

Approved 2-9-88
Date

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE

The meeting was called to order by SENATOR ROY M. EHRLICH at
Chairperson

10:00 a.m. on February 1, 1988 in room 526-S of the Capitol.

All members were present except:

Committee staff present:

Emalene Correll, Legislative Research
Bill Wolff, Legislative Research
Norman Furse, Revisor's Office
Clarene Wilms, Committee Secretary

Conferees appearing before the committee:

Michael Byington, Topeka Resource Center for Handicapped/Kansas
Association for the Blind and Visually Impaired
Debbie Brummer, President, State Committee of Blind Vendors
Robert Sheldon, Administrator, Business Enterprise Program
Larry E. Waymire, Secretary/Treasurer, Randolph-Sheppard Vendors
of Kansas
Stephen Schiffelbein, Acting Commissioner, Rehabilitation Services,
SRS

Michael Byington appeared before the committee to request a bill which would elevate provisions referenced in the K.A.R.s to a level of state law where they would more easily come to the attention of district court judges. Mr. Byington stated this change was needed assessed from Medikan or Medicaide clients by judges who appear to lack knowledge of the regulation which states such clients should not be billed. Attachment 1

Senator Francisco moved that the committee introduce the bill. Senator Bond seconded the motion and the motion carried.

Michael Byington, Kansas Association for the Blind and Visually Impaired, stated his organization supported HB-2504. This bill would substitute the word "priority" for "preference", the language now used in the federal legislation. It would also provide more opportunities for the employment of the blind. Attachment 2

Debbie Brummer, President, State Committee of Blind Vendors, appeared before the committee urging support for HB-2504. Ms. Brummer stated that the Business Enterprise Program provides remunerative employment opportunities to blind persons in Kansas. Numerous questions were asked by the committee concerning the deletion of third class city exemptions and the change in the number of members participating in the committee of blind vendors. Attachment 3

Robert Sheldon, Business Enterprise Program Administrator spoke to the committee stating that federal regulations apply to expenditures at any time federal monies are intermingled. At the present time 30% of funds come from the vendors and 70% is federal money. Mr. Sheldon stated it was necessary to include third class cities in the law so every opportunity is provided to blind vendors to work.

Larry Waymire, Secretary/Treasurer of the Randolph-Sheppard Vendors of Kansas spoke to the committee in support of HB-2504. Mr. Waymire presented, as part of his testimony, the paper titled "An Economic Impact Analysis of the Blind Facilities Program in Kansas." This paper states that the Blind Vending Facilities Programs in Kansas manifests positive economic effects at every involved level of the

CONTINUATION SHEET

MINUTES OF THE SENATE _____ COMMITTEE ON PUBLIC HEALTH AND WELFARE _____,

room 526-S, Statehouse, at 10:00a.m./p.m. on February 1, 1988

state and federal governments. House Bill-2504 would increase the potential for employment for vendors. Attachment 4

Staff was requested to draft a grandfathering clause for HB-2504.

Written testimony by Stephen Schiffelbein, Acting Commissioner, Rehabilitation Services, was presented to the committee. This testimony stated that SRS supports HB-2504 as a means of expanding vending facility manager employment opportunities for blind persons and empowering more of them to become employed and independent. Attachment 5

The meeting adjourned at 11:01 a.m. and will convene at 10:00 a.m. Tuesday, February 2, 1988.

SENATE
PUBLIC HEALTH AND WELFARE COMMITTEE

DATE February 1, 1988

(PLEASE PRINT)
NAME AND ADDRESS

ORGANIZATION

GARY Robbins

Ks opt assn

KEITH R LANDIS

CHRISTIAN SCIENCE COMMITTEE
ON PUBLICATION FOR KANSAS

Bill Munk

SRS-BUS ENT. PROG

MIKE ROBERTS.

SELF

KEN RICE

SRS, BUS. ENT. PROG.

Larry Weymire

RSVF9NFBK

Les Brunner

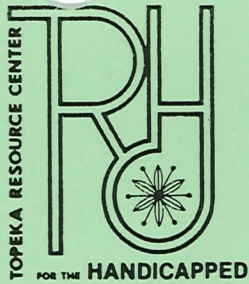
SELF

Michael Byington

Ks. Comm for Blind and v. J.
and TRCH. J.

Debbie Brunner

3/2. Comm for Blind Vendors.



TOPEKA RESOURCE CENTER FOR THE HANDICAPPED

West Tenth Professional Building
1119 West Tenth, Suite 2
Topeka, Kansas 66604-1105

Telephone
913-233-6323

February 1, 1988

TO: Senate Committee on Public Health and Welfare

FROM: Michael J. Byington

SUBJECT: Request for bill introduction

This request involves elevating some language which currently exists at a Kansas Administrative Regulations level to a level of State Law. This is necessary because the K.A.R.s involved are currently largely being ignored by the courts.

