

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 8, 2005 in Room 526-S of the Capitol.

All members were present except:

Don Hill- excused
Annie Kuether- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Renaë Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Rep. Ann Mah
Sen. Anthony Hensley
Christy Caldwell - Greater Topeka Chamber of Commerce
Mike O'Brien - Vice Pres. Manufacturing, Americas, Innovia Films, Inc.
Doug Kinsinger - President, Greater Topeka Chamber of Commerce
Vic Miller - Chairman, Shawnee County Commission
Steve Rothrock - Whiteley's Pallet Mfg.
Robert Sherburne

Others attending:

See attached list.

A motion was made by Representative Novascone and seconded by Representative Grange to approve the minutes from the meetings of January 25, 27, and February 1, 2005. The minutes were approved.

Chairperson Gordon welcomed Representative Charles Roth to the Committee who replaces Representative Horst.

HB 2265 - Establish the qualified manufacturer act for qualified producers of cellulose film

Staff gave a briefing on **HB 2265**. **HB 2265** would create the Qualified Manufacturer Act. Under the provisions of the Act, a manufacturer could receive up to \$1.0 million in Kansas income tax withholding paid by the manufacturer for its employees. The maximum period is four calendar years.

Incentives which could be awarded may be provided only on the closure of a cellulose film production facility in a foreign country. (Attachment 1)

Representative Ann Mah gave testimony in support of **HB 2265**. Innovia films is an international company that was put in the position of closing one of its three plants to meet market demand and improve efficiency. They had more reasons to close the Tecumseh plant than to keep it open. (Attachment 2)

Innovia had made the decision to close the Tecumseh plant, but due to the work of Go Topeka and the City, have now chosen to close one in England.

With the approval of **HB 2265**, the diligence of the American worker is recognized.

Representative Mah thanked the Chamber of Commerce and the City for the work they had done to keep the Tecumseh plant open.

Senator Anthony Hensley thank the committee for introducing what is perhaps one of the most important pieces of legislation he has every had to stand before a Committee and support.

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on February 8, 2005 in Room 526-S of the Capitol.

Legislative Leadership was contacted by Go Topeka and asked to participate in a conference call with the CEO of Innovia. **HB 2265** is a jobs retention bill. By providing a financial incentive, in return, Innovia has agreed to keep the 190 jobs in the plant and keep the doors open a minimum of five years. There is potential for Innovia to expand the operation at Tecumseh and add additional jobs.

Christy Caldwell of the Greater Topeka Chamber of Commerce introduced the rest of the speakers.

The Committee was given a Media Statement (Attachment 3) and a Fact File sheet pertaining to Innovia Films. (Attachment 4)

Mike O'Brien of Innovia Films, Inc. presented testimony in support of **HB 2265**. Innovia Films is a leading global producer of specialty Biaxially Oriented Polypropylene (BOPP) plastic films. Innovia Films had decided that one of its three cellophane plants must close to reduce costs. If the Kansas plant remains open, production will increase by 33% and additional jobs will be created. The cellophane plant in Tecumseh produces cellophane which is used in food packaging and tape.

Future prospects for the Tecumseh plant, if remain open, include expanding its operation to build a Polypropylene plant. (Attachment 5)

Doug Kinsinger, President of the Greater Topeka Chamber of Commerce presented testimony in support of **HB 2265**. In his testimony he stated the local community has developed a package that includes \$750,000 in incentives. The federal government will provide \$75,000 in assistance and the Legislative package is for \$350,000 per year for three years, capped at \$1 million total.

The alternatives for Kansas are: 1) The Innovia Topeka plant is closed and Kansas receives no further revenue from the operation of the plant, or its employees. A total of 275 Kansans (190 Innovia employees + 85 related contracted positions) will be put out of work. 2) The Tecumseh Innovia plant remains as one of Innovia's two manufacturing plants. Production increases by 35%, the plant begins to export product outside our country's borders, and permanent employment increases to 190 positions, with potential for further growth.

By retaining the plant we will have the opportunity to compete for Innovia's new \$25 million polypropylene plant within the next five years, which could create an additional 100 high-waged positions. (Attachment 6)

Mr. Kinsinger requested the Committee vote yes for **HB 2265**.

Vic Miller, chairman of the Shawnee County Commission gave testimony pertaining to how this plant related to a regional facility; not a Shawnee County facility. A half million dollars of the incentive plan is sales tax and that comes into Shawnee County from people who are coming here and contributing to our economy. It is a perfect fit that a half million dollars of this package is from that source of revenue.

