

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairman Susan Wagle at 8:15 a.m. on January 25, 2011, in Room 548-S of the Capitol.

All members were present.

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant  
Mr. Reed Holwegner, Kansas Legislative Research Department  
Ms. Dorothy Noblit, Kansas Legislative Research Department  
Mr. Ken Wilke, Kansas Office of the Revisor of Statutes

Conferees appearing before the Committee:

Mr. Pat George, Acting Secretary, Department of Commerce  
Mr. Nick Jordan, Acting Secretary, Department of Revenue

Others attending:

See attached list.

### **Overview of the Department of Revenue**

Upon calling the meeting to order, the Chairperson called on Acting Secretary Jordan who offered an overall view of the Department of Revenue including its four divisions:

1. Tax Operations
2. Alcoholic Beverage Control
3. Property Valuations
4. Division of Motor vehicles (This Department does have a lot of regulatory enforcement duties and they will continue to do those in a fair manner, for example upholding the statutes.

Regarding Governor Brownback's vision of economic growth in Kansas:

1. The number one goal is to grow the economy.
2. The Governor has laid out an agenda which included changes in tax law (his first request of the Legislature and certainly his Cabinet, is a comprehensive tax policy in Kansas to create a good environment for citizens and businesses.)
3. He has established an Economic Growth Team from the Commerce, Agriculture, Revenue, Labor, Transportation, and Health & Environment Departments to work together to create jobs.

Regarding the Governor's Council on Economic Advisory Committee, it is a restructuring of Kansas Inc. to be moved to the Governor's office. This group of key business leaders from across Kansas, Chaired by the Governor, will meet quarterly and charged with reviewing how the economy in Kansas is progressing, what policy will help economic growth in the business community in Kansas. and be responsible for holding everyone accountable for the implementation of that plan. Secretary Jordan feels all departments will be held to performance metrics.

Regarding tax policy, at the federal level they recently put in 100% "expensing" and the Governor will be introducing this into Kansas. But for this year, a Kansas company will be getting the same from the federal government, but once this is over, an "expensing" bill will be introduced by the Governor, making us the only state in the country to have this. It will not be at 100% because they need to work around a few budget items and try to work with the current budget, but it will allow a company to capture a prime value for their money on investments (ex. equipment, machinery, and software.)

In order to accomplish this and some other changes they want to :

1. Have a list of tax credits we are suggesting be examined and may be deleted from our books. One in particular they are reviewing is the HPIP tax credit that is important to our aviation industry. He said, he and Acting Secretary George are trying to figure out how to work HPIP in "expensing."

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2. They would like to restructure IMPACT and develop a contingency fund that can be used to close the deal when companies are sitting at the table.

3. They have several investments in the regents to continue research. For instance, NIAR, the aviation research facility in Wichita. \$5M was put in the base of the budget so that for the next three years, Wichita does not have to come and ask for money because it will already be in the budget. This is a commitment the Governor has made, and in return, he would like to have a 15-20 year plan of what results of that money are suppose to be with and benchmarks to follow as we go over the next three years. It is the same thing with the training facility and The Cancer Institute, and Kansas State University for NBAF and animal health, money in the base and benchmarks to follow.

Lastly, he stated other investments which Acting Secretary George will probably talk about, is the restructuring of KTEC which will be moved to the Department of Commerce except for EBSCoR which will be going to the Regents for their work. A copy of his testimony is ([Attachment 1](#)) attached and incorporated into the Minutes as referenced.

The Chair thanked Acting Secretary Jordan and stated that since he and Acting Secretary George both needed to leave at 9 a.m , she would recognize Acting Secretary George for his testimony and then open up for questions if there is time.

Acting Secretary George offered:

1. A brief history of the Department of Commerce.
2. Stated they are funded entirely by EDIF (Economic Development Initiative Fund) and the workforce group is federally funded. There is no state general fund.
3. Their goal is to be proactive in bringing business and jobs to Kansas.
4. They hope to morph IMPACT which in his view, has gotten away from its mission. (2% of withholding go into a fund and used to close deals and somewhere along the line we started bonding so we can award. The 2% equals up to \$42M, but now with what we have added on in the last year, up to \$28M of it is spent every year. They would like this to discontinue, but we are still obligated for many years to pay that debt. We would like to create a fund to give the Department Secretaries of Revenue and Commerce and an appointee from the Governor's office, that could use those funds with guidelines, to close the deal, the intent is to be nimble. (We are charged to work as partners with business at their speed. A copy of his testimony is ([Attachment 2](#)) attached and incorporated into the Minutes as referenced.

Chairperson Wagle thanked Acting Secretary George and referred the Committee to page 3 of his handout, slide 13, stating all of the magazine advisers have rated Kansas in the Top 10 in eight of 20 categories for these different economic development packages. Also, that the Governor stated they will have uniform standards so we can take all these economic development tools and look at them with the same standards, looking for consistency in evaluations to track success.

The Chair asked for questions or comments from the Committee which came from Senators Lynn, Wagle, Masterson, Faust-Gaudeau, Emler, and Holland including:

- 1.) Clarification of “expensing” and is there a time frame for this? (The concept was explained and hope to make the policy permanent.)
- 2.) Referring to Acting Secretary Jordan's presentation of incentives for large businesses that would eventually trickle down to help small businesses, could you elaborate? (Trying to find a balance, so we know what kind of tax policy makes us the most attractive to incoming businesses and those already located to help them grow?)
- 3.) Regarding KTEC integration into the Department of Commerce, what does this look like, where do I send a constituent, what kind of wind down process are they in, are they still producing? Hope is to provide the same services with the same standards and any start up companies they will manage.)

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4.) What differences do you see between the Governor's Council and Kansas Inc. ? (Feels this governor is making economic growth a stronger priority and wants to be directly involved. Kansas Inc. has come up with a lot of recommendations but, for whatever reasons a number of those have not seen the light of day. Structurally the Council probably will not be a whole lot different, still a CEO and still accountable.)

5.) What are you doing from the perspective of the middle class, their confidence level? (Example: Untapped equity in our agricultural partners and find ways to open up and to free up capital.)

6.) Will the "expensing" policy only apply to companies located physically in Kansas or have nexus in Kansas. For example: A GM plant in KCK, but the seats in the cars were made in Missouri and does it have to be more capital investment? (Have to be Kansas domiciled and broadly defined, any machinery or software bought.)

### **Confirmation hearing on the reappointment of Mr. Kyle Elliott**

As there were no further questions, comments or discussions the Chair announced the next order of business was the confirmation for the reappointment of Mr. Kyle Elliott, a KTEC Board member adding that since this was a reappointment, Mr. Elliott did not need to be here, so she would like to action.

Senator Steineger asked if KTEC is going to be dissolved as is the Health Policy Authority, why are we appointing people to agencies that are going away? The Chair said, the KTECH reorganization bill has not passed yet, and until KTEC is reorganized, we must follow protocol.

The Chair recognized Senator Emler who said someone could file suit saying that the action that was taken by that group was illegal because the person was not properly confirmed at the time the action was taken. So until the changes are made we still have to confirm the people so that any actions taken are deemed legal. Senator Holland made a motion to recommend the reappointment of Mr. Elliott. It was seconded by Senator Emler and the motion passed.

### **Adjournment**

As there was no further business, Chairperson Wagle adjourned the meeting. The time was 9:30 a.m.

The next meeting is scheduled for January 26, 2011.