

Approved: 3-5-07  
Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on March 1, 2007 in Room 519-S of the Capitol.

All members were present except:  
Barbara Craft- excused

Committee staff present:  
Kathie Sparks, Kansas Legislative Research Department  
Hank Avila, Kansas Legislative Research Department  
Jason Long, Revisor of Statutes  
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:  
Rep. Janice Pauls  
Rep. Mark Treaster  
Dave Kerr, Hutchinson/Reno County Chamber of Commerce  
John Deardoff, Hutchinson City Manager  
Larry Sharp, Reno County Commissioner  
Mark Love, International Association of Machinists

Others attending:  
See attached list.

**SB 164 - an act concerning economic development; relating to qualified industrial manufacturers; prescribing certain transfers; establishing the special qualified industrial manufacturer fund.**

The Chair introduced Kathie Sparks for explanation of **SB 164**.

Representative Pauls appeared before the Committee as a proponent of **SB 164**. (Attachment 1).

Dave Kerr spoke in support of **SB 164**. (Attachment 2).

John Deardoff addressed the Committee in support of **SB 164**. (Attachment 3).

Larry Sharp appeared as a proponent of **SB 164**. (Attachment 4).

Mark Love spoke in favor of the passage of **SB 164**. (Attachment 5).

Addressing the Committee once again, former Senator Kerr referred to the letter received from officials of Eaton Hydraulics in support of **SB 164**. (Attachment 6).

Representative Treaster briefly addressed the Committee as a proponent of **SB 164**. (Attachment 7).

The hearing was closed on **SB 164**.

The meeting was adjourned at 4:40 p.m. The next meeting is scheduled for Monday, March 5, 2007.



STATE OF KANSAS



TOPEKA

HOUSE OF  
REPRESENTATIVES

**COMMITTEE ASSIGNMENTS**

RANKING MINORITY MEMBER:  
JUDICIARY

MEMBER:  
HOUSE RULES AND JOURNAL  
COMMERCE AND LABOR COMMITTEE  
JOINT HOUSE AND SENATE COMMITTEE  
ON JUVENILE JUSTICE AND CORRECTIONS  
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JOINT HOUSE AND SENATE COMMITTEE  
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REGULATIONS

MEMBER OF KANSAS SENTENCING COMMISSION

CHAIR:  
NATIONAL CONFERENCE OF STATE  
LEGISLATORS COMMITTEE ON LAW AND  
CRIMINAL JUSTICE

JANICE L. PAULS  
REPRESENTATIVE, DISTRICT 102  
**TOPEKA ADDRESS:**  
STATE CAPITOL, SUITE 420 SOUTH  
TOPEKA, KANSAS 66612-1504  
(785) 296-7657  
**HUTCHINSON ADDRESS:**  
1634 N. BAKER  
HUTCHINSON, KANSAS 67501-5621  
(620) 663-8961

**SB 164**  
**Testimony Before the House**  
**Economic Development and Tourism Committee**  
**March 1, 2007**

Chairman Gordon, and committee members, thank you for the opportunity to testify today on SB 164, the Qualified Industrial Act. SB 164 is very important to Hutchinson and Reno County because it is our one chance of keeping Eaton Corporation in our community.

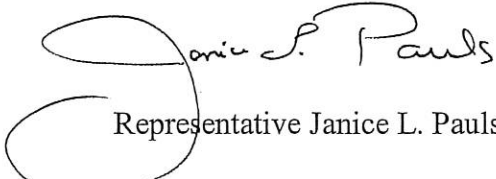
The fact we've come this far in saving Eaton is a real miracle, because the company was going to close their factory in Hutchinson. Due to the hard work of Dave Kerr, the City of Hutchinson, Reno County, the AFL-CIO, the Hutchinson/Reno County Chamber, and local legislators, the closing was at least postponed. Then, the Governor, the President of the Senate, the House Majority Leader, the House Minority Leader, and the Minority Leader of the Senate all stepped forward. Eaton company was gracious and was open to this initiative.

The local community has put money forward with money from the City, the County, the Chamber and many concessions from the Union.

It's truly been a community effort. The assistance from the state is the last piece of the project to keep Eaton in Kansas.

Please support SB 164.

