Approved: January 14, 1999
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 13, 1999 in Room 123-S of the Capitol.

All members were present except: Senator Steineger

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
Mikel Miller, Director of Research, Kansas, Inc.
Terry Leatherman, Kansas Chamber of Commerce and Industry (KCCI)

Others attending: See attached List

Upon motion by Senator Barone, seconded by Senator Ranson, the Minutes of the January 12, 1999 meeting were unanimously approved.

Mikel Miller, Director of Research, Kansas, Inc., presented a copy of *County Economic Vitality and Distress Report, 1997 Report Update"*. (A copy is on file in the office of the Legislative Research Department). Ms. Miller stated the report is based on the most recent data available from eight economic indicators: 1) Net population change, 1988-97; 2) Population age 65 and over, 1997; 3) Labor force, 1997; 4) Long-term employment growth, 1988-97; 5) Short-term employment growth, 1995-97; 6) Per capital property valuation, 1997; 7) Per capita income, 1995; and 8) Aid for Dependent Children/General Assistance recipients, 1997), which are combined into a statistical formula to produce an overall assessment score. The scores are then ranked to provide a historical view of the vitality and distress of each county. Johnson County remains the state's least distressed county together with Haskell, Kearny, Ellis, Stanton, Pottawatomie, Stevens, Miami, McPherson and Grant counties. Elk county is the state's most distressed county.

Ms. Miller advised counties are ranked for each category and assigned a quintile rating with the highest 20% receiving a "1" and the lowest 20% receiving a "5". Within each of the three categories, wealth, growth and dependent population, individual indicators carried the same weight in producing an average category score. The corresponding weights for each group are: wealth at 45%, growth at 35%, and dependent population at 20%. The three scores are then weighted to produce the final score. The combined score had a minimum of 10 and maximum of 50. Ms. Miller stated it is important to note that the total score is relative to the vitality and distress of other counties. Result of the analysis is reported by both region and by county size.

Population in Kansas rose 9.0% in metropolitan counties, compared to a 0.6% decline in mid-sized counties, and a 4.6% decline in rural counties. Metropolitan counties have the lowest percentage of population age 65 and over with an estimate of 11.3% of their population, mid-sized counties with an estimate of 15.9% of their population and rural counties with a total of 10.9%. Mid-sized counties and rural counties sustained a growth of 0.8% in 1997.

The Report reflects the Southeast and North Central counties sustained the greatest distress, with the Southwest, South Central and Eastern counties sustaining the greatest vitality. (Attachment 1)

Ms. Miller presented the *Annual Report of Sales Tax and Exemption and Kansas Economic Development Income Tax Credits,* (A copy on file in the office of the Legislative Research Department), prepared by Kansas, Inc. Ms. Miller stated the 1994 Legislature gave Kansas Inc., the responsibility to prepare an annual report to evaluate the cost effectiveness of state and local sales tax exemptions granted under the Kansas Enterprise Zone Act and various state economic development income tax credits. The report analyzes data from sales tax exemption certificates approved by the Department of Revenue during FY 1998. (Attachment 2)

Ms. Miller stated in FY 1998, sales tax exemptions were granted to approximately 340 companies reporting a total of $740.6 million in planned investment, a 53% decrease in total planned investment from FY 1997, but only 0.5% less than 1996. The 1997 spike is due to unusually high investment in the transportation, communications, and utilities sectors during that year. The report reflects that manufacturing investment rose from $382.4 million in FY 1997 to $420.8 million in $1998, a 10% increase.

Ms. Miller advised that the results of the Economic Development Questionnaire contained in the Corporate Tax Booklet as required by legislation passed in 1994 is inadequate, and the method of collecting information is suspect due to capturing only one-third of the corporations who filed for tax credits, and receiving no information for individual returns.

Ms. Miller presented two Policy Options to address the inadequacy of the information received in order that Kansas, Inc. can obtain information to make its annual report based on adequate data.
1) Amend KSA 74-8017 to repeal that portion of the law requiring the questionnaire, and in its place add language requiring the Department of Revenue (KDOR) to provide Kansas, Inc. with the name, address and telephone number of any taxpayer claiming an economic development credit. This information would be used to conduct an annual survey of taxpayers claiming credits to help determine the effectiveness of the economic development tax credits. 2) Amend KSA 74-8017 by striking the language regarding the questionnaire, make no new requirement on KDOR to furnish Kansas, Inc. information on claimants, and continue the requirement that KDOR provide Kansas, Inc. with copies of Requests for Project Exemption Certificates as has been the practice since FY 1993.

