

Approved _____

Date _____

Fred A. Kerr

3/1/83

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Senator Fred Kerr at _____
Chairperson

10:00 a.m./~~p.m.~~ on Thursday, February 24, 1983, 19__ in room 423-S of the Capitol.

All members were present except: Senator Ross Doyen (E)
Senator Ed Reilly (E)

Committee staff present: Bruce Hurd, Revisor's Office
Raney Gilliland, Research Department
Lorraine Cobb, secretary

Conferees appearing before the committee:

Jim Yonally, Director of Governmental Relations,
National Federation of Independent Businesses
Larry Miller, Audio House, Lawrence
Dan Ramlow, Kansas Contractors Association
Jim Cobler, Director of Accounts and Reports
Department of Administration

Senator Karr moved the committee minutes of February 23, 1983 be approved, seconded by Senator Allen. Motion carried.

Senator Kerr announced the plans for the remodeling of the Waters Hall Annex have been approved by the Board of Regents. Raney Gilliland will have them in his office should anyone want to look at them; they include the entire facility.

SENATE BILL 295

Jim Yonally reviewed in brief the contents of this Kansas prompt payment act indicating bills would have to be paid within 45 days or be subject to an interest penalty beginning after the 30th day. Mr. Yonally stated he would like an amendment considered changing the language to the date it is postmarked.

Replying to Senator Arasmith's question if the language in lines 53 and 54 covers receipt of faulty products or unsatisfactory workmanship, Mr. Yonally understood it to mean until completely delivered and finally accepted.

Mr. Yonally stated as of January 1, 1983 they had 8,937 members and distributed Attachment 1, "1983 Kansas State Ballot of NFIB" referred to Question 6 under State Government relative to the percent desirous of charging interest on overdue accounts and the amount to be charged.

Mr. Yonally further stated many small vendors quit bidding on state goods and services since they are not financially able to operate on late payments; and that a number of vendors automatically have to add in a certain percent to offset any late payments.

Larry Miller stated since 1972 his business has not allowed cash discounts to the state, as they used to do. They had previously been able to obtain a bank loan to help cover past due accounts but cannot do so now. Answering Senator Arasmith's question as to the average time of late payment, Mr. Miller stated 90-120 days sometimes; usually 60-90 days. He stated the Board of Regents, with which they do most of their business, is the most frequent offender. What bothers him is the fact they receive very prompt payment from the state of Missouri, stating 22 days as the longest time to get paid and that 15 days is normal.

(MORE)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,
room 423-S, Statehouse, at 10:00 a.m. ~~p.m.~~ on Thursday, February 24, 1983, 19 .

Mr. Miller stated 2-5% is added to standard cost on Kansas bids because of the slow payments; whereas, similar bids in Missouri may be 5% lower than standard. He stated a number of film companies will not sell to the state of Kansas due to late payments. Senator Montgomery asked if he had substantiating evidence of a specific case on hand; Mr. Miller stated he did not.

Dan Ramlow stated they have a very good relationship with the Department of Transportation--they are prompt in their payments. They do support this bill since they supported the federal government's prompt payment act 97-177.

As to Senator Karr's question if this bill covers construction, Mr. Ramlow felt Section 2, subsection (e) "Services" would relate to construction services.

Jim Cobler stated he is opposed to the bill. (See Attachment 2). He stated when his office receives a voucher before noon, it is processed and a warrant written that night and mailed the next day. If received after noon, then it is processed the next day. He stated vouchers are usually processed within 24 hours; occasionally, maybe within two or three days.

Answering a question, Mr. Cobler stated he receives very few complaints relative to late payments; usually they come from subcontractors. Contractors are paid promptly, but they, in turn, neglect to pay the subcontractors. He also stated some payments are paid or partially paid from a federal grant. Since the federal government does not pay interest on a grant payment, it would have to come from the state's general fund.

Upon a direct question, Mr. Cobler stated the KU Med Center has had trouble in making prompt payments, as well as KU; KSU is much better, and they rarely get complaints against the smaller schools; very few complaints are received on DOT, and those from subcontractors.

Some questioned the delay by the KU Med Center since they had been furnished aid to implement their computer system. Mr. Cobler stated it is improving. It is people who are responsible for delays; unless a paper is hand carried, there are delays going from one place to another. Senator Gannon stated he was speaking out defending the Med Center. He feels there is now a good administrator. Mr. Cobler stated this is true and the situation is improving. Senator Arasmith questioned if a small business man would know to whom to present his problem. Mr. Cobler stated he felt since his title was changed from Comptroller to Director of Accounts and Reports, there has been more confusion as to where complaints should be directed, and that it has been detrimental.

