

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 10:00 A.M. on April 1, 2008 in Room 527 S of the Capitol.

All members were present except:

Laura Kelly-excused

Roger Reitz-excused

Committee staff present:

Jennifer Thierer, Kansas Legislative Research Department

Kathie Sparks, Kansas Legislative Research Department

Norm Furse, Revisor of Statutes

Jason Long, Revisor of Statutes

Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Secretary Kerr, Department of Commerce

Andy Schlapp, Sedgwick County

Bernie Koch, Wichita Metro Chamber of Commerce

Tom Bruno, Sedgwick county Technical Education and Training Authority

Bud Burke, Cessna

Others attending:

See attached list.

To read testimony submitted by conferees go to

<http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee>.

SB 525--Kansas investments in major products and comprehensive training act (IMPACT) amendments

HB 2006--Authorizing the issuance of bonds for certain economic development projects

Chairperson Brownlee called the Committee's attention to **SB 525** and stated due to the impact of this bill on the General Fund, they were backing off a little and called on Jason Long, Revisor's Office to explain the balloon for the bill. Mr. Long presented written copy (Attachment 1) which can be found in its entirety on the link shown above.

Upon the conclusion of Mr. Long's explanation of the balloon there was a lengthy discussion with the Committee and Secretary Kerr. The cap being removed was discussed. The 15% going to rural & 20% going to small businesses were also discussed along with the basis for the percentages. It was noted that there is a services fund and a repayment fund and these funds were discussed. It was also noted that the transfers were revenue transfers.

Senator Schodorf made a motion to adopt the balloon. Senator Emler seconded. Motion carried.

Senator Emler made a motion to do a "gut and go" on HB 2412 and put SB 525 as amended into HB 2412 and pass it out favorably as a Senate Substitute for HB 2412. Senator Jordan seconded. Motion carried.

Chairperson Brownlee called on Kent Eckels, Overland Park Chamber of Commerce, and he stated they are not happy with the changes made in the bill and he believes the state needs the cash incentives which were taken out of the bill, to be competitive. Secretary Kerr entered the discussion stating that the 95% will give them the latitude to be more competitive and go forward. Chairperson Brownlee entered the discussion stating the Committee needed information showing the return of investment for IMPACT. Secretary Kerr stated the Department of Commerce should have that information by the end of the week for the last five years and would get it to the Committee.

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 10:00 A.M. on in Room 527 S of the Capitol.

Chairperson Brownlee opened the hearing on the Cessna bill stating that it would be a “gut and go” of **HB 2006** and asked Jason Long, Revisors Office, to explain the bill. Mr. Long stated the bill would be amending K.S.A. 2007 Supp. 74-50, 136 (Boeing Bond Bill) concerning the economic revitalization and reinvestment act; relating to the Secretary of Commerce and the Kansas Development Finance Authority; authorizing the issuance of bonds for certain economic development projects.

Upon the completion of Mr. Long’s explanation of the bill a question and answer session occurred.

Chairperson Brownlee introduced Secretary Kerr, Department of Commerce to give his testimony as a proponent of **Senate Substitute for HB 2006**. Secretary Kerr presented written copy (Attachment 2) which can be found in its entirety on the link shown on Page 1 of these minutes. Secretary Kerr stated that this opportunity just came before the Department of Commerce on Friday, March 28, 2008.

Chairperson Brownlee introduced Mr. Andy Schlapp, Sedgwick County, to give his testimony as a proponent of the bill. Mr. Schlapp presented written testimony (Attachment 3) which can be found in its entirety on the link shown on Page 1 of these minutes.

Chairperson Brownlee introduced Bernie Koch, Wichita Metro Chamber of Commerce to give his testimony as a proponent of **Senate Substitute for HB 2006**. Mr. Koch presented written testimony (Attachment 4) which can be found in its entirety on the link on Page 1 of these minutes.

Chairperson Brownlee introduced Tom Bruno representing the Sedgwick County Technical Education and Training Authority and the Wichita Area Technical College, to give his testimony as a proponent of the bill. Mr. Bruno presented written testimony (Attachment 5) which can be found in its entirety on the link listed on Page 1 of these minutes.

Chairperson Brownlee introduced Dale Goter, City of Wichita, to give his testimony as a proponent of the bill. Mr. Goter presented written testimony (Attachment 6) which can be found in its entirety on the link listed on Page 1 of these minutes.

