

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 8, 2005 in Room 526-S of the Capitol.

All members were present except:

Don Hill- excused
Annie Kuether- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Rena Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Rep. Ann Mah
Sen. Anthony Hensley
Christy Caldwell - Greater Topeka Chamber of Commerce
Mike O'Brien - Vice Pres. Manufacturing, Americas, Innovia Films, Inc.
Doug Kinsinger - President, Greater Topeka Chamber of Commerce
Vic Miller - Chairman, Shawnee County Commission
Steve Rothrock - Whiteley's Pallet Mfg.
Robert Sherburne

Others attending:

See attached list.

A motion was made by Representative Novascone and seconded by Representative Grange to approve the minutes from the meetings of January 25, 27, and February 1, 2005. The minutes were approved.

Chairperson Gordon welcomed Representative Charles Roth to the Committee who replaces Representative Horst.

HB 2265 - Establish the qualified manufacturer act for qualified producers of cellulose film

Staff gave a briefing on **HB 2265**. **HB 2265** would create the Qualified Manufacturer Act. Under the provisions of the Act, a manufacturer could receive up to \$1.0 million in Kansas income tax withholding paid by the manufacturer for its employees. The maximum period is four calendar years.

Incentives which could be awarded may be provided only on the closure of a cellulose film production facility in a foreign country. (Attachment 1)

Representative Ann Mah gave testimony in support of **HB 2265**. Innovia films is an international company that was put in the position of closing one of its three plants to meet market demand and improve efficiency. They had more reasons to close the Tecumseh plant than to keep it open. (Attachment 2)

Innovia had made the decision to close the Tecumseh plant, but due to the work of Go Topeka and the City, have now chosen to close one in England.

With the approval of **HB 2265**, the diligence of the American worker is recognized.

Representative Mah thanked the Chamber of Commerce and the City for the work they had done to keep the Tecumseh plant open.

Senator Anthony Hensley thank the committee for introducing what is perhaps one of the most important pieces of legislation he has every had to stand before a Committee and support.

CONTINUATION SHEET

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Legislative Leadership was contacted by Go Topeka and asked to participate in a conference call with the CEO of Innovia. **HB 2265** is a jobs retention bill. By providing a financial incentive, in return, Innovia has agreed to keep the 190 jobs in the plant and keep the doors open a minimum of five years. There is potential for Innovia to expand the operation at Tecumseh and add additional jobs.

Christy Caldwell of the Greater Topeka Chamber of Commerce introduced the rest of the speakers.

The Committee was given a Media Statement (Attachment 3) and a Fact File sheet pertaining to Innovia Films. (Attachment 4)

Mike O'Brien of Innovia Films, Inc. presented testimony in support of **HB 2265**. Innovia Films is a leading global producer of specialty Biaxially Oriented Polypropylene (BOPP) plastic films. Innovia Films had decided that one of its three cellophane plants must close to reduce costs. If the Kansas plant remains open, production will increase by 33% and additional jobs will be created. The cellophane plant in Tecumseh produces cellophane which is used in food packaging and tape.

Future prospects for the Tecumseh plant, if remain open, include expanding its operation to build a Polypropylene plant. (Attachment 5)

Doug Kinsinger, President of the Greater Topeka Chamber of Commerce presented testimony in support of **HB 2265**. In his testimony he stated the local community has developed a package that includes \$750,000 in incentives. The federal government will provide \$75,000 in assistance and the Legislative package is for \$350,000 per year for three years, capped at \$1 million total.

The alternatives for Kansas are: 1) The Innovia Topeka plant is closed and Kansas receives no further revenue from the operation of the plant, or its employees. A total of 275 Kansans (190 Innovia employees + 85 related contracted positions) will be put out of work. 2) The Tecumseh Innovia plant remains as one of Innovia's two manufacturing plants. Production increases by 35%, the plant begins to export product outside our country's borders, and permanent employment increases to 190 positions, with potential for further growth.

By retaining the plant we will have the opportunity to compete for Innovia's new \$25 million polypropylene plant within the next five years, which could create an additional 100 high-waged positions. (Attachment 6)

Mr. Kinsinger requested the Committee vote yes for **HB 2265**.

Vic Miller, chairman of the Shawnee County Commission gave testimony pertaining to how this plant related to a regional facility; not a Shawnee County facility. A half million dollars of the incentive plan is sales tax and that comes into Shawnee County from people who are coming here and contributing to our economy. It is a perfect fit that a half million dollars of this package is from that source of revenue.

On behalf of the Shawnee County Commission we ask that you approve **HB 2265** which provides three years of state investment in keeping 190 FTE jobs in Shawnee County, and the last remaining cellophane plane in the Unites States, in Kansas. (Attachment 7)

Steve Rothrock, owner of Whiteley's Pallet Manufacturing Company gave testimony as a proponent for **HB 2265**. Being a small business owner, it is important to retain major business employers. Without these major employers, our small business wouldn't be able to survive. (Attachment 8)

Chairperson Gordon asked if anyone else wished to testify.

Robert Sheuborne, a candidate for the Office of Mayor for Topeka, KS gave neutral oral testimony on the bill.

An informative question and answer session followed.

The meeting adjourned at 4:55 p.m. The next meeting is scheduled for February 10, 2005.

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