Kansas Administrative Regulations currently state in essence that a medical service provider can not bill a MediKan or Medicaid client for services which did not turn out to be covered under these programs unless agreement to this extent has been made in advance, and unless the patient understands that the services are non-covered in advance. The same body of K.A.R.s goes on to state that the patient can not be charged if the provider has failed to meet program requirements including prior authorization.

Specifically, the K.A.R. in question is 30-5-59, Sections (8) through (12). Enforcement of this K.A.R. is then covered in 30-5-60.

Currently, the following is a scenario of what is happening to some to the disabled people with whom I work professionally. They go to a doctor or other medical provider and are told that they need a particular service. They explain that they are a MediKan or Medicaid recipient. The medical provider acknowledges this. The service is given and then the medical provider makes some type of mistake in filing the paperwork with S.R.S. They fail to prior authorize, to submit on time; they were wrong about the service being covered in the first place, etc. S.R.S. thus does not pay for the service. The staff of the medical provider bills the client for the service. The client can not pay and is under the impression that the bill has been covered by MediKan or Medicaid anyway. They thus do not pay. In due course, the medical provider turns the bill over to a credit collector who in turn takes the patient to court. Usually, in such cases, the judge is not aware of the provisions in the K.A.R.s and finds a judgment against the client in violation of the K.A.R.s.

The solution, quite clearly, is to elevate the provisions referenced in the K.A.R.s to a level of state law where they will come more easily to the attention of district court judges. We are thus requesting that K.A.R. 30-5-59 and 30-5-60 be elevated to becoming State law.

Kansas Association for the Blind and Visually Impaired, Inc.

February 1, 1988

TO: Senate Committee on Public Health and Welfare

FROM: Michael J. Byington, Registered Kansas Lobbyist

SUBJECT: HOUSE BILL 2504

Our organization rises in support of House Bill 2504. We are the largest and oldest all volunteer advocacy organization for the blind and visually impaired in the state of Kansas.

The Kansas Legislature and its many Committees are frequently presented with information concerning unemployment. When unemployment in a given rural or urban area hits 10%, lawmakers from the area scream with concern and take decisive actions to change the situation. Think now about unemployment of the blind and legally blind working age adult. That figure ranges from 66% to 70% according to materials provided by the President's Committee on Employment of the Handicapped and the American Council of the Blind.

Under most circumstances, if a lobbyist came to you and told you there was a program which could prevent unemployment of the blind and legally blind, and told you that that program is of no costs the tax payers, but rather strengthens the general economy of the state, you would categorize the allegation right up there with ocean front property in Kansas. In this case, however, the claim is true; such a program exists.

The Randolph-Sheppard Act was adopted by the United States Congress during the Roosevelt Administration. It provided for blind and legally blind individuals to be trained as restaurant and concession managers, and to then have priority to manage such facilities located in federal facilities. The program was so successful, that all states soon followed with their own little Randolph-Sheppard acts providing for similar training of the blind in order for them to also manage cafeterias and concession stands in state, county and city buildings. The Kansas Little Randolph-Sheppard Act is K.S.A. 75-3337 et seq. It has served Kansas well over the past several years and currently there are 24 vending facilities in the state operated by blind managers trained and licensed by the Kansas Division of Services for the Blind. These food service establishments are located not only in federal, state, county, and city buildings, but also, the program offers such expertly managed food service establishments, that several privately owned factories and office buildings feature cafes managed by blind vendors trained and supervised by the Kansas Division of Services for the Blind. The closest Randolph-Sheppard cafe facility to all of you is located in this building with outlets on the first and third floors. Other facilities in the state range from locations featuring a

total vending machine operation to full service cafeterias.

Now these facilities do not cost the tax payer anything. The blind vendors are independent businesspersons whose incomes are based on their promotional and management skills. All that is provided to them by the State is management training, equipment, and monitoring; the law provides for the space to be made available to the blind vendor, but none of the items just mentioned come to the vendor free. Each blind vending facility manager pays a fee for training, monitoring, equipment, and space called an assessment. This is paid to the Division of Services for the Blind and is used to keep the program self-supporting. The assessment is a business expense just as any other businessperson would have.

Without this program, there are somewhere around 24 blind or legally blind individuals who would not be working. Given the unemployment statistic with reference to the blind, it can be assumed that these individuals probably would not be able to find other employment. They would then be a draw on the tax payers rather than be tax payers themselves. Now none of the Kansas vendors are getting rich from their labors. The incomes of the managers vary, but most blind vendors work hard and thereby produce a middle-class income. They pay taxes on this income just as does everyone else.

The existence of the currently 24 Randolph-Sheppard vending facilities managed by blind people does not just benefit the managers with employment. Many of the facilities are large enough to warrant several employees under the supervision of the blind manager. Thus, over 75 other individuals, as well as the blind managers, are employed through the program.