Chairperson Brownlee introduced Bud Burke representing Cessna to testify as a proponent of **Senate Substitute for HB 2006**. Mr. Burke did not present written testimony. Mr. Burke stated that Cessna decided to proceed with the construction of the Columbus Wide Body Airplane and hired an independent evaluator. It was noted by the evaluator that the construction of this airplane would bring \$200 million to which ever state was selected. Several states asked to be included in the study. Kansas made a bid and it was determined that in order to compete with the other bids \$25 million more was needed. This bill was an option offered to Cessna yesterday afternoon as an attempt to keep the construction of the Columbus Wide Body air plane here in Kansas.

Upon the completion of Mr. Burke’s testimony, a question and answer discussion session occurred. It was noted that Cessna’s intent was to let the Legislature know they would like to stay in Kansas and the state’s offer was \$25 million less than other bids. Senator Barone asked Secretary Kerr if he would get a copy of the other bids and he stated he would. Secretary Kerr stated that on Friday, he found out the package that Kansas bid was not competitive with the other states and they needed more. Because the IMPACT bill was changed from its original intent, it could not be used for the \$25 million needed to keep Cessna in Kansas and therefore, this bill came into the works late in the day yesterday. Upon the conclusion of the questions and answers session, Chairperson Brownlee closed the hearing on the **Senate Substitute on HB 2006**.

Senator Schodorf made a motion to “gut and go” HB 2006 and put the Cessna bill into a Senate Substitute for HB 2006 and pass it out favorably. Senator Reitz seconded. Motion carried.

Senator Brownlee adjourned the meeting at 11:25 a.m.

SENATE BILL No. 525

By Committee on Commerce

1-31

9 AN ACT concerning the Kansas investments in major products and com-
10 prehensive training act (IMPACT); amending K.S.A. 2007 Supp. [74-
11 50,103] 74-50,104, [74-50,107 and 74-50,108] and repealing the existing
12 sections. and 74-50,107

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. ~~[K.S.A. 2007 Supp. 74-50,103 is hereby amended to read~~
16 ~~as follows: 74-50,103. As used in the IMPACT act unless the context~~
17 ~~clearly requires otherwise:~~

18 (a) ~~“Act” means the Kansas investments in major projects and com-~~
19 ~~prehensive training act.~~

20 (b) ~~“Agreement” means the agreement among an employer, an ed-~~
21 ~~ucational institution and the secretary of commerce concerning a SKILL~~
22 ~~project or a combined SKILL project and major project investment and~~
23 ~~the agreement between an employer and the secretary of commerce con-~~
24 ~~cerning a major project investment.~~

25 (c) ~~“Bond” means a public purpose bond issued for IMPACT projects~~
26 ~~by the Kansas development finance authority.~~

27 (d) ~~“Date of commencement of the project” means the date of the~~
28 ~~agreement.~~

29 (e) ~~“Educational institution” means a community college, as defined~~
30 ~~by K.S.A. 71-701, and amendments thereto, an area vocational school or~~
31 ~~area vocational technical school, as defined by K.S.A. 72-4412, and~~
32 ~~amendments thereto, a university, as defined by K.S.A. 72-6501, and~~
33 ~~amendments thereto, a state educational institution, as defined by K.S.A.~~
34 ~~76-711, and amendments thereto, or a technical college as established by~~
35 ~~K.S.A. 72-4468, and amendments thereto.~~

36 (f) ~~“Employee” means a person employed in a new or retained job.~~

37 (g) ~~“Employer” means a Kansas basic enterprise providing new jobs~~
38 ~~or retaining existing jobs in conjunction with a project.~~

39 (h) ~~“IMPACT program” or “program” means the major project in-~~
40 ~~vestments and SKILL projects undertaken by the department of com-~~
41 ~~merce in accordance with the provisions of this act for a new or expanding~~
42 ~~Kansas basic enterprise.~~