Senator Kerr called attention to the printout regarding "Chart of States with Prompt Statutes or Regulations" (Attachment 3), and the written testimony of the Kansas Department of Human Resources Advisory Committee on Mexican American Affairs (Attachment 4) regarding this bill.

The meeting was adjourned.

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SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

10:00 a.m., Room 423-S

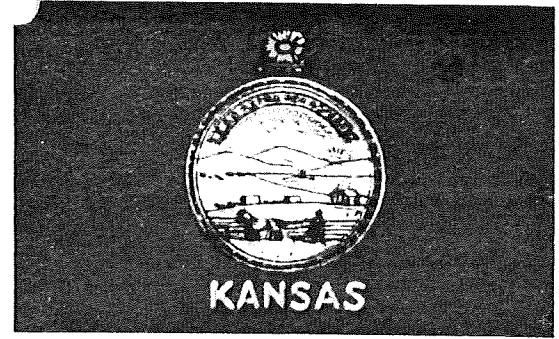
Thursday, February 24, 1983
Date

NAME	ADDRESS	ORGANIZATION
Larry Miller	307 E 9th Lawrence	Audio House
Jean Best	R1 Hoxie	Ag Advisory
Ken Schelmer	Topeka	KS Pharmacists Assoc.
Bill Curtis	Topeka	Ks. Society of Architects
Jim Yawally	Topeka	NFIB/Kansas
Jim Cobb	"	Dept of Adm
John Blitho	Manhattan	Ks Farm Bureau
DAN RAMLOW	TOPEKA	KS Contractors Assn.
Alan Coulter	Topeka	KS Contractors Assn.

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Research and Education Foundation

1983 KANSAS STATE BALLOT



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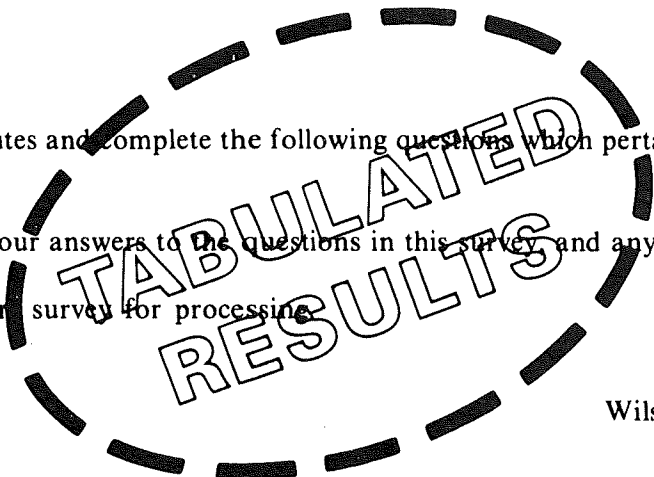
Dear NFIB Member:

Please take a few minutes and complete the following questions which pertain to small business issues in your state.

We are interested in your answers to the questions in this survey and any comments you may have.

Please return the entire survey for processing.

Thank you.



Wilson S. Johnson, President

TAXES, FISCAL

1. QUESTION

Should the Kansas Legislature repeal the new law (effective January 1, 1983) exempting farm machinery, irrigation equipment, and business aircraft from **property taxes**?

Favor	Oppose	Undecided	
<u>68%</u> 1	<u>26%</u> 2	<u>6%</u> 3	11

BACKGROUND

Late in the 1982 session, the Legislature passed a bill removing the above items from property taxation. Opponents of the new law claim the exemption will significantly shift local property taxes. For example, a **renter** of farm land who also owns machinery will get a tax reduction, while the **land** owner will have an increase in taxes to compensate for the loss of revenue. One rural county commissioner argued that the tax burden will shift from active farmers with income potential to older retired persons living in town. Proponents of the change believe that this step was necessary to help beleaguered Kansas farmers.

2. QUESTION

Should the state of Kansas continue to impose a budget lid on **local school districts**?

Favor	Oppose	Undecided	
<u>78%</u> 1	<u>17%</u> 2	<u>5%</u> 3	12

BACKGROUND

Historically, the state has placed budgetary or taxation limits on local school districts, with a provision for a local referendum to exceed these limits. However, in the last two years, serious consideration has been given to removing state-imposed lids on local school boards. Proponents of removing the limits maintain that locally elected boards of education are better equipped to determine education funding needs and should not have to go through the referendum process.

Proponents of continuing the present practice point out that approximately 40%-50% of the cost of education has traditionally come from the state, and that some state control of spending is therefore justified.

