Approved: 2/19/08
Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:16 A.M. on January 30, 2008 in Room 784 of the DSOB.

All members were present except:
Brenda Landwehr- excused
Kasha Kelley- excused

Committee staff present:
Jerry Ann Donaldson, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Jill Wolters, Office of Revisor of Statutes
Renae Jefferies, Office of Revisor of Statutes
Stephen Bainum, Committee Assistant

Conferees appearing before the committee: David D Kerr, Secretary of Commerce

Others attending: See attached list.

The Chairman introduced Secretary Kerr. He presented some sheets showing an overview of the five divisions within the Kansas Department of Commerce and the Departments 2008 funding sources **(Attachment 1)**.

Representative Grant asked about travel and tourism. Secretary Kerr mentioned a bill to be sponsored by the State Association of Travel Industry. They want to establish a quasi-governmental agency that will have responsibility for travel and tourism. They are suggesting that 4 to 4.5 million dollars be transferred from Commerce to this new agency. They would also be seeking 10 million dollars from other agencies to increase the funding from 5 million to a total to 15 million dollars a year.

Representative Goico mentioned the fact that the workforce in the aircraft industry in Kansas is ageing. What initiative is the Department of Commerce taking to ensure that the aircraft industry continues to have qualified workers? Secretary Kerr agreed that the workforce is an asset and that overall Kansas is very well perceived in regard to the workforce. The only problem we have is in western Kansas. Their unemployment rate is less that 3%. That means they have a labor shortage. We are working very closely with the aviation industry in regard to training the workforce.

Representative Tietze asked if the 5 million dollars for the 2008 Airfare Program was only for the Wichita area. Secretary Kerr indicated that it was primarily for south central and western Kansas. There has been one request for a Salina to Topeka route.

Representative Huntington asked how the money in the Wire Grant was going to be used. The first grant was a 15 million dollar bi-state grant with Missouri which was focused on workforce development and innovation, healthcare and the bio-sciences field. The second Grant of 5 million dollars was for the Wichita area 10 county region focused on composites.

Secretary Kerr returned to his presentation. He called attention to his overview of the Fiscal Year 2007 Highlights of the Department of Commerce **(Attachment 2)**.

Representative Brunk asked about the guidelines for the use of the emergency funds. Secretary Kerr said they are under strict guidelines to use the funds only for employment to clean up the cities. They have been able to convince congress to allow them to expand the program to pay for city inspectors.

Secretary Kerr then presented an overview of the 2008 Legislative Proposal about the Impact Program Enhancements **(Attachment 3)**.

Representative Brunk asked if the training for a company coming to Kansas can be done ahead of time. Secretary Kerr indicated that much of the training could be done before the factory was set up.

Representative Huntington asked how they would direct computer training within a company. They work with the company to develop a plan for internet based training. Are the MSA requirements being eliminated? Those requirements are still in there.

Representative Brunk asked how eliminating the 95% requirement would affect funding. It does not affect the amount of money that Commerce receives. It does affect how much can be given to a particular company. This would allow the Secretary of Commerce to increase the reward to a company where it is justified.

The Secretary continued with The Tax Incentive Package **(Attachment 4)**. He said that it was a re-packaging of **HB 2170** that was proposed last year. It involved the establishment of a Tax Credit Program, the creation of Opportunity Zones, replacing existing Tax Credit Programs with Streamlined Investment Tax Credit and Job Creation Credit Plans and Simplifying Qualified Investment Calculation for Investment Based Credits.
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Representative Gordon asked how this package compared with the Kansas Inc. plan. The Kansas Inc. plan has included a way to reduce the total taxes paid for the business. Commerce is not opposed to that at all. Secretary Kerr indicated that he did not know what the fiscal note would be for depreciating assets in the first year compared to depreciating them over 5 or 10 years. The question is how expensive it is and how you pay for it.

Representative Huntington asked if Commerce was proposing eliminating 60% of the 452 million in outstanding credits that haven't been used. Secretary Kerr said no it could not be used for anything that was on the books through the end of last year.

Representative Brunk asked what would be the priority in this new legislation. The first priority would be the modifications to the Impact Program. It gives us the tools to make us competitive with other states. A further question was whether or not we have any requirement for the trainee to stay in the state. The packages have a requirement of how long they have to stay in the state. They tend to be 3 to 5 year programs. They are required to stay in the state two years past the end of the program.

The meeting was adjourned at 10:37 A.M. The next meeting is scheduled for January 31, 2008.