House Bill 2504 simply updates the Kansas Little Randolph-Sheppard Act to make it consistent with the current federal Randolph-Sheppard Act. It substitutes the word "priority" for the word "preference." This is the language used in the federal legislation, so it makes the Little Randolph-Sheppard Act of Kansas consistent with federal case law. It will thus open more opportunities for the employment of the blind in the restaurant management field as well as employment opportunities for other Kansans working in the resulting facilities. All of this can occur with no fiscal note except for a positive one as the Kansas economy is assisted. Please act favorably on this bill.

BRUMMER
PRESIDENT

GERALD GRIGGS
VICE PRESIDENT

LARRY WAYMIRE
SECRETARY-TREASURER

CATHERINE DAWSON
EASTERN DIVISION

SANDRA TERRY
WESTERN DIVISION

State Committee of Blind Vendors

TESTIMONY
by Debra Brummer

TO: All members Senate Committee, Public Health and Welfare

SUBJECT: House Bill # 2504

DATE: February 1, 1988

On behalf of the blind persons in Kansas who are licensed to operate vending facilities under KSA 75-3337 et. seq., I strongly urge you to support House Bill # 2504, and recommend its passage to the full Senate for consideration.

This bill will basically clean up the language and make it more consistent with the Federal "Randolph-Sheppard Act. "

The vending facility program, commonly known as the Business Enterprise Program, provides remunerative employment opportunities to blind persons in Kansas. These people, thus become tax payers in Kansas.

The Business Enterprise Program utilizes no state tax dollars for its operation, and in fact puts a great deal of money back into the state's economy through state income tax and state sales tax.

To insure the continued success of this important program, I urge you to support House Bill # 2504.

I have enclosed some background information which may be useful to you.

Randolph Sheppard Vendors of Kansas

Testimony

To: Senate Committee on Public Health and Welfare

Date: January 25, 1988

From: Larry E. Waymire Secretary/Treasurer
Randolph Sheppard Vendors of Kansas
President
Capitol Chapter, National Federation
of the Blind of Kansas

Regarding: Testimony for Public Health & Welfare House Bill #2504

Economic Impact Analysis by Robert Glass & Richard Sexton

University of Kansas

Following is a brief overview of the above. I have taken the liberty of noting what I feel to be the significant points of this economic analysis, along with relevant facts pertaining to the Business Enterprise Program.

The Blind Vending Facilities Program in Kansas does yield tangible economic benefits well in excess of its level of public support.

The State's share of public funds comes from the vendor's earnings, i.e., no State Tax Dollars.

The Program's benefit/cost ratio is about 8.27; or, for every \$1 spent on the Program, about \$7 are returned into the economy.

New income and employment generated through the Vending Facility Program will create additional income and employment through the multiplier process.

The total number of jobs created in 1978 was estimated to be 102, with the number increasing to 128 in 1986.

The 1983-86 estimates assume no changes in net income earned by the Program from the 1982 level. I feel the net income has risen. Also the State retail sales tax has risen since this survey.

Participation levels in the Program have been nearly unchanged since 1978. The reason for Bill #2504 is to increase employment opportunities within the BEP, among other things.

The study was rather conservative, by the authors' own admission, and assessed only the Program's tangible benefits, when it also generates significant intangible virtues.

The National Federation of the Blind of Kansas, an active and concerned consumer group, stands alongside the Randolph Sheppard Vendors of Kansas in regards to support for passage of House Bill #2504.

Research Papers in Economics & Business



AN ECONOMIC IMPACT ANALYSIS OF THE BLIND
VENDING FACILITIES PROGRAM IN KANSAS

Project Director

Robert Glass

Anthony Redwood
Director

Institute for Economic and Business Research
University of Kansas

November, 1983

This study was funded through the State Department of Social and Rehabilitation Services. All views expressed are solely those of the authors. Richard Sexton and Michael Valk assisted Mr. Glass on this project.

An Economic Impact Analysis of the Blind Vending Facilities Program
in Kansas

INTRODUCTION

According to the most recent Census Bureau figures, 8.9 percent of working age Americans have some disability which limits the amount of kind of work they can perform. Twenty-six percent of those in this group live below the poverty rate, and only 22 percent worked full-time for the whole year in 1981.

Because of their reduced labor force participation, disabled persons are significant participants in major government assistance programs. In fact, 23 percent of the 12.1 million food-stamp recipients in 1981 were disabled while 37 percent of those receiving Medicaid had a work disability.

The development of training programs to better assimilate the disabled into the work force has long been a goal of public policy in the United States. Many would argue that such programs are meritorious irrespective of the cost outlays incurred. A more pragmatic approach, however, would require that these programs, just as any other, justify their mandate by yielding a tangible, positive economic impact at least commensurate with the public cost outlay.

Adopting such an approach, this study investigates one particular training program for the disabled, the Blind Vending Facilities Program in Kansas. The mandate for such programs came in 1936 with the passage of the Randolph-Sheppard Act which directed that state licensing agencies be commissioned to provide opportunities and encouragement for blind people to become self-sufficient and contributing members to society. The principal means by which this mission was to be discharged was the establishment of blind-managed vending operations in public facilities. The original legislation was strengthened and modified with the passage of the Randolph-Sheppard Act Amendments of 1974.