43 (i) ~~“IMPACT project” or “project” means a SKILL project, major~~

1-2

1 project investment or a combination of the two.
2 (j) ~~“Kansas basic enterprise” means any enterprise:~~
3 ~~(1) Which is located or principally based in Kansas; and~~
4 ~~(2) which can provide demonstrable evidence that:~~
5 ~~(A) It is primarily engaged in any one or more of the Kansas basic~~
6 ~~industries; or~~
7 ~~(B) it is primarily engaged in the development or production of goods~~
8 ~~or the provision of services for out of state sale; or~~
9 ~~(C) it is primarily engaged in the production of goods or the provision~~
10 ~~of services which will attract out of state buyers or consumers into the~~
11 ~~state; or~~
12 ~~(D) it is primarily engaged in the production of raw materials, ingre-~~
13 ~~dients, or components for other enterprises which export the majority of~~
14 ~~their products from the state; or~~
15 ~~(E) it is a national or regional enterprise which is primarily engaged~~
16 ~~in interstate commerce or an affiliated management company of such an~~
17 ~~enterprise; or~~
18 ~~(F) it is primarily engaged in the production of goods or the provision~~
19 ~~of services which will supplant goods or services which would be imported~~
20 ~~into the state; or~~
21 ~~(G) it is the corporate or regional headquarters of a multistate enter-~~
22 ~~prise which is primarily engaged in out of state industrial activities.~~
23 ~~(k) “Kansas basic industry” means:~~
24 ~~(1) Agriculture;~~
25 ~~(2) mining;~~
26 ~~(3) manufacturing;~~
27 ~~(4) interstate transportation;~~
28 ~~(5) wholesale trade which is primarily multistate in activity or which~~
29 ~~has a major import supplanting effect within the state;~~
30 ~~(6) financial services which are provided primarily for interstate or~~
31 ~~international transactions;~~
32 ~~(7) business services which are provided primarily in out of state~~
33 ~~markets;~~
34 ~~(8) research and development of new products, processes, or tech-~~
35 ~~nologies; or~~
36 ~~(9) tourism activities which are primarily engaged in for the purpose~~
37 ~~of attracting out of state tourists.~~
38 ~~(l) “Major project investment” or “investment” means financial assis-~~
39 ~~tance to an employer to defray business costs including, but not limited~~
40 ~~to, relocation expenses, building and equipment purchases, labor recruit-~~
41 ~~ment and job retention.~~
42 ~~(m) “New job” means a job in a new or expanding Kansas basic en-~~
43 ~~terprise not including jobs of recalled workers, or existing jobs that are~~

1 ~~vacant or other jobs that formerly existed in the Kansas basic enterprise~~
2 ~~in Kansas.~~

3 ~~(n) "Primarily engaged" means engagement in an activity by an enter-~~
4 ~~prise to the extent that not less than 51% of the gross income of the~~
5 ~~enterprise is derived from such engagement.~~

6 ~~(o) "Program costs" means costs of program services and includes all~~
7 ~~necessary and incidental costs of providing program services, except that~~
8 ~~program costs shall not include: (1) Any wages paid to persons receiving~~
9 ~~education or training under a project, (2) any costs for purchase or lease~~
10 ~~of training equipment that exceed 50% of total program costs for the~~
11 ~~project, (3) any costs for administrative expenses that exceed 10% of total~~
12 ~~program costs for the project, and (4) any costs for direct investments in~~
13 ~~education and related workforce development institutions, for improve-~~
14 ~~ments to workforce development, human capital, training expertise and~~
15 ~~infrastructure that exceed 10% of total program costs.~~

16 ~~(p) "Program services" means:~~

17 ~~(1) New jobs training, including training development costs, except~~
18 ~~that the actual training period for any new job shall not exceed 36 months~~
19 ~~from the date the job is first filled by an employee;~~

20 ~~(2) adult basic education and job related instruction;~~

21 ~~(3) vocational and skill assessment services and testing;~~

22 ~~(4) training equipment for education institutions;~~

23 ~~(5) material and supplies;~~

24 ~~(6) administrative expenses of educational institutions for new jobs~~
25 ~~training programs;~~

26 ~~(7) subcontracted services with other educational institutions, private~~
27 ~~colleges or universities or other federal, state or local agencies;~~

28 ~~(8) contracted or professional service;~~

29 ~~(9) major project investments; and~~

30 ~~(10) direct investments in educational and related workforce devel-~~
31 ~~opment institutions, for improvements to workforce development, human~~
32 ~~capital, training expertise and infrastructure.~~

33 ~~(q) "Retained job" means an existing job which will be lost without~~
34 ~~participation by the employer under the provisions of the IMPACT~~
35 ~~program.~~

36 ~~(r) "Secretary" means the secretary of commerce.~~

37 ~~(s) "SKILL project" means a training arrangement which is the sub-~~
38 ~~ject of an agreement entered into between the educational institution and~~
39 ~~an employer to provide program services.~~

40 ~~See. 2.]~~ K.S.A. 2007 Supp. 74-50,104 is hereby amended to read as
41 follows: 74-50,104. (a) The secretary shall administer the provisions of
42 this act and the IMPACT program established thereunder. The secretary
43 shall encourage Kansas basic enterprises with similar training needs to

1 cooperate in establishing SKILL projects. The secretary shall coordinate
 2 the SKILL program with other job training programs administered by
 3 the department of commerce. The secretary shall provide opportunities
 4 for coordination and cooperation of SKILL projects with other job train-
 5 ing activities in Kansas. Subject to the limitation in K.S.A. 74-50,103, the
 6 secretary shall be authorized to make direct investments in educational
 7 and related workforce development institutions, for the purpose of pro-
 8 moting improvements in workforce development, human capital, training
 9 expertise, infrastructure and job retention.

