

Approved April 23, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Labor, Industry and Small Business

The meeting was called to order by Senator Dan Thiessen at
Chairperson

1:30 ~~xxx~~/p.m. on Monday, March 3, 1986 in room 527-S of the Capitol.

All members were present except:

Committee staff present:

Jerry Donaldson, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Senator David Kerr
Phil Bradford, Director, Kansas Advanced Technology Commission
Ed Thomas, Lenexa Chamber of Commerce
Larry Wolgast, Secretary, Kansas Department of Human Resources
John Rathmel, Department of Human Resources, Workers Compensation Division
Bill Morrissey, Department of Human Resources, Workers Compensation Division
Larry McGill, Representative, Independent Insurance Agents
Senator Wint Winter

The Chairman called the meeting to order at 1:30 p.m.

Senator Morris moved to approve the minutes of February 24, 1986 and February 25, 1986, seconded by Senator Daniels. Motion carried.

SB632 - Concerning Kansas business development grant program.

A hearing was held on the bill.

Senator Kerr said what we are proposing is to make up the matching grant program for phase 1, of the Federal SBIR grants, and our goal is to get a very flexible grant to help bridge the time period between phase 1 and phase 11 of the Federal program.

Phil Bradford explained what the SBIR program is and why it is important that the State be involved. The program was designed for small innovated businesses engaged in research. The Federal intent of the program is to create new products for services which provide economy growth and employment in the United States. The Federal Government ask of those companies, be provided with certain results, the product development of their contractual format. (Attachment A) I have Judy Kruger with me today and she has a list of the Federal Agencies involved in the SBIR program. (Attachment B)

There was discussion regarding why are we being asked to help on Federal grants, and are they based on merit or population. Phil Bradford said the grants are based on a percent of research dollars, and the percentage is something like 10% of the research budget. The awards are based on merit, but the number of awards are based on population.

Ed Thomas I had some questions but I did not know exactly what this bill curtailed and I don't think after hearing this meeting that my questions apply.

SB634 - Concerning Workmen's Compensation, relating to definition of employee.

Larry Wolgast said this bill was requested by Senator Winter due to a letter he received which you have a copy of (Attachment C) The Department responded to this request, and SB634 is an attempt to solve problems of volunteer officers of a corporation such as a cemetery corporation. Under present law the corporation would have to provide workers compensation coverage for the officers. There are several different groups that could be taken in, the way this bill is drafted, the holding officers of non profit organizations that are not paid would

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Labor, Industry and Small Business,
room 527-S Statehouse, at 1:30 ~~xxx~~ p.m. on Monday March 3, 1986

be exempt from having to provide workers compensation. There could be some question concerning the broad differentiation for the officers of these corporations, but the department feels this is the way to go.

John Rathmel In addition to covering the employees that are cutting the grass from the tombstones, under the definition prior to this proposed amendment even corporate officers who are in a non-profit corporation who are not being paid were considered employees of that corporation. This is based on taxes, not payroll.

Bill Morrissey said the premium for some officers is a flat rate based on a presumed salary for the entire year, others have been constructed by underwriting a rule based on a voluntary basis, they do a comparison for this kind of employment. They simply have an underwriting rule that says for this class this is what the premium will be. As for claims, since they are volunteers, we look to other types of employment to see what their pay would be if they were not volunteers. The volunteers would not normally be covered except that they are also executive officers, which brings money in then this would say, if they are not paid wages, then they are not covered by the act.

Larry McGill I talked with Bill Eddy (Attachment C) last week and discussed the bill with him and he explained that the Veterans of Foreign Wars of Lawrence, KS where an astute auditor came in and picked up the pay-roll on volunteers, cost them about \$500. for an extortion they did not know they had.

Senator Winter When Bill Eddy wrote me, I am not sure if he wrote as an executive officer of a non-profit organization or as an insurance agent. He is both, so he knows the problems of this case. The 2nd paragraph of his letter on the last page indicates what is important here. The bill does not provide for the option to opt in or out of coverage. I would request the committee to amend it, to say "a executive officer, not for profit corporation, that is not paid and does not receive salary should be excluded in coverage, unless they specifically opt to be included under the coverage" in which case they would also pay for it. If it is not written to allow that option to be in the coverage, then I would ask that the committee make that amendment.

Bill Morrissey We would support this amendment as I think it would be better for both sides.

Chairman Thiessen said we would take this up at a later date, and concluded the hearing on SB634, and the Chairman told the committee members we would have a hearing on SB597 tomorrow, and have discussion and possible action on SB586, SB614, SB617, SB632 and SB634.

The meeting adjourned at 2:20 p.m.

SBIR Awards

- FEDERAL GRANTS UNDER THE SBIR ACT FOR:
 - SMALL INNOVATIVE BUSINESSES ENGAGED IN RESEARCH
 - NEW PRODUCTS OR SERVICES TO PROVIDE ECONOMIC GROWTH AND EMPLOYMENT IN THE U.S.A.