In evaluating the economic impact of the Blind Vending Facilities Program, the analyst's primary interest lies in determining the extent to which the program has succeeded in moving blind people from the public assistance rolls into productive positions in the work force. That is, the reduction in public assistance outlays and the commensurate increase in tax receipts constitute the tangible benefit accruing from these programs to the various governmental levels. Measuring these benefits and comparing them to the governmental outlays for this program, therefore, is the methodology employed in this analysis. The methodological problems in making these assessments are by no means small, however, and, hence, a somewhat detailed discussion of the analytical approach is called for and is provided in Section I. The section following discusses in some detail the analytic techniques employed to develop estimates of the economic impact of the Blind Vending Facilities Program, and Section III calculates those estimates. Section IV concludes the study proper, briefly presenting the major findings. Most notably, this section emphasizes that the Program has a positive economic effect on every relevant level of both the state and federal government.

I. Methodology for Estimating Economic Impact

To estimate the economic impact of the Vending Facilities Program, it is necessary to first determine the exact nature of that impact. In this regard, the critical question concerns whether the Vending Facilities Program simply redistributes jobs away from sighted workers to visually handicapped workers or whether the program actually generates new economic activity and increases the number of jobs in the Kansas economy. This issue should be considered from both a static and a dynamic perspective as demonstrated through the construction of a simple example.

For this purpose, first consider the economic impact of establishing a new blind vending facility in Kansas as a discrete activity specific to one singular moment in time. Within this context of static (timeless or noncontinuous) analysis, the economic effects of establishing such a facility in the state depend critically upon the magnitude of unemployed resources within the economy. If the Kansas economy is operating at full employment, then the new vending facility would represent an expansion of the economy. This conclusion follows from the observation that any workers (for example, restaurant employees) displaced by the new facility would be without work only temporarily in a fully employed economy and would quickly become assimilated into other sectors of the economy. Hence, the addition of the visually handicapped workers to the labor force represents an increase in the productive capacity of the work force and, during periods of full employment, results in an increase in the level of income generated in the local economy.

However, if the Kansas economy is operating at less than full capacity with significant numbers of unemployed persons, the economic impact from establishment of the new facility may be considerably different. At the outset, it is quite likely that some of the unemployed persons who are not visually handicapped could receive training and run the new facility in a manner comparable to the visually handicapped person being trained to run the facility. Furthermore, workers displaced due to competition from the blind-run operations would have trouble reassimilating into society in a high unemployment economy. As well, given the widely acknowledged virtues of the market mechanism as a tool for allocating resources, a compelling argument can be made that any viable vending services location would be developed by private enterprise. Under this scenario, the Vending Facilities Program simply replaces private investment with public investment and replaces a slighted manager with a visually handicapped manager. Thus, within a static

environment and with the assumption of substantial unemployment, the economic impact of the Vending Facilities Program is purely distributional, i.e., distributing resources from the sighted to the blind.

Static analysis, however, embraces only part of the economic effect. A dynamic approach, although more complex, can capture an economy's path of adjustment to an economic phenomenon and, in this manner, expose what is hidden from the static approach. Returning to the example of a new vending facility being established during a period of significant unemployment, the result changes when the activity is considered within a dynamic (continuous) context. The initial results of the dynamic analysis are the same as those of the static analysis: public investment replaces private investment and blind employment replaces sighted employment. However, as the economy changes over time, new possibilities for investment develop and new opportunities for employment become available for the unemployed sighted persons. Thus, the visually handicapped person who received the training eventually represents an increase in the productivity of the labor force given that the dynamic changes in the labor market will present over time new opportunities for employment for sighted persons who initially may have lost jobs to the visually handicapped. As such, the long-run result of the dynamic analysis becomes the same as that of the static analysis with full employment: the local economy expands with an increase in productivity and an increase in the level of income.

Thus, when dynamic considerations are incorporated into the analysis, it can be demonstrated that the Vending Facilities Program generates new economic activity and expands the Kansas economy whether one assumes full employment of the Kansas economy or not. Because the dynamic approach is more general in nature and is more appropriate to the present context, it forms the analytical framework for the rest of this study.

II. Estimating Economic Impact

The impact of the Vending Facilities Program upon the Kansas economy can be broken down into two fundamental effects: first, the activity's direct impact upon the economy, and second, the subsequent, reactive effects precipitated by the economic activity as the initial effect works through the economy.

Estimating the direct effect of the vending facilities can be accomplished in a straightforward fashion once the methodological issues are resolved. These concerns, as noted, revolve around the displacement effects due to blind workers initially replacing sighted workers and, consequently, the diffusion process as the disenfranchised sighted workers become assimilated back into the work force through the manifestation of new economic opportunities.

