

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairman David Wysong at 8:30 a.m. on February 17, 2009, in Room 545-N of the Capitol.

All members were present except:

Senator Jean Schodorf- excused
Senator Susan Wagle - excused

Committee staff present:

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

Conferees appearing before the Committee:

Mr. David Kerr, Secretary of Department of Commerce
Ms. Natalie Haag, 2nd Vice President/Director of Governmental Affairs
and Assistant General Counsel, Security Benefit Corporation
Ms. Christy Caldwell, Vice President of Government Relations, Topeka, Chamber of Commerce

Others attending:

Please see attached list.

Approval of Minutes

The Minutes of February 2, 3, 4, and five distributed February 10, 2009 stand as approved as of February 13, 2009.

Hearing on SB120 - An act concerning the Kansas investments in major projects and comprehensive training relating to the secretary of commerce authorizing the funding of certain economic development projects

Upon calling the meeting to order, Chairman Wysong recognized Mr. David Kerr, Secretary of Department of Commerce as the first of three proponents to testify on **SB120** and asked him to explain the bill.

Secretary Kerr stated the bill would further broaden the appeal of the state investments in Major Projects and Comprehensive Training (IMPACT) program and is of great interest to service-sector companies. He went to say the bill would clarify the use of program funds for certain costs, including the ability to use the funds to pay wages for new employees during training. Also, as businesses show interest in our state, they always look to the package of incentives that we can bring to the table, but if an incentive offer is limited, a company may not be able to utilize the full award or they may discount the value of the award. He concluded by explaining the clarification in **SB120** striking language on page 3, lines eight & nine will improve the program by clearly identifying IMPACT's availability and usability for companies in business and financial services and R&D. A copy of his testimony is (Attachment 1) attached and incorporated into the Minutes as referenced.

The Chair thanked Secretary Kerr and stated that the Committee had heard from all sectors of our economy and asked of Secretary Kerr:

1) there are questions of the quality jobs program in Missouri, would you associate this change to counter pack into a quality jobs program to some degree?

2) (regarding Secretary Kerr's answer to the above question, "it is but not as far as in Missouri which not only allows the company to keep withholding taxes from new employees but also an additional three to three ½% that they would qualify for) And when you say, "three to three ½% more are we talking tax credits, but that we do not have in our current program.

3) Regarding the fiscal note for this bill, would not change? Secretary Kerr said they were not asking for any

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additional funds and it is not entitlement.

The Chair then mentioned to the Committee that the Secretary referenced page 3 in the bill, noting in line eight and nine is the only change in the bill. The Chair then asked Mr. Wilke if he had anything to add and since there were none, he asked for questions of the Committee for Secretary Kerr.

Regarding the three ½% tax credits on the Missouri side, Senator Lynn asked what would prevent us now in matching that, and if it were to go back into the economy is there a way to measure that?

The Chair then called on Ms. Natalie Haag, 2nd Vice President/Director of Governmental Affairs and Assistant General Counsel, Security Benefit Corporation who stated that Security Benefit would be an example of the type of industry which might be able to benefit by the modifications to IMPACT. Highlights of her testimony included an example of how these modifications might benefit job growth:

- A subsidiary of Security Benefit Corporation (SBC), se2, started business about three years ago, to fill a niche in the market and capitalize on SBC's electronic platform and cost-effective workforce. se2:

- stands for service end-to-end
- is a third-party administrator provider for other insurance companies
- handles customer transactions, paperwork and responses to customer questions
- can administer annuity & life business for other insurance companies at 30 - 70 percent of these companies' current cost for administering their own business
- has experienced a new growth of 180 jobs during the last two years
- have one million contracts under administration and the capacity to add 600,000 contracts per year adding 50 jobs for every 200,000 contracts

As other insurance companies are looking for ways to reduce expenses, especially minimize the expense of administering their business, this is the perfect opportunity for se2 to expand its business and created new jobs in Kansas.

A copy of her testimony and an attachment are (Attachment 2) attached and incorporated into the Minutes as referenced.

The Chair thanked Ms. Haag and asked for questions or comments from the Committee which came from Senators Lynn, Holland, and Wysong for Secretary Kerr including do these incentives specifically address conversion costs (ex. of moving data onto a system) or could this be an incentive? Do you see health care being competitive for these incentives or is it industry specific?

The Chair then called on Ms. Christy Caldwell, Vide President Government Relations, Greater Topeka Chamber of Commerce who stated that due to the intensive nature of training and the time dedicated to training, employers many times carry the expense of preparing their new employees for months before the employees are productive. She went on to say that the suggested clarification in the bill addresses this issue and alleviates a barrier that now exists for service industries expanding or relocating in Kansas. A copy of her testimony is (Attachment 3) attached and incorporated into the Minutes as referenced.

The Chair then offered four written proponent testimonies including:

- 1) Mr. Kurt Eckles, Vice President of Government Affairs, The Kansas Chamber
2. Ms. Ashley Sherard, Vice President, Lenexa Chamber of Commerce
3. Mr. Dave Holtwick, Vice President Government Affairs, Overland Park Chamber of Commerce
4. Mr. Lavern Squier, Chair of the Economic Development Competitiveness Task Force for the Kansas

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Economic Developers Alliance

Copies of the above testimonies are (Attachment 4) attached and incorporated into the Minutes as referenced.

Adjournment

As there were no further discussion, questions or comments, Chairman Wysong adjourned the meeting. The time was 9:22 a.m.

The next meeting is scheduled for Wednesday, February 18, 2009.

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