3. QUESTION

Estimates in the fall of 1982 indicate that the state could be "broke" before the end of this fiscal year (June 30, 1983). What do you consider the best solution to the **current fiscal crisis**?

- 1. Increase revenue 19%
(answer 3A below)
- 2. Reduce spending 76% 13
(answer 3B. below)
- 3. Undecided 5%

3A. What is the best way to increase revenue? (check one)

- Increase sales tax 35%
- Increase corporate income tax 0%
- Increase individual income tax 4%
- Increase gasoline tax 6% 14
- Increase economic development 12%
- Impose severance tax 43%
- Other (please specify) _____

3B. What is the best way to reduce spending? (check one)

- Reduce aid to local school districts 4%
- Reduce aid to colleges and universities 5%
- Reduce highway spending 1% 15
- Reduce personnel in state offices (Use Comment section for details) 59%
- Reduce welfare payments 25%
- Other (please specify) 6%

BACKGROUND

The state Legislature must determine whether the state's fiscal dilemma should be primarily resolved by spending cuts or increased revenues. Then it must determine

Atch. 1

what activities of government should be reduced or what revenues can be tapped. Small business has an important stake in this decision; thus your response to the above will be helpful to legislators and the governor.

4. QUESTION

Should the Legislature prohibit the collection of the **local sales tax** on products delivered to a place of business or residence located outside the boundaries of the local taxing unit?

Favor	Oppose	Undecided	
<u>35%</u> 1	<u>53%</u> 2	<u>12%</u> 3	16

BACKGROUND

This question gains significance as more cities and counties adopt local sales taxes. Currently, the local tax is assessed at the business site regardless of the destination of the merchandise. Proponents of eliminating this local tax for non-residents or non-resident businesses claim that this tax does not benefit local governments. Furthermore, businesses in an area with a local sales tax say they are at a disadvantage when competing with businesses outside the taxing area, particularly on "big ticket" items.

Those who support the local sales tax collection contend that the suggested change would provide a loophole for "cheaters"; furthermore, businesses located in an area with the local sales tax probably receive some resulting property tax reduction.

5. QUESTION

Should the Kansas Legislature approve (for submission to voters) a constitutional amendment to allow **pari-mutual wagering** on horse/dog racing on a county option basis?

Favor	Oppose	Undecided	
<u>75%</u> 1	<u>23%</u> 2	<u>2%</u> 3	17

BACKGROUND

The Kansas constitution currently prohibits gambling. Amending the constitution requires a two-thirds approval by both the House of Representatives and the Senate plus a majority vote at the next state's general election. Should this constitutional amendment be approved, the Legislature would be required to pass legislation regulating the gambling activity.

For several years, a proposal similar to that stated in the question has been considered by the Legislature. Proponents of the proposal claim that pari-mutual betting would

bring needed revenue to the state. **This new** industry would also create jobs and a market for Kansas farm products. Opponents claim that pari-mutual betting opens an avenue for organized crime and that this activity lowers the quality of life in the state.

STATE GOVERNMENT

6. QUESTION

On the 1982 NFIB/Kansas State Ballot voting members supported a proposal (87% to 8%) to allow vendors who supply **goods and services to state government** to charge interest on overdue state accounts.

A. When should interest begin on overdue accounts? (Check one)

15 days	<u>6%</u>
30 days	<u>73%</u>
45 days	<u>10%</u> 18
60 days	<u>9%</u>
No opinion	<u>2%</u>

B. What interest rate should the state pay? (Check one)

½% per month	<u>3%</u>
1% per month	<u>21%</u>
1½% per month	<u>51%</u>
2% per month	<u>7%</u> 19

Tied to some standard rate (federal T-bill rate, major banks prime rate, etc.) 17%

Other (please specify) 1%

7. QUESTION

Are there **state regulations** which may be appropriate and necessary for certain business operations but are burdensome, costly, and unnecessary for you as a **small business** operation? (Please use Comment section for examples)

Yes	No	Undecided	
<u>45%</u> 1	<u>18%</u> 2	<u>37%</u> 3	20

BACKGROUND

On the 1982 NFIB/Kansas State Ballot voting members favored by 68% (19% opposed) a state regulatory flexibility law which would require state agencies, before adopting regulations, to consider the ability of small businesses to comply. Furthermore, periodic review would be required to deter-

mine the necessity and appropriateness of a regulation and whether certain modifications could be permitted for small businesses. This means that regulations would be "flexible," allowing certain exceptions for specific businesses or types and sizes of businesses.

GENERAL BUSINESS

8. QUESTION

Is there a possibility you would hire one or more **additional employees** in the next 12-18 months?

