

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Vice Chairperson Lynn at 8:30 a.m. on March 17, 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

Conferees appearing before the Committee:

Mr. Ron Gaches, on behalf of Goodyear Tire & Rubber Company
Mr. Tim Davis, Topeka Plant Manager, Goodyear Tire & Rubber Company
Mr. Robert Tripp, President, United Steelworkers Local 307
Ms. Christy Caldwell, Vice President Government Relations,
Greater Topeka Chamber of Commerce
Mrs. Joan Wagnon, Secretary, Kansas Department of Revenue
Mr. David Kerr, Secretary, Kansas Department of Commerce

Others attending:

Please see attached list.

Minutes for Approval

Upon calling the meeting to order, Vice Chairperson Lynn announced the Minutes of February 10, 11, 12, 17, and 18 were distributed on Monday, March 16, 2009 for the Committee's approval. If no responses are received by the end of the day Friday, March 20, 2009, these Minutes will stand as approved.

Hearing on SB314 - an act creating the special economic revitalization act

The Vice Chair announced the next order of business was a hearing on **SB314** and called on Mr. Gaches, on behalf of Goodyear Tire and Rubber Company, to introduce the conferees. Before asking Mr. Tim Davis to make comments about the bill, Mr. Gaches offered to give a brief explanation of what the bill does and began by stating it is similar to what the Committee has considered in the past. Highlights are as follows:

1. The bill proposes to provide a state match equal to 15% of the Goodyear investment in the Topeka plant over a period of six years.
2. The investment would be in two phases at \$125 million per phase and at each phase the bill proposes the state match the Goodyear contribution, again equal to 15% or \$18.750 million.
3. The match would be in the form of a 20-year bond that would be issued and guaranteed not by the State of Kansas but by Goodyear. He went on to say that over the life of the bond, the payments would be made by redirecting a portion of the current employee withholding taxes which are \$3.72 million a year. The same \$18.750 million bond would be issued following completion of the phase two investment of the plant. So following full implementation of the bill and the required investment, there would be two bonds issued (both issued for \$18.750 million and each of them to be paid off over 20 years life.) The second bond would be issued a few years after the first.
4. They do not believe the first bond payment, due approximately July of 2010, would be made until sometime in the fiscal year of 2011 and the investment will not be placed in one of the Goodyear plants until approximately March of 2010.
5. The bill also contains some minimum salary requirements.

CONTINUATION SHEET

Minutes of the Senate Commerce Committee at 8:30 a.m. on March 17, 2009, in Room 545-N of the Capitol.

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He concluded that the bill is very similar to what the Committee has looked at before in that regard, but the primary policy difference is that these are current jobs that they are protecting. No written testimony was offered. To explain this better, Mr. Gaches introduced the first of three proponents, Mr. Tim Davis, Topeka Plant Manager, Goodyear Tire and Rubber Company, who offered:

1. A history of the plant;
2. A 10-year economic analysis on the impact of company operations, comparing the “expanded facility” with the “existing facility.”
3. A chart of the global requirements, demands and growth in the industry especially China and Japan.

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

The second conferee recognized was Mr. Robert Tripp, President, United Steelworkers Local 307 who stated that though the overall OTR market has grown over the past decade, the union is concerned with Topeka continuing to rely on bias OTR tires to meet the demand. He went on to say that the Union’s fear is either a contraction in the global OTR market or the increased radial OTR capacity of Goodyear’s competitors would greatly shift the balance of cost and competitiveness to the more modern radial OTR manufacturers, slowly driving Topeka out of the marketplace. A copy of his testimony is (Attachment 2) attached and incorporated into the Minutes as referenced.

The last proponent conferee was Ms. Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce who stated that the Chamber believes an investment of \$250 million in the two phases is well worth the \$37.5 million of withholding (from both phases) that will be used by this company to help pay off the bonds more for than 20 years. A copy of her testimony is (Attachment 3) attached and incorporated into the Minutes as referenced.

The Vice Chair thanked the conferees and referring to slide eight of Mr. Davis’ testimony, concerning the large numbers in terms of what the State would gain, asked he to walk through this economic side in a little more detail so the Committee understands what investment impact this will have. She also asked, if the State did not make this investment, what would that impact be and would this investment go to Japan? And finally, what the impact would be in terms of his membership and would it hurt the retirement base?

As there were no further proponent questions, the Vice Chair called on Mrs. Joan Wagon, Secretary, Kansas Department of Revenue, who although was testifying as neutral did offer some concerns with the bill including:

1. Tax exemptions - Goodyear does not have to pay personal property tax on their machinery and equipment (a \$250 million dollar investment)
2. Number differences - with the Department’s fiscal note, included in her testimony, and a chart prepared by the Kansas Development Finance Authority (KDFA), she stated her numbers differ slightly from what Goodyear has been showing the Committee

However, she said there are two good things in the bill and can be found on:

1. Page 3, Sec. D, stating there is a provision that at least allows the Department to reconcile Goodyear’s withholding and can go back and take any income tax refunds and reconcile on an annual basis.
2. Page 4, allows the Secretary to include provisions in the agreement to reduce the amount of eligible tax credit because otherwise they would be eligible for \$25 million HPIP credits to be carried over a period of ten years.

CONTINUATION SHEET

Minutes of the Senate Commerce Committee at 8:30 a.m. on March 17, 2009, in Room 545-N of the Capitol.

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Lastly, she referred the Committee to a chart KDFA prepared based on what the market could sell, estimating that the total cost to the State to let Goodyear have the \$37 million would be \$116,605,550 because of the bond rating they have. A copy of her testimony and charts are (Attachment 4) attached hereto and incorporated into the Minutes as referenced.

The Vice Chair thanked Secretary Wagnon and as there were no questions for the Secretary, she called on Mr. David Kerr, Secretary, Kansas Department of Commerce who also offered neutral testimony stating, as did Secretary Wagnon that Goodyear has been one of the strongest and most productive partners over the years in developing the Kansas economy. He offered three policy issues that will need to be addressed and three projects considered for eligibility under the Economic and Reinvestment Act (ERRA) with the first project, Cessna, being used as the criteria the Department of Commerce has established. A copy of his testimony is (Attachment 5) attached hereto and incorporated into the Minutes as referenced

Vice Chairperson Lynn thanked Senator Kerr and asked for questions or comments of the Committee which came from Senators Wagle, Reitz, and Lynn including concerns about no jobs being created, with this economic downturn perhaps we need to be looking at a policy for job retention, people are challenging how their tax dollars are being used to fund businesses especially at the federal level, and what is the total input as opposed to the output?

Adjournment

As there was no further business, Vice Chairperson Lynn adjourned the meeting. The time was 9:20 a.m.

The next meeting is scheduled for March 19, 2009.

