



March 19, 2024

**Senate Committee on Assessment and Taxation
Opposition Testimony on Senate Bill 546
Presented by Chuck Cadena, VP of Corporate Affairs, Spirit AeroSystems**

Madam Chair and Members of the Committee:

Good morning and thank you for giving me the opportunity to submit testimony before your Committee in opposition to Senate Bill 546.

My name is Chuck Cadena, and I am Vice President of Corporate Affairs at Spirit AeroSystems. As many of you know, Spirit is one of the world's largest designer and manufacturer of aerostructures for the aerospace and defense industry. During our history, Spirit has grown to have a diverse set of commercial and defense customers. Spirit's global manufacturing operations span about 20 million square feet and includes 12 locations. In Wichita, where we have our corporate headquarters and largest facility, we have more than 12 million square feet of manufacturing space and employ more than 12,500 people. This represents a considerable amount of investment in people and equipment in Kansas.

We oppose Senate Bill 546 in its current form because it would discourage large capital investments in Kansas and weaken the State's ability to attract new high-wage jobs from the private sector.

When Spirit announced in 2017 and 2018 its plans to expand its Wichita operations by investing \$1 billion in capital infrastructure and hiring 2,400 new employees, that decision was influenced by incentive packages the State of Kansas put forward.

While a competitive State corporate income tax is important for Kansas to be successful, the State's High Performance Incentive Program (HPIP) strengthens the business case for capital-intensive industries to justify making massive investments in Kansas. The HPIP tax credit mechanism, along with the sales tax relief for materials used in the construction of new facilities, places Kansas in a more competitive position with other states that offer similar incentives. When industries invest 10s or 100s of millions of dollars in machinery, equipment, and facilities, it helps anchor manufacturing jobs in Kansas far beyond the timeframe of the incentive program.

The State's Promoting Employment Across Kansas (PEAK) program is a performance-based incentive specifically tied to new job creation and wages paid by the employer. This program – together with PEAK – made a significant difference to Spirit's expansion business case. Like other performance-based incentives, if the employer does not deliver the jobs or wages, neither do they receive the benefits.

As you explore ways to lower Kansas income tax rates, we respectfully urge the Committee to not pass Senate Bill 546, which would eliminate these two important economic development programs that each provide value to the State of Kansas. We encourage the Committee to work with the business community on a comprehensive approach to tax reform that preserves strategic economic development incentives.