- GRANTS -- NOT LOANS, NOT EQUITY --

REQUIREMENT IS FOR RESEARCH RESULTS AND PRODUCT DEVELOPMENT EFFORTS UNDER CONTRACTUAL FORMAT

- TWO PHASES --

PHASE I: FEASIBILITY STUDY - \$50,000

PHASE II: PROTOTYPE DEVELOPMENT - \$500,000

SBIR GRANTS ARE AWARDED:

- TO SMALL COMPANIES, NOT TO UNIVERSITIES, RESEARCH FOUNDATIONS, OR GOVERNMENTAL AGENCIES.
- ON A COMPETITIVE BASIS. THE COMPANY'S PROPOSALS ARE EVALUATED BY A PRESTIGIOUS NATIONAL TECHNOLOGICALLY ASTUTE PANEL OF SCIENTISTS AND BUSINESS LEADERS. IN ORDER TO RECEIVE AN SBIR GRANT AWARD, A COMPANY MUST BE THE BEST OF THOSE AT OR AHEAD OF THE LEADING EDGE OF TECHNOLOGY IN THEIR FIELDS.
- WITH EXPECTATIONS THAT THE COMPANY WILL MAKE USE OF OPPORTUNITIES TO WORK CLOSELY WITH ACADEMIC INSTITUTIONS, NATIONAL LABORATORIES, OR LARGE CORPORATE CUSTOMERS AND SUPPLIERS.
- BY NUMEROUS FEDERAL AGENCIES, DOE, DOD, DOT, HHS, ETC., ACCORDING TO RELEVANCY, WITH APPROPRIATE VARIANCES (SECURITY FOR DOD, GMP FOR HHS, ETC.)

STATE ROLES IN SBIR AWARDS

- MATCHING PHASE I AWARDS - \$50,000 EACH

PROVIDED BY 18 STATES WITH VARYING REQUIREMENTS

- OPERATION MUST REMAIN IN STATE DURING PHASE II
- COMPANY MUST APPLY FOR PHASE II
- FUNDS ONLY FOR PHASE II APPLICATION, NOT FOR EQUIPMENT
- CAPS ON NUMBER OF MATCHING AWARDS

- MATCHING PHASE II AWARDS - \$500,000

PROVIDED ONLY BY ARKANSAS

- SBIR QUALIFIED PROJECTS ARE OFTEN HIGHLY MOBILE AND CAN BE EASILY RELOCATED
- STATE ADMINISTRATIVE COSTS ARE VERY LOW, USUALLY LIMITED TO MONITORING
- ATTRACTS VENTURE CAPITAL TO THE STATE

KNOWN SBIR AWARDEES IN KANSAS

- COMPUTER AND INFORMATION SCIENCES, INC. (913)537-0613
2316 ANDERSON AVE., MANHATTAN, KS 66502
CONTACT: DR. PAUL FISHER, PRESIDENT

DEVICES FOR EFFECTING VERBAL COMMANDS TO COMPUTER

- INTERNATIONAL MICRO IMAGES, INC. (913)485-2305
RT. 4, BOX 339, MANHATTAN, KS 66502
CONTACT: DR. JOHN W. SAGARTZ, PRESIDENT
OR: DR. FRANK A. TILLMAN

DIGITAL TRANSMISSION OF MICROSCOPIC HISTOPATH IMAGES

- OREAD LABORATORIES (913)749-0034
2065 CONSTANT AVE., WEST CAMPUS, UNIVERSITY OF KANSAS,
LAWRENCE, KS 66046
CONTACT: DR. HOWARD MOSSBERG, PRESIDENT

REAGENTS AND METHODS FOR PEPTIDE ANALYSIS

<u>COMPANY</u>	<u>SBIR AWARDS</u>	<u>CURRENT EMPLOYMENT</u>	<u>1990 EMPLOYMENT</u>
CIS	I & II	35	300
IMI	I	4	200
OL	I	~10	350



1011 WESTDALE RD.

P. O. BOX 1290

LAWRENCE, KS 66044-8290

(913) 843-2772

Labor, Industry & Small Business Committee
Senate Chamber
State Of Kansas
Topeka, Kansas

RE: Senate Bill 634

Gentlemen:

According to the Workers Compensation Insurance Manual, there is not coverage afforded for Volunteer Workers unless a specific endorsement is added to the policy and an appropriate premium is paid. It is a clear option and no misunderstanding should occur as to whether an injured volunteer worker is covered.

My interest and support of SB634; however, is that there is confusion concerning Executive Officers of a non-profit corporation who serve without pay - Volunteers.

The current law states that executive officers of a corporation are covered. The Workers Compensation Commission interprets this as there being no distinction between profit and non-profit corporations regardless of whether the officers are paid or strictly volunteer. With this interpretation, a volunteer officer of a non-profit corporation could collect benefits under the law if he were injured while within the scope of his activities for the corporation. And because there would be coverage it is reasonable and fair for an insurance company to allocate a charge for the protection.

This situation is causing confusion and additional premium surprises on audit for some non-profit corporations who are struggling to exist financially. Those who have not exercised their option to insure volunteers do not expect or want coverage for any volunteer including non-compensated executive officers.

Senate Labor, Industry & Small Business
Attachment C 3-03-86



"PERSONALIZED PROFESSIONAL SERVICE" FOR OVER 50 YEARS



There is currently no consistency among companies in making a charge for these non-compensated officers. I believe the reason to be that most do not understand that they currently have an exposure for those people under the law. It is my opinion that there will be more premium allocations in the future.

The answer to this problem is to give the non-profit corporations a clear option rather than legislating coverage which probably was never intended and not wanted in the first place.

It is permissible for officers of non-profit corporations to sign an election form not to be covered under workers compensation if they are at least a 10% stockholder. This option is exercised by many officer/owners of small corporations. Why then would we not allow officers of non-profit corporations to option out?

It would appear that the provisions of Senate Bill 634 as presented by Senator Winter does solve the problem by eliminating Executive Officers of Non-Profit Corporations under the definition of "Employee" except when said officer is being paid wages by the corporation. It further leaves the option for these people to be afforded coverage if the corporation should elect to include coverage for volunteers as provided on lines 0050 and 0051.

Your efforts in adopting this change will be greatly appreciated.

Sincerely,



William W. Eddy, Jr.

WWE:tv