Yes	No	Maybe	
<u>47%</u> 1	<u>36%</u> 2	<u>17%</u> 3	21

8A. Would any of the following changes encourage you to hire additional employees? (Rank the **three** highest priorities as 1, 2, 3)

Reduction in unemployment security taxes	<u>9%</u>
Reduction in workers compensation taxes	<u>6%</u>
Reduction in interest rates	<u>13%</u>
Reduction in minimum wage for teenagers	<u>6%</u>
Reduction in minimum wage for adults	<u>3%</u> 22-24
Tax incentives to expand current operation	<u>8%</u>
Reduction of state reporting requirements, regulations, etc.	<u>3%</u>
Reduction in corporate income taxes	<u>4%</u>
Reduction in business property taxes	<u>9%</u>
Other (specify in Comment section)	<u>1%</u>
No response	<u>38%</u>

BACKGROUND

Many are concerned about improving the Kansas economy and reducing unemployment. Government officials are interested in what changes you, the business person, believe are necessary to accomplish this goal.

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**1983 KANSAS
STATE BALLOT**

**MAKE YOUR VOICE HEARD
VOTE FOR SMALL BUSINESS**

1983 KANSAS

Place
Stamp
Here

Mail To:

NFIB®

National Federation of Independent Business
150 West 20th Avenue
San Mateo, CA 94403

REQUEST FOR QUOTATION
SUBMIT BID TO
DEPARTMENT OF ADMINISTRATION
DIVISION OF PURCHASES
STATE OFFICE BUILDING TOPEKA, KANSAS 66612

QUOTATION _____
DATE MAILED _____
CLOSING 2:00 P.M. _____

1. IN COMMUNICATING ALWAYS REFER TO THE ABOVE QUOTATION NUMBER.
2. IN ORDER TO RECEIVE CONSIDERATION FOR AWARD, ONE COPY OF THIS " REQUEST FOR QUOTATION " PROPERLY COMPLETED AND SIGNED MUST BE RETURNED TO, AND RECEIVED BY THE DIVISION OF PURCHASES NOT LATER THAN THE SPECIFIED CLOSING TIME.
3. ALL PRICES, TERMS AND CONDITIONS MUST BE SHOWN. ANY PRICES, TERMS AND CONDITIONS NOT SHOWN, AND PRESENTED AFTER THE SPECIFIED CLOSING TIME WILL NOT BE CONSIDERED IN THE BID EVALUATING PROCESS.
4. PURCHASE ORDERS OR CONTRACTS RESULTING FROM THIS QUOTATION MAY NOT BE ASSIGNED WITHOUT WRITTEN PRIOR APPROVAL FROM THE DIRECTOR OF PURCHASES.
5. THE SELLER AGREES TO PROTECT THE PURCHASER FROM ALL DAMAGE ARISING OUT OF ALLEGED INFRINGEMENTS OF PATENTS.
6. UNLESS OTHERWISE SPECIFIED, THE DIRECTOR OF PURCHASES RESERVES THE RIGHT TO ACCEPT OR REJECT ALL OR ANY PART OF THIS QUOTATION.
7. ALL OFFERED DISCOUNTS WILL BE CONSIDERED IN DETERMINING THE LOW BID AND TAKEN WHEN PAYMENT IS MADE.
8. BID AND PERFORMANCE GUARANTEE, WHEN REQUIRED WILL BE OUTLINED IN THE SPECIFICATIONS BELOW.
9. ALL PRICES QUOTED ARE TO BE LESS FEDERAL EXCISE AND STATE SALES TAXES.

IF ADDITIONAL INFORMATION IS DESIRED

CONTACT _____ PHONE 296- _____

THIS SPACE FOR BIDDER'S NAME AND ADDRESS

THIS IS NOT AN ORDER

Agency Purchase Requisition(s) No. _____
DELIVERED F. O. B. DESTINATION: _____

(Name and Address of Agency)

If Given an Order, Bidder Agrees to Furnish the Items Enumerated Hereon at the Price(s) and Under the Conditions Indicated

QUANTITY AND UNIT	ITEMS AND SPECIFICATIONS	UNIT PRICE		AMOUNT
	SHEET OF			

It is hereby agreed that the bidder will, if required by law, comply with the Kansas Act Against Discrimination, K.S.A. 44-1030 et seq.

