

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Vice Chairperson Lynn at 8:30 a.m. on March 17, 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

Conferees appearing before the Committee:

Mr. Ron Gaches, on behalf of Goodyear Tire & Rubber Company  
Mr. Tim Davis, Topeka Plant Manager, Goodyear Tire & Rubber Company  
Mr. Robert Tripp, President, United Steelworkers Local 307  
Ms. Christy Caldwell, Vice President Government Relations,  
Greater Topeka Chamber of Commerce  
Mrs. Joan Wagon, Secretary, Kansas Department of Revenue  
Mr. David Kerr, Secretary, Kansas Department of Commerce

Others attending:

Please see attached list.

### **Minutes for Approval**

Upon calling the meeting to order, Vice Chairperson Lynn announced the Minutes of February 10, 11, 12, 17, and 18 were distributed on Monday, March 16, 2009 for the Committee's approval. If no responses are received by the end of the day Friday, March 20, 2009, these Minutes will stand as approved.

### **Hearing on SB314 - an act creating the special economic revitalization act**

The Vice Chair announced the next order of business was a hearing on **SB314** and called on Mr. Gaches, on behalf of Goodyear Tire and Rubber Company, to introduce the conferees. Before asking Mr. Tim Davis to make comments about the bill, Mr. Gaches offered to give a brief explanation of what the bill does and began by stating it is similar to what the Committee has considered in the past. Highlights are as follows:

1. The bill proposes to provide a state match equal to 15% of the Goodyear investment in the Topeka plant over a period of six years.
2. The investment would be in two phases at \$125 million per phase and at each phase the bill proposes the state match the Goodyear contribution, again equal to 15% or \$18.750 million.
3. The match would be in the form of a 20-year bond that would be issued and guaranteed not by the State of Kansas but by Goodyear. He went on to say that over the life of the bond, the payments would be made by redirecting a portion of the current employee withholding taxes which are \$3.72 million a year. The same \$18.750 million bond would be issued following completion of the phase two investment of the plant. So following full implementation of the bill and the required investment, there would be two bonds issued (both issued for \$18.750 million and each of them to be paid off over 20 years life.) The second bond would be issued a few years after the first.
4. They do not believe the first bond payment, due approximately July of 2010, would be made until sometime in the fiscal year of 2011 and the investment will not be placed in one of the Goodyear plants until approximately March of 2010.
5. The bill also contains some minimum salary requirements.

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He concluded that the bill is very similar to what the Committee has looked at before in that regard, but the primary policy difference is that these are current jobs that they are protecting. No written testimony was offered. To explain this better, Mr. Gaches introduced the first of three proponents, Mr. Tim Davis, Topeka Plant Manager, Goodyear Tire and Rubber Company, who offered:

1. A history of the plant;
2. A 10-year economic analysis on the impact of company operations, comparing the “expanded facility” with the “existing facility.”
3. A chart of the global requirements, demands and growth in the industry especially China and Japan.

A copy of his testimony is (Attachment 1) attached and incorporated into the Minutes as referenced.

The second conferee recognized was Mr. Robert Tripp, President, United Steelworkers Local 307 who stated that though the overall OTR market has grown over the past decade, the union is concerned with Topeka continuing to rely on bias OTR tires to meet the demand. He went on to say that the Union’s fear is either a contraction in the global OTR market or the increased radial OTR capacity of Goodyear’s competitors would greatly shift the balance of cost and competitiveness to the more modern radial OTR manufacturers, slowly driving Topeka out of the marketplace. A copy of his testimony is (Attachment 2) attached and incorporated into the Minutes as referenced.

The last proponent conferee was Ms. Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce who stated that the Chamber believes an investment of \$250 million in the two phases is well worth the \$37.5 million of withholding (from both phases) that will be used by this company to help pay off the bonds more for than 20 years. A copy of her testimony is (Attachment 3) attached and incorporated into the Minutes as referenced.

The Vice Chair thanked the conferees and referring to slide eight of Mr. Davis’ testimony, concerning the large numbers in terms of what the State would gain, asked he to walk through this economic side in a little more detail so the Committee understands what investment impact this will have. She also asked, if the State did not make this investment, what would that impact be and would this investment go to Japan? And finally, what the impact would be in terms of his membership and would it hurt the retirement base?

As there were no further proponent questions, the Vice Chair called on Mrs. Joan Wagon, Secretary, Kansas Department of Revenue, who although was testifying as neutral did offer some concerns with the bill including:

1. Tax exemptions - Goodyear does not have to pay personal property tax on their machinery and equipment (a \$250 million dollar investment)
2. Number differences - with the Department’s fiscal note, included in her testimony, and a chart prepared by the Kansas Development Finance Authority (KDFA), she stated her numbers differ slightly from what Goodyear has been showing the Committee

However, she said there are two good things in the bill and can be found on:

1. Page 3, Sec. D, stating there is a provision that at least allows the Department to reconcile Goodyear’s withholding and can go back and take any income tax refunds and reconcile on an annual basis.
2. Page 4, allows the Secretary to include provisions in the agreement to reduce the amount of eligible tax credit because otherwise they would be eligible for \$25 million HPIP credits to be carried over a period of ten years.

Lastly, she referred the Committee to a chart KDFA prepared based on what the market could sell, estimating

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that the total cost to the State to let Goodyear have the \$37 million would be \$116,605,550 because of the bond rating they have. A copy of her testimony and charts are (Attachment 4) attached hereto and incorporated into the Minutes as referenced.

The Vice Chair thanked Secretary Wagon and as there were no questions for the Secretary, she called on Mr. David Kerr, Secretary, Kansas Department of Commerce who also offered neutral testimony stating, as did Secretary Wagon that Goodyear has been one of the strongest and most productive partners over the years in developing the Kansas economy. He offered three policy issues that will need to be addressed and three projects considered for eligibility under the Economic and Reinvestment Act (ERRA) with the first project, Cessna, being used as the criteria the Department of Commerce has established. A copy of his testimony is (Attachment 5) attached hereto and incorporated into the Minutes as referenced

Vice Chairperson Lynn thanked Senator Kerr and asked for questions or comments of the Committee which came from Senators Wagle, Reitz, and Lynn including concerns about no jobs being created, with this economic downturn perhaps we need to be looking at a policy for job retention, people are challenging how their tax dollars are being used to fund businesses especially at the federal level, and what is the total input as opposed to the output?

### **Adjournment**

As there was no further business, Vice Chairperson Lynn adjourned the meeting. The time was 9:20 a.m.

The next meeting is scheduled for March 19, 2009.

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