Respectfully submitted,

  
Representative Janice L. Pauls

**Economic Development & Tourism**

**Date:** 3-1

**Attachment #** 1

Testimony in favor of SB 164  
House Committee on Economic Development and Tourism  
3:30 pm, March 1, 2007  
Room 519-S

Dave Kerr  
Hutchinson/Reno County Chamber of Commerce

Part I – Introduction

Madam Chair and members of the committee. Last June 22<sup>nd</sup>, Hutchinson officials and union representatives were called to meetings with Eaton Corporation executives who said that as part of a realignment of their North American manufacturing capability, they expected to close the Hutchinson hydraulics manufacturing facility. Some older products would be terminated, newer products would go to other U.S. plants and lower skilled assembly jobs would move to Mexico. After more than 50 years in business, first as a division of Cessna and, since 1988 as Eaton, 450 jobs and more than \$16 million in payroll would be gone in less than a year.

Community leaders poured over company statements and comments made in meetings with Eaton executives. By so doing, we felt we had a pretty clear picture of the reasoning behind the move and determined that we should pull out every piece of economic development ammo we could muster to address the key issues.

It was truly a partnership effort with City and County leaders working side by side with union representatives, chamber of commerce leaders, and strong representation from the Kansas Department of Commerce.

An aggressive and creative plan was pulled together which clearly surprised Eaton executives. I would like to now call upon others to describe the various parts of the plan and the financial promises made so that you can see that the local community is fully committed to the plan of which SB 164 is part.

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## Part II – Summary

Hopefully, it is clear that each part of this plan played an important role in turning what was going to be a devastating blow to the community into what is generally viewed as a positive outcome. It's true we are losing 150 jobs, but we believe we are stabilizing 300 high-skill jobs and will have a modern and efficient plant capable of taking on an updated product line and potential expansion.

The total package of incentives is almost \$4 million dollars not including worker concessions. Even the Chamber of Commerce is providing \$100,000 of direct cash investment. State assistance in addition to the \$2 million of captured payroll taxes over 10 years envisioned in SB 164 would be \$150,000 of KEOIF funding and \$120,000 of Workforce Investment Act funds.

In my opinion, there would have been no deal if the Governor and your legislative leaders had not responded so convincingly that this special legislation could be passed promptly in the 2007 session. Please note the letter of support from these people of which you have a copy.

Thank you for your attention and we ask for your support of SB 164. We would be pleased to stand for questions.



P.O. Box 1567 / Hutchinson, KS 67504-1567

TESTIMONY ON SB 164

House Economic Development/Tourism Committee

March 1, 3:30pm

John Deardoff, City Manager

HUTCHINSON, KANSAS

620-694-2610

[johnd@hutchgov.com](mailto:johnd@hutchgov.com)

Good morning-Madam Chair and members of the Committee. I am here today on behalf of the City of Hutchinson and the Hutchinson community asking for your support of SB 164. This past summer our community was notified by corporate officials from the Eaton Corporation that they would be closing the Hutchinson facility along with several other plants within the company. Eaton has been the foundation of our manufacturing base for over 40 years. News of the Eaton closure spread quickly throughout the community and created a great amount of discussion and concern for our future and the loss of an estimated 450 jobs. The easy decision and one that probably would have been accepted by some communities was to live with the Eaton announcement and move on to other possible projects. After all, business closures, consolidations, and job outsourcing are common in today's business environment. The resulting employment layoffs, business closures, and relocations are just the collateral damage of the search for maximum efficiency and profitability.

Rather than accept the company's decision, our community decided to act. We convened what is now called our Rapid Response Team to talk about the closure and what our next step might be. Included in the initial meetings were city, county, chamber, state and Eaton management and Eaton labor union officials. Our first step was to open up communications with Eaton Corporate



City Hall Fax 620-694-2673  
Central Purchasing Fax 620-694-1971  
Fire Fax 620-694-2875

Park Fax 620-694-2676  
Inspection Fax 620-694-2691  
Municipal Court Fax 620-694-2858

**Economic Development & Tourism**

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officials which would enable us to learn more about what went in to the closure decision. After our first meeting with Eaton officials we quickly began putting together a proposal that would address the issues raised by Eaton officials during our initial meeting. Within the next two weeks we had a financial package put together and in the hands of Eaton officials. The creative proposal apparently caught someone's eye within the Eaton corporate structure and we were notified by Eaton that they would like to discuss the possibilities further.

