

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:20 A.M. on February 1, 2007 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Amy Deckard, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Norm Furse, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Bud Burke
Ken Daniel, Kansas Small Business.com
Derrick Sontag, State Director, NFIB
Jeff Glendening, KCCI
Senator Terry Bruce
Dave Kerr, President, Reno County Chamber of Commerce
John Deardoff, City Manager, Hutchinson, Kansas
Larry Sharp, Reno County Commissioner
Mark Love, International Association of Machinists & Aerospace Workers

Others attending:

See attached list.

SB 83-Employment security law; contribution rates

SB 164-Establishing the qualified industrial act

Chairperson Brownlee introduced Bud Burke for a bill introduction. Mr. Burke referred the Committee to written copy entitled "Notice to Contractors" ([Attachment 1](#)) and stated he would like to repeal K.S.A. 44-717 (b)(3) which states contractors who hire subcontractors will be held liable for such contributions, penalties and interest due from the subcontractor and the Secretary of Labor shall have all of the remedies of collection against the contractor. He stated that contractors should not be responsible for subcontractors bills or responsibilities.

Senator Emler moved to introduce a bill to amend K.S.A. 44-717 (b)(3). Senator Schodorf seconded. Motion carried.

Chairperson Brownlee recognized Senator Jordan to introduce two bills. Senator Jordan stated he would like to introduce an bill with adjustments to the Angel Investor Tax Credit Act.

Senator Emler moved to introduce the bill regarding the Angel Tax Credit Act. Senator Reitz seconded. Motion carried.

Senator Jordan stated the other bill to introduce would allow communities more flexibility regarding wet lab facilities.

Senator Emler moved to introduce a bill regarding wet lab facilities. Senator Teichmen seconded. Motion carried.

Chairperson Brownlee recognized Senator Emler to introduce a bill.

Senator Emler made a motion introduced a conceptual bill regarding transfer of land located in Manhattan regarding a new facility at K-State. Senator Jordan seconded. Motion carried.

Chairperson Brownlee stated she would like introduced a conceptual bill regarding changes in tax policy involving economic development incentives; a break out of SB 213, page 14.

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Senator Jordan made a motion to introduce a conceptual bill. Senator Emler seconded. Motion carried.

Chairperson Brownlee introduced Kathie Sparks, Legislative Services to review “Timeline for Receiving Unemployment Benefits” she prepared. (Attachment 2) In Ms. Sparks’ review she stated the timeline was based on an employee of the state. If an employee was laid off on January 23rd and filed for unemployment on that same day, the first unemployment check would be issued on February 7th and the final employment check would be deposited on February 9th. She also reviewed a section “if fired or leaving status is in question”.

Chairperson Brownlee continued the hearing on **SB 83** and introduced Ken Daniel, to give his testimony as a proponent of **SB 83**. Mr. Daniel gave a review of his written testimony. (Attachment 3) He stated that leaving \$170 million in unneeded unemployment tax money in the hands of Kansas businesses is an excellent idea. He is in favor of the bill with changes. He feels that any reductions should be the same percentage across the board for all positive balance employers. The proposed scheme rewards big businesses at the expense of small businesses and rewards old businesses at the expense of new businesses. It rewards businesses that have shrunk in size at the expense of those who have grown in size. In closing, he stated the U.I. rates should be cut, but the cuts should be fair to the one who are paying in the most of the surplus funds. The rate reduction should be given to all positive balance employers.

Chairperson Brownlee introduced Derrick Sontag, State Director, NFIB to give his testimony as a proponent of **SB 83**. Mr. Sontag presented written copy which he reviewed for the Committee. (Attachment 4) He stated NFIB has balloted more than 5,400 NFIB members in Kansas and they are in strong support of a rate reduction with the Unemployment Compensation Fund. He also added that he felt that, as in Mr. Daniels testimony, the reduction rate could be equal for positive balance employers.

Brief questions and answers followed.

Upon the conclusion of the questions Chairperson Brownlee introduced Jeff Glendening, KCCI, to give his testimony as a proponent of SB 83. Mr. Glendening reviewed his written testimony. (Attachment 5) Mr. Glendening stated the bill will allow Unemployment Compensation Tax relief for positive balance employers without jeopardizing the integrity of the unemployment compensation trust fund.

Questions and answers followed. It was noted that KCCI would not oppose an equal rate reduction for all positive balance employers.

Ashley Sherard, Vice President, Lenexa Chamber of Commerce, presented written only testimony. (Attachment 6)

With no further testimony or questions on **SB 83**, Chairperson Brownlee closed the hearing on **SB 83**.

