

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:35A.M. on February 16, 2005 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Susan Kannarr, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Helen Pedigo, Revisor of Statutes
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Jerry Lonergan, President, Kansas, Inc.
Patti Bossert, Co-Chair, Kansas, Inc.

Others attending:

See attached list.

Chairperson Brownlee opened the meeting by introducing Helen Pedigo, Revisor of Statutes, to explain **SB 260**. Ms. Pedigo stated **SB 260** is to abolish Kansas, Inc. She reviewed the bill by each line that was changed and explained in detail. She referred to written copy of the new Section 27. (Attachment 1) Ms. Pedigo also referred to the statutes repealed in abolishing Kansas, Inc. (Attachment 2) In closing Ms. Pedigo stated that the duties of Kansas, Inc. will be distributed to the Department of Revenue, Department of Commerce and the Division of Post Audit.

Upon completion of Ms. Pedigo's explanation, there was discussion on the fiscal note for **SB 260** with some concern regarding the cost of adding more duties to these departments. The Committee discussed the fact that the jobs would be transferred and if employees would be added or let go. Chairperson Brownlee stated it should not cost more and stated part of the effort was some of the duties of Kansas, Inc. were going to be shifted to Department of Revenue anyway. There also was discussion about Kansas, Inc. not doing their job and the fact legislation was passed last year thinking Kansas, Inc. would be able to obtain all information needed to do their job..

Upon the conclusion of discussion Chairperson Brownlee introduced Kathie Sparks, Legislative Research to walk the Committee through the annual 2004 report from Kansas, Inc. (Attachment 3) Ms. Sparks gave an overview of the complete report. She also referred the Committee to the "Sales Tax Exemptions and Income Tax Credits for Economic Development" a report for the tax year 2002. (Attachment 4) Ms. Sparks summarized this report referring the Committee to the note from the Board of Director and the Key Findings at the very beginning of the report. Ms. Sparks summarized the report.

Chairperson Brownlee noted on page 2 of the report Legislative history indicated in 1994 legislation was passed giving Kansas, Inc. the responsibility to prepare an annual report evaluating the costs effectiveness of specific income tax credits and sales tax exemptions enacted to encourage economic development within the state.

There was discussion by the Committee and Ms. Sparks regarding the concern that businesses are leaving the state because the taxes are so high compared to other states. Senator Reitz made reference to a report which was presented to the Committee regarding that same subject. Senator Reitz asked to be presented with factual information regarding the economy and the number of businesses leaving Kansas.

Chairperson Brownlee opened the hearing on **SB 260** by stating to the Committee there were no proponents for this bill and she and Senator Jordan had met with Secretary Fricke and Lt. Governor John Moore before they went forward with this bill and had their go ahead. The Department of Commerce was appearing as a neutral party.

Chairperson Brownlee introduced Jerry Lonegrin, President, Kansas, Inc. to give his testimony. President Lonegrin submitted written testimony (Attachment 5) and stated he would give a brief summary. President

CONTINUATION SHEET

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Lonegren stated his testimony demonstrates what a hard working staff and dedicated board can accomplish in a short period of time. What is noted repeatedly is Kansas Inc. has never had the access data necessary to accurately evaluate economic impact on the tax incentives. President Lonegrin will be leaving Kansas, Inc. at the end of the month. He feels that funds are now in place and Kansas, Inc. will move forward with implementing the 2004-2005 research agenda. He stated that he did not know why past efforts of Kansas, Inc. have not been at a level that was expected. In closing, President Lonegrin stated the mistake would be, after supporting an entity that in the past may have underperformed to close the door on an organization so close to becoming what the state wanted and still needs.

Chairperson Brownlee introduced Patti Bossert, Co-Chair for Kansas, Inc. to give her testimony. Ms. Bossert strongly opposes **SB 260**. She feels that Kansas, Inc.'s was created by legislation in 1986 with it's primary mission to serve as the state's economic development "think tank" and to evaluate the state's economic development programs. As a private business owner she has a vested interest in ensuring that the economy in Kansas continues to improve and that the economic development programs and incentives within the state are fairly and accurately evaluated. She urges the Committee not to vote for **SB260**. Ms. Bossert offered written testimony. (Attachment 5) In closing Ms. Bossert stated that there were questions about that Sales Tax Exemption report and she just wanted to add they could have submitted a report based on the information they had and not alerted the legislature there were problems still needing to be addressed. But they took a hard stand and said we need to tell the truth. She feels Kansas, Inc. wouldn't have been there today to testify on **SB 260** if they had just turned in a report.

The Committee had discussion with Ms. Clark regarding the assignment of duties if Kansas, Inc. is abolished. The Department of Commerce will not be evaluating their own program. The department of Revenue is to collect the data and some of the evaluations and some duties would go to Post Audit. There was also discussion regarding the organization being 20 years old and still is unable to do the work they were suppose to do. Ms. Clark feels the board has totally turned around. She stated the board has become very engaged and is on the edge of realizing the fruits of their labor of this past year.

Further discussion regarding the visionary planning for the state of Kansas which is a duty of Kansas, Inc. and what steps Kansas, Inc. has taken to complete this duty. The last update was due in 2004 and was not completed as of this date.

Chairperson Brownlee asked Mr. Lonegren and Ms. Bossert to come back at a later date. With that, Chairperson Brownlee closed the hearing on **SB 260**.

Meeting was adjourned at 9:30 a.m. with the next meeting scheduled for Thursday, February 17, 2005 at 8:30 a.m. in room 123S.