	1
Crawford	2
Douglas	4
Harper	1
Harvey	2
Johnson	68
McPherson	1
Miami	1
Pottawatomie	1
Reno	1
Riley	1
Saline	5
Scott	1
Sedgwick	4
Shawnee	3
Wilson	1
Wyandotte	8
Unspecified	<u>15</u>
Total	126

**Appendix E**  
**NAICS Growth Rates (GDP) for Kansas with Number of PEAK Firms by NAICS**

Industry	Growth Rate (2010 to 2011)	PEAK, Number of Firms
Private industries	7.1%	
Mining	8.2%	
Support activities for mining	16.3%	1
Construction	-1.5%	2
Manufacturing	14.9%	
Durable goods	5.1%	
Primary metal manufacturing	27.5%	1
Fabricated metal product manufacturing	-0.3%	2
Machinery manufacturing	15.8%	6
Computer and electronic product manufacturing	-18.1%	1
Electrical equipment, appliance, and component manufacturing	10.1%	5
Motor vehicle, body, trailer, and parts manufacturing	25.6%	3
Other transportation equipment manufacturing	10.6%	7
Furniture and related product manufacturing	-6.7%	1
Miscellaneous manufacturing	-5.4%	4
Nondurable goods	26.7%	1
Food and beverage and tobacco product manufacturing	0.9%	4
Paper manufacturing	8.0%	1
Printing and related support activities	2.3%	3
Petroleum and coal products manufacturing	166.2%	1
Plastics and rubber products manufacturing	6.2%	1
Wholesale trade	2.4%	11
Retail trade	7.2%	5
Transportation and warehousing	8.9%	
Truck transportation	4.6%	1
Other transportation and support activities	18.0%	3
Information	1.8%	
Publishing industries, except Internet	-10.3%	1
Broadcasting and telecommunications	4.1%	1
Information and data processing services	1.4%	5
Finance and insurance	2.7%	
Federal Reserve banks, credit intermediation and related services	-4.2%	5

Securities, commodity contracts, investments	11.5%	2
Insurance carriers and related activities	11.7%	7
Funds, trusts, and other financial vehicles	1.0%	1
Real estate and rental and leasing	1.6%	
Rental and leasing services and lessors of intangible assets	9.2%	1
Professional, scientific, and technical services	5.0%	
Legal services	3.5%	3
Computer systems design and related services	0.9%	8
Other professional, scientific and technical services	6.2%	14
Management of companies and enterprises	-0.7%	9
Administrative and waste management services	11.4%	
Administrative and support services	12.3%	2
Educational services	5.4%	1
Health care and social assistance	2.8%	2

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Source: Bureau of Economic Analysis, GDP by State; KDOC CRM Dataset

**Appendix F**  
**Percentage of PEAK Jobs by NAICS**

NAICS Code	PEAK Ttl Jobs (Est)	Percentage of Total
213112	215	1.5%
237990	85	0.6%
238191	80	0.6%
3112	50	0.3%
311211	16	0.1%
311320	325	2.3%
311812	10	0.1%
32222	61	0.4%
323110	15	0.1%
323113	43	0.3%
323115	29	0.2%
324110	56	0.4%
325412	602	4.2%
326150	200	1.4%
331111	20	0.1%
332313	6	0.0%
332420	57	0.4%
332710	6	0.0%
333111	120	0.8%
333120	120	0.8%
333294	6	0.0%
333319	150	1.0%
334419	252	1.8%
335313	176	1.2%
33591	150	1.0%
336111	1,478	10.3%
336360	53	0.4%
336399	30	0.2%
336410	500	3.5%
336413	130	0.9%
336510	64	0.4%
337110	35	0.2%
339950	25	0.2%
339999	39	0.3%
423310	38	0.3%
423450	50	0.3%
423690	44	0.3%
423710	26	0.2%
423730	19	0.1%
423830	117	0.8%
423910	57	0.4%

424410	81	0.6%
424510	37	0.3%
445110	93	0.6%
446010	30	0.2%
446110	134	0.9%
484110	108	0.8%
488190	75	0.5%
488510	642	4.5%
511120	83	0.6%
511210	1,348	9.4%
515112	10	0.1%
518210	89	0.6%
519130	65	0.5%
522110	142	1.0%
522292	393	2.7%
522298	600	4.2%
522310	450	3.1%
523120	28	0.2%
523930	101	0.7%
524126	54	0.4%
524210	321	2.2%
524292	12	0.1%
531110	21	0.1%
541110	95	0.7%
541211	84	0.6%
5413	100	0.7%
541310	86	0.6%
541330	256	1.8%
5415	399	2.8%
541511	799	5.5%
541512	85	0.6%
541612	60	0.4%
541613	50	0.3%
541810	35	0.2%
551114	979	6.8%
561110	164	1.1%
561422	400	2.8%
611710	150	1.0%
621111	91	0.6%
621512	33	0.2%
811310	<u>60</u>	<u>0.4%</u>
Total	14,398	100.0%

## Appendix G

### Estimated Revenue per Employee and Estimated Payroll per Employee

Estimated Revenue and Payroll per Employee, Kansas			
Meaning of 2007 NAICS code	2007 NAICS code	Revenue/E mployee	Payroll/ Employee
Mining, quarrying, and oil and gas extraction	21	\$533,888	\$46,262
Utilities	22	Not Available	\$51,788
Construction	23	\$204,055	\$41,219
Manufacturing	31-33	\$432,018	\$44,936
Wholesale trade	42	\$1,210,549	\$48,457
Wholesale trade	42	\$969,945	\$45,478
Wholesale trade	42	\$2,405,759	\$71,588
Retail trade	44-45	\$230,760	\$20,937
Transportation and warehousing	48-49	\$125,496	\$35,147
Information	51	Not Available	\$58,091
Finance and insurance	52	Available	\$52,283
Real estate and rental and leasing	53	\$160,210	\$29,007
Professional, scientific, and technical services	54	\$140,120	\$48,897
Professional, scientific, and technical services	54	\$139,147	\$48,935
Professional, scientific, and technical services	54	\$283,300	\$43,282
Management of companies and enterprises	55	\$41,224	\$82,405
Administrative and support and waste management and remediation services	56	\$53,921	\$25,753
Educational services	61	\$109,095	\$30,262
Educational services	61	\$94,352	\$30,914
Educational services	61	\$196,242	\$26,405
Health care and social assistance	62	\$84,742	\$34,413
Health care and social assistance	62	\$95,153	\$38,019
Health care and social assistance	62	\$75,587	\$31,243
Arts, entertainment, and recreation	71	\$51,576	\$14,856
Arts, entertainment, and recreation	71	\$54,562	\$14,649
Arts, entertainment, and recreation	71	\$46,259	\$15,225
Accommodation and food services	72	\$40,005	\$11,200
Other services (except public administration)	81	\$105,041	\$25,379
Other services (except public administration)	81	\$75,246	\$23,611
Other services (except public administration)	81	\$202,739	\$31,176

The underlying data in Appendix G come from separate 2007 Economic Census Industry Series, Geographic Area Series, and Summary Series data files, as well as data files from the 2007 Economic Census of Island Areas and the 2007 Non-

employer statistics. These files are released on a flow basis from March 2009 through mid-2011. The national data are subject to change; they will be replaced when updated data are added from the Geographic Area Series and Summary Series in 2010 and 2011.