On behalf of the Shawnee County Commission we ask that you approve **HB 2265** which provides three years of state investment in keeping 190 FTE jobs in Shawnee County, and the last remaining cellophane plane in the Unites States, in Kansas. (Attachment 7)

Steve Rothrock, owner of Whiteley's Pallet Manufacturing Company gave testimony as a proponent for **HB 2265**. Being a small business owner, it is important to retain major business employers. Without these major employers, our small business wouldn't be able to survive. (Attachment 8)

Chairperson Gordon asked if anyone else wished to testify.

Robert Sheuborne, a candidate for the Office of Mayor for Topeka, KS gave neutral oral testimony on the bill.

An informative question and answer session followed.

The meeting adjourned at 4:55 p.m. The next meeting is scheduled for February 10, 2005.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE GUEST LIST

DATE: 1-8-05

NAME	REPRESENTING
Christy Caldwell	Topeka Chamber of Commerce
Steve Rothrock	Whitewater Pallet
TONI MARTIN	INNOVIA FILMS.
Michael O'Brien	INNOVIA FILMS
Ann Mah	State Rep
Doug Kinsinger	Topeka Chamber of Commerce
Kevin Cunn	VTC
David Morker	Inter
Susan Parson	Capitol Consulting
James Bartle	Dept. of Revenue
Matt Jordan	Commerce
Bob Sherburne (SHA -	KA - TOPE 108 SE 8 th Topeka
John Petersen	Innovia Films
VIC MILLER	SH Co. Comm.

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KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 4, 2005

TO: House Committee on Economic Development
FROM: Kathie Sparks, Principal Analyst
RE: HB 2265

HB 2265 would create the Qualified Manufacturer Act. Under the provisions of the Act, a manufacturer could receive up to \$1.0 million in Kansas income tax withholding paid by the manufacturer to its employees. The maximum period is four calendar years.

In order to qualify for the Kansas withholding revenue:

A qualified manufacturer is a person, corporation, partnership, or other entity engaged in the production of cellulose film in Shawnee County, Kansas and:

- is a company that has paid or agrees to pay at least \$10.0 million in existing annual gross compensation to employees in Kansas;
- has an average wage and salary of at least \$50,000 plus benefits;
- currently has an investment in Kansas of at least \$26.0 million;
- employs at least 190 full-time equivalent employees in Kansas; and
- enters into an agreement with the Secretary of Commerce, which in return for benefits authorized in this Act, the qualified manufacturer agrees to maintain at least 190 full-time equivalent employees in Kansas for five years or longer as the manufacturer and Secretary have agreed.

Finally, incentives which could be awarded may be provided only on the closure of a cellulose film production facility in a foreign country.

A qualified manufacturer may apply to the Secretary to enter in an agreement for benefits under this Act. Once the agreement between the manufacturer and Secretary is executed, the income tax withheld on the Kansas wages paid by the manufacturer will be credited to the Special Manufacturer Fund. Distributions from the Fund would not be subject to appropriation and interest from the State General Fund would be paid monthly based on the average daily balance of moneys in the Fund for the preceding month, and the net earnings rate of the Pooled Money Investment Portfolio for the preceding month. Moneys credited to the Fund would be distributed on the order of the Secretary.

In the event the qualified manufacturer terminates, cancels, or reduces the scope of the terms and conditions approved by the Secretary in the agreement, the agreement would provide that the Secretary could terminate the agreement.

The income tax refunds and balances due to the qualified manufacturer would be reconciled at least annually by a method defined in the agreement. The qualified manufacturer would not be

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allowed to participate in the Investments in Major Projects and Comprehensive Training Act programs. If the qualified manufacturer fails to maintain the employment levels, the manufacturer would be required to repay a proportionate amount of the distribution back as determined by the Secretary. The incentives provided by this Act could not be used for: increased compensation packages, rewards, bonuses, pensions, enhanced retirement, stock options, buyouts or substantial severance pay, or other financial benefits to any Chief Executive Officer, Chief Financial Officer, or any officers of the company.

The Act would take effect after its publication in the statute book.

KS/kal

Anthony Hensley
Senate Minority Leader

STATE CAPITOL, ROOM 347-NORTH
TOPEKA, KANSAS 66612-1504
(785) 296-3245



Representative Ann Mah
House District 53

STATE CAPITOL, ROOM 273-WEST
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Joint Statement of State Representative Ann Mah and State Senator Anthony Hensley
in support of House Bill No. 2265, February 8, 2005

Chairwoman Gordon and Members of the House Committee on Economic Development:

Thank you for allowing us to testify today on behalf of our constituents and Innovia Films. We talk a lot around here about public-private partnerships, about saving jobs and helping the economy. Seldom do we have the opportunity to make those good things happen in our state. This is one of those opportunities and we are asking you to say yes to a proposal that will reap rewards for both our state and nation.