Although we stand to lose an estimated 150 assembly jobs, our proposal reversed a closure decision, and we were able to save 300 high skilled manufacturing jobs for our community and the State of Kansas. The City committed \$1,000,000 in cash from our Economic Opportunity Fund to the project, which was not an easy decision for us. As we looked at the situation, it was apparent how important it was to save these jobs. In addition to saving jobs, we also saw an opportunity for future growth in the Hutchinson Eaton plant. It was particularly difficult to offer a company funds to demolish several hundred thousand square feet of their facility, but the more we listened to their logic, the more we realized it made sense and we should help. An upgraded and modernized facility could create an environment attractive for future product development within the Eaton Corporation or consolidation of other Eaton facilities into the Hutchinson facility. Not only are we saving jobs with this project, but we are investing for future job growth possibilities as well.

This project is an excellent example of collaboration and partnership between business and state and local government, working together to make a difference for our community and the State of Kansas. The last missing component to our plan is approval of SB 164. On behalf of the City of Hutchinson and the community, I ask for your support of SB 164.



Board of  
Reno County Commissioners

RENO COUNTY  
206 West First Ave.  
Hutchinson, Kansas 67501-5245  
620-694-2929  
Fax: (620) 694-2928

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LEGISLATIVE TESTIMONY

Larry Sharp  
County Commissioner  
Reno County

“Job One” for communities today is to do all we can to retain and grow our existing businesses and the jobs they provide to our citizens. When Reno County heard about Eaton’s planned exit, we responded along with the City, the Chamber, the State, and the Local Labor Union to provide a creative package that included \$500,000 from Reno County. The Eaton project is a classic “case study” of how business, government, and a labor union can collaborate to save a plant.

Today, the future of the Hutchinson Eaton plant is quite promising and includes modernizing the plant into a facility with improved efficiencies. This plant, headquartered in Reno County, could become the model for all the Eaton plants. One would anticipate that the workforce can grow and new, highly skilled jobs could be created.

The legislation proposed in SB 164 is not unprecedented. Similar legislation was adopted by the Kansas Legislature to retain a Topeka-based company, Innovia Inc. This legislation shows the State of Kansas’ great foresight in being a part of the creative solution to save these important jobs in our communities.

Passage of SB 164 is the final piece in a grass roots community effort to retain 300 good paying jobs and \$12.5 million annual payroll in the Hutchinson/Reno County community. The collective package will provide a solid return on investment that will positively impact our community and the entire State of Kansas for years to come.

Frances Garcia  
District 1

Francis “Shep” S  
District 2  
Larry Sharp  
District 3

Economic Development & Tourism  
Date: 3-1-07  
Attachment # 4



AFL-CIO



DISTRICT LODGE  
No. 70

STEVE ROONEY  
PRESIDENT &  
DIRECTING  
BUSINESS REPRESENTATIVE

JUDY PIERCE  
SECRETARY TREASURER

RITA ROGERS  
ASSISTANT DIRECTING  
BUSINESS REPRESENTATIVE

BUSINESS REPRESENTATIVES  
MARK LOVE  
TERRY CARRINGTON  
MICHAEL E. BURLEIGH  
GARLAND "BEAR" MOORE  
FRANK A. MOLINA, JR.  
STEVE GROOM

**INTERNATIONAL ASSOCIATION of MACHINISTS  
and AEROSPACE WORKERS**

3830 S. MERIDIAN • WICHITA, KANSAS 67217 • PHONE 316-522-1591  
FAX 316-522-7989

LEGISLATIVE TESTIMONY

Mark Love  
Business Representative  
International Association of Machinists  
AFL-CIO

- The Machinists Union is proud to have been part of the effort to keep the Hutchinson Eaton plant open. When the announcement came our members never gave up hope that we could make a case to Eaton Corporation that would reverse their decision.
- With the long standing working relationship we have with Eaton management, we both vowed to keep the lines of communication open. On June 22, 2006, Eaton met with the IAM and stated we are seeking input and suggestions from the Union as other alternatives that we might take under consideration. We will consider all Union input/recommendations in good faith, thus we knew we had to be creative in our discussions.
- Our bargaining unit team acknowledged that we would need to consider certain concessions that would show Eaton a good faith effort to do our part. The concession plan was overwhelmingly accepted by our membership and thus demonstrated to Eaton the commitment we were prepared to make to keep the plant open. We knew the exceptional machining skills of the Hutchinson workforce was a real strength and that Eaton management recognized that as well. We built upon the skills of the workforce coupled with a modernized, downsized plant to convince Eaton to keep the plant open.
- On behalf of our members I want to take this opportunity to

