

MINUTES OF THE HOUSE NEW ECONOMY COMMITTEE.

The meeting was called to order by Chairperson Bill Mason at 3:45 p.m. on February 26, 2002 in Room 522-S of the Capitol.

All members were present except:  
Representative Huebert

Committee staff present:  
April Holman, Legislative Research Department  
Bob Nugent, Office of Revisor of Statutes  
Renaë Jefferies, Office of Revisor of Statutes  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:  
Christy Caldwell, The Greater Topeka Chamber of Commerce  
David Harrison, Director of Real Estate Development, OPUS  
Gary Sheerer, Secretary of KDOC&H  
Steve Kelly, Director of Business Development, KDOC&H  
Steve S. Johnson, Sr. Vice President of Kansas City Area Development  
Jim Edwards, KS Economic Development  
Kent Heerman, Emporia Regional Development Association of East Central KS  
Dennis D'Orvilliers, Goodyear and Rubber Company  
Cynthia Smith, JD, Great Plains Energy

Others attending:  
See attached list

The Chairman reviewed **HB 2950**, a \$10,000 million dollar project, using ISTEAF funds, which simply states that no funds would be expended until the Legislature gives it approval. He urged the passage of the bill to insure that there would be a fair hearing through the appropriations process before it would go to the House for a vote. Discussion followed regarding how other projects of this type are handled, funding mechanisms, and the current status of the tunnels.

Representative Osborne moved that **HB 2950** be passed out favorably. Representative Compton seconded. The motion failed 5-6.

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The Chairman opened for discussion **HB 2962**, a Kansas investment in major projects. Representative Cox moved, seconded by Representative Kuether that **HB 2962** be passed out favorably. The motion carried.

Discussion was opened on **HB 2965**, the issue of affordable housing being manufactured by the Corrections Facilities. Discussion followed regarding how the bill affects private enterprise. Representative Cox moved to table **HB 2965**, seconded by Representative Novascone, non-debatable. The motion carried.

**HB 2609**, an enabling piece of legislation, would give the State Fair Board authorization to enter into dialogue for a Hotel/Convention center to be built on the Fair grounds. After discussion Representative Osborne moved, seconded by Representative Novascone that **HB 2609** be moved out favorably. The motion carried.

The Chairman opened the hearing on **HB 2978**. Staff explained the bill would create the re-development zones program that would assist in the redevelopment of state surplus real estate. It would allow eligible businesses wanting to purchase land in a redevelopment zone to seek approval for building thus allowing them favorable tax treatment. Specific details were given. The locations of these surplus properties was questioned.

Christy A. Caldwell, Vice President Government Relations for the Greater Topeka Chamber of Commerce, expressed support for the bill (Attachment 1). **HB 2978** would allow the state to take state surplus property and declare it a "redevelopment zone" for a five year period. In this zone, businesses that are Kansas basic enterprises could locate and receive a 10 year state and local property tax exemption, 10

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year state and local sales tax exemption on their purchases they make in building their facility, and a 10 year income tax credit capped at the level of capital investment made by the businesses. Examples of three programs used by other states were included in her testimony.

Discussion followed regarding whether county and city surplus property would be included, possibility of expansion of the time frame and if this program would set up unfair advantage to rural communities.

David M. Harrison, Director, Real Estate Development, OPUS appeared in support of **HB 2978** (Attachment 2). He gave background on The Opus Group, an overview of why companies locate where they do, competition issues and the benefits to the state. Discussion followed regarding the location of the surplus property and examples of companies that might be interested in the old state hospital grounds.

The Chairman closed the hearing on **HB 2978**.

A hearing on **HB 2988** was opened. The Chairman stated that most proponents were interested in **HB 2988, HB 2989 and HB 2990**, so testimony for all three bills would be heard before discussion.

Secretary Sherrer spoke in support of **HB 2988** that allows for the sale or transfer of tax credits. He explained the competitive advantages and the benefits to businesses, that would bear little cost to the State (Attachment 3).

Secretary Sherrer spoke in support of **HB 2989** that changes the definition of “qualified business facility investment” so that the tax credits provided for new investment are netted against the depreciated book value of the old investment (Attachment 4). He explained that this bill is a matter of fairness to Kansas businesses.

Steve Kelly spoke in support of **HB 2990** that provides a fix that rewards companies for the full amount of capital investment and jobs created (Attachment 5). He provided an outline reflecting the impact the bill would have on business projects.