Innovia films is an international company that was put in the unfortunate position of closing one of its three plants to meet market demand and improve efficiency. They have two plants in England and one here in Tecumseh, just outside of Topeka. They had more reasons to close our Tecumseh plant than to keep it open. If that had happened we would have lost not just the \$10 million annual payroll, not just the additional \$5 million in employee benefits, and not just the nearly 200 jobs there, but also the 85 ancillary jobs of supporting businesses, plus the opportunity for future growth of related industries at the same location.

It is exciting that we in Kansas have the chance to stop the flight of industry from our state to other countries. The Tecumseh cellophane plant is the last of its kind in the U.S., where we once had 23 such plants. In fact, we make more cellophane in Tecumseh than is used by all of the Americas, thereby helping reduce the U.S. trade deficit.

Thanks to the work of the Chamber of Commerce and city, who first heard about the possible plant closing, we were able to work with Innovia owners to prepare a comprehensive incentive package to save the Tecumseh plant. The total package is worth about \$2 million and everyone has done their part so far. The Shawnee County voters contributed sales tax monies, the county commission offered tax abatements, the Department of Commerce has its incentive packages, and now the Legislature has its job to do.

This is what we came for – the chance to save Kansas jobs. As far as we are concerned, saving jobs in the state is at least as important as bringing in new jobs; and these are good jobs, averaging \$50,000 per year plus about \$12,000 in benefits.

We are also pleased that one factor in the company's decision was the quality of workforce we have here in Kansas. With the approval of this bill, we recognize the diligence of the American worker. Now it is our time to do the right thing by them and show the world that we "get it" – that the Kansas Legislature understands what it takes to be a player in a world market and that we are here for the long run. We strongly urge your support for House Bill No. 2265.

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6000 SE 2nd Street, Tecumseh, Kansas, Phone (785) 379-0571

MEDIA STATEMENT

Innovia Films is proposing to consolidate its Cellophane manufacturing activities in the United States and Europe. This consolidation will include the closure of one of the three Cellophane plants and increased production at the other two. If chosen to be one of the expansion plants, the Innovia Cellophane plant in Tecumseh, east of Topeka, will add 20 permanent jobs as well as assuring continued employment of the existing 169 employees.

A package of economic incentives has been proposed by the City of Topeka, The Topeka Chamber and the state in conjunction with our delegation. The Shawnee County legislative delegation, other members of the Senate and House Leadership, and Governor Kathleen Sebelius have been extremely supportive and helpful as legislation has been crafted that has positively impacted the Innovia Tecumseh position in its negotiations with the parent company. The management and employees in Tecumseh appreciate all the help they have received from the state officials, Shawnee County Commissioners, the Greater Topeka Chamber of Commerce/GO Topeka, City of Topeka, Kansas Department of Commerce, utility representatives and others to strengthen the case for Innovia to choose the Tecumseh plant for expansion rather than closure. A component of this package is a bill which has been scheduled for a hearing Tuesday afternoon in the Kansas House Economic Development Committee. This bill will provide support to Innovia based on employee taxes paid for the next 3 years and its passage is vital to the survival of the plant.

The overall incentive package from all sources is worth over \$2 million with funding spread over a three year period with a commitment by Innovia to retain the jobs for a minimum of five years. Funding will provide support to upgrade equipment for the higher production rate, improve film quality and reduce cost. There will also be state support for training of new employees and upgrading training of existing employees.

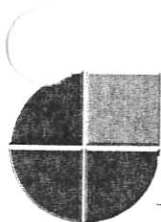
The Innovia plant in Tecumseh was originally built by Dupont in 1958. It was purchased by Innovia from the UCB Group in October 2004. Innovia currently employs 169 people in Kansas and 25 people in other parts of the USA.

Cellophane is the original transparent packaging film developed by Dupont in the 1920's. It is made from woodpulp, which is a renewable resource, and is inherently biodegradable. Cellophane is used in packaging for food and candies and as a base for adhesive tape.

Innovia Films is a leading global producer of specialty Biaxially Oriented Polypropylene (BOPP) and cellulose films with production sites in the UK, USA, Belgium and Australia. The company holds a leading global position in the markets for labels and security films, coated packaging, overwrap and biodegradable and compostable films, employing some 1,600 people worldwide. Brands include Propafilm™, Cellophane™, Rayoface™, Rayoart™ and Guardian®.