10 (b) The secretary shall adopt rules and regulations as follows: (1) Pre-
 11 scribing review standards and priorities for approval of proposed agree-
 12 ments under this act, including appropriate incentives for cooperation
 13 among projects, in order to maximize the number of new jobs created or
 14 retained with respect to individual Kansas basic enterprises, which will
 15 remain in Kansas, and (2) prescribing limits on program costs and on
 16 project and program size in relation to the number of new jobs created
 17 and wages of new or retained jobs. *Prior to July 1, 2008*, no agreement
 18 shall be approved which provides for program costs of a project under
 19 the agreement of more than 95% of the amount equal to the estimated
 20 rate of withholding tax applied to the estimated amount of gross wages
 21 of all the new or retained jobs under the project over a ten-year period.

22 (c) Notice of the approval of a project or program and an annual
 23 report of the number of jobs created or retained under the IMPACT act
 24 shall be provided to the chairpersons of the senate committee on com-
 25 merce and the committee on economic development of the house of
 26 representatives.

27 (d) The secretary may adopt such other rules and regulations as may
 28 be required for the implementation and administration of this act.

29 Sec. 3. K.S.A. 2007 Supp. 74-50,107 is hereby amended to read as
 30 follows: 74-50,107. (a) The secretary shall determine and from time to
 31 time shall redetermine the rate at which moneys shall be credited to the
 32 IMPACT program repayment fund in order to satisfy all bond repayment
 33 obligations which have been incurred to finance program costs for IM-
 34 PACT programs, which shall be referred to as the debt service rate, and
 35 the rate at which moneys shall be credited to the IMPACT program
 36 services fund in order to finance program costs that are not financed by
 37 bonds, which shall be referred to as the direct funding rate. The total of
 38 the debt service rate and the direct funding rate shall be the combined
 39 rate. Each rate so determined shall be certified to the secretary of reve-
 40 nue. The combined rate determined under this subsection shall not ex-
 41 ceed 2%.

42 (b) Upon receipt of the rates determined and certified under sub-
 43 section (a), the secretary of revenue shall apply daily the combined rate

1 to that portion of the moneys withheld from the wages of individuals and
 2 collected under the Kansas withholding and declaration of estimated tax
 3 act K.S.A. 79-3294 et seq., and amendments thereto. The amount so
 4 determined shall be credited as follows: (1) The portion attributable to
 5 the debt service rate shall be credited to the IMPACT program repay-
 6 ment fund, and (2) the remaining portion shall be credited to the IM-
 7 PACT program services fund.

8 The aggregate of all amounts credited to the IMPACT program repay-
 9 ment fund under this section during any fiscal year to pay bond repayment
 10 obligations on bonds to finance major project investments shall not exceed
 11 the amount which results when the rate of 2% is applied to all money
 12 withheld from the wages of individuals and received under the Kansas
 13 withholding and declaration of estimated tax act.

14 ~~(c) On and after July 1, 2008, any unencumbered amounts remaining~~
 15 ~~in the IMPACT program services fund on June 30 of each year shall be~~
 16 ~~reappropriated to the IMPACT program services fund for the following~~
 17 ~~fiscal year and shall be in addition to the amount credited to the fund~~
 18 ~~pursuant to subsection (b)(2) of this section.~~

19 ~~(d) On and after July 1, 2008, the secretary shall annually set aside~~
 20 ~~moneys in the IMPACT program services fund as follows: (1) At least 15%~~
 21 ~~of the moneys shall be for agreements with rural employers; and (2) at~~
 22 ~~least 20% of the moneys shall be for agreements with small business em-~~
 23 ~~ployers; except that no employer may qualify as both a rural employer~~
 24 ~~and a small business employer. [On June 30 of each year, any unencum-~~
 25 ~~bered amounts of the moneys set aside shall be reappropriated to the~~
 26 ~~IMPACT program services fund for the following fiscal year and shall not~~
 27 ~~be subject to the set aside provisions.]~~

