

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 9, 1993 in Room 123-S of the Capitol.

Members present: Senators Burke, Downey, Feleciano, Jr., Gooch, Harris, Hensley, Kerr, Petty, Ranson, Reynolds, Steffes and Vidricksen

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee: Donna Avery, Manager of Strother Field Airport/Industrial Park, Cowley County, Kansas
Dave Klotz, Executive Director, Kansas Manufacturers Association, Wichita
Bert Cantwell, Kansas City, Kansas area Chamber of Commerce

Others attending: See attached list

SB 73--Economic development assistance for qualified firms

Senator Ranson, Chairman of the subcommittee on **SB 73**, explained the subcommittee report is contained in **Sub for SB 73**.

Bob Nugent, Revisor of Statutes, briefed the committee on the provisions of **Sub for SB 73**. New Section 1 (a) establishes who is eligible for the program. A qualifying firm is one that is included in the manufacturing standard industrial classification codes, manufacturing groups 20 through 39 inclusive, that employs no more than 500 full time equivalent employees and provides compensation that is above the median wage for its standard industrial classification code and the county in which it is located. The Secretary of Commerce and Housing shall certify annually to the Secretary of Revenue that a firm meets the criteria established and that the firm is eligible for the benefits and assistance provided for by this act. The Secretary of Commerce and Housing shall also publish rules and regulations for the implementation of this act. New Sec. 2 creates a corporate tax credit for qualified firms. Sec. 3 (d) creates a sales tax exemption that is similar to the original bill, except a business may qualify for a sales tax exemption, without regard to any of the other requirements, if it is certified as a qualified firm by the Secretary of Commerce and Housing or if it is involved with Kansas industrial training (KIT), Kansas industrial retraining (KIR) or state of Kansas investments in lifelong learning programs. Sec. 4 (e) provides for a Kansas income tax credit in an amount equal to 10% of that portion of the qualified business facility investment which exceeds \$50,000 in lieu of the credit provided in subsection (b) (2) or (c) (2), and would be a one-time credit. New Sec. 5 creates the high performance incentive fund. New Sec. 6 is a high noon provision.

Donna Avery, Manager of Strother Field Airport/Industrial Park, Cowley County, Kansas, testified in support of **SB 73**, see Attachment 1. She stated the manufacturing sector in Cowley County grew by 325 jobs--all created from existing/expanding businesses--small businesses which would be served under **SB 73**. Cowley County has one of the best and most diversified manufacturing bases of any county in Kansas outside the few metropolitan areas, with nearly 30 businesses classed as manufacturers. Of that number, only two employ over 500 persons. The manufacturers she contacted expressed a very positive opinion of the concept of "qualified" companies who would be willing to commit dollars to training in exchange for tax credits.

Dave Klotz, Executive Director, Kansas Manufacturers Association, Wichita, testified he represents 20 small manufacturers. The largest manufacturer has 150 employees. He stated it is not necessary and serves no real purpose to establish average wage calculations and standard industrial classifications. He questioned whether tax benefits should be greater in rural areas than in metropolitan areas and whether a firm that is eligible for KIT or KIR funds would have those expenditures included in their calculations of 2%. Since those firms would be reimbursed, would that count as money spent on training?

Bert Cantwell, Kansas City, Kansas, area Chamber of Commerce, appeared in support of **SB 73**.

CONTINUATION SHEET

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He testified this legislation is important to older communities like Kansas City, Kansas, that have manufacturers that have been in the communities many years and are in need of updating their equipment and training.

There being no other conferees, the hearing on **Sub for SB 73** was closed.

Senator Burke moved to conceptually amend **Sub for SB 73** by eliminating employers in the county for consideration of the annual wage who would not qualify anyway. Senator Gooch seconded the motion.

After committee discussion, Senator Burke withdrew his motion.

The Committee meeting was adjourned at 9:00 a.m.

The Chairman called a special meeting March 9 on adjournment of the Senate to continue committee discussion on **Sub for SB 73**.