Presentation of Tim Davis, Goodyear Topeka Plant Manager

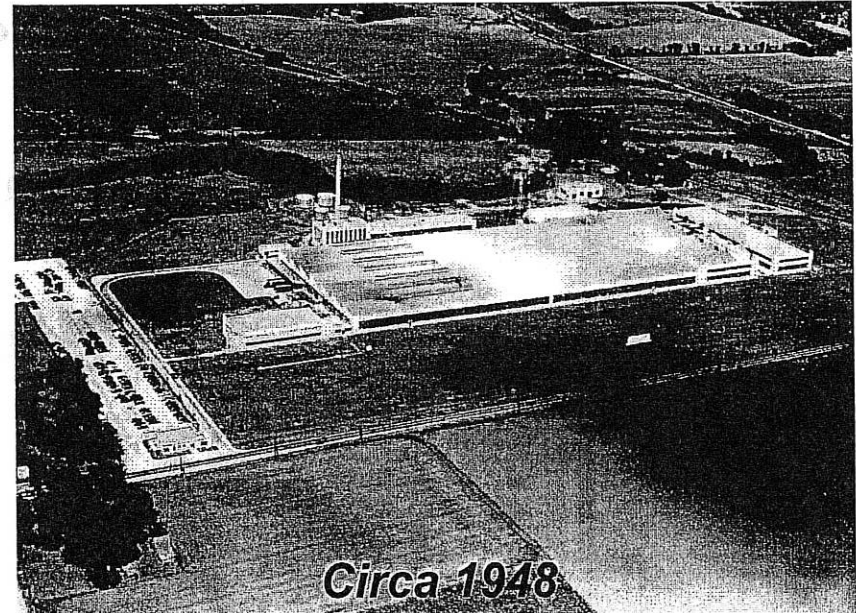
Supporting SB 314 – Goodyear Plant Modernization

Before Senate Commerce Committee

Tuesday, March 17, 2009

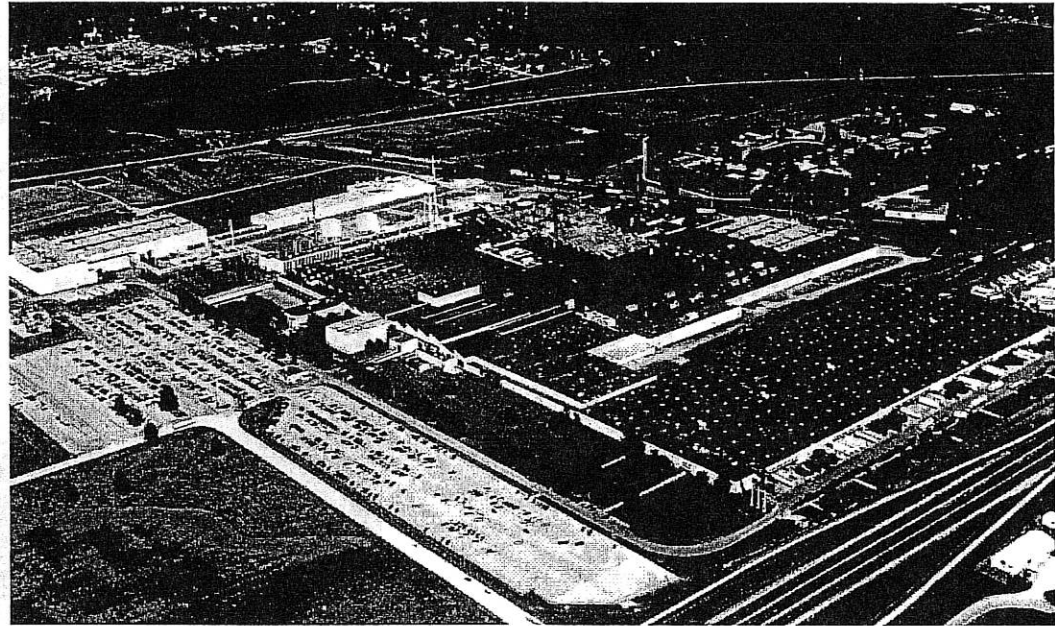
Goodyear-Topeka History

- Constructed by the federal government in 1944 to construct military tires.
- Under Goodyear management, the first tire was produced at the plant in March 1945.
- Goodyear purchased the plant from the federal government in 1946.



Goodyear-Topeka History

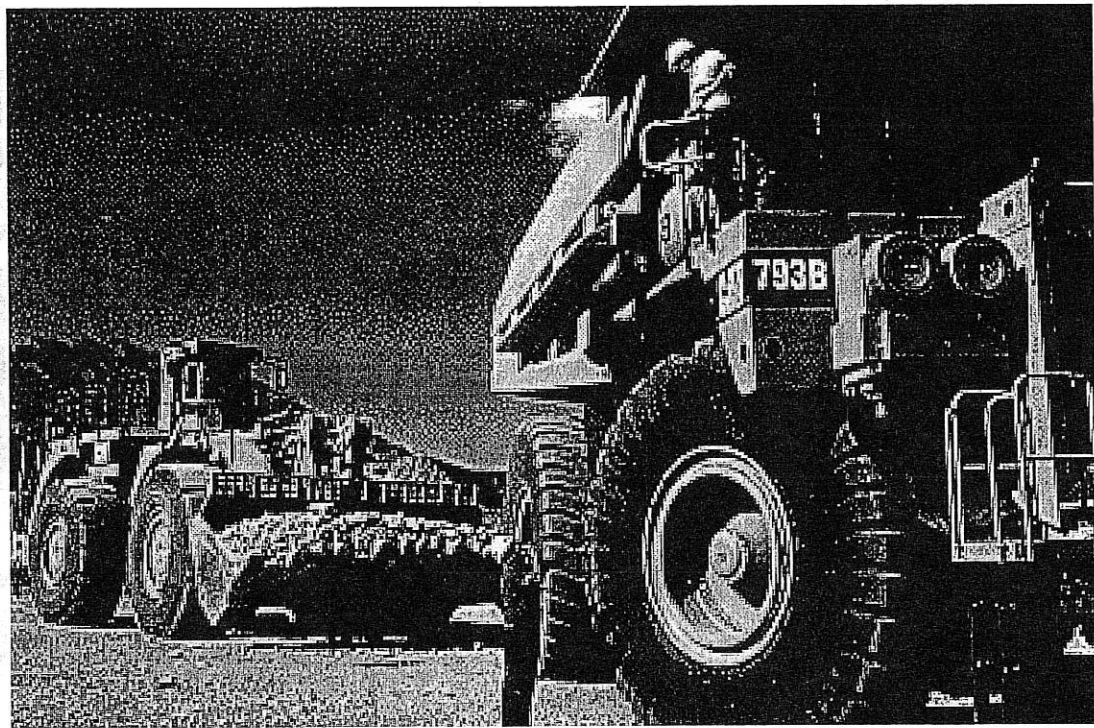
- 3 million square feet (69 acres) under roof including the Midwest Distribution Center.
- Goodyear owns an additional 231 acres surrounding the plant.