28 ~~[Sec. 4. K.S.A. 2007 Supp. 74 50,108 is hereby amended to read as~~
 29 ~~follows: 74 50,108. There is hereby created in the state treasury the IM-~~
 30 ~~PACT program services fund. The secretary shall administer the IM-~~
 31 ~~PACT program services fund. All moneys credited to the IMPACT pro-~~
 32 ~~gram services fund shall be for all or part of the program costs of projects~~
 33 ~~or major project investments approved by the secretary under this act,~~
 34 ~~except that moneys in the IMPACT program services fund which are not~~
 35 ~~required to pay program costs or major projects investments may be trans-~~
 36 ~~ferred to the state general fund in accordance with provisions of appro-~~
 37 ~~priation acts shall be reappropriated to the IMPACT program services~~
 38 ~~fund for the following fiscal year and shall be in addition to the amount~~
 39 ~~credited to the fund pursuant to subsection (b)(2) of K.S.A. 74 50,107,~~
 40 ~~and amendments thereto. All expenditures from the IMPACT program~~
 41 ~~services fund shall be for the purposes of paying program costs and shall~~
 42 ~~be made in accordance with appropriations acts upon warrants of the~~
 43 ~~director of accounts and reports issued pursuant to vouchers approved~~

The secretary shall set targets for the use of moneys in the IMPACT program repayment fund

used for new agreements entered into during each fiscal year that begins on and after July 1, 2008, are

used for new agreements entered into during each fiscal year that begins on and after July 1, 2008, are

1 ~~by the secretary or the secretary's designee. The secretary shall remit all~~
 2 ~~moneys received under this act, including the proceeds of bonds issued~~
 3 ~~by the Kansas development finance authority for the purposes of this act~~
 4 ~~to the state treasurer in accordance with the provisions of K.S.A. 75-4215,~~
 5 ~~and amendments thereto. Upon receipt of each such remittance, the state~~
 6 ~~treasurer shall deposit the entire amount in the state treasury to the credit~~
 7 ~~of the IMPACT program services fund.]~~

8 Sec. 5. K.S.A. 2007 Supp. ~~[74-50,103]~~ 74-50,104, ~~[74-50,107 and 74-~~
 9 ~~50,108]~~ are hereby repealed.

and 74-50,107

10 Sec. 6. This act shall take effect and be in force from and after its
 11 publication in the statute book.


KANSAS
DEPARTMENT OF COMMERCE

Senate Commerce Committee
Secretary of Commerce David Kerr
April 1, 2008

Chairperson Brownlee, Chairman Jordan, and members of the committee:

I am appearing in strong support of this effort to provide an effective and substantive economic incentive that is targeted to eligible aviation businesses.

The Wichita-based aviation industry is a centerpiece of our state's economy and a driving force for the state's higher-paying wages and overall payroll. But those companies are approached regularly by other states and nations and asked to relocate and are frequently offered large incentive packages. The stakes have never been higher. It was just this last week that we learned of the possibility of Bombardier locating in Missouri and the economic vacuum that move might create for this state.

The proposed amendment establishes thresholds by which an aviation company could qualify for benefits through the issuance of bonds by KDFA. The thresholds are designed so that only a few sizable projects could trigger the bonding mechanism, but it is just these same large-scale projects that require our utmost attention. The withholding on the wages of the eligible aviation business can be used to pay both the principal and interest on the bonds for a period of up to 20 years. That additional authority for a company to pay the principal adds a valuable new dimension. I think that the \$33 million cap for any one project and the \$150 million aggregate cap for all projects are reasonable and fiscally responsible, yet allow the state considerable latitude to respond in a meaningful and timely way.

These large projects demand much of the state, but the payoff in capital investment and the extensive impact of a large and stable payroll will have profound and lasting effects for years to come. These large projects require an aggressive strategy and a firm commitment from the state. This enhanced statute would allow the state to respond swiftly and decisively, even when the Legislature is not in session. And this statutory tool could allow the state to match the speed with which modern, global businesses make major decisions.

I welcome any questions you may have.

Senate Commerce Committee

April 1, 2008

Attachment 2-1



COUNTY MANAGER'S OFFICE

Sedgwick County Courthouse
525 N. Main, Suite 343
Wichita, KS 67203
Phone (316) 660-9393
Fax (316) 383-7946
aschlapp@sedgwick.gov

Andrew J. Schlapp
Director, Government Relations

TESTIMONY S Sub for HB 2006
Senate Commerce
April 1, 2008

Chairs Brownlee and Jordan and members of the committee, my name is Andy Schlapp, Governmental Relations Director for Sedgwick County. Thank you for the opportunity to provide this testimony in support of S Sub for HB 2006.