Senator Feleciano moved, seconded by Senator Donovan, that a bill be prepared and introduced as a Commerce Committee bill that Amends KSA 74-8017 by repealing that portion of the law requiring the questionnaire and in its place to add language requiring the Department of Revenue to provide Kansas, Inc. with the name, address and telephone number of any taxpayer claiming an economic development credit. The voice vote was unanimous in favor of the motion.

Ms. Miller presented *Fiscal Year 1998 Grants and Loans Report* prepared by Kansas, Inc., (A copy is on file in the office of Legislative Research Department). Ms. Miller stated that since 1990 Kansas, Inc. has issued an annual report detailing statewide economic development, community development, Community Development Block Grants, and natural resources grants and loans activity and distribution patterns across the state. The report is useful when considering issues such as targeting scarce resources to geographic regions of the state, or to areas of greatest economic distress. (Attachment 3)

Terry Leatherman, KCCI, stated the KCCI conducted a series of meetings on the subject of workers compensation and unemployment compensation. Mr. Leatherman requested the Committee introduce the following as Committee bills: Workers Compensation: 1)replace work disability with a "supplemental compensation" formula; 2) clarify the pre-existing condition exclusion; 3) implement a change to the judge selection process to use a nominating committee, and an increase in compensation; 4) date of accident definition; and 5) change of health care provider. Unemployment Compensation: 1) conversion from reserve ratio structure to benefit ratio; 2) higher tax rate for negative balance employers; 3) 0% tax rate; 4) seasonality provision; 5) burden of proof; and 6) misconduct. (Attachment 4)

Senator Ranson moved, seconded by Senator Donovan, that the requests of KCCI be introduced as Commerce Committee bills. The voice vote was unanimous in favor of the motion.

The meeting adjourned at 9:00 a.m.

The next meeting is schedule for January 14, 1999

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: January 13, 1999

NAME	REPRESENTING
Bill Farrell	BOEING
Bernie Koch	Wichita Chamber
Kent Galley	McGill, Gaches & Associates
Mike Miller	Kansas Inc
Terry Leatherman	KCCI
Art Brown	Mid America Lumbermen
David Bybee	KDOCH
Don Farmer	DOB
MIKE WOJCICKI	KTEC

Kansas, Inc. Testimony
Presented to Senate Commerce Committee
January 13, 1999

County Economic Vitality and Distress Report
1997 Report Update

Since 1989, Kansas, Inc. has presented an annual update on overall county economic vitality and distress. The Vitality & Distress report is based on the most recent data available from several economic indicators which are then combined into a statistical formula to produce an overall assessment score. The scores are then ranked to provide a historical view of the vitality and distress of each county. This 1997 report update provides new data for each economic indicator and calculates new assessment scores for each county by size and region.

A consistent measurement of decline or growth is difficult to construct but is necessary for assessing an area's general strength and growth potential over time. This analysis attempts to provide a comprehensive view of a county's economic condition by taking into account several statistical indicators. We hope you will find this publication to be of value to you in the course of your work.

The data examined in this report show a dramatic shift in the overall levels of vitality and distress exhibited during the previous years. Unlike previous years, mid-sized counties as a group exhibited lower distress rankings than rural counties as a group. (Figure 1)

The shift in this year's rankings may be primarily attributed to short-term employment losses (-3.0%) and long-term population decreases in rural counties (-4.6%) relative to contrasting stronger short-term employment growth in metropolitan and mid-sized counties. While rural counties experienced an overall rise in per capita property valuations (10.5%) and per capita income (7.1%) greater than those achieved in metropolitan or mid-sized counties, neither combined were sufficient to offset the losses in population and employment suffered by rural counties as a whole.

Because rankings are relative to the performance of other county groups, the mid-sized counties' ascension from the bottom ranking of prior years is more a function of the rural counties' decline than of any significant improvement in the mid-sized counties' performance over the previous year. Mid-sized counties are still suffering from overall low short-term employment growth (1.6%), population losses (-0.6%), and low per capita income and property valuation relative to the other groups. On a brighter note, the mid-sized group's per capita income increased by 7.0%, which was a greater increase than the metropolitan county group recorded.

Metropolitan counties on the other hand enjoyed strong population increases (9.0%) and short-term employment growth (4.7%), per capita income more than $5,700 above that of mid-sized counties, and largest working age population among the county groups. On the downside, the metropolitan counties had the smallest increases in per capita income (5.5%) and the largest percentage of welfare population (3.7%) among the county groups.