7 February 2005

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Fact File

- How many Innovia employees are at the Tecumseh site?
 - Currently 169 full time
- How many employees will be added by this expansion?
 - 20 temporary employees will be offered permanent employment in addition to the retention of 169 employees.
- What is your total payroll?
 - \$10 million in 2004
- What is the average salary?
 - Over \$50,000 per year in 2004 plus benefits.
- What benefits do you pay?
 - The benefits package includes health care, dental insurance, vision care, 401K and a pension plan
- How much product do you make?
 - About 24 million pounds in 2004
- How many other jobs are connected to the Tecumseh site?
 - There are 85 other jobs in Topeka representing vendors from which Innovia contracts directly for services.
- What is cellophane?
 - Cellophane is the original transparent packaging film developed by Dupont in the 1920's. It is made from woodpulp sourced from renewable resources, and is inherently biodegradable. Cellophane is used in packaging for food and candies and as a base for adhesive tape.
- Will the consolidation of production bring new products to Tecumseh?
 - Yes. Some products will be transferred from the other Innovia plants
 - There are other new developments in the pipeline. One recent addition is Natureflex™ a completely biodegradable and compostable Cellulose film that meets both European EN13432:2000 and American ASTM D6400-99 regulations for compostability. As the market for this product develops in the Americas, production will commence in Tecumseh.
- Who are your customers?
 - Cellophane is a specialist product supplied to a wide variety of customers for use in packaging applications
- Where are your customers?
 - The upper mid-west and the north east USA
 - Canada, Mexico & South America
 - Asia
- What are the future prospects for the plant after this expansion?
 - The expansion will return the plant to profitability and ensure it has a long term future

- What will the incentive money be spent on?
 - Equipment upgrades to maintain the higher production rate
 - Film quality improvement
 - New Product Introduction
 - Investing in people through training
- What happens if the bill does not pass?
 - Innovia has to choose which plant to close, the one in the UK or this one in Kansas. This bill is an essential part of the arguments being presented for the retention of the Kansas plant
- Does the expansion depend on this bill passing?
 - The retention of the plant depends on the package of incentives that has been developed, including the legislation as well as the expansion of the plant
- How quickly will the expansion take place?
 - If successful then the expansion will be in the second half of 2005
- How many Cellophane plants does Innovia own and where are they?
 - 3
 - there are 2 in England and the plant in Tecumseh Kansas
- Is there opportunity for additional growth at the Tecumseh plant?
 - There is a possibility that at some time in the future Innovia will build a polypropylene plastic film plant in North America. If, at that time, there is still a manufacturing operation in Tecumseh then clearly that will be a candidate location
- How will the other Innovia Cellophane plants be affected by this consolidation?
 - Innovia has to reduce the number of plants from 3 to 2. The decision to be made is “which plant will close?”
- Who else makes Cellophane?
 - Innovia is the largest producer of Cellophane in the world. The second largest is Futamura in Japan.
- Who are your competitors?
 - The other Cellophane producer but also the many plastic film alternatives to Cellophane
- Do you export any of your product?
 - Yes. If the Tecumseh plant remains open then exports will increase
- Where is Innovia’s headquarters
 - Wigton in the North West of England
- Is Innovia a public company?
 - No
- Who owns Innovia?
 - A consortium led by Dennis Matthewman and Candover Partners Ltd.

Innovia Films Kansas Plant
Presentation to Kansas House
Economic Development Committee
8th February 2005



Innovia Films

- Formed in 2004 to purchase the Films business from UCB Group
- The company is a leading global producer of specialty Biaxially Oriented Polypropylene (BOPP) and cellulose films with production sites in the UK, USA, Belgium and Australia.
- Innovia Films holds a leading global position in the markets for labels and security films, coated packaging, overwrap and biodegradable and compostable films, employing some 1,600 people worldwide. Brands include Propafilm™, Cellophane™, Rayoface™, Rayoart™ and Guardian®.



Introduction

- Innovia Films has decided that one of its 3 Cellophane plants must close to reduce costs
- The closure decision is between the plant in Kansas and a plant in England
- Based on plant operating and closure costs, the decision is very close
- If the Kansas plant remains open, production will increase by 33% and additional jobs will be created

Kansas Site Overview

- Built in 1958 by Dupont and then operated by Dupont, Flexel & UCB
- Innovia Films purchased UCB Films including the Topeka/Tecumseh plant from UCB in October 2004
- Plant makes Cellophane which is used in food packaging and tape
- Plant currently has 190 full time equivalent employees with a gross compensation in 2004 of over \$10 million
- A further 85 people are employed by contractors either on or off site in Kansas

What is Cellophane?