Sedgwick County Understands the impact of aviation to the State of Kansas. Kansas is the aviation cluster of the world. We provide the planes that allow American aviation to dominate the global marketplace with a 60% market share. Aviation is the number one net export of America and Kansas. 22% of the State General Fund comes from aviation.

Kansas has the trained workforce, aviation engineers, large supplier base, state of the art Research provided by NIAR, and the development of the National Center of Aviation Training to provide workers with the needed training for the new aviation platforms.

Aviation is looking at its largest growth cycle in its history. All of the aviation companies are looking to expand capacity and develop new product lines. Kansas must capture these new projects or we will suffer the Fate of Detroit.

Kansas must add new tools to its economic tool box so that we can compete for aviation and other jobs in Kansas. While this bill will not solve all our competitive issues in retaining and attracting jobs to Kansas it goes a long way in making Kansas competitive in the marketplace. Sedgwick County strongly supports this bill and asks for your support.

Senate Commerce Committee

April 1, 2008

"Working for you"

Attachment 3-1



**Testimony to Senate Commerce Committee
April 1, 2008
Bernie Koch, VP/Government Relations
Wichita Metro Chamber of Commerce
350 W. Douglas, Wichita, Kansas 67202**

Testimony on Senate Sub. for House Bill 2006

April 1, 2008

Senator Brownlee and members of the committee, thank you for the opportunity to testify in support of House Bill 2006 and supply written testimony later.

We support Senate Substitute for House Bill 2006. As I previously testified to you on SB 525, the IMPACT Bill, I will try not to repeat myself.

I would simply remind you that many states offer large cash incentives for new economic development projects. North Carolina, which is one of the states that we are competing with for the Cessna Columbus expansion, has created the Golden Leaf Fund, which has \$600 million for economic development incentives. It was formed with half of that state's tobacco settlement money.

Our aircraft industry is significant to this state, as you know.

Federal Bureau of Labor Statistics from 2005 indicate Aerospace Products & Parts Manufacturing Employment involved 137 establishments in our metro area. with total annual wages of \$2.25 billion, which translates to average annual pay of \$61,958.

Our current employment in aircraft manufacturing in the MSA is 38,100. I think it's important to note that this is less than the last peak of 46,200 in March of 2001, which was before 9/11. The terrorist attacks of 9/11 had a profound impact on the aircraft industry.

However, it is coming back. The industry is operating at full capacity. The backlog for existing and new models is high. The supply chain is straining to keep up and there is increased pressure for new and/or expanded facilities. That's why we are here today.

Area Development Magazine, which is a specialty publication for economic developers and site selectors, published an article entitled Taxes and Incentives - Factors Into the Site Selection Equation (Feb/March 08).

It said in part, "Incentives not only influence decisions regarding alternative locations for investment, but may also be the determining factor as to whether an investment with a single location option goes forward."

Senate Commerce Committee
April 1, 2008
Attachment 4-1

Each year, Area Development Magazine surveys corporate site selectors to determine the most important factors in locating an expansion or new facility. Many of the top ten factors will be familiar to you. We have been talking about them. They are the right things to have discussions about.

They are

- highway accessibility
- labor costs
- energy availability and costs
- availability of skilled labor
- occupancy or construction costs
- available land
- corporate tax rate
- state and local incentives
- environmental regulations
- tax exemptions

83.4 % of those surveyed said state and local incentives were either "important" or "very important" in their decisions.

In summary, Kansas does have offsetting attractions for the aerospace industry and manufacturing which will help us retain expansions. These include the machinery and equipment property tax exemption, the current capitol investment in plant and equipment in the state by these companies, a skilled workforce, and the large network of suppliers that exist here already which cannot be matched by other locations without great difficulty.

We need not match other states enormous incentives dollar for dollar, but we do need to make sure that our advantages are not outweighed by the huge cash funds of other states. Somewhere, there's a tipping point where what they have to offer beats what we have to offer.

This legislation helps tip the scales in our favor.

Thank you for the opportunity to testify.

4/1/08

To: Senate Commerce Committee

From: Tom Bruno

Madam Chair and members of the committee:

I am Tom Bruno and I am here representing the Sedgwick County Technical Education and Training Authority (SCTE&TA) and Wichita Area Technical College (WATC).

On behalf of SCTE&TA and WATC, I would like to express our support for Senate Substitute for HB 2006. The bill would give the state of Kansas a tool to compete with other states and nations in retaining and recruiting aviation manufacturers to our state.

