

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 9:00 A.M. on March 4, 2005 in Room 123-S of the Capitol.

All members were present except:
Susan Wagle- excused

Committee staff present:
Susan Kannarr, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Helen Pedigo, Revisor of Statutes
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Others attending:
See attached list.

Chairperson Brownlee opened the meeting by starting a discussion on **SB 260**. Helen Pedigo, Revisor of Status presented copies of two balloons to **SB 260**. One balloon was from the Department of Revenue (Attachment 1) and the other balloon from Kansas Action for Children (Attachment 2). Chairperson Brownlee asked Ms. Pedigo to review the balloon from the Department of Revenue first. Ms. Pedigo stated **HB 2010** did not make it out of committee and she added it into the balloon from the Department of Revenue. She continued with her review of the balloon. During the review there was a discussion among the committee members regarding the effectiveness and utilization of the language of the balloon. Ms. Pedigo continued. The committee had some concern about removing the survey requirements for gathering information on projects from the balloon, in doing so they felt the effectiveness was being removed. Matt Jordan, Department of Commerce joined the discussion stating when the Department of Commerce has a specific project they enter into a financial agreement which allows them the information to track the project over a period of time. They would not need to survey to the people they do business with because of the information they are required to report. He stated with **SB 13** they would be able to take the information the Department of Commerce has and match that up on a company by company basis with the information that the Department of Revenue has and therefore, would be able to fill in the holes of what they aren't able to collect through their normal process. They would be able to create a comprehensive report when they have jobs, payroll and all the benefits of the investments together. The Committee feels there are other programs in other departments that are just routine and the Committee is concerned if they will still get the routine reports. The Committee is in agreement that there needs to be a way to track programs and know how successful they are. The Committee discussed a way to get the information without violating the confidentiality rules. The possibility was discussed of putting a clause in the each new bill making it mandatory to report back to Commerce with the information needed to be able to track these programs and know if they were working. Senator Jordan suggested, since the language in **SB 260** is complicated, the Committee should take more time. He would like for the Department of Commerce and the Revisors to work together on the language and make sure the reports requested will give the information they have needed to track programs.

Senator Brownlee stated the Committee needed to determine if the objective of the Kansas Action for Children balloon offered by April Holman was the same objective as the Committee. Senator Barone has concerns with adding the report requested to the bill. The discussion continued with April Holman regarding what report she has asked be put into this bill. The Committee was interested in the history of Kansas Action for Children. Ms. Holman offered information concerning the history of Kansas Action for Children. Senator Kelly felt the report Ms. Holman had asked for would be useful to many groups and would not be an invasion in anyone's privacy to allow the information to be given out. Senator Jordan stated he was in favor of adding Ms. Holman's request to **SB 260**. Senator Emler thinks they should wait and look at the new language before making a decision. He felt that it might not be needed after the new language is drafted to the bill, the information may be readily available. Chairperson Brownlee added to the discussion that she was not sure if the information Ms. Holman was wanting in a report had the same focus as the Committee since the Committee's main interest is economic development.

The Committee directed Helen Pedigo, Revisor of Statutes to use the balloon from **HB 2010** and work with the State Agencies for the final language. Discussion continued regarding the new Section 27. (Attachment

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on March 4, 2005 in Room 123-S of the Capitol.

3) At the conclusion of that discussion, Senator Schodorf made a motion to accept the balloon from the Department of Revenue and amend it to SB 260 and also add section 27 & 28. Seconded by Senator Reitz. Motion carried.

The discussion continued regarding the language on the new Section 29 offered for **SB 260**. A decision was not made at that time to amend it to **SB 260**. The Committee agreed to take action on **SB 260** at a later date.

Chairperson Brownlee moved the Committee's attention to **SB 259**. The discussion was opened regarding the Ostrowski proposal of how to convert the classified to unclassified. Chairperson Brownlee stated she had received some positive feed back to the amendment offered by John Ostrowski. Discussion continued with Mr. Ostrowski joining in and commenting on his amendment. Senator Barone has a concern about the ALJ's if they decide not to go unclassified and at the end of the one year period there is not a job for them what will happen. The discussion continued on classified and unclassified and the one year limit. Chairperson Brownlee stated she feels the ALJ's are going to be given two good options.