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE: 3/9/93

[illegible]

TESTIMONY

of

Donna J. Avery, Manager

Strother Field Airport/Industrial Park

Before the Committee on Commerce

March 9, 1993

Madame Chairman and members of the Committee on Commerce. I appreciate the opportunity to appear before you today to make comments on the substitute for Senate Bill No. 73.

I am Donna J. Avery, Manager of the Strother Field Airport/Industrial Park. Strother Field is located in Cowley County, midway between Arkansas City and Winfield. Strother Field is owned and operated by the two cities.

Some four to five years ago many counties in Kansas (ours among them) embarked on strategic planning processes. In Cowley County we used the name FOCUS ON THE FUTURE for our planning exercise, and

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Attachment 1-1

subsequent action plan. Whether the county population was 10,000 or as in our case nearly 38,000, I think I would be safe to say that most of the committees or task forces looked at business climate, quality of life, and education. In doing a full scale analysis, all the groups undoubtedly asked many of the same questions, most particularly:

WHAT'S IMPORTANT TO OUR AREA?

WHAT IS ESSENTIAL AS WE MOVE TOWARD THE 21ST CENTURY?

I would be terribly surprised to find that any strategic plan which evolved did not include as an answer to those two questions:

JOB CREATION

And, since we know that 75% to 80% of jobs are created by existing industries (and in many, many areas that figure is even higher) I believe that most strategic action plans contained some kind of a "retention/expansion program". For example, in Cowley County we projected the use of the Business Retention program through the Kansas Department of Commerce and Housing, which we subsequently did in late 1992.

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Cowley County is a very fortunate county. We have one of the best and most diversified manufacturing bases of any county in Kansas outside the few metropolitan areas. We have nearly 30 businesses classed as manufacturers. Of that number, only two employ over 500 persons.

When the results of our survey were compiled, we found that nine of those manufacturers had corporate headquarters outside of Kansas; eight firms had expanded their physical plants in the last two years; eight firms stated they are planning a physical plant size increase within the next two years, with seven of those expansions proposed to be in Cowley County.

We firmly believe that this survey underscores the importance of retention and expansion programs and efforts directed at existing businesses. While it may sound simplistic, we all cannot deny the standard rule:

BUSINESS WILL LOCATE WHERE IT IS WANTED --

BUSINESS WILL STAY AND GROW WHERE IT IS WELL TREATED.

Some two years ago in Cowley County, Kansas, a small, but dedicated group, formed a Quality Improvement Network, subsequently chartered

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I named the Two Rivers QIN. This small network has grown to include in excess of 100 people representing every sector of business, education, and government in the county. 60 to 70 people meet on the second Monday morning of each month, alternately between Winfield and Arkansas City, and devote an early morning hour (7:00 a.m. to 8:00 a.m.) to an examination of and adherence to the qualities of total quality management.

During the past calendar year, the manufacturing sector in Cowley County grew by 325 jobs -- all created from existing/expanding businesses -- small businesses which will be served under this proposed bill.

Just yesterday morning I attended the monthly QIN breakfast. At the conclusion of the session I explained the premises incorporated within this bill and asked for opinions. I asked for permission to use the names of Total Petroleum -- Montgomery Elevator -- Greif Brothers -- KSQ Blowmolding -- Archer, Daniels, Midland Milling -- and without exception they expressed a very positive opinion of the concept of "qualified" companies who would be willing to commit dollars to training in exchange for tax credits. They believed this would be a very workable incentive for job creation.

Steve Gilliland of Gilliland Printing, Inc. provided me with a letter of support which is attached to this testimony. With a payroll of over \$1.8 million, he tells how his company has doubled in size within a five-year period, using many state incentives, including

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property tax abatements and the Kansas Industrial Training and Retraining Programs. Steve says: "we could not have otherwise funded our growth". In my opinion, this proposed bill provides one more building block incentive.

In Monday's mail I received the March edition of Nation's Business magazine. The cover story is " Training Workers for Tomorrow." I quote from this article to further underscore this testimony.

The article begins with the story of a 120 employee firm with total annual sales of \$18.5 million. In 1988, the company discovered that 70 percent of their product had to be reworked after customers put them in use. The found that workers were having difficulty reading blueprints and that overall workplace deficiencies were costing the company \$1 million a year.

