

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Kenny Wilk at 9:00 a.m. on May 2, 2003, in Room 522-S of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research
Debra Hollon, Legislative Research
Rena Jefferies, Revisor of Statutes
Fulva Seufert, Secretary

Conferees appearing before the committee Rebecca Floyd, Chief Counsel, KDFA
Rae Anne Davis, Commerce and Housing:
Steve Weatherford, KDFA

Others attending: See attached list

Chairman Wilk redirected the committee's attention back to **SB 281 - An Act enacting the economic revitalization and reinvestment act.**

Chairman Wilk asked Ms. Rebecca Floyd, Chief Counsel, KDFA, to walk the committee through the amendments proposed. On page 2, line 26, to read "that the Kansas development finance authority issue bonds pursuant to the Kansas Development Finance Authority Act, K.S.A. 74-8901, et seq." In line 31, insert after the word "during" the following: the period from the issuance of such bonds through. In line 36, strike "pursuant to law" and insert "created in subsection (g)." In lines 40 and 43, strike "obligations" and substitute "bonds." On page 3, line 14, strike "obligations" and substitute "bonds." In line 17, strike "application" and substitute "eligible." In (g), line 23, add "of taxation" after the word "director." After "created" in line 25, add "in the custody of the state treasurer, but not a part of the state general fund. Distributions from the special revitalization fund shall be used to pay interest on the bonds as authorized pursuant to this act and not to be subject to appropriation. In lines 30, 35, and 43, strike "obligations" and substitute "bonds."

Representative O'Malley made a motion to approve the balloon amendment. Representative Carlin seconded. Motion passed.

Representative Kuether made a motion to change "director of taxation" on page 3, line 24, to "secretary." Representative Hill seconded. Motion passed.

The Chair asked Ms. Rae Anne Davis, Commerce and Housing, to explain the handout on the tax credits and benefits listed in **SB 281** that Representative Kuether requested. (Attachment 1)

Representative Novascone made a motion to strike (h) in Section 1 and add new (h) to read as follows:

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The eligible business shall not be allowed to participate in the IMPACT act or program pursuant to K.S.A. 74-50,102 et. seq. and amendments thereto with respect to the eligible project. The secretary may include provisions in the agreement described in subsection (e) to limit or reduce the amount of eligible credits, including but not limited to those allowed pursuant to K.S.A. 79-32, 160a, 79-32,182b, or 79-32,206, on the investment of the proceeds of the obligations issued under this act. Nothing in this subsection (h) shall be construed to prohibit the eligible business from receiving credits allowed by law for any investment not related to obligations issued pursuant to this section. Representative Kuether seconded. Motion passed.

Representative Novascone made a motion to change the two places in Section 1, (h) where the word "obligations" was used and to substitute the word "bonds" to be consistent. Representative Kuether seconded. Motion passed.

Chairman Wilk handed out another balloon which would true-up the withholding.

Representative Loganbill made a motion to insert on page 3, line 11, the following: Income tax refunds and balances due resulting from withholding upon Kansas wages paid by the eligible business pursuant to K.S.A. 79-3294 et.seq. and amendments thereto, with respect to the eligible project, shall be reconciled on at least an annual basis by a method defined in the agreement described in subsection (e). Representative Gordon seconded. Motion passed.

The Chair asked Mr. Steve Weatherford, KDFA, to explain the income tax proposal put on by the Senate which in effect penalizes Kansas investors.

Representative Burroughs made a motion to strike the Kansas income tax that the Senate amended on page 3, lines 18-20. This will make bonds tax exempt in Kansas. Representative Kuether seconded. Motion passed.

Representative Burroughs made a motion to add the following language:

Bonds issued under this section shall not be used to provide for or to increase compensation packages, rewards, bonuses, pensions, enhanced retirement, stock options, buyouts, or substantial severance pay or other financial benefits to an executive employee.

Representative Loganbill seconded. Motion failed.

Representative Krehbiel made a motion to require Kansas, Inc. questionnaires to be sent only to taxpayers utilizing tax credits and exemptions. Representative Brunk seconded. Motion passed.

Representative Brunk made a motion to clarify that interest stays in the economic revitalization fund and not go into the general fund. Representative Gordon seconded. Motion passed.

Representative Burroughs made a motion to impose a 2 year sunset on new eligible projects. Insert on page 4, preceding line 19 to read (k) No new eligible project shall be approved for financing under the provisions of this section on and after July 1, 2005. Representative Kuether seconded. Motion passed.

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Representative Kuether moved to pass out **SB 281** favorably as amended. Representative Boyer seconded. Motion passed.

Chairman Wilk recognized Mr. Bill Jarrell, Boeing Wichita, who thanked the committee members for working this legislation on such short notice.

Chairman Wilk thanked all the committee members and staff for a productive session and for all their hard work. The meeting adjourned at 10:15 a.m.