Goodyear-Topeka today

Goodyear-Topeka

- The largest tire that Goodyear produces, the 46/90 R57, is made in Topeka. It stands nearly 11.5 feet tall and weighs 8,320 lbs.



Importance to our Community

Topeka's largest manufacturing employers:

1.	Goodyear	1,600
2.	Payless	1,600*
3.	Jostens Printing & Publishing	1,060
4.	Frito-Lay, Inc.	849
5.	Hill's Pet Nutrition	801

** Includes corporate headquarters and distribution center.*

Importance to our Community

- **Annual payroll:**
Approximately \$150 million in wages and benefits.
- **Utilities:**
\$15 million annually
- **Annual real estate and personal property taxes:**
\$1.4 million
- **Amount spent with local vendors and suppliers:**
\$24.5 million annually



Report of Economic Impact Goodyear Tire and Rubber Company

– Topeka, Kansas

Prepared for Topeka Chamber of Commerce/GO Topeka by Impact Data Source, Austin, Texas

■ Economic Impact of Company Operations Over next 10 years – Expanded Facility

Total Number of direct and Indirect jobs created
388

Number of direct and indirect workers who will move to County
50

Number of new residents in the county
150

Number of new residential properties to be built in county
12

Number of new students expected in local public schools
32

Salaries to be paid to direct and indirect workers
\$195,240,644

Taxable sales and purchases expected in the County
\$86,747,485

The value of new residential property to be built for direct and indirect workers who move to the county by year 10
\$2,229,236

Market value of the firm’s property added to local tax rolls
\$125,000,000

■ Economic Impact of Company Operations Over next 10 years – Existing Facility

Total Number of direct and indirect jobs created
2,715

Number of direct and indirect workers who will move to County
280

Number of new residents in the County
840

Number of new residential properties to be built in county
70

Number of new students expected in local public schools
182

Salaries to be paid to direct and indirect workers
\$1,427,526,674

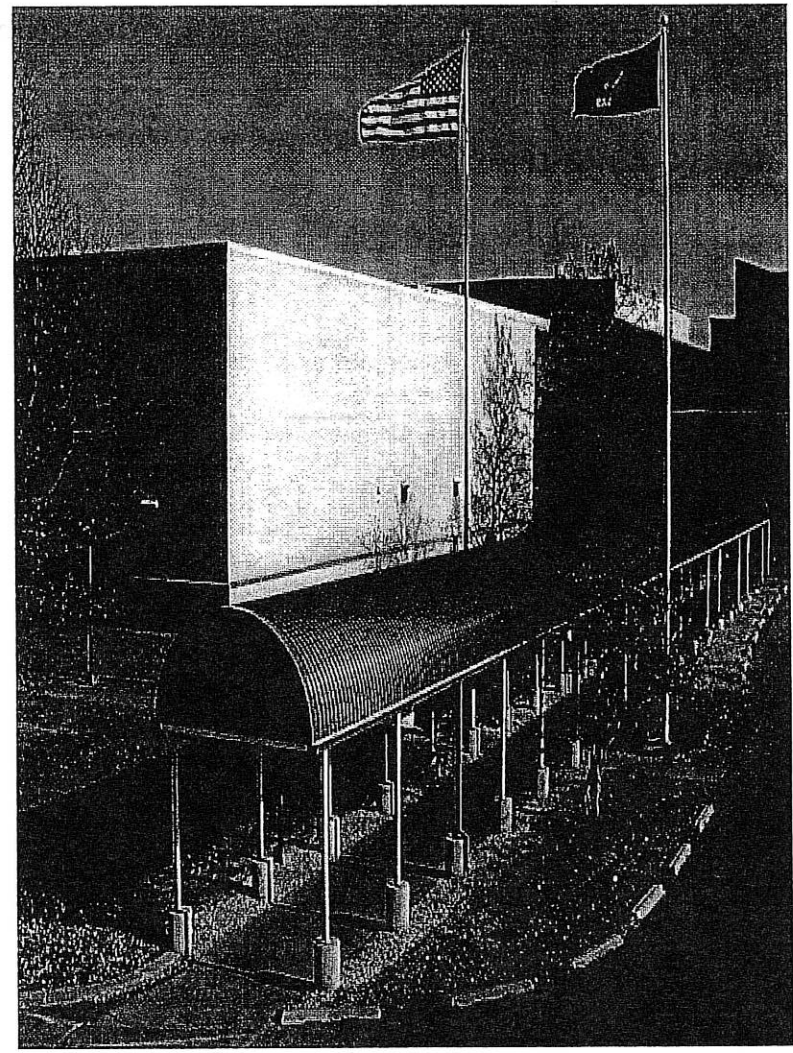
Taxable sales and purchases expected in the County
\$534,205,276

Previous State of Kansas Incentives

Medium Radial Truck Modernization

- In 2002 Goodyear received \$10 million incentive from Kansas for a minimum \$50 million investment commitment
- Actual Investment 2002-2007
 - \$94 million – equipment
 - 11 million – construction
 - 19 million – new molds

\$124 Million Total



Goodyear Received Prior Support from The State For Investing In The Plant

Goodyear – Off-The-Road Investment

- Goodyear is investigating the possibility of investing in the Off-The-Road Tire business
- Demand for radial OTR tires is increasing relative to bias tire demand
- Global demand of large earthmover tires exceeds supply
- Potential to invest in technology to increase radial capacity and enhance features

What Are OTR Tires?

Tire Products by Application



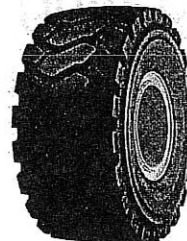
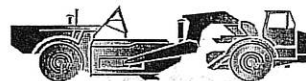
Haulage

- Tread depth helps to increase mobility
- Designed to help pressure distribution



Loader

- Designed for higher-torque and heavier lifting
- Large footprint helps to enhance traction



Scraper

- Used on under-foot conditions
- Zigzag groove for higher torque applications



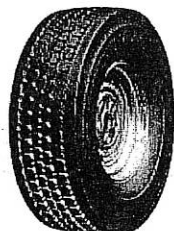
Grader

- Open tread helps to maximize traction in soft soils
- Tread design helps to reduce vibration



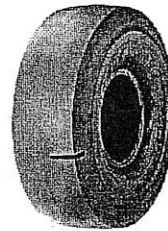
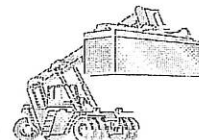
Articulated Dump Truck

- Superior traction in soft soil
- Greater cut resistance



Mobile Crane

- Rectangular footprint for load distribution



Port & Container

- Designed for enhanced cut and puncture resistance
- Designed for stability



Mine Service

- Designed for abrasion resistance
- Deep treads and solid centerline

OTR Tires Are Used In Diverse Applications

How Do OTR Tires Impact Our Lives?

