

March 10, 2020

Madame Chair and Members of the Senate Tax Committee,

On behalf of the Wichita Regional Chamber of Commerce, thank you for the opportunity to testify in favor H.B. 2118, *AN ACT concerning income taxation; relating to credits, providing certain credits for graduates of aerospace and aviation-related educational programs and employers of program graduates.*

Wichita has long held the distinction and honor of being the Air Capital of the World. However, it's really the entire state of Kansas that deserves this honor, as aviation manufacturing and the associated supply chain reach all regions and corners of our great state. Kansas aviation manufacturing has helped win world wars, spurred tremendous advances in technology that extend even into modern medicine, and helped create a middle-class lifestyle that is the envy of the nation, if not the world.

Aviation manufacturing is an enormous contributor to the state general fund and a major driver of state GDP. It is one of the largest creators of primary jobs and drives our state's exporting economy. Thousands upon thousands of Kansans realize the American dream earning great wages with great benefits working in aviation manufacturing. Aviation manufacturing is a treasured jewel to the Kansas economy, its government, and its citizens.

It should, therefore, be no surprise that other states and nations seek to plunder our treasure. They pursue our companies and our workers in their efforts to drive their economies and grow their states. They are innovative and aggressive in their pursuits, offering cash and tax incentives along with infrastructure and training enhancements in hopes of luring away high paying jobs from here in the heartland.

It's working. Unfortunately for Kansas, the efforts by competing states have resulted in a large degree of success. **While Kansas has seen aviation employment decrease by 18% between 2005 and 2017, Georgia has seen a 13% increase. Oklahoma has seen an increase of 93%, while North Carolina has seen a staggering increase of 141%.** As the chart below demonstrates, while Kansas **lost 17,941** aviation sector jobs since 2001, three states alone **gained 16,113** aviation sector jobs.

<u>STATE</u>	<u>2001</u>	<u>2017</u>	<u>Difference</u>
Kansas	47,736	29,795	- 17,941
Georgia	29,795	20,663	+ 9,623
North Carolina	2,294	6,253	+3,959
Oklahoma	4,548	7,079	+2,531

The conventional wisdom is that Kansas lost aviation jobs due to the Great Recession and that the aviation sector has experienced a slow rebound. Conventional wisdom is only half correct. Kansas did lose aviation jobs during and because of the economic downturn, but the numbers have

not remained low because of a sluggish comeback. They've not remained low because the jobs didn't come back. **The jobs did come back. They just didn't come back to Kansas.** They've gone to other states that have outpaced Kansas in workforce development initiatives and better incentives designed to attract capital and create wealth.

Here is the good news. While the state should always endeavor to attract new aviation companies to Kansas, recruiting companies is not the primary solution. The companies are here. The jobs are here. What's missing is a trained and capable workforce. There are currently thousands of open and unfilled jobs in the advanced manufacturing sector of the Kansas economy. This despite temporary layoffs at Spirit. We would endeavor to help the Committee understand that those layoffs are temporary and not the fault of Spirit or any other Kansas aviation firm. Therefore, we must still seek solutions to long-term worker shortages. Those solutions are twofold. One, we need to create pathways for Kansans to get the degrees, certifications, and training necessary to qualify for these jobs - jobs that, on average, pay \$70,000 per year. And two, we need to create incentives for trained workers to move to Kansas.

No silver bullet singularly solves this challenge. Solutions lie in a multi-prong approach that involves working with education, both K-12, community colleges, tech schools, and Regents institutions. It involves educating parents and students about the great opportunities in aviation manufacturing, including its safety and high-earning potential. It involves working with the federal government to better allow for the easier transition of members of the military to private sector employment and recruiting our service members serving abroad to return home after their service to work in our industry. It also involves the solutions contained in H.B. 2118.

H.B. 2118 would help Kansans afford degrees and technical certificates related to aviation manufacturing. It would also help aviation firms to recruit both residents and non-residents to take employment with Kansas aviation firms.

By way of information regarding an amendment made by the House and requested by industry and the Chamber, Kansas aviation manufacturing firms are not coming to you today saying they are not making enough money. They are telling you today they need your help in attracting trained and qualified workers. With this mind, we requested that language allowing an employer to receive tax credits wages paid be struck. That amendment was successfully made and therefore; that language does not appear in the bill before you today.

Finally, the fiscal note states that the Department of Revenue does not have enough information to estimate a cost. We do wish to remind the Committee that unfilled job in the aviation manufacturing sector are generating zero dollars in income for the state general fund (SGF). Despite the small and short-term tax credits issued in this bill, every new job filled through the efforts this legislation creates net positive income for the SGF.

Madame Chair and Members of the Committee, I once again thank you for this opportunity and earnestly request that you report H.B. 2118 favorable for passage.