- The original transparent packaging material developed by Dupont in the 1920's
- Made from woodpulp, a renewable resource
- Cellulose is biodegradable
- Used to package foods such as cheese and candies to preserve freshness
- Easy to print clearly
- Retains shape after folding or twisting

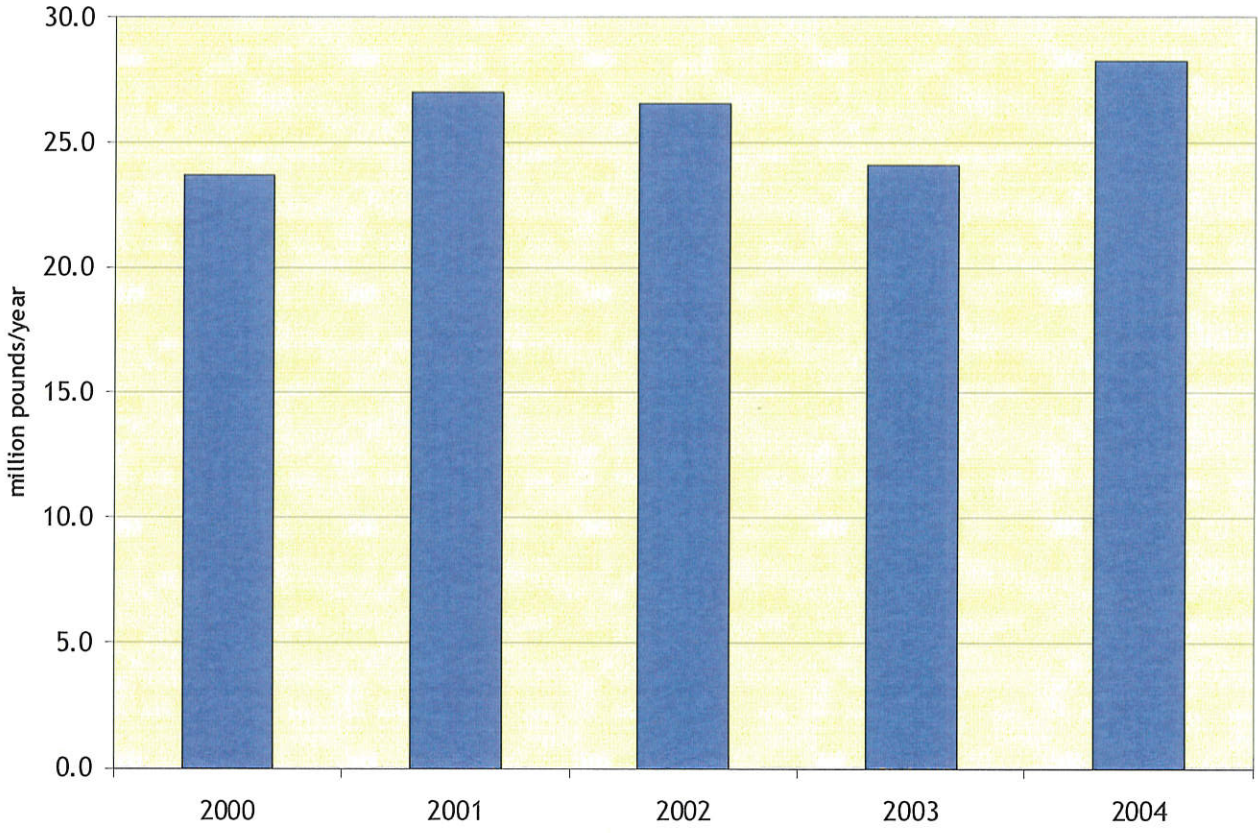
Cellophane Market - Why Close a Plant?