Attached to my testimony is a list of the board of SCTE&TA and information regarding the current opportunity with Cessna.

Thanks you for the time this morning and I would be happy to answer any questions.

Senate Commerce Committee

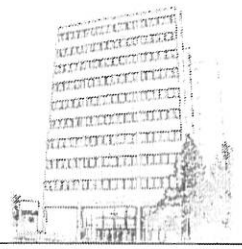
April 1, 2006

Attachment 5-1

fast FACTS...

January 2008

about Sedgwick County Government



Sedgwick County Technical Education & Training Authority

Sedgwick County
Manager's Office

525 N. Main, Suite 343

Wichita, Kansas

67203

316-660-9393

www.sedgwickcounty.org

What is the Sedgwick County Technical Education & Training Authority (SCTE&TA)?

The Board of Sedgwick County Commissioners formed the Sedgwick County Technical Education & Training Authority (SCTE&TA) to provide coordination, leadership and support that contributes to a strong technical education program for our community. SCTE&TA helps to assure that training programs are designed to meet the changing needs of employers, learners and families in our region.

What are the goals of SCTE&TA?

SCTE&TA is charged to oversee all technical education, including the Wichita Area Technical College. There are three priority areas to address in meeting technical education and training needs in Sedgwick County and the region:

- Creating a world-class facility and delivery system
- Establishing a one-stop solution for customized training
- Demand-data gathering on industry trends and needs

The SCTE&TA Board consists of representatives from aviation, manufacturing, general business, healthcare, information technology and government. Representation from these areas will continue to emphasize the "business-driven" model of technical training.

Who serves on the Board?

Chair: Jim Walters
Vice President, Human Resources
Cessna Aircraft Company

Vice Chair: Jeff Turner
President/CEO
Spirit AeroSystems

Treasurer: Dan Dymarkowski
Director, Labor Relations
Hawker Beechcraft

Ray Frederick, President
Frederick Plumbing & Heating, inc.

Paul Gray, District 4 Council Member
Wichita City Council

Cindy Hoover, Spirit AeroSystems

Derek McLuckey, General Manager
Integrated Defense Systems, The Boeing Company

Tim Norton, 2nd District Commissioner
Board of Sedgwick County Commissioners

Kevin Polian, Vice President, Warranty & Customer Support
Bombardier Aerospace/Learjet

Kim Shank, Executive Director
Wichita Clinic

Lyndon Wells, Executive Vice President
Intrust Bank

SCTE&TA Exec. Dir.: Peter Gustaf, President
Wichita Area Technical College



*Sedgwick County...
working for you*

Keeping & Growing the Aviation Industry in Kansas

The Aviation Industry in Kansas drives our regional and State economies. All of the aviation companies are experiencing significant growth and are expanding with new aviation products to meet worldwide demand. This growth means great opportunities for Kansas...

The Immediate Opportunity...

for Kansas to win the facility to design and manufacture Cessna's Citation Columbus, the company's first large cabin business jet.

What Cessna's \$800 million investment in this project means for Kansas...

- Investment in facilities, buildings and machinery and equipment, research and development, engineering, tooling, additional aprons to the airport runways, etc.
- 1,010 high-paying new jobs
- Annual payroll – \$74 million

For each \$1 the State invests in this project, they will get \$2.14 back.

(Analysis by WSU, Center for Economic Development and Business Research)

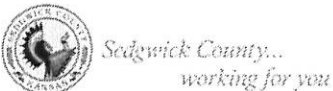
The Immediate Need...

Cessna wants to do this project in Kansas. Because of relationships, they are offering us the chance to address competitive needs.

Kansas has offered an incentive package that is the foundation to get us into the game of recruiting a project of this size. But to be competitive enough and compete for Kansas jobs, we need to provide \$25 million tied to the economic impact and capital investment over a period of two to four years. For that additional \$25 million alone, the State would have a yearly return of \$53.5 million in additional revenue.

Facts about the aviation industry in Kansas:

- \$1.3 billion of the State's \$5.9 billion budget is related to the aviation industry
- The economic impact for the Kansas aviation industry is **more than \$95 billion over 10 years**
- Aviation is the leading exporter in the State, and grew by 21% in 2007
- There are more than 40,000 aviation-related jobs in Kansas...each generates an additional 2.9 jobs



Our Advantage...

We have GREAT relationships with all of our aviation companies — unfortunately that doesn't equal to the huge cash incentives offered by other states. Communities and states are trying to lure our aviation companies with *significant* incentive packages.