As the displaced sighted workers acquire new, productive employment, the Vending Services Program begins to generate new income, which constitutes the direct impact from the Program. Also important to recognize, however, is that economic activity begets further activity through what is commonly known as the multiplier process.

Basically, the multiplier process derives from the fact that income obtained by one person, when spent, becomes income to another person, and so forth. Hence, income becomes "multiplied" as it moves through the economy. This process, though, does not continue indefinitely and eventually atropies as income and expenditure "leak" from the point of initial income creation. Leakages can take the form of savings, taxes, or purchases of goods and services outside the local economy. Once income has left the local economy, it, of course, is no longer able to create further activity, and hence, the multiplication process ends.

An intuitive analogy for the multiplier phenomenon is the throwing of a rock into a pond. The immediate result is the splash which corresponds to the initial impact of an economic activity on an economy. Then, following the rock's descent, the impact can still be detected in the ensuing ripples. As these concentric circles expand toward the edge of the pond, they slow and diminish in force. This effect corresponds to the secondary or indirect impact of an economic activity; in fact, these secondary effects are sometimes referred to by economists as "the ripple effect."

Ripple effects, by nature, are not easy to estimate because they cannot be directly observed. This difficulty is surmounted in most cases through estimation of a multiplier which enable the secondary effects to be estimated without having to observe them.

The multiplier employed in this study was adapted from Kansas State University Professor Jarvin Emerson's Kansas Economy Input-Output Model. The multiplier is 1.84, and it relates directly to eating and drinking establishments in Kansas. This value corresponds closely to economic intuition concerning its appropriate value and is also consistent with previous Institute experience in the development of multipliers for Kansas.

Once a multiplier is in hand, the total income (TI) created from an infusion of economic activity (i.e., the direct and the secondary effects) is estimated as simply the product of the income multiplier, M_I , and the direct impact (DI). That is $TI = DI \times M_I$.

The remaining methodological consideration concerns positing the manner in which the direct impact is realized, i.e., the displacement and diffusion mechanism.

Based upon the discussion in Section I, the displacement effect, d , can be modeled as a function of time, t . Hence, it can be expressed as $d(t)$. The exact functional form of d depends upon economic conditions. In a full employment economy, as noted, assimilation of displaced workers occurs very quickly, and $d(t)$ tends toward zero over a short time interval. When economic conditions are poor, as they have been over much of the time interval covered by this study (1978-82), displaced will persist over a longer period.

Aside from this basic theory, there are few categorical rules to guide modeling of the displacement process, a condition that necessitates the exercise of some discretionary judgments on the analysts's part. Based, then, upon the judgment of the Institute analysts, the poor economic conditions which prevailed in Kansas over 1980-82 suggest that initial period displacement would be high. Therefore, it was assumed that $d(t_0) = 1.0$ where t_0 is the time period immediately following an infusion of economic activity from the Vending Services Program. It was further assumed that total reassimilation of displaced workers would occur after five years: $d(t_0+5) = 0$. And, because no other adjustment rate would seem innately superior to it, a simple, linear adjustment was assumed over the five-year period: $d(t_0 + 1) = 0.8$, $d(t_0 + 2) = 0.6$, $d(t_0 + 3) = 0.4$, and $d(t_0 + 4) = 0.2$.

In the forthcoming economic impact calculations, these adjustment parameters are applied only to new levels of economic activity flowing from the Program during the study period. For that level of activity which existed through 1978, it was assumed that the displacement effects had already worked their course or, in other words, that those displaced by the development of blind vending facilities had already become reconstituted within the work force. This assumption is plausible given the Program's relatively long history and the favorable economic conditions which prevailed during the 1975-78 period.

III. Estimated Impact of the Vending Facilities Program

A. The Total Income Effect

The income data for the Vending Facilities Program used for this study were for FY 1978 through FY 1982. (The fiscal year in this instance runs from October through September.) This length of time horizon is consistent with the intent to smooth out any possible aberrations of one particular year while avoiding the influence of possible institutional changes over longer time periods.

The direct income effect from the Program for each year is the net income (NI) generated by the program less any displacement effects. Table 1 contains NI (gross income-cost of goods sold) from the program in Kansas for FY 78 - FY 82. In each of the years examined, the Program attained some increase in the (current dollar) volume of income created.

Table 2 presents calculations of the total income effect. Total income (TI) in 1978 (year 1) is merely $NI_{78} \times 1.84$, because of the initial steady-state assumption. For 1979, however, new net income (NI_{79}) created during that year must go through the adjustment process. Hence,

$$TI_{79} = [NI_{78} + (1 - 0.8) NI_{79} \times 1.84 = \$1,637,000$$

The displacement effect for 1979 (also displayed in Table 2) is $NI_{79} \times 0.8 = \$74,200$.