- Infrastructure
 - Roadways
 - Utilities
 - Transportation
- Construction
 - Residential
 - Commercial
- Safety
 - Snow Removal
- Mining
 - Metals
 - Minerals
 - Fossil Fuels
- Trade & Commerce
 - Port & Container
- Sanitation
 - Transfer Stations
 - Landfills
 - Waste management / Recycling

OTR Tires touch our lives daily in many ways

Growth In The Industry

Major Contributors

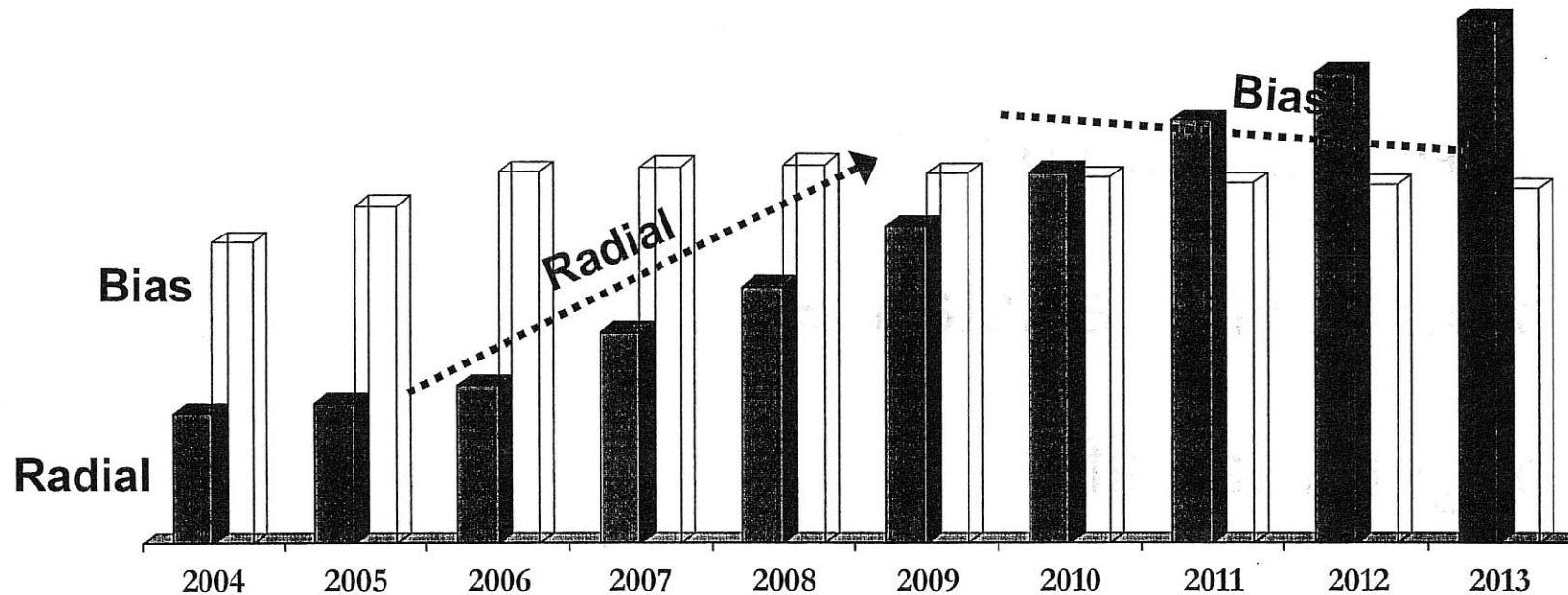
- China & India continue to prosper
 - Accounts for over 50% of the world metals demand
 - Metals demand may remain strong even if there is a recession in the US
 - China consumes half of the world's cement, 25% of the copper and a third of the steel
 - Majority of the gold is sold to India
- Uranium is back
 - Growth in nuclear power plants
- Mining companies continue to address the demand by:
 - Expanding existing mines, low and high grade
 - Reopening closed mines
 - Developing new mines
- Global stimulus packages may spark new construction

The global economy will continue to demand OTR products

Growth In The Industry

OTR Market Demand Projections

Total Global Requirements/Demand



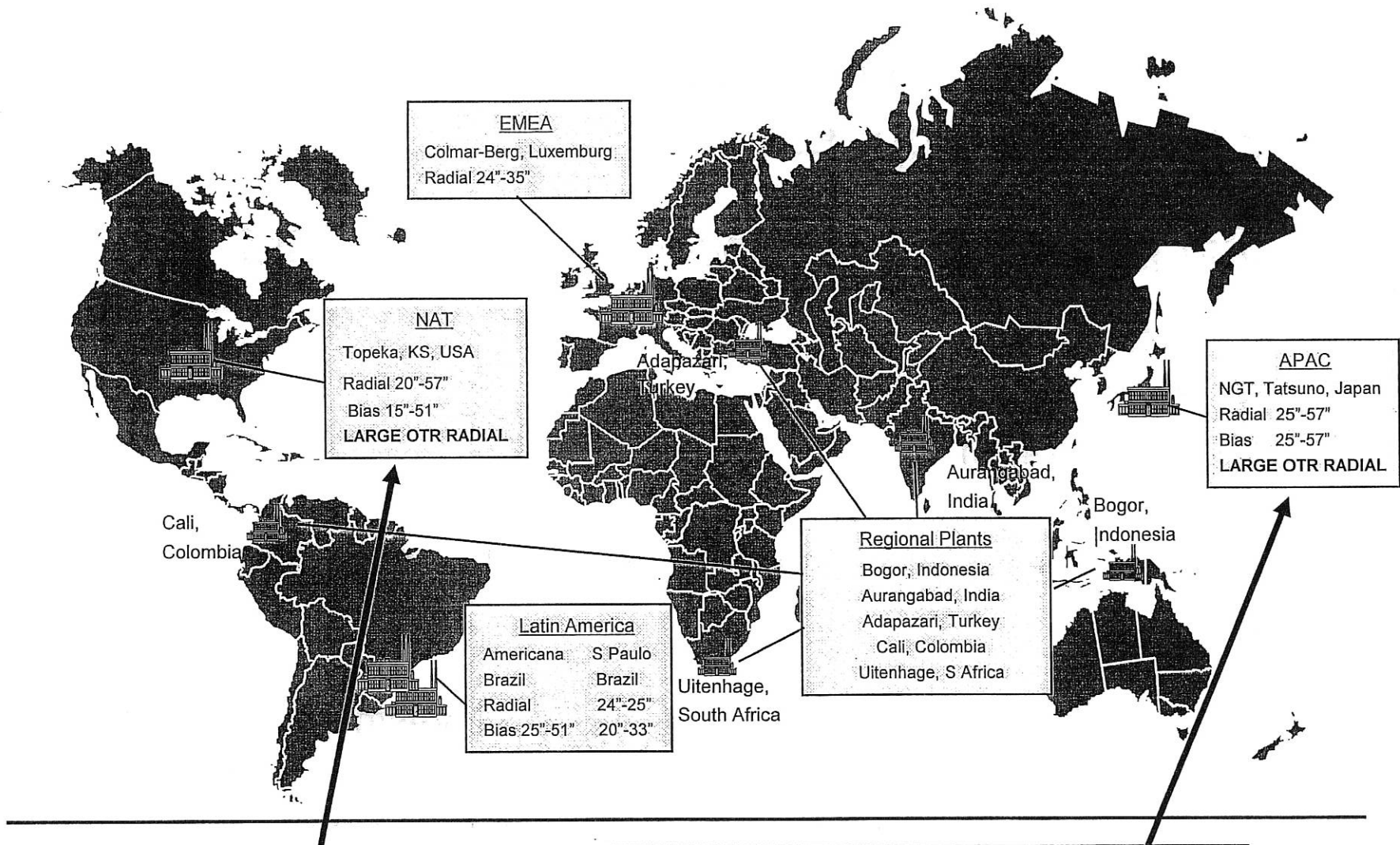
- Applications are becoming more demanding due to continued economic growth in emerging markets
- Requirements for bias tires may decline as radial tires become available

