

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairman David Wysong at 8:30 a.m. on February 12, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant  
Mr. Norm Furse, Office of the Revisor of Statutes  
Mr. Ken Wilke, Office of the Revisor of Statutes  
Mr. Reed Holwegner, Kansas Legislative Research Department  
Mr. Julian Efird, Kansas Legislative Research Department

Conferees appearing before the Committee:

Mr. Blake Schreck, President & CEO, Lenexa Chamber of Commerce

Others attending:

Please see attached list.

**Presentation on the impact on the service sector for Kansas economy**

Upon calling the meeting to order, Chairman Wysong recognized Mr. Blake Schreck, President & CEO, Lenexa Chamber of Commerce who stated that the economy of the State of Kansas is a three-legged stool, and those three legs are oil and gas, agriculture, and aircraft, but feels there is a fourth leg, that of the service sector. He went on to say that the total percentage of the state gross domestic products made up by energy agriculture, and aircraft is 8.6% and the total GDP percentage of professional services in Kansas is 32%. He then offered the following list of service-producing industries, ranked and combined together by their NAJC codes including:

Service Producing Industries	39.7%
Manufacturing - (of which aircraft is a part)	15.1
Government and Educational Services	14.7
Retail Trade	6.8
Wholesale Trade	6.2
Construction	3.9
Transportation and Warehousing	3.8
Accommodation, Food Services & Entertainment	2.9
Agriculture	2.4
Mining, Oil and Gas	2.3
Utilities	2.2

(These 2006 GDP figures are the most current available according to the Johnson County Research Institute.)

He concluded stating these sectors are where “knowledge workers,” can be found, highly sought after technically adept workers who are now picking where they want to live first then finding a job last because their skills are now in demand so having these types of jobs available will give kids the option to stay in Kansas when they graduate or come back home if they have left the state.

A copy of his testimony is ([Attachment 1](#)) attached and incorporated into the Minutes as referenced.

The Chair thanked Mr. Schreck and asked for comments from the Committee which came from Senators Lynn, Holland, and Wysong including one of the things you mentioned is that our incentives should include this knowledge worker base/corporate headquarters and there is a bill right now in tax that takes that same amendment and lowers the threshold and opens it up, is this an appropriate tool or do you feel it is still better to cherry pick our different incentives and give us some feedback on how we should proceed? In general, do you find it more nimble for the public to work with commerce in so far as crafting specific tax incentives or the legislature? From a tax policy perspective, as our tax base is shrinking hypothetically, would you

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encourage a tax policy which would totally remove the corporate tax in the state and at the same time put some sort of tax on services such that we could lower our sales on manufacturing and other taxed goods, that way that could keep the damper down on personal income taxes and use that to offset property taxes for both businesses and residences? Regarding Kansas appearing on the top ten list, could you identify a couple of them? And, briefly give the Committee a description of the quality jobs program and the reference to the 30-million-dollar gap.

### **Discussion regarding SB160 - concerning the minimum wage and maximum hours law**

The Chair stated that in canvassing the Committee regarding this bill the results were all over the board with two not wanting to work the bill, two wanting to repeal the bill or stair it and three or four wanted it to go the federal level. He went on to say that because it is a controversial issue and tied to other labor issues that are coming to Commerce, as Chairman, he looks upon \$2.65 as an embarrassment to the State and it is his intention to ask leadership for a number of days for an interim and attempt once again to bring labor and commerce together and try to get a couple of the dozen or so issues resolved, including this one, and unless he sees five hands to the contrary, this is what he will do.

### **Action on SB119 - an act enacting the community improvement district act**

The Chair then asked the Committee if they would like to work the bill Senator Kelsey made a motion to pass the bill favorably. It was seconded by Senator Lynn and the motion carried.

As Senator Holland missed the vote, Chairman Wysong asked if he had any questions or concerns. Senator Holland did ask a question of the Committee regarding the second trigger for acceptance where it is asking for just a 50 percent vote of the physical property owners. He would like to know if the Committee feels comfortable with that as it is or maybe want to say something greater than 50 percent? The Chair then recognized Mr. Furse who stated that he "just wanted to make sure that they are clear of what the 50 percent is, the owners of more than 50 percent of the land area, and signed by owners collectively owning more than 50 percent by assessed value, so it is not the numbers but the land area." The Chair recognized Senator Wagle who asked Mr. Furse when he was saying "the way it reads" is it actually equal 51 percent because it states "more than?" Mr. Furse responded saying, "it would be 50.1percent." As there was no further discussion, the Chair states the motion stands.

### **Action on SB138 - An act concerning tax increment financing regarding bond revenue sources**

Chairman Wysong explained that the bill offered five proposed changes, three of those are on pages 15, 16, and 17 which are determined to be, by the Revisors, strictly technical. The other two are found on page four, eight and nine. Regarding page four there is a problem with some of the Committee members, going out of the TIF district which was described in the actual actions. Page 8 and 9 allows the city or county to own or contribute a portion instead of 100% of the local sales use in transient guest taxes.

The Chair then called on Mr. Nick Jordan, ex Chair of Commerce who helped author STAR bonds and then together with his Co-chair did what is SB138 and asked he help describe these two changes.