(Confidential Business Information)

- Innovia is the major world producer of Cellophane with 3 of the 4 remaining major factories in the world
- Innovia predicted Cellophane sales for 2005 are:
 - Americas 21 million pounds
 - Europe 33 million pounds
 - Asia/Pacific 8 million pounds
- Tecumseh capacity is currently 33 million pounds
- The other 2 Innovia Cellophane factories are in England and have a combined capacity of about 57 million pounds
- A decision has been taken to close one of the 3 Innovia factories to bring the capacity more into line with sales



Americas Market History



Sales in the Americas have been stable over the past 5 years and are now showing signs of growth





Future Cellophane Prospects

- Overall Cellophane sales have decreased over the past 25 years but have now stabilized
- Sales in the Americas have been stable for the past 5 years and are showing signs of a slow rebound
- If the Kansas plant survives, production will increase by 33% and a further 20 full time employees will be hired. This will allow further development of the market
- New, research based product lines such as compostable packaging and clear bottle labels provide a prospect for further market growth
- The Kansas plant has the capacity for further production increases if sales exist and capital is invested to refurbish unused equipment

Other Future Prospects if the Kansas Plant Survives

- Option remains open to build a Polypropylene plant on the site with \$25 mn additional investment and 100 jobs
- A Technology company from New Jersey is seriously interested in re-locating its production facility to the Innovia site to make use of raw material taken directly from the Cellophane process. This would add a further 35 jobs

Help Needed

- Financial support to upgrade the plant to operate at higher production rate and with a wider range of products
- Projects supported by these funds will include:
 - Equipment upgrades to maintain the higher production rate
 - Film quality improvement
 - Cost Reduction
 - New Product Introduction
 - Investing in people through training

Tecumseh 5 Year Project List

1	New Film Gauge Measurement Control Devices	\$550,000	quality improvement
2	New Slitting Machine	\$250,000	quality improvement
3	Install Humidifier Box for Coating tower	\$250,000	quality improvement
4	New rolls for coating conditioners	\$200,000	quality improvement
5	New Tension Control for Coating Towers	\$150,000	quality improvement
6	Improved Hopper Lip Control	\$150,000	quality improvement
7	Upgrade A-tank level control	\$100,000	quality improvement
8	New Infrared Spectrophotometer	\$15,000	quality improvement
9	Install Second Conditioner to support increase in Plain Film production	\$400,000	new products introduction
10	Install Additional Equipment in the Mix House	\$200,000	new products introduction
11	Install Colloidal Silica system	\$150,000	new products introduction
12	Increase White Film Capacity	\$100,000	new products introduction
13	New Casting tanks	\$450,000	maintain increased production
14	New Ground Water Storage Tank	\$250,000	maintain increased production
15	Evaporator upgrade project	\$200,000	maintain increased production
16	increase Capacity of Well Water Line	\$150,000	maintain increased production
17	Update Valve set for #1 and #2 anion	\$110,000	maintain increased production
18	Evaporator Condenser water reuse	\$100,000	maintain increased production
19	New Cooling Tower Water Lines	\$100,000	maintain increased production
20	New Precooler coil	\$70,000	maintain increased production
21	Upgrade water line on pipebridge	\$67,000	maintain increased production
22	Environmental Monitoring Instruments	\$350,000	long term environmental compliance
23	Sludge Dewater Equipment	\$350,000	long term environmental compliance
25	Flare project	\$250,000	long term environmental compliance
24	Softener Recovery	\$300,000	material recycling
26	CS ₂ condenser improvement	\$90,000	material recycling
27	Upgrade Controller for Solvent Recovery system	\$50,000	material recycling
	Total Planned for Next 5 years	\$5,402,000	

**Testimony before the House Economic Development Committee
HB 2265 – regarding retention of a cellulose plant in Kansas
February 8, 2005
By Doug Kinsinger, President
Greater Topeka Chamber of Commerce**