(SEE REVERSE SIDE)

SHOW TERMS _____

DELIVERY WILL BE MADE _____ DAYS AFTER RECEIPT OF ORDER

CD

SIGNED BY: _____

TITLE _____

DATE _____

PHONE _____

Attch. 2

APPENDIX A

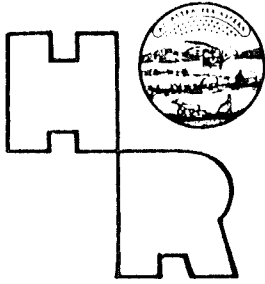
Chart of States with Prompt Payment Statutes or Regulations

STATE	STATUTE/ REGULATION	YEAR ENACTED	CONTRACTS COVERED	STANDARD OF PAYMENT	INTEREST	APPLICATION OF STATUTE - REGULATION
ALASKA	STATUTE	1982	construction	30-day	10.5% annually	Any state or political subdivision of the state
ARIZONA	STATUTE	1982	ALL	30-day	10.0% annually	Any state agency, school district, or office or agency established by a county
CALIFORNIA	STATUTE	1982	ALL	30-day	.25% per day	All state agencies
FLORIDA	STATUTE	1974	ALL	45-day	1% per month	All state agencies
HAWAII	STATUTE	1977	ALL	60-day	1% per month	Any agency of the state or any county
ILLINOIS	STATUTE	1975	ALL	60-day	1% per month	Any state official or agency authorized to provide payment from state funds
INDIANA	STATUTE	1933	highway	180-day	1% per month	State Highway Department
MARYLAND	REGULATION		ALL	35-day construction 45-day non-construction	NONE	All state agencies
MASSACHUSETTS	STATUTE	1977 1961	utility construction	55-day 65-day	NONE **	State, city, town or political subdivision
NEBRASKA*	STATUTE	1975	ALL	30-day	NONE	All state agencies
NORTH CAROLINA	STATUTE	1931	ALL	30-day	NONE	All state agencies
OREGON	STATUTE	1979	ALL	45-day	.67% per month	All state agencies
SOUTH CAROLINA	STATUTE	1981	ALL	30-day	15.0% annually	All agencies and institutions of the state
VIRGINIA	REGULATION	1979	ALL	60-day	1% per month	All state agencies
WASHINGTON	STATUTE	1981	ALL	30-day	1% per month	Every state agency and unit of local government
WEST VIRGINIA	REGULATION		ALL	90-day	6.0% annually	All state agencies
LOUISIANA	STATUTE	1982	ALL	30-day***	.5% per day	All state agencies

* Later found to be unconstitutional.

** Construction statute provides for payment of interest penalties on late payments at a daily rate of three percentage points above the rediscount rate then charged by the Federal Bank of Boston.

*** Except, a 45-day standard of payment for Entitlement Programs



KANSAS DEPARTMENT OF

Human Resources

ADVISORY COMMITTEE ON MEXICAN AMERICAN AFFAIRS

109 W. 9th St., Suite 200, Topeka, Kansas 66612 (913) 296-3465

John Carlin
Governor

James M. Apodaca
Executive Director

TESTIMONY PREPARED FOR THE SENATE COMMITTEE ON
GOVERNOR'S COMMITTEE AGRICULTURE AND SMALL BUSINESS CONCERNING S.B. 295

Antonio Augusto
Salina

Gilberto R. Chabarría
Liberal

James P. Garcia
Wichita

Marcella Leon
Independence

John J. Mendez
Kansas City

Raul Velasquez
Ulysses

by James M. Apodaca
Executive Director

The KACMAA in its role as liaison between Kansas state government and the Kansas Hispanic Community has had the occasion to visit with individuals who are small businessmen. When queried about whether they have made efforts to obtain contracts with the state, a common reply is that they would go broke waiting on the state for reimbursement for services.

A serious obstacle to Hispanic businesses' participation in the state's small business set aside program, as authorized by K.S.A. 1979 Supp. 75-6002 et seq, is the lack of prompt payment by the state. The effect of this obstacle was highlighted in a report prepared by the Department of Administration ("The Kansas Small Business Procurement Act: A progress report to the Governor, Legislature and the Secretary of Economic Development"). This report shows that only three-tenths of one percent (0.3%) of the nearly four hundred and ninety-eight million dollars (\$498 million) was awarded to minority businesses. This amounts to only slightly more than \$1,688,000 awarded to minority businesses.

If minority businesses are to participate with the state, one of the necessary remedies is to insure that prompt payment will take place thereby eliminating or reducing the problems associated with cash flow. Minority and other relatively small, new businesses then will not be at the mercy of the attitudes or insensitivity or purchasing agents, other bureaucrats and bankers who can either withhold payment or refuse to extend loans, causing their businesses to fail.

We ask for your support of S.B. 295.