Table 1

Net Income (Current Dollars) Earned in the Vending Facilities Program in Kansas					
	FY 78	FY 79	FY 80	FY 81	FY 82
GROSS INCOME (Total Sales from Vending Operations)	\$1,977,077	\$2,183,298	\$2,561,459	\$2,580,343	\$2,613,130
Cost GOODS SOLD	1,087,392	1,200,814	1,408,802	1,418,189	1,437,222
NET INCOME (Gross - Cost of) Income Goods	889,685	982,484	1,152,657	1,161,154	1,175,909
CHANGE IN NET INCOME	--	92,799	170,172	8,498	14,754

Table 2

Total Income Effect (Thousands of Dollars)

NET EFFECT	1978	1979	1980	1981	1982	1983	1984	1985	1986
EFFECT OF 1978	\$1,637.0	\$1,637.0	\$1,637.0	\$1,637.0	\$1,637.0	\$1,637.0	\$1,637.0	\$1,637.0	\$1,637.0
EFFECT OF 1979		34.2	68.4	102.5	136.6	170.8	170.8	170.8	170.8
EFFECT OF FY 1980			62.6	125.3	187.9	250.5	313.2	313.2	313.2
EFFECT OF FY 1981				3.1	6.3	9.4	12.5	15.6	15.6
EFFECT OF FY 1982					5.4	10.8	16.2	21.6	27.0
TOTAL	\$1,637.0	\$1,671.2	\$1,768.0	\$1,867.9	\$1,973.2	\$2,078.5	\$2,149.7	\$2,158.2	\$2,163.6

Displacement Effect (Thousands of Dollars)

DISPLACEMENT	BEFORE 1978	1979	1980	1981	1982	1983	1984	1985	1986
EFFECT OF FY 1978 AND BEFORE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EFFECT OF FY 1979		74.2	55.7	37.1	18.6	0	0	0	0
EFFECT OF FY 1980			136.2	102.1	68.1	34.0	0	0	0
EFFECT OF FY 1981				6.8	5.1	3.4	1.7	0	0
EFFECT OF FY 1982					11.8	8.8	5.9	2.9	0
TOTAL	\$0	74.2	191.9	146.0	103.6	46.2	7.6	2.9	0

Total income created for 1980 is found by expanding this procedure one additional step: NI_{79} goes through phase 2 of the adjustment process, and NI_{80} goes through phase 1. Hence,

$$TI_{80} = [NI_{78} + (1 - 0.6) NI_{79} + (1 - 0.8) NI_{80}] \times 1.84 = \$1,768.00$$

The displaced income for FY 80 is $0.6 \times NI_{79} + 0.8 \times NI_{80} = \$191,900$.

Further elaboration on the calculation methodology used to obtain Table 2 should be unnecessary. The table carries forward computations through FY 86. Those for FY 83 - FY 86 assume no new expansion of NI from the Program during these years. Total income created continues to grow, though, as the displacement effect continues to decay.

Summing up the Program's income impact over the five-year interval obtains \$8,916,00 in new total income created. Over the nine-year interval from 1978-86, the figure is \$17,466,000.

B. Estimated impact on Other Economic Variables

Estimation of the Program's Impact on other important variables is accomplished by exploiting the close relationship which exists between income and variables such as employment, retail sales, and taxes. For example, an employment multiplier for Kansas M_E , can be estimated simply as the ratio of total employment in the state to Kansas personal income, i.e.,

$$M_E = \frac{\text{Total Kansas Employment}}{\text{Total Kansas personal income}}$$

Although simple in form, this expression incorporates the fact that most personal income is created through employment, and that, therefore, from year to year, the ratio should remain very stable, changing only due to higher salaries over time.

Given M_E , the estimated employment impact of the Vending Facilities Program for any year is that year's M_E times that year's total income effect.

The methodology used to compute the so-called multipliers for the other variables analyzed in this study mirrors that utilized for employment. Hence, the expressions are presented below with little elaboration:

$$\text{Retail Sales: } M_R = \frac{\text{Kansas Retail Sales}}{\text{Kansas Personal Income}}$$

Accurate retail sales data are available only through the pentade Census of Retail Trade; therefore, M_R cannot be adjusted annually. Presently, the most recent data is for 1977.

$$\text{Retail Sales Tax: } M_{RT} = \frac{\text{Kansas State-Level Retail Sales Collections}}{\text{Kansas Personal Income}}$$

$$\text{State Income Tax: } M_{ST} = \frac{\text{Kansas State Income Tax Collections}}{\text{Kansas Personal Income}}$$

Federal income tax data for Kansas are not yet available for the years after 1980. Therefore, the 1980 multiplier was extended into the future. This fact, given the 1981 and 1982 tax cuts, probably overestimates the tax impact to some small extent.

$$\text{Federal Income Tax: } M_{FT} = \frac{\text{Kansas Federal Income Tax Collections}}{\text{Kansas Personal Income}}$$

Estimates for 1978-82 of the multipliers developed in this subsection are contained in Table 3. Table 4 contains the results from applying the constellation of multipliers to the annual total income effects derived in Table 2. The total number of jobs created in 1978 is estimated to be 102 with the total increasing to 118 in 1982 and eventually stabilizing at 128 in 1986 after the displacement effects have been completed.