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Innovia Films Information

- Candover Partners Ltd., a British investment firm, acquired Innovia's 3 cellulose plants for approx. \$400 million on October 1, 2004.
- Innovia is the world major producer of cellophane owning three of the world's four major manufacturing facilities. The Topeka Tecumseh facility is the only cellophane manufacturer in North America.
- Cellophane is in its mature product lifecycle; it has many decades of demand left for its usage.
- Cellophane was developed by Dupont in the 1920's and has unique characteristics compared to its petroleum-based competitor, polypropylene and polyethylene of which plastic is made. Cellophane has more twist memory to its shape, and is able to be perforated and torn much easier. Produced in certain forms, cellophane allows humidity and vapor to escape and therefore is more desirable for certain food products. Innovia is a primary supplier of packaging for Russell Stover Candies and for many other companies around the nation and world. Cellophane is a biodegradable product produced from cellulose (wood pulp) and a fully compostable version is being developed which could be made in Topeka. Whereas, polypropylene and polyethylene are petroleum-based; a non-renewable energy source.
- Innovia has determined that to maximize efficiency they must close one of their three manufacturing facilities. Cellophane sales were declining for many years, but have now bottomed out and have been rising slowly based on a niche market for packaging that requires the very special properties of cellophane (e.g. cheese, breads and high end candies). Innovia currently sells 30 million pounds of their product around the world through its three plants. Each of the three Innovia plants can easily produce 15 million lbs. of cellophane without any significant alteration or additional equipment. Therefore, the overhead and expense of a third manufacturing plant is not required to meet production demands.
- Innovia's Topeka plant is the newest cellophane plant in the world built in 1958 by and originally owned by Dupont. Over \$25 million has been invested in the facility in recent years to modernize and improve efficiency in the plant's processes. With respect to the future, as far as cellulose and BOPP films are concerned, Innovia has the largest Research and Development facility in Europe and they intend to fully utilize the experience and expertise, which exists within the business, to increase operations worldwide.
- Innovia's Topeka plant employs 169 permanent and 19 temporary employees. The temporary employees would be moved to permanent status if the plant remains in operation. If Topeka is one of the two remaining plants, production will increase by 35 % and an additional 10 new positions may be added. Supplementing the current positions on Innovia's payroll, the company has identified an additional 85 positions with contractors that are directly dependent on the operation of the Topeka Innovia facility whose jobs would also be lost by a closure. It is estimated that an additional 115 positions are supported indirectly through a multiplier effect. This totals almost 400 jobs affected by the future of the Innovia Topeka manufacturing plant.
- The 169 Innovia positions are paid an average of \$50,000 annual compensation plus attractive benefits averaging another \$12,000 for health insurance, retirement, etc. (Note: A survey conducted by the Kansas Department of Labor indicates the average wage for manufacturing in the Topeka MSA to be over \$43,000 annually which is approximately \$7,000 less than Innovia's average wage.)

Chairman Gordon and committee members; my name is Doug Kinsinger. I am president of the Greater Topeka Chamber of Commerce and appreciate your time in hearing from us today about the future of Innovia Films in Shawnee County, Kansas.

A package of incentives has been determined in negotiations to keep the Innovia plant in Kansas:

1. Our local community along with KDOC has developed an \$750,000 local incentive package:
 - a. \$500,000 from our local economic development sales tax, paid over a 3 year period
 - b. County tax abatements - approximately \$250,000 over a 4 year period
 - c. Local utilities have been working with Innovia to assist in minimizing utility costs wherever possible
2. The federal government will provide \$75,000 in assistance from a 50/50 match program available through the Mid-America Trade Adjustment Assistance Center
3. KDOC package Innovia is eligible for:
 - Up to \$60,000 in KEIEP funds (forgivable loan)
 - Up to \$20,000 in KIT funds (training for new employees)
 - Up to \$80,000 in KIR funds {retraining of existing employees – the company must match 50% of these funds}
 - \$30,000 in Enterprise Zone tax credits for the 20 new jobs
 - \$10,000 (estimated) in Enterprise Zone tax credits if the company has \$1 M in capital investment {this could change to \$95,000 tax credit if they qualify for HPIP}
 - \$75,250 (estimated) in sales tax savings from the Enterprise Zone Program if \$1 M of capital investment in machinery & equipment
4. Legislative package: \$350,000 per year for three years, capped at \$1 million total, will offset closure costs of their plant in England enough to keep their Topeka facility open. (HB 2265)
5. Innovia has committed to keep their Topeka facility open and maintain 190 FTE for a minimum of five years. If they reduce their employment below the 190 FTE, a proportional amount of the incentives per job reduction would be paid back to the State of Kansas and the local community. The incentive is only given if the company performs as stated, the plant in England is closed, and production is moved to Topeka/Tecumseh.

Our Alternatives: Bottom Line for the State of Kansas

One option is guaranteed to happen – which would you prefer?

- ✓ The Innovia Topeka plant is closed and the State of Kansas receives no further revenue from the operation of the plant, or its employees. A total of 275 Kansans

(190 Innovia employees + 85 related contracted positions) will be put out of work. There will likely be a drain on state resources for substantial re-training, social assistance, and unemployment benefits. The plant's equipment and technology is so highly specialized that the employees will be unable to find any comparable positions at a skill or compensation level commensurate to their current income without significant retraining. The state will lose the \$350,000 per year in income tax collection plus additional sales and property tax receipts. The plant is unlikely sold due to its unique function and will remain unoccupied, quickly decelerating any property tax revenues. It would be prudent for the company to destroy or remove any taxable assets to lower future anticipated property tax carrying charges.