Increased demand in the radial OTR tire segment relative to bias tires

Goodyear – Radial Tire Advantages

- Larger footprint
- Lower fuel consumption
- Lower rolling resistance
- Longer tread life
- Improved comfort

Goodyear OTR- 10 Production Facilities



Goodyear's Large OTR Earthmover Plants – Topeka, KS and NGT, Japan

Goodyear – OTR Plant Investment

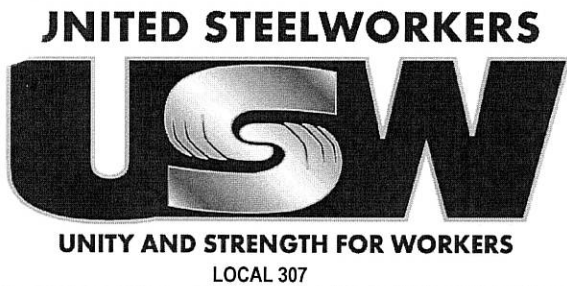
- Annual potential investment by Goodyear, over six years, two phases
- Total potential investment is up to \$250M
 - Phase 1
 - 2009 \$73M
 - 2010 \$49M
 - 2011 \$ 3MTotal 3-year potential Phase 1 investment up to \$125M
 - Phase 2
 - 2012-2014 – 3-year potential Phase 2 investment up to \$125M

Goodyear is looking at expanding large radial OTR production

Goodyear – Working with the State of Kansas

- Goodyear is requesting that the state again work with us in the same manner as it did in 2002.
- Goodyear has requested a potential 20-year bond issue of 15% of \$125M for Phase 1 (\$18.75M) and 15% of \$125M for Phase 2 (\$18.75M).
- Goodyear would repay through portion of employee's state payroll taxes. Current annual state payroll withholding is \$3.727M.

Goodyear would like to work with the State of Kansas on this investment



Robert Tripp, President
Jim Fregon, Vice President
Kevin McClain, Recording Secretary
Earl Ransom, Financial Secretary
Nelson Van Dyke, Treasurer

USW LOCAL 307
1603 N.W. Taylor
Topeka, Kansas 66608
Phone 785-234-5688
Fax 785-234-3116

March 17, 2009

The Officers of United Steelworkers are excited to support the possibility of the Goodyear Tire & Rubber Company investing in the Topeka Off-the-road Tire (OTR) business.

Local 307 is a member of the United Steelworkers (USW) headquartered in Pittsburgh, Pennsylvania. The United Steelworkers is the largest Industrial Union in North America, with 1.2 million active and retired members. Local 307 of Topeka represents over 1,500 active members mainly at the Goodyear tire production facility in Topeka, the Goodyear Midwest Distribution Center, and the maintenance and facilities staff at Washburn University.

A great many of our Local Union's membership is reliant on the Goodyear Off-the-Road/Earthmover business at the Topeka Plant, and over the past decade Local Union leadership has been encouraging Goodyear management to increase the Topeka Plant's Radial Off-the-Road (OTR) production capabilities. As of the year 2007 Goodyear held 11% of the global OTR tire market. Even though the Goodyear Topeka Plant is a major contributor to that business, including radial OTR tire manufacturing, bias OTR tire manufacturing at Topeka still holds a large percentage of our placement in Goodyear's global OTR business. This Bias OTR business has been good to our plant and our union members, but the reality is that the bias OTR technology is in most cases 30 to 40 year old technology. Though the overall OTR market has grown over the past decade the Union has been concerned with Topeka's continued reliance on bias ply OTR tires to meet that demand. It has been and continues to be the Union's fear that either a contraction in the global OTR market or the increased radial OTR capacity of Goodyear's competitors would greatly shift the balance of cost and competitiveness to the more modern radial OTR manufacturers, slowly driving Topeka out of the market place.

Over the past 6 years Topeka Goodyear management in working the Union have created quality and production initiatives to enhance our competitive position so that Goodyear Corporate Executives would consider significant capital investment in Topeka to increase our

Senate Commerce Committee

Note: March 17, 2009

Attachment 2

radial OTR production capacity, and the Union is extremely excited that Goodyear is considering expanding its radial OTR production and that the Topeka Plant and Local 307 are in contention for this considerable investment.

The Union understands these are difficult economic times for the nation and for the state and that each and every Kansan has had to make hard and difficult choices during these tumultuous times, as has the Union and Goodyear. But while we face and make these choices, the Union and the Company agree that we must not forgo our thoughts of the long term future of our business interest and the economy, and we hope that we can once again partner with the state to secure capital investment for the Topeka Goodyear Plant, thus securing our manufacturing jobs here in Kansas.

Robert Tripp
President
Local 307 USW

Testimony

Senate Commerce Committee

March 17, 2009

SB 314 Creating the Special Economic Revitalization Act

**By: Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce**

120 SE 6th Avenue, Suite 110
Topeka, Kansas 66603-3515

P.785.234.2644 F.785.234 8656
www.topekachamber.org
topekainfo@topekachamber.org

Chairman Wysong and members of the Commerce Committee:

I am here today to express our support for SB 314, regarding the issuance of state bonds to assist in a major Goodyear investment in Kansas.

The Goodyear Tire and Rubber Company, a long time tire manufacturing plant in Topeka/Shawnee County, is a major employer in our community. Their employees are actively involved citizens who work a difficult job for quality wages and excellent benefits from Goodyear. We have been fortunate over the years to keep this plant in Topeka; Goodyear has actually grown in production and enhanced their production by securing new lines of tire manufacturing.

