

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 12:00 p.m. on April 3, 2003 in Room 231-N of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research
Deb Hollon, Legislative Research
Norman Furse, Revisor of Statutes
Mitch Rice, Revisor of Statutes
Jodie Anspaugh, Secretary

Conferees appearing before the committee: Bernie Koch, Wichita Chamber of Commerce
Bill Jarrell, The Boeing Company
Wayne Maichel, AFL-CIO

Others attending: See attached list.

Chairperson Brownlee opened the hearing on SB 281. April Holman from Legislative Research briefed the committee on the bill. Ms. Holman stated that if this bill is passed, KDFFA would issue \$500 million in bonds for aircraft manufacturing. To be eligible for these bonds, a business must hire a minimum of 4,000 new employees for the project. The maximum maturity of the bonds is 20 years. Senator Emler had a question about the bill on page 2, line 34, "all or a portion of." Bill Jarrell clarified that it is the responsibility of Boeing to pay the remaining portion of the interest.

Bernie Koch, Wichita Chamber of Commerce, testified as a proponent to the bill. (Attachment 1) In January, the city of Wichita had a 7.5% unemployment rate. He expects that this rate will only get worse, with Wichita potentially experiencing near-record unemployment this June or July. This legislation is very good news for workers in Wichita. This bill also sends a strong signal that Kansas is a strong economic competitor.

Bill Jarrell, Regional Director of Government Relations for The Boeing Company, testified as a proponent to the bill. (Attachment 2) Mr. Jarrell briefed the committee on current operations at Boeing Wichita, including building the complete fuselages for the 737 and the 757. They have a 1,200 acre site employing 12,000 Kansas workers. September 11, 2001 had a large effect on Boeing Wichita. The plant produced 527 airplanes in 2001, 381 in 2002, and expects to produce only 280 airplanes in 2003. This year, Boeing will announce an international team of suppliers to design and build the 7E7. Boeing Wichita is fully capable to participate in this project, but needs financial assistance in order to be chosen. SB 281 demonstrates that Kansas is a competitor. This legislation provides a fair partnership between the state and an eligible business. It is about the continuation of a strong partnership between the state and a long-

CONTINUATION SHEET

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standing corporate citizen. At peak production, the 7E7 program is expected to provide approximately 4,000 jobs at Boeing Wichita, generating an annual payroll of nearly \$250 million. Up to 10,000 ancillary jobs would be sustained in the Wichita area by the new work. Mr. Jarrell answered a number of questions from committee members regarding other countries competing for this project, the expected life of the project, tax withholdings, and repayment of the bonds.

Wayne Maichel, Kansas AFL-CIO, testified briefly as a proponent to the bill. He said he has thousands of trained and skilled workers who are ready to go back to work.

The committee discussed how important it is for them to see the fiscal note of the bill. Senator Kerr explained that the theoretical fiscal note is zero.

Janet Harrah, Center for Economic Development and Business Research, submitted written testimony in support of the bill. (Attachment 3)

Chairperson Brownlee closed the hearing on SB 281. Rebecca Floyd from KDFA explained how the bonds would work. They will be taxable bonds. Without this bill, KDFA would probably not venture into issuing this type of bond.

Senator Kerr offered a balloon attachment with technical amendments. (Attachment 4) Senator Brownlee announced that, due to time constraints, the committee will need to meet tomorrow to consider these amendments and to work this bill.

The meeting was adjourned at 1:00 p.m.