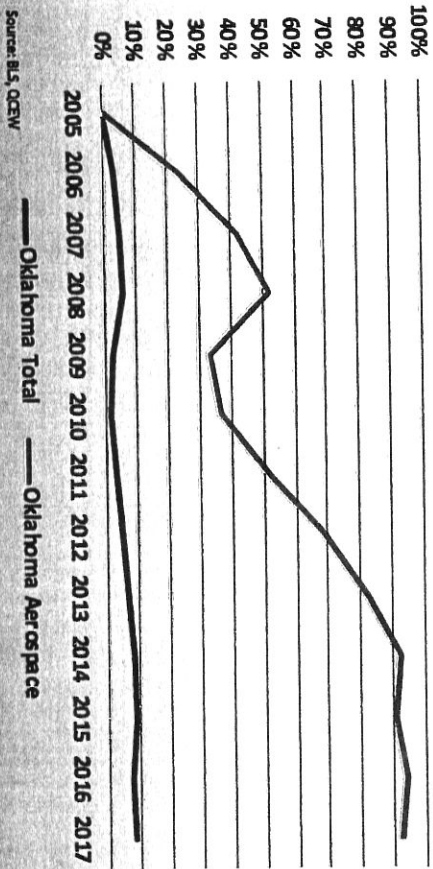
Very truly yours,



Jason P. Watkins

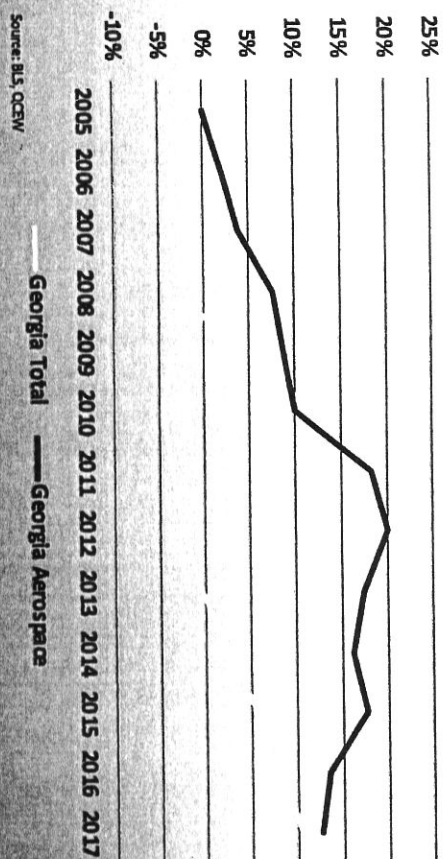
Employment

Oklahoma



Source: BLS, OCEW

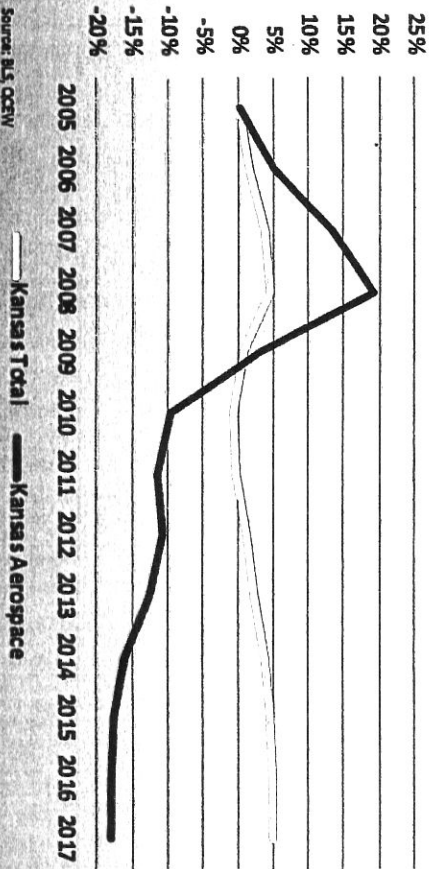
Georgia



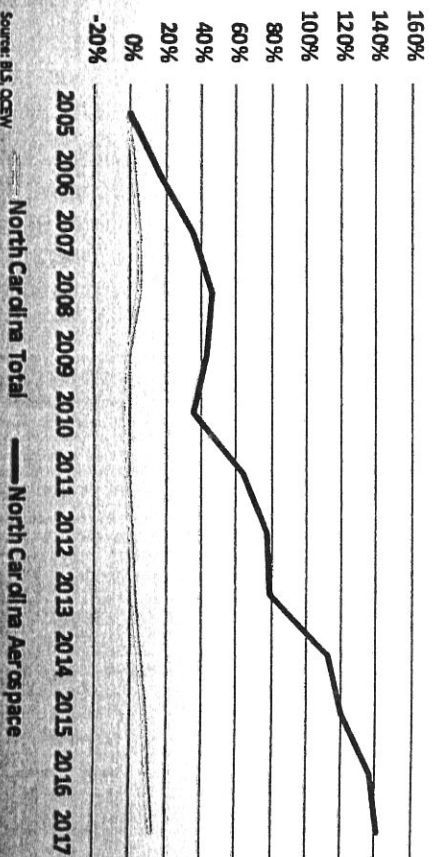
Source: BLS, OCEW

Employment

Kansas

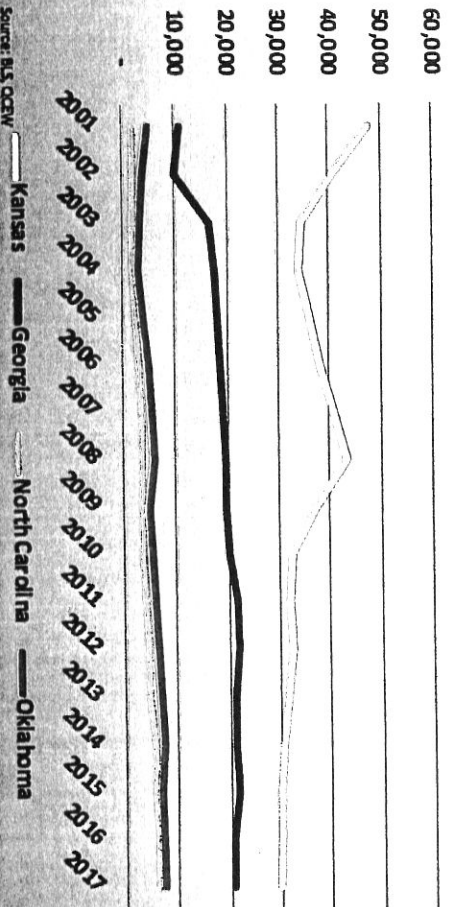


North Carolina



Kansas vs. Georgia, North Carolina, & Oklahoma

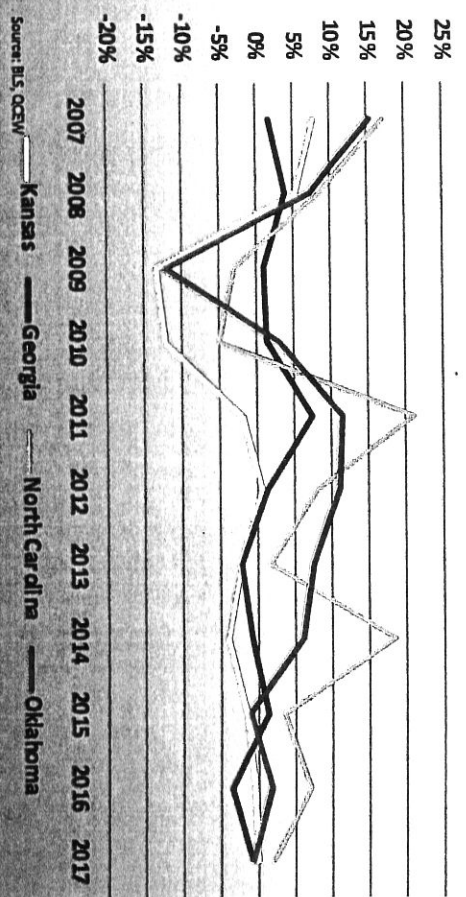
