

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on March 1, 2000, in Room 519-S of the Capitol.

All members were present except: Senator Praeger – Excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: George Turner, General Motors
John Federico, Federico Consulting
Dan Fairbanks, Kansas United Auto Workers

Others attending: See attached list.

The minutes of February 25, 2000, were approved.

SB 624–Property taxation; exempting certain personal property used for manufacturing of motor vehicles

George Turner, General Motors Fairfax Assembly Plant, testified in support of **SB 624**. He noted that the Fairfax plant employs over 3,000 people and paid over \$244 million in wages, taxes, and utilities in 1999. On July 1, 1999, the plant was selected as the first plant to have the opportunity to present a business case to build Epsilon Architecture vehicles, a new generation of cars. The Epsilon project opportunity is contingent upon a sound business case. The overall investment to bring the Epsilon project to the Fairfax plant is conservatively estimated at \$500 million.

Mr. Turner explained that **SB 624** was designed to exempt special tools and dies located in Kansas from ad valorem taxes. He explained further that special tools and dies suffer from rapid obsolescence due to the rate of change taking place in the automotive industry. He noted that last year General Motors had a property tax bill of \$1.3 million in Kansas on special tools and dies. **SB 624** would make Kansas comparable with states such as Michigan and Ohio, which have many major automotive stamping and assembly plants and which exempt special tools and dies from ad valorem taxes. The proposed legislation would apply to special tools and dies acquired after December 31, 2000.

Mr. Turner informed the Committee that the Grand Prix represented 64 percent of the plant's 1999 production volume. He emphasized that the Epsilon project represents the future for the Fairfax plant as the current generation Pontiac Grand Prix will cease production in the third quarter of 2002, and the next generation Grand Prix will not be built in Kansas City. If Fairfax can successfully bid for the Epsilon project, the plant will begin a pilot build of the new car line during the last half of 2002. A three-shift operation is planned to allow the plant to maintain employment and payroll levels comparable to present operations.

(Attachment 1)

Committee discussion followed regarding the possibility of the General Motors plant requesting local property tax abatements to exempt special tools and dies rather than requesting the passage of **SB 624**. Mr. Turner responded that the Fairfax plant is trying to level the playing field of the cost of assembling a car in Kansas with other states which have granted the tax exemption for auto manufacturers. He confirmed that the future fiscal note on the bill could not be determined at this time because it is not yet known what special tools and dies would be located in Kansas if General Motors decides to grant the Fairfax plant the Epsilon project. It was noted that the fiscal note could be higher than the \$1.3 million currently collected for property taxes on the special tools and dies at Fairfax. It was also confirmed that the bill would provide a permanent property tax abatement, the burden of which would

CONTINUATION SHEET

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Room 519-S, Statehouse, at 11:10 a.m. on March 1, 2000.

be spread to the other property taxpayers in the county.

John Federico, representing General Motors, testified in support of **SB 624**. He reiterated Mr. Turner's statement that the General Motors Fairfax assembly plant has been presented with a wonderful opportunity to win the right to be the sole North American producer of the Epsilon Architecture Vehicle. He emphasized that **SB 624** is one of many critical components of the business case that the Fairfax plant wants to submit in an effort to win approval of the project. He noted that the bill is in response to a unique economic opportunity for a specific manufacturing facility within the state. He urged the Committee to support the bill as it will help win approval of a project that will result in an investment of over \$500 million in new machinery and equipment in the state. (Attachment 2)

In response to committee questions, Mr. Turner clarified that passage of **SB 624** does not solely determine whether the Epsilon project moves forward. He noted that Fairfax also has an interest in the integrated plant bill. Even if all legislation in which the plant has an interest is passed, there is no guarantee that the business case will be accepted and approved by General Motors. He assumes that, if General Motors chooses not to accept the Fairfax business case, it has the choice to go to another facility in another state and ask that it present a business case.

Dan Fairbanks, President of the Kansas United Auto Workers (UAW), testified in support of **SB 624**. He explained that he represents almost 3,500 members of the UAW local at the Fairfax plant and emphasized that the Fairfax UAW has a great working relationship with General Motors. He noted that the bill directly affects their jobs, but UAW members have not yet been informed of the bill due to the fact that all the information needed was not yet available to him. Mr. Fairbanks assumes that once the information on the bill reaches the Fairfax UAW members, many of them will contact legislators to express their support.

Mr. Fairbanks noted that, when the production of the Grand Prix ceases at the Fairfax plant, the plant will not be able to survive unless a new product comes into production there. He commented that General Motors does not make threats. The plan to discontinue the production of the Grand Prix at Fairfax simply is a reality of life. If the plant subsequently closes, the employees will be forced to seek employment in other states. He explained that he grew up in Wyandotte County and has worked at the Fairfax plant for 27 years. During those years, \$500 million has been contributed by the plant to the United Way in Wyandotte County. He pointed out that the loss of the United Way contributions by Fairfax employees will significantly affect the amount of money received by local non-profit groups, and the loss of jobs will directly affect the commerce in the Kansas City area. In closing, Mr. Fairbanks emphasized that Fairfax employees care about Wyandotte County and what happens to the plant and that the bill will help make their jobs secure.

Senator Langworthy called attention to written testimony submitted by Wayne Maichel, Kansas AFL-CIO, in support of **SB 624**. Mr. Maichel notes that this is the first request for a tax reduction which has with it a guaranteed return as the 3,000 jobs at the Fairfax plant are some of the best paying jobs in the state with good health care and pensions. (Attachment 3)

The hearing on **SB 624** was closed, and the meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for March 2, 2000.