Historical Overall Vitality Rankings

The Higher the Line, the Less Distress Exists

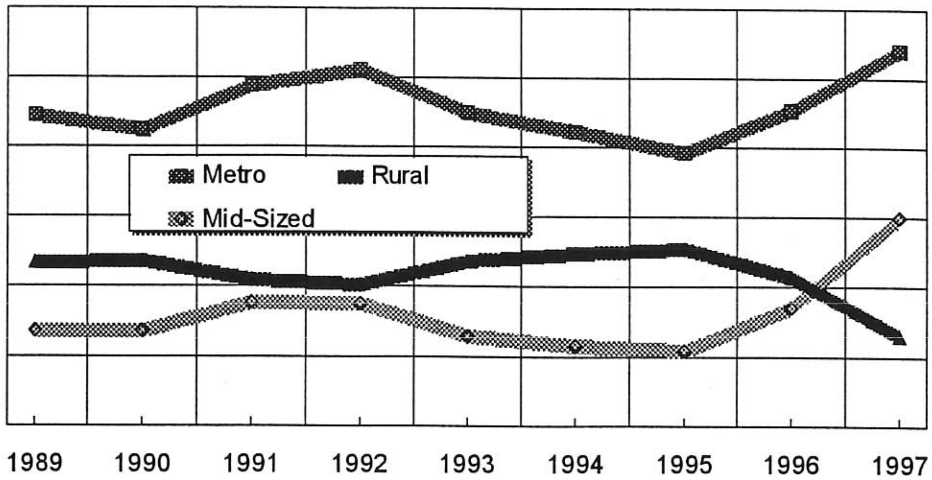


Figure 1

1997 County Economic Vitality and Distress Rankings

Johnson County remained as the state's least distressed county for the eighth consecutive year, retaining its position atop the vitality and distress rankings by a wide margin in the final vitality and distress scores. To achieve this distinction, Johnson County scored within the top quintile in seven of the eight individual indicators, including the top ranking in population growth and in per capita income.

Following Johnson County as the ten least distressed counties in the state were Haskell, Kearny, Ellis, Stanton, Pottawatomie, Stevens, Miami, McPherson, and Grant Counties. Two of the ten counties fall into the metropolitan classification, three are mid-sized counties, and the remaining five are rural counties. Newcomers to this distinction are Miami, Ellis, and McPherson Counties rising a combined total of 26 rankings. Those newcomers bumped Greeley, Gray, and Meade from the top ten performers.

Elk County emerged in this year's report update as the state's most distressed county. Chautauqua County, having held this ill fame last year, rose four rankings to number 101. In all, four of the ten most distressed counties are in the Southeast region and three border that region on the west.

Table 1 lists the County Economic Vitality & Distress Rankings for 1997. Figure 2 is a map highlighting the areas of greatest economic distress. Complete tables, listing each county with historical rankings, and rankings by each indicator in the distress formula, are provided in the Appendix to this report.

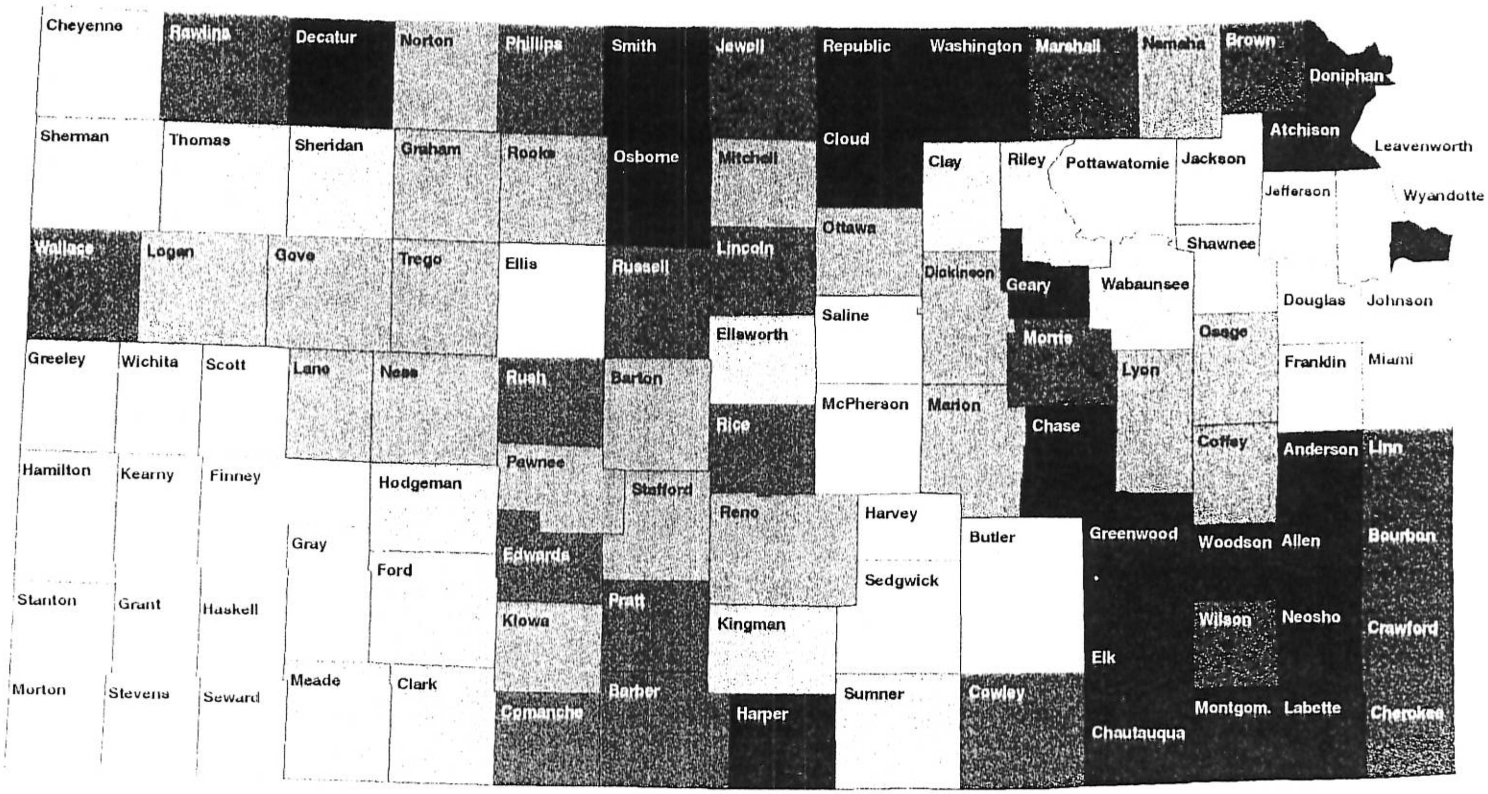
1997 County Economic Vitality & Distress Rankings