- ✓ The Topeka/Tecumseh Innovia plant remains as one of Innovia's two manufacturing plants. Production increases by 35%, the plant begins to export product outside our country's borders, and permanent employment increases to 190 positions, with potential for further growth. The State of Kansas foregoes the employee withholding taxes, approximately \$350,000/year, for three years. The State of Kansas continues to receive withholding revenue from the 85 contracted positions, plus additional sales, property, and corporate revenues.

By retaining the plant we will have the opportunity to compete for Innovia's new \$25 million polypropylene plant within the next 5 years, which could create an additional 100 high-waged positions. There has also been serious interest by a technology company from the eastern US who desires to relocate adjacent to Innovia, as long as they are in production, to utilize portions of their raw material - viscose. This technology firm could also add an additional 35 additional high wage positions.

Madam Chairman and committee, it may not be very glamorous to retain company, but economically it is just as important, if not more, to keep mature companies in our state. The positive impact manufacturing companies have on a community were outlined at the Kansas Chamber's dinner last week; I think we all can agree that primary jobs like these are good for our economy and good for our citizens.

Chairman Gordon, and committee we respectfully ask that you assist us in keeping this quality Kansas company and vote yes for HB 2265. Thank you.



Shawnee County Board of Commissioners

Rm. B-11, Courthouse Topeka, Kansas 66603-3933

Marice Kane, 1st district

Vic Miller, 2nd district

Theodore D. Ensley, 3rd district

(785) 233-8200 ext. 4040, Fax: 785-291-4914

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February 8, 2005

Chairperson Gordon and members of the committee, I am Vic Miller, Chairman of the Shawnee County Commission. I am here today to share with you the Shawnee County Commission's support for HB 2265.

Innovia Films Inc. has been a fixture in our county's corporate community since 1958. There have been several owners over those years, but the plant has always produced a quality cellophane product with the hard work of some of the best employees our state can produce. As we learned that this plant was at risk of closing it has been a team effort in finding the means to keep Innovia here in Kansas. You have already heard testimony regarding the response from GO Topeka. For our part, the County Commission voted last week to extend tax abatements to Innovia which were initially granted to the previous owner. There are four remaining years of a property tax abatement that was given in 1999 to UCB (previous owner) for their investment of \$1.4 million in new machinery and equipment. Those remaining four years worth of abatements will total about \$200,000, which has been included in the incentive package proposed to Innovia Films to keep this plant from closing. Innovia will continue to pay the county the property tax on real property as they have been doing all along.

On behalf of the Shawnee County Commission we ask that you approve HB 2265 which provides three years of state investment in keeping 190 FTE jobs in Shawnee County, and the last remaining cellophane plant in the United States, in Kansas. Time after time our community works to entice new business to our community just as you do in your communities across the state. We have had some recent success. However, we cannot afford to lose our long-term, established employers out the back door. We have an opportunity to keep good paying jobs, with benefits in Shawnee County, the state, and in the US. The only option, if we lose this company is to write these good paying jobs off and see these families struggle to find other employment in a challenging job market. Their skills are very specialized. It will be difficult for them to find similar employment. This loss may result in workers and families requiring state assistance to survive. I don't think any of us want to see that happen. We can avoid it by your commitment to help us by passing this legislation and together work with Innovia to increase their production of cellophane. We will have saved a mature company in Kansas and positioned them for future growth that will be in all our best interests.

We appreciate your time and attention in listening to us on this important issue. We will answer any questions that you may have. Thank you.

House Economic Development
Attachment 7
2-8-05

WHITELEY'S

Pallet and Blocking

P.O. BOX 8066 • 310 W, NORRIS • N. TOPEKA, KS 66608 • (913) 233-3801
785

February 8, 2005

I am Steve Rothrock, and I own Whiteley's Pallet Manufacturing Company in North Topeka. My company has six full time employees and supplies shipping pallets to Innovia Films on a daily basis. Innovia Films is a major part of our business and if they choose to close this plant, it is very probable that we would close our company too.

If we were to close our doors it would then affect my wood suppliers one of which is Kansas Hardwoods located in Belvue, Ks. It is very possible they would have to lay off an employee because of the work lost from Whiteley's. Innovia currently employees 190 individuals, but its potential closure effects a lot more people other than the existing plant employees.

Being a small business owner I have learned how important it is to retain major business employers in the State of Kansas. Without these major employers our small business wouldn't be able to survive. Over 70% of the goods and services we supply are to companies with over 50 employees. I would ask this committee to pass House Bill 2265 because it affects a lot more people than just the plant employees.

Thank you for your time and consideration in this matter.

Sincerely,



Steve Rothrock
Vice President Whiteley's Pallet