The owner decided that for his company to survive in a highly competitive industry, he had to move quickly to upgrade his workers' skills. He established a broad quality-management program that included targeted programs to improve reading and math skills. Costs of the training for 1992 and 1993 are expected to total about \$500,000, but the owner believes such initiatives are vital in an increasingly high-tech era.

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The article is full of statistics and examples of cooperative and collaborative efforts and I recommend the study of some of the facts and figures. However, I will close with a quote from the article:

"As knowledge of the gap between skills and jobs becomes more widely understood, an emerging consensus holds that business, labor, and government must work together to eliminate it."

I would contend that this proposed legislation is one more step toward keeping Kansas companies competitive with leading firms in other states and overseas -- and in our attempts to assist business in keeping and creating good jobs in the state of Kansas.

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MAJOR EMPLOYERS/MANUFACTURERS IN COWLEY COUNTY

<u>NAME</u>	<u>ADDRESS & #</u>	<u>CONTACT PERSON</u>	<u>PROD OR SERV</u>	<u>OTHER LOC</u>	<u>HDQRS</u>	<u>#EMPLOYEES</u>
ADN Milling	P.O. Box 958 Ark City	Doug Goff 442-6200	Export			92
Arkansas City Memorial Hospital	1st & Birch 442-2500	Webster Russell	Medical	95 Beds		150
Ark Valley Dist	Strother Field 221-6500	Mike Morgan Box 1051, AC	Budweiser			9
Binney & Smith Crayola-Hallmark	19 & Wheat Rd 221-4200	Jim Wilson Mark Swartz	Crayolas & Art Supplies	PA, CA, GA, CAN, & ENG	PA & KC, MO	450
CASCO South Inc	3719 E. 12th 221-1250	John Munday Fred Schiller	Injection molding		WFD	150
City of Arkansas City	Central & 1st 442-0280	Curt Freeland City Manager				134
City of Winfield	200 E. 9th 221-3060	Rick Cotton City Manager				162
Cowley County	221-4066	County Commission			WFD	130
Cowley County Community College	125 S 2nd 800-593-2222	Pat McAtee	3,000 Students (1,559 Full Time)			490 (Full Time 115)
Current Aircraft	Strother Field 221-4107	Melvin Current Box 776, AC	Rent & Instr		WFD	4
Fluid Kinetics	2121 Hwy 160 E 221-2343	Merle Krug	Silencers, puls dampeners & stab	CA	CA	20
Galaxy Tool Corp	Industrial PK 221-6262	Al West	Tool & Die		WFD	55
General Electric	Strother Field 221-1300	Dick Cole Box 797, AC	Jet Engine Overhaul	US & FOREIGN	NY, NY	680
Gilliland Printing	215 N. Summit Ark City	Ed Gilliland 442-0500	Printing			130
Gordon-Piatt Energy Group	Strother Field 221-4770	Jim Salomon Doug Sisson	Combustion Equipment	MEX-CAN S AMER	WFD	200
Greif Brothers	Strother Field 221-2330	Bob Gottlob	Steel Barrels & Containers	US & CAN	OHIO	54
Kansas Food Packers	1016 S. Summit Ark City	Dennis Cohlma 442-6820	Process Long- Life Milk Products			13

