

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on April 4, 2003 in Room 123-S 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: Secretary Wagnon

Others attending: See attached list.

Chairperson Brownlee opened the meeting by complimenting the committee on all their good work this year. This will possibly be the committee's last meeting.

Charles Ranson, President of Kansas, Inc., distributed written testimony in support of SB 281.
(Attachment 1)

The committee discussed that they are still missing the fiscal note for SB 281, which is really a critical piece of information. Joan Wagnon, Secretary of Revenue, spoke to the committee regarding the fiscal note and distributed a table showing withholding rates for employees based on annual wages.
(Attachment 2)

The committee discussed the bill, with input from the audience. Steve Kelly, Department of Commerce, wondered whether this project would actually create new jobs or if it would simply shift employees. Senator Buntin asked Steve Weatherford, Kansas Development Finance Authority, about the bonds. Mr. Weatherford answered that the amount of interest due that is not covered by the withholding will be covered by Boeing. Every time a plane is sold, a portion of the money will go to pay off the principle of the bonds. Senator Barone noted that he would like to see a way to track the funds that would be given to Boeing. He is concerned that the company will move as many of their current employees as possible to this new project, creating less new jobs. Lieutenant Governor John Moore responded to a concern by Senator Wagle, replying that he does have the expertise needed to write contracts to protect the interests of the state, as he was in senior management at Cessna for many years.

Senator Kerr said he does not believe that the state's general fund will be involved with this at all. It is well established that Boeing is responsible for the bonds should anything happen. If this bill is passed, the

CONTINUATION SHEET

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state will be trusting Boeing to be very honest in how they allocate these jobs. There is no way that the state can fully protect itself from an intentional dishonest move by Boeing. Senator Brownlee suggested that perhaps the Department of Revenue can share their information with Kansas, Inc., and Kansas, Inc. can track it. Secretary Wagnon noted that if individuals are overwithholding on their income tax they will not be able to track it. Senator Steineger said he does not like the idea of writing a big blank check, and does not believe any new jobs will be created; this project will only retain those who are already in the aircraft industry in Wichita.

Bill Jarrell, The Boeing Company, said that the intent of this legislation is to make sure Kansas is involved in the 7E7 project. The real worry about the bill not passing is that the current Kansas talent pool will leave the state and go where the project goes. The future commercial airplane is the 7E7.

The Department of Revenue distributed a handout about the bill. (Attachment 3) The attachment explains that this bill would set precedent for other large Kansas employers to approach the legislature in future years to request that various projects be funded with employer withholding taxes. The document also raised various questions in regards to drafting the bill.

Senator Brownlee brought up the issue of requiring Boeing to make the 4,000 new jobs all new hires, on page 2, line 1. The consensus of the committee was that they will not require them to be all new hires.

The committee discussed limiting the state's involvement with the bonds to 20 years, instead of 30. Senator Emler made a conceptual motion to limit the state's involvement in the bonds to 20 years. Senator Jordan seconded. The motion carried.

Senator Wagle suggested that the Department of Revenue should be involved in this. Secretary Moore stated that he would deeply involve the Department of Revenue, however it is very important that the Secretary of Commerce be the one to sign any agreements.

Senator Kerr moved to add the provision in KSA 74-8017 which would have the Department of Revenue share information with Kansas, Inc. so that Kansas, Inc. can track this incentive. Senator Jordan seconded. The motion carried.

Senator Kerr distributed a proposed technical amendment to the bill. (Attachment 4) Senator Kerr moved to adopt all changes in his amendment. Senator Steineger seconded. The motion carried.

Senator Kerr moved to pass the bill favorably as amended. Senator Jordan seconded. The motion carried.

The meeting was adjourned at 9:30 a.m.