

LOUISVILLE BUSINESS FIRST



FEB. 25, 2011

BusinessFirstofLouisville.com

Legislature considers review of state incentives programs

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A necessary tool for economic development or corporate welfare?

The debate over tax incentives for companies considering expansion projects has raged for years in Kentucky and other states.

Now, a measure is being considered by the Kentucky General Assembly that would direct the Kentucky Economic Development Partnership Board to hire an independent, non-governmental consultant to study the effectiveness of state economic development incentives programs and incentives programs used by the

Kentucky Tourism, Arts and Heritage Cabinet.

If the legislation is approved by the General Assembly, it would require the consulting firm to submit a report by the end of the year and to make recommendations for improvements it deems necessary.

Measure approved by House, 100-0

House Joint Resolution 5, introduced by House Speaker Pro Tem Larry Clark, D-Okolona, passed the state chamber Feb. 15 by a 100-0 vote.



Clark

The measure was assigned Feb. 18 to the Senate Economic Development, Tourism & Labor Committee.

It hadn't received a hearing there by Business First's press deadline.

Strengths, weaknesses of programs would be examined

Clark said he considers the review a "fact-finding" opportunity to determine "what we're doing good and what we're doing bad" as far as the state's job-attraction efforts.

Another goal, he added, is to see "if we can get a better return on our investment."

"We want long-term jobs, not dead-end jobs," he said.

The veteran lawmaker said he believes the state needs to invest more in health and science-related companies and in "knowledge-based industries" than it has in the past.

He believes the review of the state's programs should show where the state has been most successful with its incentives and where they are being wasted.

Review would compare Kentucky's programs to other states

Clark's proposal calls for a review to show how much the state has granted as incentives and how

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Study would compare Kentucky's efforts with those of other states

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much tax revenue has been waived as part of Kentucky's economic development efforts. The study would indicate the numbers of jobs created and retained as a result of the programs, wages paid to employees and new taxes generated.

The majority of the state's incentives programs are performance-based and have requirements for job creation and minimum salaries.

The study also would compare Kentucky's job-creation efforts with those of other states and would analyze how much companies are required to pay back if they don't move forward with hiring or investment plans.

The House passed a similar measure, sponsored by Clark, during the 2010 legislative session, but it died in the Senate.

Clark said he's unsure of its prospects in the Senate this year.

Beshear supportive of incentives programs

Kentucky Gov. Steve Beshear has been a vocal proponent of the state's incentives programs, listing them among the reasons for significant expansion projects, such as the \$600 million retooling under way at Ford Motor Co.'s Louisville Assembly Plant and recent upgrades at General Electric Co.'s Appliance Park.

But the governor has drawn criticism for supporting incentives for some projects, such as a proposed amusement park in

Northern Kentucky that would have a Noah's Ark theme.

Governor's office, cabinet worked with Clark

The governor's office worked with Clark and the Kentucky Cabinet for Economic Development on HJR 5, according to Kerri Richardson, deputy communications director for Beshear.

In a statement, Beshear said: "In the last year and a half, nearly 250 companies have been approved for incentives through our new programs. These projects represent potential investments of almost \$2.2 billion and nearly 14,700 jobs, while also helping to retain another 4,800 existing jobs. These incentives are a key component of our efforts to attract, grow and maintain jobs in Kentucky."

"The legislature and I have worked to-

gether to develop these incentives to fit the changing needs of our economy, and I am proud of our progress. I look forward to signing this resolution when it reaches my desk."

Mandy Lambert, communications director for the economic development cabinet, could not be reached for comment before Business First's press deadline.

Chamber official sees review as 'a good thing'

Bryan Sunderland, vice president of public affairs for the Kentucky Chamber of Commerce, said his organization is tracking Clark's proposal but has not taken a formal stance on it.

He expressed support for the measure. "Anytime you're doing a review of a state program to look at its effectiveness, it's probably a good thing," Sunderland said. |