Table 3

Economic Activity Multipliers for Kansas

	1978	1979	1980	1981	1982 and BEYOND
EMPLOYMENT MULTIPLIER	0.0625	0.0555	0.0517	0.0459	0.0429
RETAIL SALES MULTIPLIER	0.4640	0.4640	0.4640	0.4640	0.4640
RETAIL SALES TAX MULTIPLIER	0.0176	0.0163	0.0158	0.0150	0.0146
STATE INCOME TAX MULTIPLIER	0.0158	0.0150	0.0164	0.0156	0.0188
FEDERAL INCOME TAX MULTIPLIER	0.0842	0.0899	0.0899	0.0899	0.0899

TABLE 4

The Effect of the Vending Facilities Program on Other Economic Variables

	1978 AND BEFORE	1979	1980	1981	1982	1983	1984	1985	1986
EMPLOYMENT GENERATED (Number of Jobs)	102	104	109	114	118	124	127	127	128
RETAIL SALES GENERATED (Thousands of Dollars)	759.6	775.4	820.4	866.7	915.6	964.4	997.5	1,001.4	1,003.9
TAXES GENERATED IN THOUSANDS OF DOLLARS									
RETAIL SALES TAX	28.8	27.2	27.9	28.0	28.8	30.3	31.4	31.5	31.6
STATE INCOME TAX	25.9	25.1	29.0	29.1	37.1	39.1	40.4	40.6	40.7
STATE TOTAL	54.7	52.3	56.9	57.1	65.9	69.4	71.8	72.1	72.3
FEDERAL INCOME TAX	137.8	140.7	157.2	166.1	175.4	184.8	191.1	191.9	192.3

Similarly, new retail sales were estimated to be \$759,600 in 1978, increasing thereafter to \$915,600 in 1982, and eventually stabilizing at \$1,003,900 in 1986.

New revenue collections from the taxation of the sales and income generated by the Program were estimated to total \$54,700 in 1978, to increase to \$65,900 by 1982, and to stabilize at \$72,300 by 1986. Finally, federal tax collections were enhanced by an estimated \$137,800 in 1978, \$175,400 in 1982, and \$192,300 when the steady state is attained in 1986.

Some notes are in order concerning the appropriate interpretation of these figures. In particular, it should be reiterated that the 1983-96 estimates assume no changes in net income earned by the Program from the 1982 level. The changing estimates are due to the displacement effects. Also worth noting is that retail sales and tax collections are flow variables which can be summed over time to yield an aggregate total. For example, total new retail sales estimated for 1978-82 were \$4,137,700. The estimated total over the nine-year period from 1978-86 is \$8,104,900.

Similar aggregations for the tax variables are as follows:

	<u>1978-82</u>	<u>1978-86</u>
Kansas Retail Sales Tax	\$140,700	\$ 265,500
Kansas Income Tax	146,200	307,000
Total Kansas Tax	286,900	572,500
Federal Income Tax	777,200	\$1,537,300

Employment, conversely, is a stock variable which should not be aggregated across years because, from year-to-year, basically the same jobs are being counted. Thus, it is only appropriate to say that about 128 jew jobs will have been created by the Program.

C. Net Economic Impacts of the Blind Vending Facilities Program in Kansas

It was estimated in Subsection A that \$8,916,000 in new net income was created by the Program from 1978-82. Total combined State and federal outlays to fund the Program over this period totaled \$1,077,606. Therefore, it is estimated that, overall, this Program yielded \$7,838,394 in benefits net of cost during the period. Two caveats must be made concerning this result, however. First, it is based upon the assumption that the blind workers did not contribute to the level of economic activity prior to the Program, and secondly, it incorporates on the cost side only the expenditures made on the Program from 1978-82. In the economic lexicon, there are marginal expenditures, and they do not incorporate the fixed and infrastructural costs which initially went into establishing the Program. From an economic perspective, however, these earlier costs are sunk costs and are not relevant for decision making. Hence, in judging the economic viability of the Program, only marginal costs should be considered.

The Program's specific impact on the state and federal budgets is detailed in Table 5. Costs to these governments from the Program are the annual training costs discussed above. These data were provided by the Kansas Services for the Blind and are listed in the top portion of Table 5 for each year from 1978-82. The benefits to government from the Program are the reduction and eventual elimination of transfer payments to those who work in the Program and the tax receipts from the income and sales generated by the Program.

The principal transfer payment to the blind comes from the federal government's social security fund. Although the blind also participate to some extent in other federal transfer programs, such as food stamps and Medicaid, as well as, perhaps, some state programs, no data were available to document participation levels, and, therefore, only the reduction in the social security.

