Approved: May 8, 2002
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 11:15 a.m. on May 7, 2002, in Room 519-S of the Capitol.

All members were present except:

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: Larry Robbins, Plant Manager, Goodyear Tire & Rubber

Others attending: See attached list.

**HB 2030–Sales taxation; exempting sales of certain coins and bullion**

Senator Corbin informed the Committee that the House Taxation Committee passed **HB 2030** during the 2001 Legislative Session, and it remains in conference. He explained that, on behalf of Goodyear Tire and Rubber Company, Senator Jenkins had recently proposed to amend **HB 2030** by striking its contents and inserting new language. The language concerns the issuance of bonds by the state to certain businesses which intend to add investment for modernization.

Larry Robbins, Goodyear Tire and Rubber Company, testified in support of the proposed amendment. He summarized the ten points in the amendment, which Goodyear could utilize for the expansion of the Topeka plant. (Attachment 1) In conclusion, he stated that Goodyear is not competing with other facilities at this point; however, it is seeking a way to become more competitive in the global market place than it currently is. He noted that, in addition to providing Goodyear money up front to ease the financial burden of investing in its Topeka facility, the proposed legislation is an investment in the local community in which approximately one-fifth of the population is affected in some way by the presence of Goodyear.

In response to Senator Lee, Mr. Robbins clarified that the second point he lists in his summary of the amendment refers to Goodyear employees' state individual income tax over the 15 year time period of the bonds. With regard to the "$1.00 for each $6.25 committed" discussed in point 5, Mr. Robbins explained that, if Goodyear invests less than $12 million but more than the $50 million required to generate the issuance of the bonds, basically, Goodyear would then only receive money that corresponds to that investment. With regard to the fiscal impact, he confirmed that there would be an impact to the state after FY 2003. However, he had no information on the exact amount. He indicated that he could provide that information later in the day. With regard to the tenth point, he confirmed that the $20 million in bonds that would be issued to Goodyear would not be money that could be used to compute any income tax credit. Senator Jenkins distributed copies of the proposed amendment to **HB 2030**. (Attachment 2)

In response to Senator Donovan's questions regarding Goodyear's commitment, Mr. Robbins explained that the two Goodyear projects affected by the proposed legislation must be presented to the Goodyear Board of Directors on June 4, 2002. He anticipates that Goodyear will meet the $50 million spending requirement in the fourth quarter of this year. He explained that the projects will help Goodyear compete with two very strong competitors in the large tire market. He went on to explain that, without the amendment, the tax burden at the Topeka plant places it at a competitive disadvantage with plants in other states. For example, the plant in Danville, Virginia, has one-fourth the tax liability of the Topeka plant.

Senator Jenkins asked if other states have similar legislation to encourage business investment and retention. Mr. Robbins indicated that Oklahoma is looking at similar legislation that would give Goodyear $40 million in bond money that is tire and Goodyear specific. In addition, he noted that Alabama has offered in excess of $250 million in incentives for Hyundai to locate in the state, and Hyundai has decided to locate a manufacturing facility in Alabama. He explained that the State of Alabama was in competition with the State of Kentucky which had offered $130 million in incentives to Hyundai. He noted that a state, which he was not at liberty to identify, sent Goodyear Corporate a check for $8 million just to be considered for a facility investment. However, Goodyear returned the check because there were no plans to invest in the facility's product line.

Senator Goodwin asked if the amount of yearly interest on the 15 year bonds had been calculated and if Goodyear's employment base has consistently remained at 1,700. Mr. Robbins did not have information on the amount of interest. With regard to the employment base, he noted that it has remained at 1,700 over the past few years. He went on to say that the Topeka Goodyear facility employed approximately 4,400 people in the 1970s. Over a number of years, the facility consistently lost product lines, and lost employment with the loss of the product lines. Employment bottomed out in the early1980s to approximately 1,400 associates after the facility had lost nine of the twelve product lines. He noted that the product lines were moved from Topeka to other facilities because Topeka was noncompetitive. He emphasized that the proposed amendment will allow the Topeka Goodyear facility to become a more competitive and viable entity. He noted that Goodyear prefers to invest in facilities where it will is not necessary to add "brick and motor." Therefore, the Topeka facility has opportunities that other facilities do not have because there is floor space available for further investment. He pointed out that increased investment would raise the Topeka facility's employment level and emphasized that investment in the facility depends on how well it is able to respond to competitive pressures, and the proposed legislation is part of that response. He commented that the reason the legislation was offered so late in the legislative session is that he is certain that, without the contingency of receiving the $20 million, the Topeka Goodyear facility will not receive a pending investment in two tire product lines when the Board meets in June.

Senator Lee confirmed that the fiscal note involves $20 million plus interest over 15 years, beginning in 2004. Staff noted that the amount of bonds will not be known until the amount of the investment is known, and the fiscal note can not be determined until amount of bonds and the interest rate associated with the bonds is known. Staff further noted that it is possible that the fiscal note could begin in late 2003 if, in fact, $50 million is spent by the fourth quarter of 2002. Senator Lee requested that a fiscal note for the next five years be prepared based on the assumption that the full $20 million will be used with an assumed average interest rate. Mr. Robbins confirmed that it would be possible to provide the requested fiscal note within an hour or two. Senator Corbin commented that the information on the fiscal note could be explained on the floor of the Senate if the Committee chose to pass the bill out.

<u>Senator Jenkins moved to remove the contents of **HB 2030** and insert the proposed amendment and to recommend **HB 2030** favorably for passage as amended, seconded by Senator Donovan.</u>

Further discussion followed concerning the Committee's recommendation of the bill before a fiscal note had been prepared and considered. Senator Dave Jackson stood to reiterate that the fiscal note would be available within a short time after the Committee adjourned.

<u>Senator Corbin called for a vote on Senator Jenkins' motion. The motion carried.</u>

The meeting was adjourned at 11:55 a.m.