

Approved: May 6, 2009
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairman David Wysong at 8:30 a.m. on February 26, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant
Mr. Norm Furse, Office of the Revisor of Statutes
Mr. Ken Wilke, Office of the Revisor of Statutes
Mr. Reed Holwegner, Kansas Legislative Research Department
Mr. Julian Efird, Kansas Legislative Research Department

Conferees appearing before the Committee:

Mr. Dave D. Kerr, Secretary, Kansas Department of Commerce
Mr. Dave Kerr, President, Hutchinson/Reno County Chamber of Commerce
Mr. Dennis Lauver, President, Salina Area Chamber of Commerce
Mr. J. Kent Eckles, Vice President of Government Affairs, The Kansas Chamber
Ms. Christy Caldwell, Vice President Government Relations, Topeka Chamber of Commerce

Others attending:

Please see attached list.

Hearing on SB108 - an act concerning the economic revitalization and reinvestment act relating to the secretary of commerce and the Kansas development finance authority authorizing the issuance of bonds for certain economic development projects.

Upon calling the meeting to order, Chairman Wysong announced the hearing on **SB108** and called on Mr. Wilke, Office of the Revisor of Statutes, to explain the bill. Highlights included:

- The bill amends the economic revitalization and reinvestment act to include solar and wind energy businesses and projects.
- The first amendment occurs on page 1, line 30, cutting in half the \$300,000,000 paid in average annual gross Kansas compensation in conjunction with the aviation businesses, to \$150,000,000.
- The second amendment, found on page 2, lines 34 through 42, is basically the definition of “eligible wind or solar energy business” in which businesses pay at least \$32,000 of average annual compensation per Kansas employee and is described by the North American industrial classification system as being in the manufacturing sector.
- Line 43, page 2 through line 12 of page 3 again offers the definition of “eligible wind or solar energy project” which again is similar to the eligible project investments and states the eligible business to invest not less than \$30,000,000 in Kansas in direct connection with the eligible wind or solar energy project of not less than \$300,000,000 in Kansas and employee at least 200 full-time employees in Kansas within five years.
- Various changes occur throughout the rest of the bill and will fall in one or two types either:
 1. Injection of eligible wind or solar energy projects such as you see on line 17 of page 3.
 2. The injection of eligible wind or solar energy project business as seen on line 21 of page 3.
- On page 6, lines 5 and 6, you again have a reference to eligible wind or solar energy business, with a cross reference back to a prior definition as described in subsection (c)(7), found and beginning at the bottom of page 2 line 43.

As there were no questions of Mr. Wilke, the Chair recognized the first of five proponent conferees, Mr. Dave

CONTINUATION SHEET

Minutes of the Senate Commerce Committee at 8:30 a.m. on February 26, 2009, in Room 545-N of the Capitol.

Page 2

D. Kerr, Secretary, Kansas Department of Commerce who stated that Kansas has been identified as one of the leading states in the U.S. for wind energy production and while it is ideally located for the production and shipment of large turbine components, it has been a challenge to compete on new projects using the State's traditional incentive programs. He went on to say that with the proposed changes to the Kansas economic revitalization and reinvestment act, the State would be in a position to attract two separate manufacturers that have identified Kansas communities as finalists for projects that together would create over 600 jobs and \$60 million in capital investments. Regarding solar equipment and materials, Kansas is also competing with states that offer special incentives (ex. in "green technology") but currently does not have the tools to match those offers. He stated that the bill also includes a modification to the thresholds for aviation manufacturers to address a specific project need. With reference to the bill's fiscal note that indicates \$100,000 being associated with this project, he stated this is a program that they have today and would expand the marginal companies that could apply, so the Department of Commerce can absorb this work, so he sees no fiscal note associated with this bill. A copy of Secretary Kerr's testimony is ([Attachment 1](#)) attached and incorporated into the Minutes as referenced.

The next conferee called on was Mr. Dave Kerr, President, Hutchinson/Reno County Chamber of Commerce, who offered a map listing manufacturing facilities none of which chose to locate in Kansas despite its central location, the State's investment in quality roads, and its reliable wind and sunshine. He stated that over the past year he had the opportunity to discuss some of these projects with the companies involved, some expressing a real desire to locate here, The problem, he went on to say, has been that Kansas has a very minimal arsenal of incentives and some of the ones the State has are of limited value to a multinational company. Lastly, he stated the bill represents a simple extension of last year's "Cessna Legislation." and utilizes payroll taxes in much of the same way that successful states like Iowa have done. A copy of Mr. Kerr's testimony and map are ([Attachment 2](#)) attached hereto and incorporated into the Minutes as referenced.

Mr Dennis Lauver, President, Salina Area Chamber of Commerce was the third proponent conferee stating that Salina does have a prospective employer that will benefit from this legislation. He went on to say that in 2008, the Kansas Legislature passed new bonding authority for eligible large aviation projects under the Kansas economic revitalization and reinvestment act and **SB108** amends this legislation to include eligible wind energy manufacturing projects in an effort to attract development of this industry in the state. A copy of Mr. Lauver's testimony is ([Attachment 3](#)) attached and incorporated into the Minutes as referenced.

Mr. J. Kent Eckles, Vice President of Government Affairs, The Kansas Chamber was the next to testify stating that Kansas has abundant wind resources, yet among the State's bordering states Kansas is ranked in the middle of the pack in installed wind power per capita (as of 2007) standing behind Colorado and Oklahoma but ahead of Missouri and Nebraska. He also offered an attachment showing the 2007 year-end wind power capacity (MVV). A copy of Mr. Eckles' testimony and attachment are ([Attachment 4](#)) attached and incorporated into the Minutes as referenced.

The fifth and last proponent recognized, Ms. Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce stated that during the 2008 legislative session they advocated for the extension of the single factor legislation that was created the year before, but this incentive is scheduled to sunset at the end of 2009. She went on to offer an example of working with a wind company stating that last session they were advocating for this incentive continuation because they were in negotiations with an international company that manufactures wind turbines. They did not land this prospect, stating the single factor legislation they had advocated for was approved by the Senate but was swept into the failed energy bill in the end of the session. A copy of Ms. Caldwell's testimony is ([Attachment 5](#)) attached and incorporated into the Minutes as referenced.

Written testimony was offered from Mr. Lavern Squier, Chair, Kansas Economic Development Association (KEDA) which is ([Attachment 6](#)) attached and incorporated into the Minutes as referenced.

Chairman Wysong thanked all conferees and asked for questions or comments from the Committee which came from Senators Kelsey, Wagle, Reitz, Lynn and Holland including: does this bill basically touch three communities (Wichita with aviation, Salina and Reno County) and deals with aviation and wind and solar? With the slow down in the economy and layoffs in the aviation industry, if the withholding that is received

CONTINUATION SHEET

Minutes of the Senate Commerce Committee at 8:30 a.m. on February 26, 2009, in Room 545-N of the Capitol.

Page 3

does not pay back the note, who meets this obligation, the State or the business? Did the State or the business issue the bonds? Do you think that this would be better if this was not industry specific for more flexibility? By not having an energy policy how much has this hurt us and how much does this figure into this equation versus not having the right incentives?

As there were no more questions from the Committee, Chairman Wysong asked Secretary Kerr, how will IKE, the bill that is over in the House, translate to IMPACT and to Legislation such as **SB108** and if this bill goes away, will IMPACT go away?

Adjournment

As there was no further business, the Chair closed the hearing and the meeting was adjourned. The time was 9:20 a.m.

The next meeting is scheduled for March 3, 2009.