**"Proud to be Union"**

**Economic Development & Tourism**

Date: 3-1-07

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thank Governor Sebelius, the Legislative Leadership, the Kansas Department of Commerce, the city of Hutchinson, Reno County, the Chamber, and the community at large for their unified efforts to putting this package together. We now ask this committee for your favorable support of SB 164 and ultimately the approval of the Kansas Legislature that will save 300 good paying jobs in Hutchinson at the Eaton plant. Thank you for your time.



Eaton Hydraulics  
14615 Lone Oak Road  
Eden Prairie, MN. 55344  
tel: 952-937-9800

February 19, 2007

**The Honorable Lana Gordon  
Chair, Economic Development/Tourism Committee**

**Dear Representative Gordon:**

Eaton Corporation is encouraged by, and thankful for, the unanimous support it has received from the Senate regarding Senate Bill 164. This special legislative package would provide \$2 million in economic development assistance to keep our Hutchinson, Kansas hydraulics facility competitive.

We recognize the tremendous effort by the Governor, the Kansas legislature, local business leaders, and our employees to work together to keep Eaton jobs in Hutchinson. Their teamwork and responsiveness resulted in our decision to tentatively reverse an announced closure of our Hutchinson facility. That decision to keep the plant open is contingent on passage of this \$2 million special legislative package. We told our employees and the community last year that passage of Senate Bill 164 was critical to keeping the plant open.

Senate Bill 164 will allow Eaton to reconfigure our too-large facility to be more efficient, and allow us to operate this plant, one of Hutchinson's larger employers, in a more competitive position moving forward.

Our Hutchinson facility was built in the 1940's as a Cessna manufacturing plant, and over the years expanded to 700,000 square feet. Since Eaton acquired the property in 1988, we have only utilized at most about two-thirds of the facility. Reducing our overall footprint by 300,000 square feet delivers a significant savings in utilities and taxes, which is an important incentive to Eaton - and any manufacturer - in today's economy.

Your support of Senate Bill 164 will help keep highly-skilled machining jobs in Hutchinson. These jobs are estimated to deliver over \$12.5 million in annual payroll to the community. Thank you for considering this legislation, we ask for your favorable vote.

Sincerely,

Scott Krueger  
Vice President General Manager Americas

Stephen Pilotti  
Global Director Human Resources

**Economic Development & Tourism**  
Date: 3-1-07  
Attachment # 6

STATE OF KANSAS

**MARK TREASTER**

REPRESENTATIVE, 101ST DISTRICT

COMMITTEE ASSIGNMENTS  
TAXATION  
TRANSPORTATION  
ECONOMIC DEVELOPMENT  
WILDLIFE & PARKS  
RULES AND REGULATIONS



TOPEKA

DOCKING STATE OFFICE BUILDING  
7TH FLOOR  
TOPEKA, KANSAS 66612  
(785) 296-6838  
treaster@house.state.ks.us

Written Testimony SB 164

Chairwoman Gordon and fellow members of the House Economic Development and Tourism Committee, I support SB 164 because of the positive outcome it will have on the economy of Reno County. Last summer, I attended a meeting in Hutchinson with many other leaders of our community and members of the Eaton Corporation. The purpose of this meeting was for the Eaton Corporation to announce that they would be closing their plant in Hutchinson. While leaders of the community asked Eaton officials questions as to what could be done to save the plant and the jobs they provided, it appeared that there was little hope. They explained that the Hutchinson location was only one part of a much larger picture that consisted of many other facilities around the country. However, local city and county leaders went to work with the Department of Commerce in presenting a financial incentive package that Eaton Corporation officials accepted. Eaton has kept the plant open but having it stay open is dependent on the passage of this legislation. The Senate has passed SB 164 with little opposition. I ask for your support to pass this bill out of committee and in helping to keep 300 well paying jobs in Reno County and Kansas. Thank you and I will stand for questions at the appropriate time.

8908 W. FOUNTAIN GREEN ROAD  
PRETTY PRAIRIE, KANSAS 67570  
(620) 459-6363

**Economic Development & Tourism**

Date: 3-1-09

Attachment # 7