Senator Emler moved to accept the Ostrowski amendment and all the changes made in the balloon. Senator Schodorf seconded. Motion carried

The discussion moved to the Brownlee amendment. Senator Wysong asked about a quorum being a problem with the meetings. Senator Barone stated he supported lowering the quorum but does not support allowing proxy votes. The Committee discussed the fact that meetings are cancelled because of not having a quorum. Senator Kelly joined into the discussion asking if there is an avenue for dismissing a member that does not show up for the meetings. The Committee discussed how the Secretary of Labor had appointed new members to serve and removing others in an effort to correct some of the problems. The discussion continued on the quorum with Senator Jordorn entering stating if they change the quorum there would not be equal numbers from business and labor. Senator Emler has concerns about proxy but feels to lower the quorum would be beneficial.

Senator Emler moved to lower the quorum from 4 to 3 and to strike the language about a designee on page 3. Senator Reitz seconded. Motion carried

Senator Emler moved SB 259 out favorably as amended. Seconded by Senator Schodorf. Motion carried.

Chairperson Brownlee recognized Senator Barone for an update on **SB 233**. He stated he had been working with the Governor's office and believes they are close to having language and with the Committee's indulgence will bring that language to the Committee when available. He asked Chairperson Brownlee to let **SB 233** sit until that time.

Chairperson Brownlee called on Senator Emler for an update on **SB 33**. Senate Emler stated the subcommittee had met several times with the outcome being a substitute bill which the Revisor of Statutes, Helen Pedigo was working on. Senator Emler had scheduled one last meeting for the next Monday to go over the substitute bill. He stated all interested parties were involved and the subcommittee received a lot of input with clarification being made on several issues. He hoped to present the substitute bill to the Committee sometime after Monday's meeting.

Chairperson Brownlee reminded the Committee of the joint Committee with Senator Brownback to start at 9:45 a.m up stairs.. The meeting adjourned at 9:45 a.m. with the next scheduled meeting being on Tuesday, March 8, 2005 at 8:30 a.m. in room 123S.

technology enterprise corporation, the major programs and activities of the department of commerce, the statewide risk capital system and the investments in research and development activities tax credit.

PROPOSED AMENDMENT
DEPARTMENT OF REVENUE
AMENDMENTS TO HB 2010
March 4, 2005

New Section 29. The secretary of revenue shall prepare an annual report evaluating the ~~cost effectiveness~~ of the various income tax credits and sales tax exemptions enacted to encourage economic development within this state and submit the same to the division of post audit, the standing committees on taxation and economic development of the house and assessment and taxation and commerce of the senate at the beginning of each regular session of the legislature. ~~The secretary of revenue, in consultation with the president of Kansas, Inc., shall develop a questionnaire on the utilization of state income tax credits and sales tax exemptions that shall be completed by all corporate taxpayers that:~~ (1) Are subject to state income tax and (2) utilize any of the state income tax credits and exemptions described in subsections (a) through (j) below that shall be submitted to the department concurrently with the filing of an annual corporate income tax return. ~~The completed questionnaires shall be used in the preparation of such annual report. The questionnaire shall require respondents to indicate~~ utilization of the following credits, exemptions and bond financing:

[utilization

Such report shall include, but not be limited to,

state and local sales and transient guest tax revenues distributed for

- (a) Income tax credits authorized under the provisions of the job expansion and investment credit act of 1976 and amendments thereto;
- (b) income tax credits for expenditures in research and development activities authorized by K.S.A. 79-32,182, and amendments thereto;
- ~~(c) income and financial institutions privilege tax credits for cash investment in stock of Kansas Venture Capital, Inc. authorized by K.S.A. 74-8205 and 74-8206, and amendments thereto;~~
- (d) income tax credits for cash investment in certified Kansas venture capital companies authorized by K.S.A. 74-8304, and amendments thereto;
- (e) income tax credits for cash investment in certified local seed capital pools authorized by K.S.A. 74-8401, and amendments thereto;

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(f) income tax credits for investment in the training and education of qualified firms* employees authorized by K.S.A. 74-50,132, and amendments thereto;

(g) sales tax exemptions for property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business, or retail business meeting the requirements of K.S.A. 74-50,115, and amendments thereto, and machinery and equipment for installation at such business or retail business authorized by subsection (cc) of K.S.A. 79-3606, and amendments thereto;

~~(h) sales tax exemptions for machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility;~~

income tax credits authorized by K.S.A. 79-32,206, and amendments thereto, for tax paid on commercial and industrial machinery;

(i) distribution from the special economic revitalization fund pursuant to the provisions of the economic revitalization reinvestment act, K.S.A. 2004 Supp. 74-50,136, and amendments thereto; and

(j) special obligation bonds authorized by K.S.A. 12-1774, and amendments thereto.

state and local sales and transient guest tax revenues distributed for repayment of

And renumber the remaining sections.

[subsection (a)(1)(D) of

technology enterprise corporation, the major programs and activities of the department of commerce, the statewide risk capital system and the investments in research and development activities tax credit.