Chairperson Brownlee introduced Kathie Sparks, Legislative Research, to explain **SB 164**. Ms. Sparks stated that **SB 164** is very close to the Innovia bill which was done a few years ago. This bill is regarding a hydraulics company in Reno County. In the first three years of the program 90% of the qualified industrial manufacturer’s Kansas payroll withholding taxes shall be paid out. In the remaining seven years of the agreement 40% shall be paid out. The company would not be allowed to participate in IMPACT. The Secretary of Commerce will oversee the program. If at anytime the company fails to meet the requirements of the program, it will be cancelled.

Chairperson Brownlee opened the hearing on **SB 164** and introduced Senator Terry Bruce to give his testimony as a proponent on **SB 164**. Senator Bruce reviewed his written testimony. (Attachment 7) Senator Bruce stated the bill was very important for Reno County and the surrounding communities. He stated Eaton Corporation is a large manufacturing employer in the Hutchinson region and the loss of this company would be disastrous to the local and surrounding economy. He stated that the City of Hutchinson, Reno County, and the Reno County Chamber of Commerce has invested in Eaton’s continued presence in Reno County. **SB 164** gives the final piece to the puzzle of incentives for Eaton to stay in Kansas by providing payroll relief.

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Upon the conclusion of Senator Bruce's testimony he introduced former Senate President, Dave Kerr, President, Reno County Chamber of Commerce, to give his testimony in favor of **SB 164**. Mr. Kerr presented written testimony which he reviewed with the Committee. (Attachment 8) He stated that with the news of the Eaton Corporation closing their operation in Reno County an aggressive and creative plan was pulled together with a partnership of the local and county leaders. Mr. Kerr closed stating he would give a wrap up at the end of all the testimony.

Chairperson Brownlee introduced John Deardoff, City Manager, Hutchinson, Kansas to give his testimony as a proponent of **SB 164**. He reviewed his written testimony with the Committee. (Attachment 9) He stated that instead of accepting the Eaton Corporation's decision, the community decided to act. They formed a Rapid Response Team made up of local and community leaders to decide what could be done. The Rapid Response Team came up with a proposal and presented it to the Eaton Corporation. Eaton is interested in the proposal. **SB 164** is the last missing component to their proposal. He urged the Committee to support the bill.

Chairperson Brownlee introduced Mark Love, with the International Association of Machinists and Aerospace Workers, to give his testimony. (Attachment 10) Mr. Love reviewed his testimony with the Committee. He stated the International Association of Machinists and Aerospace Workers represent the employees of the Eaton Corporation. Their bargaining unit team acknowledged that they would need to consider certain concessions that would show Eaton a good faith effort and commitment to keep the Eaton Plant in Reno County open. In closing he urged the Committee to support the bill which is the last part of the incentive plan to keep the Eaton Corporation in Reno County and save the jobs for 300 workers at that location.

Chairperson Brownlee introduced Larry Sharp, County Commissioner, Reno County to give his testimony as a proponent for **SB 164**. Mr. Sharp reviewed his testimony for the Committee. (Attachment 11) Mr. Sharp commended KDOT for the fine job they do on keeping the roads clear during bad weather. He drove up from Hutchinson the day before in the snow. He told the Committee that the passage of **SB 164** is the final piece in a grass roots community effort to retain 300 good paying jobs in the Hutchinson, Kansas and Reno County community. He stated that the collective package will provide a solid return on investment that will positively impact their community and the entire state of Kansas for years to come.

Chairperson Brownlee called on Mr. Kerr, President, Reno County Chamber of Commerce, to complete his testimony. Mr. Kerr called the Committee's attention to a letter form the Eaton Corporation, the written only testimony of Mr. Scott Krueger, General Manager. (Attachment 12) Mr. Kerr also called the Committee's attention to his written testimony which included a letter supporting **SB 164** from the Governor. In closing, Mr. Kerr stated that the community came together and put a total package of incentives of almost \$4 million dollars not including the concessions the workers are making. With the \$2 million of captured payroll taxes over 10 years envisioned in **SB 164**, 300 good jobs in Kansas will be saved.

Questions and answers followed. The Committee was impressed and appreciated all the joint efforts involved in putting this incentive package together before coming before the Committee.

Chairperson Brownlee stated if the Committee was in agreement they would work the bill today.

Chairperson Brownlee recognized Norm Furse, Revisors Office . Mr. Furse suggested minor language changes in **SB 164**.

Senator Jordan made a motion to accept the changes. Senator Emler seconded. Motion carried.

Senator Teichman made a motion to pass the bill out favorably as amended. Senator Reitz seconded. Motion carried.

Chairperson Brownlee adjourned the meeting at 9:25 a.m. with the next meeting scheduled for February 6, 2007 at 8:30 a.m. in room 123S.

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