Approved: February 2, 1999
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT .

The meeting was called to order by Chairperson Bill Mason at 3:30 p.m. on January 28. 1999 in Room 522-S of the Capitol.

All members were present except: Representative Troy Findley - E
Representative Doug Geringer - E
Representative Broderick Henderson - E
Representative Dan Thimesch - E

Committee staff present: April Holman, Legislative Research Department
Renae Jefferies, Office of the Revisor
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee: Lt. Governor Gary Sherrer & Secretary of the Department of Commerce and Housing

Others attending: See Attached

Chairman Mason called for any bills to be introduced. Representative Vickrey moved that a proposed bill that would provide an economic incentive for technology companies be introduced to the committee. Representative Stone seconded. The bill is at the request of the Department of Commerce, an accelerated depreciation bill on a specific SICC, (Standard Industrial Classification Code) for manufacturing. The Chair called for a vote on the introduction of the bill and the motion carried (Attachment 1). Chairman Mason asked if there were any other bills to be introduced. Hearing none he introduced Secretary Gary Sherrer.

Secretary Sherrer thanked the committee for the opportunity to give them an update on activities and answer questions regarding the Department of Commerce and Housing. He introduced the staff, Sheila Devine, Steve Kelly, Jeanne Stinson, Claudia Larkin, Patty Clark, Sherry Brown and John Rolfe. He expressed appreciation for the introduction of the bill and is interested in discussing it with the committee.

He referred to the Kansas Department of Commerce and Housing, Fiscal Year 1998 Annual Report. (A copy of the report is on file in the Department of Commerce and Housing). He spoke of the detailed information available in the report and stated that the expenditure of money in the department was fully explained.

He talked about the importance of public accountability, and reviewed the ways in which their department is accountable: Kansas, Inc. independent reviews, divisional plans, internal quality control, performance based budgets, annual reports and post audits.

He expressed appreciation for the committees work in passing legislation that makes the Department successful. He reviewed their funding sources, EDIF (Economic Development Initiative Funding) and the current employment rates for the state.

He provided details on employee numbers, payroll and benefits of two Tele-Tech companies located in Kansas City and Topeka. He credited the state's incentive programs as the catalyst that brought these companies to Kansas. He reviewed many new businesses that are located throughout Kansas due to those incentives.

He talked about the success of the KITKIR program, (Kansas Industrial Training/Kansas Industrial Retraining) and gave statistics on numbers trained and average starting salaries. He reviewed travel tourism statistics and the reasons for those successes. He explained the Kansas Trade Show Assistance program and the benefit of those grants to small companies in the global market.

He spoke of the successful programs in communities across Kansas, based on strong leadership in those communities.

He stated that between July 1997-July 1998 Kansas had a 1.1% growth (14,000 net), which is the largest gain in thirty seven years. People are moving to Kansas because they can get good jobs, a result of an economic movement of the last five years. He explained the difficulties of having too many jobs verses not having enough jobs for the amount of employable people. He summarized by saying that Kansas was experiencing good economic growth while many other states around us are having bad times. This is due to the efforts by Economic Development through the state programs.

Chairman Mason asked him to review the history and purpose of EDIF funding for new committee members.

Secretary Sherrer reminded the committee that EDIF was never meant for education. The record clearly states that in April, before the people went to the polls and voted constitutionally for the state to have a lottery, the law was put on the books. The Legislature made a commitment that the majority of it would be for economic development initiative funds for the purposes of investing in the economic future of the state. KTEC and Kansas, Inc. were created to start a process of developing new ways to generate new business for Kansas. When this started the state was experiencing hard economic times, lagging the nation in all indicators. Funding consistently the programs that provide direction for growth has turned the state economy around. He gave examples of success stories throughout the state.

Chairman Mason reiterated that the programs are of little value without the leadership and drive from the communities themselves. Communities must have vision and an understanding of the programs, in order to put them to good use. He cited successful examples from his district. Secretary Sherrer concurred and gave scenarios of follow up community efforts that make the programs successful.

Representative Kuether asked about the budget for advertising for the KITKIR program. Secretary Sherrer explained the advertising philosophy and budget of the department.

