

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 23, 2008 in Room 123-S of the Capitol.

All members were present except:  
Jay Emler- excused

Committee staff present:  
Jennifer Thierer, Kansas Legislative Research Department  
Kathie Sparks, Kansas Legislative Research Department  
Jason Long, Revisor of Statutes  
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:  
Stan Ahlerich, Kansas Inc.  
Dr. Art Hall, Kansas University

Others attending:  
See attached list.

Chairperson Brownlee introduced Mr. Stan Ahlerich, Kansas, Inc., to finish his review of *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance, The 2007 Kansas Economic Development Strategic Plan*, (on file at the Kansas, Inc .Office) which he started in the meeting yesterday.

Mr. Ahlerich continued his review from yesterday's meeting of the *2007 Kansas Economic Development Strategic Plan* and began to highlight on a few more of the 43 strategies. During the review there was discussion with the Committee regarding lifelong educating and customized training as it relates to workforce development. Voetec schools were also discussed. Upon the conclusion of Mr. Ahlerich's review he stated he had received an email regarding Schult Homes, a manufacturing facility, located in Plainville, Kansas for the past 40 years. The email stated the company is closing its plant due to lack of employees. The Committee has concerns regarding the closing and there was discussion with Mr. Ahlerich. Chairperson Brownlee made the statement that Jim Garner, Secretary of Labor, had stated that the state employs 70% of all the people from the age of 16 or 18 to 100 years of age. She stated that Kansas needs more workers but they have to get them legally. The discussion continued regarding customized training.

Upon the conclusion of the discussion Mr. Ahlerich referred the Committee, for their review, to a copy of the evaluation of the Department of Commerce, stating it is one of the charges of Kansas, Inc. (On file at the Kansas, Inc. Office)

Chairperson Brownlee introduced Beth Martino from the Department of Labor, to request a bill. Ms. Martino made the request for a bill concerning the employment security law. She stated the bill would have two parts. The employment security law in Kansas currently allows the Department to wave collection from employers who owe unemployment taxes less that \$1.00 and the proposal is to increase that to less than \$5.00. The second piece of the bill would phase in over the next three years and would require that wage reports and unemployment taxes be filed electronically for employer with more than fifty (50) employees .

**Senator Barone moved to accept the above request. Senator Schodorf seconded. Motion carried.**

Chairperson Brownlee introduced Dr. Art Hall from Kansas University to give his testimony regarding the effectiveness of tax incentives of Kansas.

Dr. Hall presented written copy of a survey of 300 business owners and executives in Kansas which was from Kansas, Inc. (Attachment 1) which is attached and is incorporated into these minutes as a matter of record. Dr. Hall stated he wanted to talk to the Committee on expensing, a tax reform procedure which is simply a reduction for capital investment and is very similar to the tax credits that are currently offered, but it is a different procedure. This initiative originated form the Kansas Strategic Planning process of Kansas, Inc. He stated that legislation is presently being drafted and explained how the expensing compared to the other tax credits. He stated that the expensing proposal will benefit every business regardless of their size. They are building on the momentum that the legislature has had the last two years in the way of pro investment tax

## CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on January 23, 2008 in Room 123-S of the Capitol.

policy. They would like for the expensing proposal to apply to every single business and lower the cost of access. It will happen automatically and would be a taxpayer option. He added It is very similar in its economical effect to the tax credits that Kansas already offers. If well implemented, expensing treats every business equal no matter how big or small. Expensing will be an option ,as is the case with all the other tax credits that current law offers, but can't be taken along with any other tax credit. The policy goal of every one of the tax credits and expensing is exactly the same; in general, that is, to increase the after tax rate of return on making capital investments in Kansas. Dr. Hall explained the tax credits specifically in HPIP in comparison with expensing.

A discussion followed regarding the advantages of expensing, how it would work and the legislation being drafted. Chairperson Brownlee called on Stan Ahlerich and he stated that Kansas, Inc. is very excited about this initiative. He stated that Kansas did not have unlimited resources and that this is a comprehensive plan to attract new companies and keep the existing ones.

Chairperson Brownlee announced to the Committee that she was going to have the CEO's of aircraft manufacturing before the Committee regarding workforce development.

Due to the time restraint Chairperson Brownlee asked if KCCI could come back on another day and give their presentation. KCCI stated they would be available.

Chairperson Brownlee adjourned the meeting with the next meeting scheduled for tomorrow, January 24, 2008 at 8:30 a.m. in room 123 S.