

MINUTES OF THE HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Anthony R. Brown, at 1:35 p.m. on January 13, 2011, in Room 785 of the Docking State Office Building.

All members were present except:

Aaron Jack	Excused
Scott Schwab	Absent
Reynaldo Mesa	Absent

Committee staff present:

Rena Jefferies, Office of the Revisor of Statutes
Ken Wilke, Office of the Revisor of Statutes
Reed Holwegner, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Others attending:

See attached list.

Due to scheduling conflicts, next week the committee will be meeting on the call of the chairperson.

Chairperson Brown introduced Acting Secretary of Commerce, Pat George.

Pat George shared information about the Department of Commerce (Attachment 1).

He also shared information on two conceptual bills for consideration – the first to abolish Kansas Inc., and the second to reorganize and abolish KTEC. The plan is to move those agency's functions into existing agencies. The bills are currently conceptual only, as they have not been written due to problems with technology. They will be in two different bills and should be available soon.

Vice Chairperson Suellentrop moved, seconded by Representative Osterman, that legislation be introduced that would abolish the Kansas Technology Enterprixe Corporation (KTEC) and transfer its responsibilities to other state agencies.

Chairperson Brown asked Revisor's staff if we should actually have a bill written. Ranking Minority Member Slattery had asked if Rule #10 applies to the bill being prepared by the Revisor of Statutes, as the bill will be conceptual. It was determined that rule would apply to amendments only.

Vice Chairperson Suellentrop moved, seconded by Representative Osterman, that legislation be introduced that would abolish Kansas, Inc., and transfer its responsibilities to other state agencies.

Ranking Minority Member Slattery asked if the intention is to keep those same functions under Department of Commerce rather than a different organization structure. Pat George replied those agencies functions will be divided between the Department of Commerce, Board of Regents, and the Governor's Council on Economic Development in an attempt to streamline agencies.

The motions passed on a voice vote.

Pat George said he has an open door policy and his office is southeast across the street on the first floor of the Curtis Building. The Department's primary mission and function is to deal with all things business related. He hopes it will become friendlier to business, providing tools to existing as well as new companies considering Kansas as a home base. In the past the tendency had been to focus on bringing in new business and sometimes forgetting existing businesses. We want to make sure existing businesses feel welcome and we will work to help them prosper. Prosperous business means a prosperous state.

We are poised to lead out of this depression we have been in. Many businesses are looking at Kansas to relocate as we are not in as bad shape as other states, and have human capitol and work ethic second to

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none.

Chairperson Brown wasn't aware if workforce development will be coming to our committee, but would not be opposed to holding hearings on the topic if it would be of benefit.

Pat George is looking at that and all the dollars coming through Commerce. As much as Commerce can the department will provide resources to create a ready workforce.

Representative Finney inquired about trade development assistance opportunities.

Pat George said there is a lot of opportunity with the trade division we have, and discussion on better uses of this resource have been ongoing. Several of the entities have some interesting ideas on trade that could mean thousands of jobs to Kansas.

Representative Peck had a question in reference to Page 2 of Pat George's handout, boxes 9, 10 & 11 which dealt with Kansas's ranking. He asked if the other states in the top 10 were the same type, or were they all over the board.

Pat George said he couldn't speak to this, but would be glad to find out.

Representative Peck said he would find that interesting and informative. It would be helpful to know if several states are ranking in the top ten consistently or we just happen to be there, or maybe some of these entities who did the studies liked our government leaders, or what. He wants Kansas to be number one in all categories.

Chairperson Brown asked how many FTEs are involved with KTEC and Kansas, Inc.

Pat George said he is getting a briefing on those numbers Tuesday.

Chairperson Brown asked him to explain Rural Opportunity Zones.

Pat George said this bill will come before the Taxation Committee, and it is exciting as it applies to Commerce as well. The Governor has a soft spot for rural Kansas. Kansas has 40 counties that have experienced a double digit decline in population in last 10 years. This would be a pilot program. The goal is to entice people to move to these 40 counties by offering a Kansas income tax free period for the first five years after a person moves here from out of state. It will be an opt in for each individual county, should your county choose not to participate.

The second piece is forgiving student loans at a rate of 20% per year for five years. Individual counties will provide matches up to 50%. Community foundations may volunteer to be part of this loan forgiveness program. If a graduate has \$50,000 worth of student loans, then up to 20% per year could be forgiven, and the state will match half of whatever the county puts in. It is a broad program, and they are working on specific legislation.

Chairperson Brown asked regarding the match, the income part of it, does the person have to be from that county and move out of it and move back in?

Pat George said they must move in from out of state. They are trying to come up with some way to stop the decline in these counties that would prove to be a win for us, and if we got lucky and had enough people moving back in to increase population, that would be a win too.

Chairperson Brown asked him to explain the student loans, obviously state universities and regent schools would be included.