Representative Osborne asked if there was a summary of the annual report that the Representatives could use in their districts. Secretary Sherrer spoke of the numerous seminars that staff presents throughout Kansas and the issue of lack of strong community leadership to follow up on the various programs. He talked about new procedures in place for grant processes.

Representative Thimesch asked about the type of jobs they recruit for Kansas. Secretary Sherrer responded that they target their advertising efforts to six industries: plastics, aviation, value added agriculture, administrative centers/tele-communications and distribution centers. Those were the recommendations, based on a national study done by a consulting organization. He thanked the committee for the opportunity to speak to them.

<u>Representative Wagle moved that the minutes from the January 21st meeting be approved. Representative Osborne seconded the motion and the motion carried.</u>

The next meeting is February 2, 1999.

Chairman Mason adjourned the meeting at 4:25 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
COMMITTEE GUEST LIST

DATE: 1/28/99

NAME	REPRESENTING
Mary Breakstone	KTEC
[illegible]	KGE

PROPOSED BILL NO. ___

By

AN ACT concerning the taxation of equipment used in manufacture of advanced technology; relating to the depreciation schedule of such equipment; amending K.S.A. 79-1439 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 79-1439 is hereby amended to read as follows: 79-1439. (a) All real and tangible personal property which is subject to general ad valorem taxation shall be appraised uniformly and equally as to class and, unless otherwise specified herein, shall be appraised at its fair market value, as defined in K.S.A. 79-503a, and amendments thereto.

(b) Property shall be classified into the following classes and assessed at the percentage of value prescribed therefor:

(1) Real property shall be assessed as to subclass at the following percentages of value:

(A) Real property used for residential purposes including multi-family residential real property, real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which such homes are located and residential real property used partially for day care home purposes if such home has been registered or licensed pursuant to K.S.A. 65-501 et seq., and amendments thereto at 11.5%;

(B) land devoted to agricultural use valued pursuant to K.S.A. 79-1476, and amendments thereto, at 30%;

(C) vacant lots at 12%;

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(D) real property which is owned and operated by a not-for-profit organization not subject to federal income taxation pursuant to section 501 of the federal internal revenue code and included herein pursuant to K.S.A. 79-1439a, and amendments thereto, at 12%;

(E) public utility real property, except railroad property which shall be assessed at the average rate all other commercial and industrial property is assessed, at 33%. As used in this paragraph, "public utility" shall have the meaning ascribed thereto by K.S.A. 79-5a01, and amendments thereto;

(F) real property used for commercial and industrial purposes and buildings and other improvements located upon land devoted to agricultural use at 25%; and

(G) all other urban and rural real property not otherwise specifically subclassed at 30%.

(2) Personal property shall be classified into the following classes and assessed at the percentage of value prescribed therefor:

(A) Mobile homes used for residential purposes at 11.5%;

(B) mineral leasehold interests, except oil leasehold interests the average daily production from which is five barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, at 30%;

(C) public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, at 33%. As used in this paragraph, "public shall have the meaning ascribed thereto by K.S.A. 79-5a01, and amendments thereto;

(D) all categories of motor vehicles listed and taxed pursuant to K.S.A. 79-306d, and amendments thereto, and over-the-road motor vehicles defined pursuant to K.S.A. 79-6a01, and amendments thereto, at 30%;

(E) commercial and industrial machinery and equipment, excluding equipment used in the manufacture of advanced technology as defined by the standard industrial classification number 3674 or north american industry classification system number 334413, but including rolling equipment defined pursuant to K.S.A. 79-6a01, and amendments thereto, which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property as long as it is being used shall not be less than 20% of the retail cost when new of such property at 25%; ~~and~~

(F) equipment used in the manufacture of advanced technology as defined by the standard industrial classification number 3674 or north american industry classification system number 334413 shall be valued at its retail cost multiplied by the respective percentages listed in the following table:

Years in service of equipment:	Percentage:
0-1	67
1-2	46
2-3	29
3-4	16
5 and after	10

~~(F)~~ (G) all other tangible personal property not otherwise specifically classified at 30%.

Sec. 2. K.S.A. 79-1439 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.