Total Employed



Source: BLS, OCEW

— Kansas
 — Georgia
 — North Carolina
 — Oklahoma

Employment Percentage Increase/Decrease

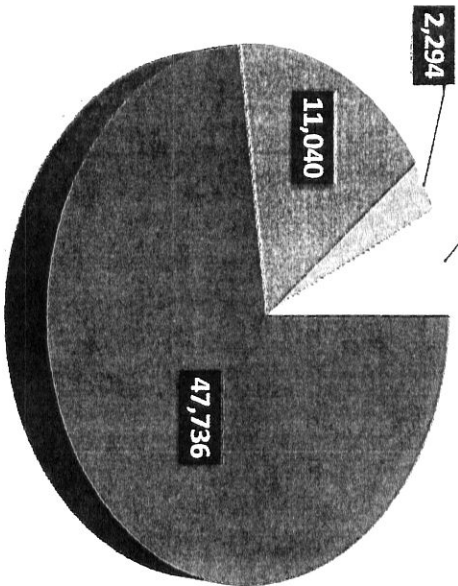


Source: BLS, OCEW

— Kansas
 — Georgia
 — North Carolina
 — Oklahoma

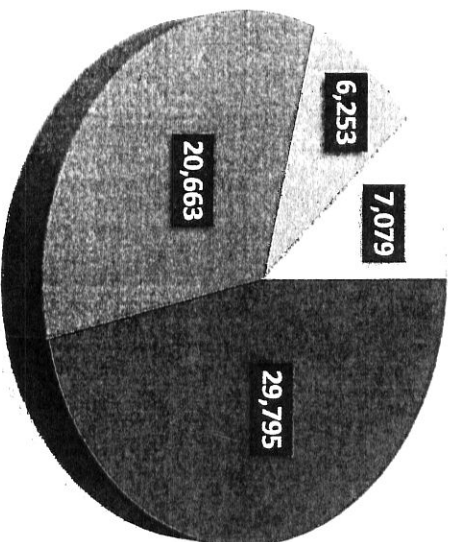
Aerospace Employment 2001 vs. 2017

Employed in 2001



- Kansas
- Georgia
- North Carolina
- Oklahoma

Employed in 2017



- Kansas
- Georgia
- North Carolina
- Oklahoma