

Approved: January 23, 1998
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 22, 1998 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Donovan, Feleciano, Gooch, Ranson, Steffes, Steineger and Umbarger.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
Vickie Henley, Film Productions, Department of Commerce and Housing
Lieutenant Governor/Secretary Gary Sherrer, Department of Commerce and Housing

Others attending: See attached list

Vickie Henley, Film Production Services, Department of Commerce and Housing (DOCH), stated the sales tax incentive enacted last year has been a great selling tool in getting production companies to come to Kansas to make films. Ms. Henley advised that only about 38% of expenditures for production of films are on sales taxable items. The film industry is a very labor intensive industry. Ms. Henley explained, if you had a \$12 million budget film shot on location in Kansas, the production company would be eligible for the \$200,000 cap sales tax abatement. Ms. Henley stated that Kansas has experienced an increase of out-of-state production companies coming to Kansas, and it is anticipated these companies will spend an average of \$10 million this fiscal year. The Film Production Program has a total budget of \$267,672. Ms. Henley stated that over the past 10 years, over \$66 million has been spent in Kansas.

Lieutenant Governor/Secretary Gary Sherrer, Department of Commerce and Housing (DOCH), briefed the Committee on the programs and operations of DOCH. Lieutenant Governor Sherrer emphasized two areas of concern: 1) housing crisis in the rural areas of the state, and 2) the need for the establishment of a field office in South America. Lieutenant Governor Sherrer stated monies for the DOCH budget are from the following sources: 64% federal funds; 7% fee funds, 3% state general funds and 26% EDIF. The amount of state general funds has shifted as a result of an increase in the EDIF funds available. 82% of the budget is returned to communities in direct grants and loans, for an amount of \$56 million. There is an additional 10.32% direct service return to communities, the balance of 7.45% constitutes the operating budget.

Lieutenant Governor Sherrer stated Kansas has on contract trade offices in Chicago and New York, and three contract international trade offices in Belgium, Tokoyo and Australia. DOCH is exploring the possibility of sharing an office with Missouri in South America. Lieutenant Governor Sherrer advised that 38% of all products made in Kansas go to the Asia Pacific area; 28% to Canada; 17% to European countries; and the balance to the rest of the nations of the world.

Lieutenant Governor Sherrer presented an overview on the programs administered by DOCH resulting in an increase in the number of companies and persons reached through the various programs, and an increase in the number of visitors coming to Kansas as a result of the tourism guide, staying for a longer time, and spending a greater amount of money in the various communities. Lieutenant Governor Sherrer stated the Housing Division has done an extraordinary job in spreading out the tax credits available for housing for senior, low and moderate income, and first-time home owners throughout the state. A large percentage of the housing is rehab, not new construction.

Lieutenant Governor Sherrer stated DOCH is commencing a new program, titled "KANSAS, Built on Character". The work ethic and character of Kansas citizens is its best commodity in the recruitment of new businesses.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on
January 22, 1998.

Upon motion by Senator Steineger, seconded by Senator Barone, the Minutes of the January 12, 1998 Meeting were unanimously approved.

Senator Steffes moved, seconded by Senator Brownlee, that a **S RS 1454** be introduced as a Committee Bill and referred back to Committee. The voice vote was unanimous in favor of the motion.

The meeting was adjourned at 9:00 a.m.

The next meeting is scheduled for Friday, January 23, 1998.