We have *assets* to help us be competitive with the aviation industry in Kansas:

- Wichita State University's National Institute of Aviation Research (NIAR) — 70% of all FAA composites research
- Sedgwick County's National Center for Aviation Training — a \$54 million investment in business-driven technical education to meet skilled worker needs
- Access to large aviation supplier base across the state
- Availability to potential workforce, including engineers
- Local and State economic development incentives that provide for tax credits, exemptions or abatements.

However, what we've learned is that there is a changing competitive climate for our businesses — and we need to change our strategies for expanding and attracting businesses so we do not lose economic growth opportunities.

- We need to have access to new tools, such as having a cash fund available throughout the year to assist companies.
- Based on competitive offers from other states and communities, we have to change our models for assistance — we need to connect grants to the capital and other company investments in these projects, not just the jobs they bring.

We want to show Cessna and the other communities that are trying to lure this valuable project that Kansas is a business-friendly state. Our aviation companies are growing, they are creating new product lines — they want to be here — and, we want them to prosper here in Kansas.

We need your help in finding a solution for the additional \$25 million needed to seal this deal, and to help create new economic development tools that will give Kansas a competitive advantage in the future.

Facts about Cessna Aircraft Company:

- A wholly owned subsidiary of Textron, Inc.
- 11,500 Kansas employees, 15,500 worldwide
- Cessna is the largest employer in the Wichita area.
- In 2007, Cessna set new company record with 700 jet orders — half international

"Employment in the Kansas aerospace industry is expected to experience growth over the next 10 years based on some key assumptions. That Kansas continues to be a national and world center of aerospace manufacturing activity is the fundamental assumption underlying this forecast. Given the size and skill level of the workforce, this would seem to be reasonable."

"Kansas Aerospace Industry Forecast,"
Wichita State University,
Center for Economic Development
and Business Research



Sedgwick County...
working for you





Dale Goter
Government Relations Manager

TESTIMONY

City of Wichita
455 N Main, Wichita, KS. 67202
Wichita Phone: 316.268.4351
dgoter@wichita.gov

**Kansas Senate Commerce Committee
City of Wichita support of
Substitute for HB2006
April 1, 2008**

The City of Wichita offers its unqualified support for the adoption of Substitute for House Bill 2000, which will provide the necessary financial incentives to ensure that Cessna Aircraft chooses Kansas as the site of its Citation Columbus business jet assembly plant.

On Jan. 8, 2008, the Mayor and City Council of Wichita joined with Sedgwick County and the Wichita Metro Chamber of Commerce and adopted a resolution of support for the aviation industry. That resolution, provided below, urges the State of Kansas to take every available step to maintain this vital economic foundation of the state's economy.

CITY OF WICHITA RESOLUTION

Whereas, the City of Wichita, Sedgwick County, and the Wichita Metro Chamber have long recognized that Kansas aviation is important to the Kansas economy, and
Whereas, aviation manufacturing is the #1 net export in the United States, and
Whereas, manufacturing is the largest economy in the state at over 13 billion dollars and aviation is the largest manufacturer, and
Whereas, the aviation industry plays an important role in the state tax revenues, contributing \$1.3 billion to the State's general fund budget, and
Whereas, Wichita and Sedgwick County have more than 36,500 people working in the aviation industry, with each aviation job generating 2.9 additional jobs, and
Whereas, continued funding is needed for the National Institute of Aviation Research (NIAR) at Wichita State University, which hosts more than 70% of all Federal Aviation Administration Composites Research, and
Whereas, nationwide, 27% of the aviation manufacturing workforce is eligible for retirement in 2008 and 40% over the next five years, creating the need for more than 20,000 skilled workers over the next 10 years, and
Whereas, to compete with global competition in aviation, economic development incentive programs are needed to help local aviation businesses grow and expand, and
Whereas, aviation research and training are key issues on the Visioning Wichita Unified Legislative Agenda, asking government and business leaders in South-Central Kansas to remain vigilant of the important needs of the aviation industry,
Now therefore be it resolved that the Wichita City Council on Tuesday, Jan. 8, 2008, proclaims that "Kansas Aviation is the Envy of the World" and, with our Sedgwick County and Wichita Metro Chamber partners, call upon the State of Kansas, to play an active role in meeting the future needs of the aviation industry, ensuring that the future role of aviation in our local and state economies continues to be the Envy of the World.

Senate Commerce Committee
April 1, 2008
Attachment 6-1