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Inc.	Strother Field Box 177 Wfd	Ken Lewis 221-9464	Blowmolding plastic		WFD	130
Lippert Components Inc.	1215 W. Madison Ark City	Ernie Basler 442-1044	Undercarriages Mobile Homes			5
Morton Buildings	221-4180 221-3265	Elmer Moore, Mfg Tim Ford, Sales	Metal Pole Buildings	IL IA OH	IL	42 15
Nelson's Machine	Industrial PK 221-4787	Larry Nelson	Custom Welding		WFD	9
Newton Memorial Hospital	1300 E. 5th 221-2300	Richard Vaught	Medical	99 Beds	WFD	246
Norton Enterprises	3221 Central Av 221-1987	Jerry Norton	Screen Printing on Plastic Products		WFD	5
Rubbermaid- Winfield, Inc.	1616 Wheat Rd 221-2230	John Fravel Rick Lane	Coolers & Ice Chests	OHIO	OH	1,090
S & Y Industries	606 Ind. Road 221-4001	Sandy Foust Gary Foust	Printed Circuit Boards and Assembly		WFD	3
Skyline Corp	Rt. #2 Ark City	Joe Powell 442-9060	Manufacture Mobile Homes			53
Southwestern College	100 College 221-4150	Carl Martin	Education		WFD	175
Strother Manufacturing	P.B. Box 738 221-7425	Bill Young	Thermal Enhanced Oil Recovery Systems			20
Total Petroleum Ark City	1400 S. W P.O. Box 857	Jack Hazen 442-5100	Oil Refinery			272
Tyler Productions	Rt. #2 Ark City	Tom Tyler 442-6525	Mfg Small Parts in Large Quantity			16
USD #465	920 Millington 221-2860	Bill Medley	Education		WFD	355
Viola Industries Ark City	3015 N. Summit P.O. Box 1108	Bob Viola 442-2246	Export World Wide			50
Webster Engineer & Manufacturing	Industrial PK 221-7464	Cliff Edens Bob Brown	Burners & Custom Steel Fabrication		WFD	75
Western Manu Mont- gomery Elevators	Strother Field 221-3066	Wm. Lundell Box 987, AC	Custom production of elevators	CAN & IL	IL	104
Winfield Cor- rectional Fac	P.O. Box 653 221-6660	Gordon Hetzel	Minimum Security			103
Winfield State Hosp & Trng Ctr	Rt 1 Box 123 221-1200	Dr. Tony Lybarger	Mental & Physical Handicapped		WFD	951

5/20/92



PRINTING, INC.

215 North Summit
Arkansas City, Kansas 67005
(316) 442-0500
1-800-332-8200
FAX (316) 442-8504
Steven E. Gilliland
President

March 6, 1993

I am very supportive of the proposed Senate Bill No. 73 (with one exception, which will be discussed later).

Last year, our total payroll was over \$1.8 million. We have around 100 associates. As a potential Malcolm Baldrige National Quality Award candidate, we spend much more than 2% on training. We have team-building training, quality "tools" training, leadership training, customer service training, statistical process control training, and the list goes on. We send people to seminars, bring in consultants, do in house training, and heavily utilize the local community college. We pay half the tuition costs at the community college. This semester, for example, 9 of our associates are enrolled in a 3-hour statistics class, and many are enrolled in total quality management classes. We spend a lot of time cross-training associates throughout the company. Many of our associates have been taking computer courses.

We don't use traditional performance evaluations. Instead, we ask our associates to tell us how they want to grow; what new things they need to learn. Available to them are training videos, an in-house library, lists of college courses, etc. Everything we do centers around training.

We have doubled in size within a five-year period. To fund this growth, we've used many state incentives, including property tax abatements (five) and the Kansas Industrial Training and Retraining Programs. We could not have otherwise funded our growth.

Our company is a book printer. Our major markets are located on the both coasts. Only 5% or so of our revenues are derived in Kansas. Therefore, our sales growth results in additional dollars to the Kansas economy.

The printing industry has faced as rough a year in 1992 as about any industry, with hundreds of establishments going out of business. Cutthroat pricing reduced already paper-thin profit margins. To continue to grow in this in this environment, we do need all the incentives that can possibly be offered.

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My only disagreement with the proposal is the fact that it attempts to place requirements on wage rates. Are you trying to screen out "sweat shops"? I don't think that is necessary. How many minimum wage establishments pour money into training? Not many. By definition, I think, businesses interested in training are going to pay a respectable wage. Our company has an average wage of about \$8.50 per hour. This would fall below big city union printers, and would also fall below the big industries in Cowley County (General Electric, Total Petroleum, for example). Would you want to exclude our company because it did not "measure up" to your wage criteria? I don't think any wage criteria is needed. I think the "free market forces" will take care of the situation.

Thank you for bringing this important bill to the Senate.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Steve Gilliland", written in a cursive style.

Steven E. Gilliland