Pat George said this is a work in progress as to whether they include technical and community colleges. It is not limited to just public institutions. He is not sure if they will do technical schools and community colleges.

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Chairperson Brown said he is interested in early graduation; he asked if out-of-state graduates wanting to move to western Kansas could have their loans forgiven as well.

Pat George said we don't care where you went to college, if you are willing to move to Greeley County, Kansas, we will try to create incentives for you to do that.

Vice Chairperson Suellentrop asked if Pat George could determine the top reasons why migration is an issue now. If we can pinpoint why they left it would help us make a determination as to the effectiveness of these types of programs.

Pat George said Commerce has research studies on these issues. The first criteria for the new administration is to create an environment where we can grow jobs. Commerce is looking at regionalizing how we operate. There are models out there that show regionalization works. Europe is 20 years ahead of what we are contemplating here. The competition is outside the borders of our country. We must take advantage of the assets we have, avoid turf battles and help each other out. Anyone new in the state will help those around them. Commerce will become more of a regional asset, creating an environment to help businesses will create jobs. People will move here for jobs. Farms have done well, but they have become so efficient that what took 50 people to farm 20,000 acres, now takes three people. Some counties will never gain population. Kansas should work together as regions.

Representative Frownfelter asked about the housing problem. Part of the reason people move into an area is affordable housing. It is the chicken and the egg, which comes first situation. It is a great idea but we need to make sure affordable housing is available.

Chairperson Brown referred to a meeting the day before dealing with decentralizing state government. He would like to see the Department of Commerce take a look at anything that can be decentralized into areas where unemployment is very high.

Pat George said this fits into regionalization. In the field you might have small business owners that could double employees if they had time and someone to talk to and guide them through the process. If the state can become more of a presence in the regions, we could do it on county and city levels.

Regarding student loan forgiveness, Pat George said there would be a \$1.5 million limit on the program. Each individual could be allowed 20% per year, if they move in for at least five years. If after 3 years they decide to leave taking it back doesn't seem right. An example would be on a \$50,000 loan, the first year the state pays \$5,000 and the community pays \$5,000. This would continue each year for up to five years.

Chairperson Brown introduced the Acting Secretary of Revenue, Nick Jordan.

Nick Jordan provided no written testimony and had no bills he was interested in having introduced at this time. It is not very often you cabinet members appear before committees, but he hopes to be here quite often. They will meet regularly to talk about plans for economic growth, performance metrics, and these numbers will come to committee. The data will not be overlapping and the Governor is holding his feet to the fire. There are five performance measures. His cabinet will fulfill those promises to the voters of Kansas. He appreciates the time and wanted to come in and show his solidarity. Last night the Governor said he would like to look at a comprehensive tax policy that will be favorable to business. The Governor charged committees to join in that discussion and move in that direction where we will have a great tax environment.

Representative Slattery inquired regarding the income tax break, do you have to work in the county or just live in the county?

Pat George said you must just live in the county. The new residents will hopefully build new businesses in the counties also.

Representative Peck asked about total tax restructuring and economic development as it applies to destination sourcing and streamlined sales tax. Is it something the Department of Revenue has a position

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on yet?

Nick Jordan said there is no position yet, but Taxation Committee may have something happen as they are open to discussion. It is law and we will do what we need to do to comply with Kansas law.

Representative Peck said this issue has been ongoing for years, some businesses comply and some ignore it. Thus far there is no enforcement for those who ignore it.

Chairperson Brown said he is excited about the Rural Opportunity Zones (ROZ). He asked if it will be a burden to add full time employees (FTE) to track information to develop this program.

Nick George said they should be able to track it through tax returns. It shouldn't be complicated but will be an area of discussion.

Chairperson Brown said how this may apply to the military members bothers him. Some soldiers serving at bases other than in the United States still consider this their home state. Would that cause them problems if that county is their legal residence, even though they haven't been in the state for several years.

Nick Jordan said they had looked at this several ways and decided on this program.

Chairperson Brown was also excited about business expensing. This may help all businesses with capital investment.

Nick Jordan said most tax credit programs benefit only a few companies to make capital investments, but there are 20,000 businesses in Kansas. Most of these programs target the large businesses. Expensing equipment purchases will benefit all businesses.

Chairperson Brown asked if there will be some tax implications on property taxes.

Nick Jordan said he didn't think so. There will be somewhat of a hit on a fiscal note, but the Department of Revenue is taking care of it with sales tax revenue.

Chairperson Brown asked about the fiscal cost of expensing.

Nick Jordan estimated it could cost between \$39 to \$55 million. The administration will be recommending the elimination of \$97 million in tax credits.

Chairperson Brown announced Friday the House would not be in session due to proforma. Monday is a holiday, and Tuesday through Thursday will be meeting on call of the chair.

Chairperson Brown adjourned the meeting at 2:30pm.