We would like to enthusiastically support Goodyear's request for the state to partner in their proposal to invest \$125 million in our local Goodyear plant. Then invest another \$125 million again in a few years in a second phase. This major investment is welcome in these difficult economic times. Goodyear's investment will assure the production of their successful earthmover tire line will continue to grow in Topeka and quality, good-paying jobs will be there for Kansas citizens.

We are fortunate there is a great demand for the large earthmover tire, Goodyear's tires are the best in the world and they have a sizeable market share. Goodyear expects the demand for this line of tire to continue to grow. The Topeka Chamber believes an investment of \$250 million in the two phases is well worth the \$37.5 million of withholding (from both phases) that will be used by the company to help pay off the bonds over 20 years.

We urge the Committee to positively approve SB 314; the state, our community, the Goodyear plant and its employees will all reap benefits from this major investment. Goodyear will remain strong, Kansans will continue working, the economic rollover of this investment throughout our city and state is welcome.

Thank you for the opportunity to express our support SB 314, we ask for your approval as well.

Senate Commerce Committee
date: March 17, 2009

Attachment 3

Testimony to the Senate Commerce Committee

Joan Wagnon

March 17, 2009

Department Concerns with Senate Bill 314

Senator Wysong, Chair, and Members of the Committee:

Senate Bill 314 is one of many proposals introduced this session threatening further shrinkage of the tax base by allowing businesses to retain employer withholding tax revenues that belong to the State General Fund. This proposal is targeted for a tire manufacturer, presumably Goodyear. The company is required to invest \$250 million at its Kansas facility in 2 phases of \$125 million each over the next 6 years. The bill further authorizes the Kansas Development Financing Authority to issue 20-year bonding of \$18.75 million in principal per phase, with the bonds to be repaid from withholding tax revenues generated from the company's existing payroll. Typically, these proposals include some requirement for creation of new jobs, along with the investment. Unlike recent similar legislation intended for specific projects, beginning with Goodyear, then Boeing, Innovia, Eaton, and Cessna, there is no job creation requirement here. In fact, the company could lay off employees and still qualify. This is a direct subsidy to the company, charged against revenues that otherwise would flow into the State General Fund—in addition the HPIP credits from such an investment. Our fiscal note is attached.

Employer withholding tax is a vital component of the State's individual income tax base and currently makes up about 66% of individual income tax receipts. About 50% of State General Fund tax receipts consist of individual income tax. Five years ago, employer withholding tax made up about 72% of individual income tax receipts, and as a result of the legislative trend to divert more and more employer withholding tax revenue for specific projects, that percentage has been shrinking each year. During an economic downturn, such as we are currently experiencing, the loss of employer withholding tax revenue can be devastating. To balance the FY 09 budget, transfers of employer withholding tax revenues dedicated to the Bioscience Fund under the Bioscience Act (the annual growth in withholding from 2003 for Bioscience companies and university employees involved in Bioscience) will be reduced, and transfers for FY 10 will most likely need to be reduced as well. Since FY 06, over \$110 million in employer withholding tax revenues have been transferred to the Bioscience Fund. These types of revenue diversions jeopardize necessary State funding. Senate Bill 314 will exacerbate that trend and will usher in a one: providing direct subsidies to companies through allowing them to keep payroll withholding tax revenues, without creating any new jobs.

2009 Senate Bill 314a Fiscal Note
Introduced as a Senate Bill

MEMORANDUM

To: Mr. Duane Goossen, Director, Division of Budget
From: Kansas Department of Revenue
Date: 03/13/2009
Subject: Senate Bill 314

Brief of Bill

Senate Bill 314, as introduced, amends the special economic revitalization act.

Section 1 provides that an eligible establishment is a business that:

- (1) Has at least \$100 million in average annual gross Kansas compensation according to reports filed with the secretary of labor, for the previous 3 years;
- (2) Currently pays at least \$50,000 of average annual gross compensation per existing Kansas employee.
- (3) Currently has at least \$250 million total investment in real and tangible personal property located in Kansas.
- (4) Is described by NAICS number 326211, tire manufacturing.

An eligible project means a project undertaken by the eligible establishment relating to the development of a new or improved business component, product or process, which may include product development and design, manufacturing, improvement, replacement or acquisition of real or personal property and modernization and retooling of existing property in Kansas. The business must propose to invest not less than \$250 million in Kansas, with not less than \$125 million invested for phase one of such project and within 6 years, not less than \$125 million for phase 2 of such project.

The Secretary of Commerce and Housing may enter into an agreement with the eligible establishment whereby the Kansas development finance authority issues obligations not to exceed \$18.75 million plus costs of issuance, costs of credit enhancement, reserve funds and capitalized interest for each of phase 1 and phase 2 of such project. The maturity of the obligations are not to exceed 20 years.

In the event the eligible establishment cancels or reduces the project, the agreement shall provide with respect to debt service, the eligible establishment shall remain responsible for the payment of the entire outstanding principal as well as any interest still outstanding, and no moneys remaining in the special economic revitalization fund shall be made available for the purpose of paying the remaining interest portion of the eligible establishment's debt service obligation.

Income tax refunds and balances due resulting from withholding upon Kansas wages paid by the eligible establishment under K.S.A. 79-3294 with respect to the eligible project, shall be reconciled on at least an annual basis by a method defined in the agreement.

The state treasurer shall credit all revenue collected or received from withholding upon Kansas wages paid by a taxpayer which is an eligible establishment with respect to an eligible project, as certified by the secretary, to the special economic revitalization fund.

The provisions of any agreement under this act shall be approved by the state finance counsel.

The legislative post audit division shall be allowed to audit the eligible project to determine if the eligible establishment is meeting its obligations under the act and the agreement.

Bonds issued under this section shall not be used to provide for or increase compensation packages, rewards, bonuses, pensions, enhanced retirement, stock options, buy-out's or substantial severance pay or other financial benefits to any chief executive officer, chief financial officer or any officers of the company.

The provisions of this bill will expire when the bonds are paid back. The secretary may include provisions in the agreement to limit or reduce the amount of eligible credits, including but not limited to those allowed under K.S.A 79-32,160a, on the investment proceeds of the bonds issued under this act.

No new eligible project shall be approved for financing under the provisions of this section on and after July 1, 2017.

The effective date of this bill is on publication in the Kansas register.

Fiscal Impact

Passage of this bill would reduce state general fund revenues by \$1.5 million in fiscal year 2010 and fiscal year 2011.

The bonds are to be repaid from withholding taxes upon Kansas wages paid by the eligible business for its current employees.