PROPOSED AMENDMENT
KANSAS ACTION FOR
CHILDREN
March 4, 2005

New Section 29. The secretary of revenue shall prepare an annual report evaluating the cost effectiveness of the various income tax credits and sales tax exemptions enacted to encourage economic development within this state and submit the same to the division of post audit, the standing committees on taxation and economic development of the house and assessment and taxation and commerce of the senate at the beginning of each regular session of the legislature. The secretary of revenue, in consultation with the president of Kansas, Inc., shall develop a questionnaire on the utilization of state income tax credits and sales tax exemptions that shall be completed by all corporate taxpayers that: (1) Are subject to state income tax and (2) utilize any of the state income tax credits and exemptions described in subsections (a) through (j) below that shall be submitted to the department concurrently with the filing of an annual corporate income tax return. The completed questionnaires shall be used in the preparation of such annual report. The questionnaire shall require respondents to indicate utilization of the following credits, exemptions and bond financing:

[, privilege tax credits,

[and use tax exemptions

[The governor,

[Such report shall include, but not be limited to,

- (a) Income tax credits authorized under the provisions of the job expansion and investment credit act of 1976 and amendments thereto;
- (b) income tax credits for expenditures in research and development activities authorized by K.S.A. 79-32,182, and amendments thereto;
- (c) income and financial institutions privilege tax credits for cash investment in stock of Kansas Venture Capital, Inc. authorized by K.S.A. 74-8205 and 74-8206, and amendments thereto;
- (d) income tax credits for cash investment in certified Kansas venture capital companies authorized by K.S.A. 74-8304, and amendments thereto;
- (e) income tax credits for cash investment in certified local seed capital pools authorized by K.S.A. 74-8401, and amendments thereto;

2-11-05

(f) income tax credits for investment in the training and education of qualified firms* employees authorized by K.S.A. 74-50,132, and amendments thereto;

(g) sales tax exemptions for property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business, or retail business meeting the requirements of K.S.A. 74-50,115, and amendments thereto, and machinery and equipment for installation at such business or retail business authorized by subsection (cc) of K.S.A. 79-3606, and amendments thereto;

(h) sales tax exemptions for machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility;

(i) distribution from the special economic revitalization fund pursuant to the provisions of the economic revitalization reinvestment act, K.S.A. 2004 Supp. 74-50,136, and amendments thereto; and

(j) special obligation bonds authorized by K.S.A. 12-1774, and amendments thereto.

(k) privilege tax credits authorized by K.S.A. 79-1105c, et. seq., and amendments thereto; and
(l) state use tax exemptions authorized by K. S. A. 79-3701, et. seq., and amendments thereto.

And renumber the remaining sections.

PROPOSED AMENDMENT
SENATOR BROWNLEE
SENATE COMMERCE COMMITTEE
SB 260
March 2, 2005

New Section 27. In addition to the other powers and duties of the department of commerce, the department shall:

(a) ***Set the state-wide vision with regard to economic policy and growth in consultation with the joint committee on economic development;***

AND RELETTER THE REMAINING SUBSECTIONS.

(a) Undertake ongoing strategic analysis in order to determine the state's areas of potential and continuing competitive economic advantage and disadvantage;

(b) oversee the formulation of economic development policy and strategic planning for the state;

(c) oversee the targeting of scarce state resources by size and sector of economic activity and by geographic location within the state in order to enhance the state's potential comparative economic advantages;

(d) undertake continuing strategic planning for the improvements of the state's tax, regulatory and expenditure policies to enhance the state's potential comparative economic advantages;

(e) assume central responsibility to develop, with the guidance of both the private and public sectors, all facets of a comprehensive long term economic development strategy;

(f) coordinate the strategy development with all other state and local agencies and offices and state educational institutions which do research work, develop materials and programs, gather statistics, or which perform functions related to economic development; and such state and local agencies and offices and state educational institutions shall advise and cooperate with the department in the planning and accomplishment of the strategy;

(g) evaluate and analyze the state's economy to guide the direction of future public and private actions, and report and make recommendations to the governor, the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives and the joint committee on economic development with respect to the state's economy. The report to the committee on commerce of the senate, the committee on economic development of the house of representatives and the joint committee on economic development under this subsection shall be made either (1) by publishing such report on the internet and by notifying each member of the committees that the report is available and providing, as part of such notice, the uniform resource locator (URL) at which such report is available, or (2) by submitting copies of such report on CD-ROM or other electronically readable media to such committees;

(h) oversee and evaluate the state's economic development activities on an ongoing

Senate Commerce Committee

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Attachment 3-1