Table 5

Net Effect on State and Federal Government Budgets

EXPENDITURES	1978	1979	1980	1981	1982
STATE	41,224	11,923	0	0	4,143
FEDERAL	119,472	257,788	253,018	206,431	183,607
REVENUE GENERATED					
STATE	54,700	52,300	56,900	57,100	65,900
FEDERAL	137,800	140,700	157,200	166,100	175,400
FEDERAL EXPENDITURES					
STATE	152,600	175,400	194,900	191,500	180,000
NET EFFECT ON STATE AND FEDERAL GOVT. BUDGETS					
STATE	13,476	40,377	56,900	57,100	61,757
FEDERAL	170,928	58,312	99,082	151,169	171,793

cost was calculated. The estimated annual savings in terms of this program are listed in Table 5.

Note that the effect on governmental budgets due to displaced workers does not have to be considered in the present context. This conclusion follows from the assumption that 1978 represented a steady state (previous displaced workers had already been reassimilated) and from the fact that participation levels in the Program have been nearly unchanged since 1978.

Finally, net tax revenue generated by the Program are also reproduced in Table 5. The net annual impact upon the federal budget is the increased tax revenues plus the reduced social security payment less the direct outlay to fund the Program. For the State, the estimated net budgetary effect is simply the tax revenues generated less the direct funding outlay.

Estimates of the annual net budgetary impact at the state and federal level are contained at the bottom of Table 5. Based upon the analysis presented in this study, the Program has a beneficial net impact upon both the federal and state budget for each of the years studied. The total savings from 1978-82 were estimated to be \$229,610 for the State of Kansas and \$651,284 for the federal government.

IV. Conclusion

As revealed in Table 5, the Blind Vending Facilities Program in Kansas manifests positive economic effects at every involved level of the state and federal governments. Indeed, the magnitude of those effects (or impacts) is eloquent testimony to the economic efficacy of the Program in terms of its return on cost and affords a striking illustration of how a public assistance program can be, as well, a program for public benefit. This conclusion is further affirmed by noting that the estimating methodology employed in this study was actually rather conservative. Thus, though the results are only estimates of value, they are moderate estimates and, quite possibly, underestimate the Program's actual contribution.

One final point - distinct from the study's contracted purpose - merits attention in this concluding section. That is, the host of intangible, non-pecuniary benefits arising from the Blind Vending Facilities Program. Foremost among them are the heightened public awareness of the contributions the handicapped can - and do - make to society, the heightened self-esteem of the handicapped engendered by their contributing role in society, and the inestimable value redounding to society at large when its less advantaged citizens are afforded their rights of full participation in the social and economic life of their state and country.

Admittedly, these effects cannot be quantified; yet the authors of this study contend that benefits of this kind contribute significantly to creating a social ethos that satisfies an absolutely necessary sense of public responsibility.

State Department of Social and Rehabilitation Services

Testimony in Support of House Bill 2504

Mr. Chairman and members of the Committee:

SRS supports House Bill 2504 as a means of expanding vending facility manager employment opportunities for blind persons and empowering more of them to become employed and independent.

There are currently 28 vending facilities being operated by 22 blind vending facility managers in Kansas. The facilities are located in federal, state, county, city, and privately owned buildings. Last year, these vending facilities generated total sales of nearly 2.1 million dollars. The average earnings of blind vending facility managers who operate the facilities was in excess of \$21,000. More employment opportunities for vending facility managers are needed.

The federal Randolph-Sheppard law gives blind persons priority status in operation of vending facilities on federal property. Language in the current state law has resulted in difficulties establishing vending facilities to be operated by the blind in city and county buildings. House Bill 2504 will make language in Kansas statutes on vending facilities operated by blind persons consonant with language in corresponding federal regulations. The proposal gives blind persons priority in the operation of vending facilities in buildings controlled by departments, agencies, or instrumentalities of the state of Kansas. It provides for binding arbitration procedures, with a neutral third party serving as chairperson of an arbitration panel, when disputes arise between departments, agencies, or instrumentalities of the state of Kansas and the state licensing agency for the vending facility program. The proposal establishes a state committee of blind vendors whose responsibilities are consistent with responsibilities set forth in federal regulations.

We estimate passage of this proposed legislation will result in opportunity to establish an average of one additional new vending facility per year to be operated by a blind manager. We estimate this will result in annual income of \$21,000 for the manager. We estimate that approximately \$4,500 per year can be assessed against net profits of each vending facility thus established. The \$4,500 in assessments can be used to earn \$18,000 of matching federal vocational rehabilitation funds thereby resulting in a total additional amount of \$22,500 for use in operating the vending facility program. The proposed legislation will result in no additional cost to the state. No state tax funds are used for the vending facility program.

The proposed legislation will enhance employment opportunities for blind persons and increase financial resources with which to operate the vending facility program. SRS supports House Bill 2504 and urges your passage of it.

Stephen Schiffelbein
Acting Commissioner
Rehabilitation Services
Social and Rehabilitation Services
296-3911 Senate Public Health & Welfare
February-February 1, 1988
Attachment 5