The chart below shows the estimated annual principal and interest costs that would be associated with both phase 1 and phase 2 with the bonding of \$18.75 million for each phase of the project at an annual interest rate of 5.0% for a 20 year period:

Years	Phase 1	Phase 2	Total
1	\$ 1.5		\$ 1.5
2	\$ 1.5		\$ 1.5
3	\$ 1.5		\$ 1.5
4	\$ 1.5		\$ 1.5
5	\$ 1.5		\$ 1.5
6	\$ 1.5		\$ 1.5
7	\$ 1.5	\$ 1.5	\$ 3.0
8	\$ 1.5	\$ 1.5	\$ 3.0
9	\$ 1.5	\$ 1.5	\$ 3.0
10	\$ 1.5	\$ 1.5	\$ 3.0
11	\$ 1.5	\$ 1.5	\$ 3.0
12	\$ 1.5	\$ 1.5	\$ 3.0
13	\$ 1.5	\$ 1.5	\$ 3.0
14	\$ 1.5	\$ 1.5	\$ 3.0
15	\$ 1.5	\$ 1.5	\$ 3.0
16	\$ 1.5	\$ 1.5	\$ 3.0
17	\$ 1.5	\$ 1.5	\$ 3.0
18	\$ 1.5	\$ 1.5	\$ 3.0
19	\$ 1.5	\$ 1.5	\$ 3.0
20	\$ 1.5	\$ 1.5	\$ 3.0
21		\$ 1.5	\$ 1.5
22		\$ 1.5	\$ 1.5
23		\$ 1.5	\$ 1.5
24		\$ 1.5	\$ 1.5
25		\$ 1.5	\$ 1.5
26		\$ 1.5	\$ 1.5

The bill does not limit the number of projects that could be approved during a fiscal year, so the State's fiscal exposure could be higher than the above.

Administrative Impact

None.

Administrative Problems and Comments

Taxpayer/Customer Impact

Legal Impact

Approved By:

A handwritten signature in cursive script that reads "Joan Wagnon". The signature is written in black ink and is positioned below the "Approved By:" text.

Joan Wagnon
Secretary of Revenue

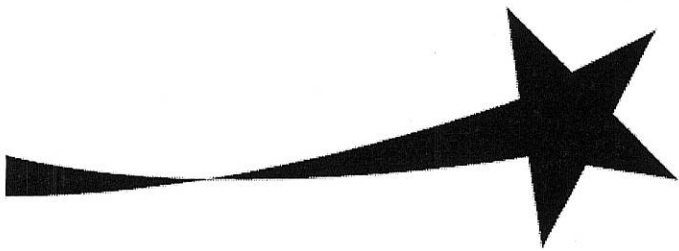
TRANSACTION 1					TRANSACTION 2					TOTAL				
Fiscal Year	Principal	Coupon	Interest	Total P+I	Fiscal Year	Principal	Coupon	Interest	Total P+I	Fiscal Year	Principal	Coupon	Interest	Total P+I
6/30/2010			\$ 1,297,938	\$ 1,297,938	6/30/2010					6/30/2010	\$ -		\$ 1,297,938	\$ 1,297,938
6/30/2011	\$ 265,000	8.00%	\$ 2,585,275	\$ 2,850,275	6/30/2011					6/30/2011	\$ 265,000		\$ 2,585,275	\$ 2,850,275
6/30/2012	\$ 290,000	8.50%	\$ 2,562,350	\$ 2,852,350	6/30/2012					6/30/2012	\$ 290,000		\$ 2,562,350	\$ 2,852,350
6/30/2013	\$ 315,000	9.00%	\$ 2,535,850	\$ 2,850,850	6/30/2013					6/30/2013	\$ 315,000		\$ 2,535,850	\$ 2,850,850
6/30/2014	\$ 345,000	9.50%	\$ 2,505,288	\$ 2,850,288	6/30/2014					6/30/2014	\$ 345,000		\$ 2,505,288	\$ 2,850,288
6/30/2015	\$ 380,000	10.00%	\$ 2,469,900	\$ 2,849,900	6/30/2015			\$ 1,297,938	\$ 1,297,938	6/30/2015	\$ 380,000		\$ 3,767,838	\$ 4,147,838
6/30/2016	\$ 420,000	10.50%	\$ 2,428,850	\$ 2,848,850	6/30/2016	\$ 265,000	8.00%	\$ 2,585,275	\$ 2,850,275	6/30/2016	\$ 685,000		\$ 5,014,125	\$ 5,699,125
6/30/2017	\$ 470,000	11.00%	\$ 2,380,950	\$ 2,850,950	6/30/2017	\$ 290,000	8.50%	\$ 2,562,350	\$ 2,852,350	6/30/2017	\$ 760,000		\$ 4,943,300	\$ 5,703,300
6/30/2018	\$ 525,000	11.50%	\$ 2,324,913	\$ 2,849,913	6/30/2018	\$ 315,000	9.00%	\$ 2,535,850	\$ 2,850,850	6/30/2018	\$ 840,000		\$ 4,860,763	\$ 5,700,763
6/30/2019	\$ 590,000	12.00%	\$ 2,259,325	\$ 2,849,325	6/30/2019	\$ 345,000	9.50%	\$ 2,505,288	\$ 2,850,288	6/30/2019	\$ 935,000		\$ 4,764,613	\$ 5,699,613
6/30/2020	\$ 670,000	12.50%	\$ 2,182,050	\$ 2,852,050	6/30/2020	\$ 380,000	10.00%	\$ 2,469,900	\$ 2,849,900	6/30/2020	\$ 1,050,000		\$ 4,651,950	\$ 5,701,950
6/30/2021	\$ 760,000	12.75%	\$ 2,091,725	\$ 2,851,725	6/30/2021	\$ 420,000	10.50%	\$ 2,428,850	\$ 2,848,850	6/30/2021	\$ 1,180,000		\$ 4,520,575	\$ 5,700,575
6/30/2022	\$ 865,000	13.00%	\$ 1,987,050	\$ 2,852,050	6/30/2022	\$ 470,000	11.00%	\$ 2,380,950	\$ 2,850,950	6/30/2022	\$ 1,335,000		\$ 4,368,000	\$ 5,703,000
6/30/2023	\$ 985,000	13.25%	\$ 1,865,569	\$ 2,850,569	6/30/2023	\$ 525,000	11.50%	\$ 2,324,913	\$ 2,849,913	6/30/2023	\$ 1,510,000		\$ 4,190,481	\$ 5,700,481
6/30/2024	\$ 1,125,000	13.50%	\$ 1,724,375	\$ 2,849,375	6/30/2024	\$ 590,000	12.00%	\$ 2,259,325	\$ 2,849,325	6/30/2024	\$ 1,715,000		\$ 3,983,700	\$ 5,698,700
6/30/2025	\$ 1,290,000	13.75%	\$ 1,559,750	\$ 2,849,750	6/30/2025	\$ 670,000	12.50%	\$ 2,182,050	\$ 2,852,050	6/30/2025	\$ 1,960,000		\$ 3,741,800	\$ 5,701,800
6/30/2026	\$ 1,480,000	14.00%	\$ 1,367,463	\$ 2,847,463	6/30/2026	\$ 760,000	12.75%	\$ 2,091,725	\$ 2,851,725	6/30/2026	\$ 2,240,000		\$ 3,459,188	\$ 5,699,188
6/30/2027	\$ 1,710,000	14.25%	\$ 1,142,025	\$ 2,852,025	6/30/2027	\$ 865,000	13.00%	\$ 1,987,050	\$ 2,852,050	6/30/2027	\$ 2,575,000		\$ 3,129,075	\$ 5,704,075
6/30/2028	\$ 1,970,000	14.50%	\$ 877,363	\$ 2,847,363	6/30/2028	\$ 985,000	13.25%	\$ 1,865,569	\$ 2,850,569	6/30/2028	\$ 2,955,000		\$ 2,742,931	\$ 5,697,931
6/30/2029	\$ 2,285,000	14.75%	\$ 566,019	\$ 2,851,019	6/30/2029	\$ 1,125,000	13.50%	\$ 1,724,375	\$ 2,849,375	6/30/2029	\$ 3,410,000		\$ 2,290,394	\$ 5,700,394
6/30/2030	\$ 2,650,000	15.00%	\$ 198,750	\$ 2,848,750	6/30/2030	\$ 1,290,000	13.75%	\$ 1,559,750	\$ 2,849,750	6/30/2030	\$ 3,940,000		\$ 1,758,500	\$ 5,698,500
6/30/2031					6/30/2031	\$ 1,480,000	14.00%	\$ 1,367,463	\$ 2,847,463	6/30/2031	\$ 1,480,000		\$ 1,367,463	\$ 2,847,463
6/30/2032					6/30/2032	\$ 1,710,000	14.25%	\$ 1,142,025	\$ 2,852,025	6/30/2032	\$ 1,710,000		\$ 1,142,025	\$ 2,852,025
6/30/2033					6/30/2033	\$ 1,970,000	14.50%	\$ 877,363	\$ 2,847,363	6/30/2033	\$ 1,970,000		\$ 877,363	\$ 2,847,363
6/30/2034					6/30/2034	\$ 2,285,000	14.75%	\$ 566,019	\$ 2,851,019	6/30/2034	\$ 2,285,000		\$ 566,019	\$ 2,851,019
6/30/2035					6/30/2035	\$ 2,650,000	15.00%	\$ 198,750	\$ 2,848,750	6/30/2035	\$ 2,650,000		\$ 198,750	\$ 2,848,750
Total	\$ 19,390,000		\$ 38,912,775	\$ 58,302,775	Total	\$ 19,390,000		\$ 38,912,775	\$ 58,302,775	Total	\$ 38,780,000		\$ 77,825,550	\$ 116,605,550