Mr. Jordan said stating that his Committee had also debated the issue of inside or outside the TIF district and did not see the wisdom of going along with it just because they did not know how you would restrict it outside (some of the same questions asked by this Committee). Regarding the portion on the city or county tax receipts, his Committee's concerns regarding the STAR bonds are all of the state sales tax receipts are committed and so we were concerned about the city only doing a portion of their sales tax because we thought if we were going to commit all of ours, the cities and counties that want STAR bonds should commit all of theirs and this also has been debated in the past. Mr. Jordan went on to say, he understands the reasons for the proposals being made and offered some of the issues that surfaced in the past. In regards to the outside the district part, he offered an example of why it was brought up stating it was an inter model project in Johnson County and Gardner where you have gravel roads going into the inter model project that were not

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necessarily in the district from the district they were forming but yet, they were going to have so many semi's going in and out of the project that they wanted to be able to use the proceeds from the TIF in that case to make those roads better. He stated, the proposal for a portion of the sales tax revenues from the cities or counties has been on the table because cities may not need to dedicate a full sales tax revenue string to a STAR bond project. Again, his Committee thought if they were going to ask the State, why would you not do the same. The Committee's counter argument was, if you dedicate your full sales tax and they dedicate theirs, maybe the bonds could be paid off earlier if the revenue stream is stronger than usual.

The Chair then asked for questions or comments from the Committee which came from Senator Lynn asking if it would be possible, if they are going to come to some compromise on this to do a pay-as-you-go on the sales tax?

As there was no further discussion, Senator Emler made a motion to strike the amendments on page 4, strike the amendment on pages eight and nine but include the amendments on pages 15 which eliminates the need for a county appraiser to certify increased assessed value in the STAR bond particularly since property taxes are not used for STAR bonds, page 16 is a cross-reference, and page 17 is a technical cleanup on definitions. It was seconded by Senator Holland and the motion passed.

### **Adjournment**

As there was no further discussion, Chairman Wysong adjourned the meeting. The time was 9:26 a.m.

The next meeting is scheduled for Tuesday, February 17, 2009.

# SENATE COMMERCE COMMITTEE

## GUEST LIST

DATE: Thursday, February 12, 2009

NAME	REPRESENTING
Christy Caldwell	Topeka Chamber of Comm.
Megan Ingmire	KDOL
Nick Jordan	Capitol Strategics
<del>Franklin</del>	Ks Assn. Civil Justice
DEANNT KOCH	POLSI NEWS LAW
Dave Holtwick	Overland Park Chamber
Brad Stauffer	Carta Group
Tyler Birdrum	Intern
Natalie Haag	Security Benefit
Ron Secher	KARL
Dan Korber	Kansas, Inc
MARK BORANISK	CAPITOL STRATEGICS
Karl Capps	Comm Improvement Coalition
Jahr Petersen	Comm Improvement Coalition



# **The Importance of Service Industries to the Kansas Economy**

Presented by Blake Schreck, President  
Lenexa Chamber of Commerce  
February 12, 2009

## **Summary**

- Service-producing industries represent a principal driver of the Kansas economy.
- Service-producing industries (excluding government and education) account for over half of total employment in Kansas.
- Services such as real estate, health care, finance & insurance, telecommunications, and professional/technical services (for example, engineers, architects, doctors, scientists, and attorneys) represent some of Kansas' leading industry groups.
- Collectively, these five service-producing industries contribute 32% of the Kansas Gross Domestic Product (GDP), while the industries most traditionally associated with Kansas -- agriculture, oil & gas extraction, and aviation -- combine to account for about 8% of the Kansas GDP.
- Service-producing industry groups also represent two of the three highest-paying industries in Kansas. The five industry groups with the highest average wage per job are:
  - Management of Companies & Enterprises .....\$95,500
  - Utilities .....\$84,400
  - Information (includes telecommunications).....\$67,700
  - Manufacturing .....\$59,600
  - Wholesale Trade.....\$54,800
- It is critical to the economic future of Kansas to embrace and promote the service sector as vigorously as other industries and to ensure that Kansas remains competitive in attracting and retaining those businesses.

Senate Commerce Committee  
*Date: February 12, 2009*

Attachment 1

**KANSAS GROSS DOMESTIC PRODUCT**  
**(In Millions of Dollars)**

**Ranked with Service-Producing Industries Grouped Together**

	<u>2006</u>	
Service-Producing Industries	\$43,950	39.7%
Manufacturing	\$16,726	15.1%
Government & Educational Services	\$16,301	14.7%
Retail Trade	\$7,490	6.8%
Wholesale Trade	\$6,810	6.2%
Transportation & Warehousing	\$4,165	3.8%
Construction	\$4,295	3.9%
Agriculture	\$2,698	2.4%
Accommodation, Food Services, & Entertainment	\$3,175	2.9%
Mining	\$2,597	2.3%
Utilities	\$2,438	2.2%
<b>Total Kansas GDP</b>	<b>\$110,645</b>	<b>100.0%</b>

**Selected Industries in Isolation**

	<u>2006</u>	
Agriculture	\$2,698	2.4%
Oil & Gas Extraction	\$1,575	1.4%
Aircraft, Autos and all other Transp. Equip. Mfg.	\$5,288	4.8%
<b>Sub-Total</b>	<b>\$9,561</b>	<b>8.6%</b>
Telecommunications & Broadcasting	\$5,779	5.2%
Finance & Insurance	\$6,454	5.8%
Real Estate	\$9,710	8.8%
Professional & Technical Services	\$5,747	5.2%
Health Care Services	\$7,699	7.0%
<b>Sub-Total</b>	<b>\$35,389</b>	<b>32.0%</b>
<b>Total Kansas GDP</b>	<b>\$110,645</b>	<b>100.0%</b>