Steven S. Johnson, Executive Vice President, New Economy Council of Greater Kansas City, spoke in support of **HB 2988**. He stated that there is tremendous value in the ability to sell tax credits to many of the technology companies that Kansas City hopes to grow, retain, and recruit. It would help firms take an incremental step in their funding requirements and in so doing, make the State of Kansas that much more competitive (Attachment 6).

Jim Edwards, KCCI, spoke in support of **HB 2988, HB 2989 and HB 2990** (Attachment 7). He stated that the bills would modify the manner in which investment and job creation tax credits are calculated in multi-year projects. Although the bills are not drastic moves they are ones that can help ensure that the incentives Kansas offers are truly incentives. He distributed copies of testimony from Blake Schreck, CED, President, Lenexa Chamber of Commerce written in support of the three bills (Attachment 8).

Kent Heermann, President of the Regional Development Association of East Central Kansas, spoke in support of **HB 2988, HB 2989 and HB 2990** (Attachment 9). He recommended that language be changed to clarify the accepted definition of equipment book value. Bob Nugent stated that he had a technical balloon to address that issue.

Christy Caldwell, Greater Topeka Chamber of Commerce expressed their strong support for **HB 2988, HB 2989 and HB 2990** (Attachment 10). She called attention to **HB 2989**, stating that they believe there needs to be some technical changes to the bill. She explained that HB 2989 attempts to codify what is consistent with what everyone using the HPIP law already is doing. However, the bill only provides that this definition will be used from this time forward. She voiced concern for all the businesses that utilized the HPIP program in the past and stated that they need to make HB 2989 retroactive to the beginning of the HPIP program to be fair to those businesses. Without the retroactive provision, the Department of Revenue’s interpretation will leave those who have already received their HPIP certification exposed in the event of a possible audit. She suggested inserting “retroactive to 1993” and deleting the new language on page 4, lines 10-12 to amend the bill.

Dennis D’Orvilliers, Engineering Technology, Goodyear appeared in support of **HB 2989** (Attachment

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11). He stated that Goodyear find themselves at a constant disadvantage when competing against other Goodyear tire facilities for investment dollars due to the current Kansas manufacturing business tax structure. They support the continuation of the HPIP program as it has been recently applied by using the “gross” investment to calculate credits and not the “net” investment amount.

Cynthia Smith, JD, Manager, Governmental Affairs, Kansas appeared in support of **HB 2988**. No written testimony. They believe that this bill will make Kansas more competitive regarding new construction through tax credits.

The Chairman closed the hearings on **HB 2988, HB 2989 and HB 2990**.

Copies of balloons on HB 2988 and HB 2989 were distributed (Attachment 12). Staff explained that on HB 2988, page 2, line 12, the word *this* was stricken and *the job expansion and investment credit act* is inserted. There are two technical amendments on HB 2989; page 1, line 27 a sentence *If a taxpayer has been engaged in commercial operation for less than 5 years, such amount shall exceed the amount invested in all prior years*, be inserted after “*facility*”. On page 4, line 10, the word *used*, would be stricken and the word “*existing*” would be inserted. After discussion, staff explained that they would provide an “application of act” and a “hold harmless provision” in the bill.

The Chairman opened **HB 2978** for discussion. Representative Aday moved, seconded by Representative Novascone, that an amendment be attached stating “any urban development, under this plan must be matched acre to acre in equal amount, to be used for recreational development in rural areas.”

Discussion followed regarding the pros, cons and feasibility of the amendment. The motion to amend to bill failed. Representative Gordon moved, seconded by Representative Kuether, that **HB 2978** be passed out favorably. The motion carried. The vote was 13 to 1 for passage. Representative Aday requested that his NO vote be recorded.

The Chairman opened for discussion **HB 2988**. He reviewed the fiscal note of \$85,000 administrative costs for the Department of Revenue. Representative Cox moved, seconded by Representative Novascone, that the job expansion and investment credit act language be amended to **HB 2988**. The motion carried. Representative Cox moved, seconded by Representative Beggs that **HB 2988**, as amended, be passed out favorably. The motion carried.

The Chairman opened for discussion **HB 2989**. Staff reviewed the amendments stating they will specify that there is NO netting out of the investment. Representative Kuether moved, seconded by Representative Beggs that the amendments be accepted. Representative Osborne moved, seconded by Representative Kuether that **HB 2989**, as amended, be moved out favorably. The motion carried.

The Chairman opened for discussion **HB 2990**. Representative Beggs moved, seconded by Representative Kuether that HB 2990 be moved out favorably. The motion carried.

Representative Aday stated that he believed the Committee had been very unfair to the rural Kansas and the prison population for not completing a hearing today on **HB 2965**.

The meeting adjourned at 5:30 p.m.