KANSAS

DEPARTMENT OF COMMERCE

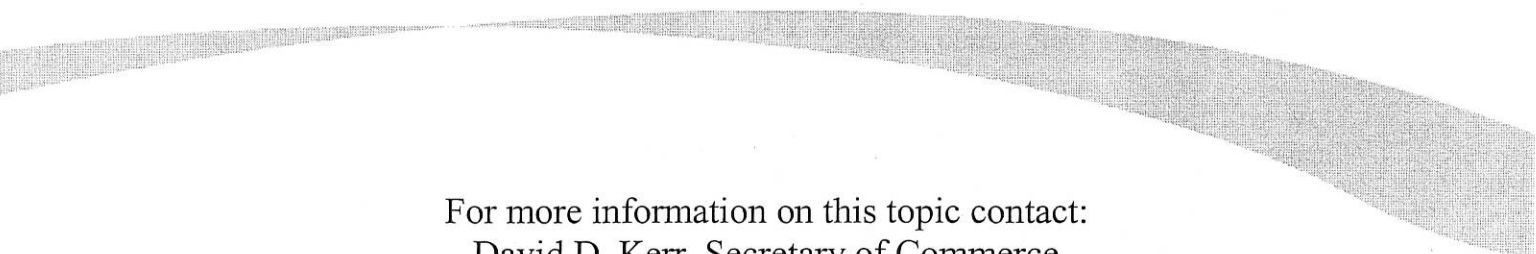
David D. Kerr, Secretary



Neutral Testimony on SB 314

Senate Commerce Committee

March 17, 2009



For more information on this topic contact:

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www.kansascommerce.com

Senate Commerce Committee
Date: March 17, 2009

Attachment 5

Neutral testimony on SB 314

Presented to the Senate Commerce Committee

By Secretary David D. Kerr
Kansas Department of Commerce

March 17, 2009

Chairman Wysong, Vice-chair Lynn, and members of the Committee:

Thank you for the opportunity to present my views on SB 314.

I want to first acknowledge that Goodyear has been one of the strongest and most productive partners over the years in developing the Kansas economy. They have a long history of responsible corporate citizenship in Topeka and are currently being challenged by the overall economic downturn and the serious challenges facing the American automotive and related industries.

The state is also facing profound financial challenges and must balance the resources available in wise and prudent ways. It is truly a situation which requires a delicate balancing act. Given the critical need for effective recruitment and retention tools, we should be sure that any new proposal stands up to intense scrutiny. It is critical that our strategy and incentives be consistent and comprehensive, and it is important that our incentives not be random and that they complement each other.

SB 314 presents both opportunities and challenges. In working the bill, the following policy issues will need to be addressed:

- When and under what circumstances should a company qualify for an incentive program based solely upon the existing employee base and without the creation of new jobs?
- When and under what circumstances should a company qualify for multiple incentive programs using the same employee base?
- How will the state respond to other Kansas businesses, large and small, that face similar financial challenges associated with potential expansion without the creation of new jobs?

In addressing these policy issues, it may be helpful to understand how the eligibility criteria for the Economic Revitalization and Reinvestment Act (ERRA) has been administered. Since the bill was passed during last year's session, there have been three projects considered for eligibility under the ERRA. Cessna qualified for \$33M based upon a \$776 million capital investment commitment and creating 1,000 new jobs with an average salary of \$74,000. A second aviation company did not qualify since it did not meet the minimum capital investment threshold of \$500 million despite a commitment to create 700 new jobs with an average salary of \$65,000. A third

aviation company is projected to qualify based upon a minimum capital investment of \$500 million and the creation of 1,000 new jobs with an average salary of \$73,000. In that case, the potential award amount would be prorated based upon the Cessna's new job creation, salaries and job retention.

Certainly, the Legislature faces difficult decisions in balancing the request of individual companies and the policies that apply to the state's entire business community. Given different economic conditions, these decisions would be less difficult and easier to apply statewide. We look forward to moving ahead upon completion of your review of this proposed bill. Thank you.