Rank 1997	County	Rank 1997	County	Rank 1997	County	Rank 1997	County	Rank 1997	County
1	Johnson	22	Wabaunsee	43	Logan	64	Cowley	85	Chase
2	Haskell	23	Meade	44	Reno	65	Edwards	86	Doniphan
3	Kearny	24	Ellsworth	45	Kiowa	66	Jewell	87	Washington
4	Ellis	25	Hodgeman	46	Coffey	67	Lincoln	88	Decatur
5	Stanton	26	Sumner	47	Osage	68	Pratt	89	Smith
6	Pottawatomie	27	Ford	48	Lane	69	Russell	90	Atchison
7	Stevens	28	Thomas	49	Rooks	70	Phillips	91	Wyandotte
8	Miami	29	Greeley	50	Stafford	71	Brown	92	Osborne
9	McPherson	30	Clark	51	Ottawa	72	Crawford	93	Woodson
10	Grant	31	Leavenworth	52	Dickinson	73	Marshall	94	Montgomery
11	Saline	32	Sheridan	53	Barton	74	Comanche	95	Allen
12	Finney	33	Clay	54	Pawnee	75	Linn	96	Neosho
13	Seward	34	Sherman	55	Nemaha	76	Rawlins	97	Harper
14	Gray	35	Cheyenne	56	Marion	77	Morris	98	Greenwood
15	Sedgwick	36	Hamilton	57	Ness	78	Wallace	99	Republic
16	Butler	37	Shawnee	58	Mitchell	79	Rush	100	Geary
17	Douglas	38	Jackson	59	Gove	80	Rice	101	Chautauqua
18	Morton	39	Wichita	60	Lyon	81	Cherokee	102	Labette
19	Scott	40	Riley	61	Graham	82	Wilson	103	Anderson
20	Jefferson	41	Kingman	62	Trego	83	Barber	104	Cloud
21	Harvey	42	Franklin	63	Norton	84	Bourbon	105	Elk

Table 1

7-1

Figure 2
County Economic Vitality & Distress



(Darker shading indicates greater distress.)

Kansas, Inc. Testimony
Presented to Senate Commerce Committee
January 13, 1999

Annual Sales Tax Exemption and Kansas Economic Development Tax Credits Report

Background: In 1994, the Kansas Legislature passed H.B. 2556 (K.S.A. 74-8017) which gave Kansas, Inc. the responsibility to prepare an annual report to evaluate the cost effectiveness of state and local sales tax exemptions granted under the Kansas Enterprise Zone Act and various state economic development income tax credits.

Kansas Enterprise Zone

The first section of the report analyzes data from the 367 sales tax exemption certificates approved by the Department of Revenue during FY 1998. An approved sales tax exemption certificate issued under the Kansas Enterprise Zone Act exempts a business from paying (1) sales tax on machinery and equipment not already exempt and (2) sales tax on materials and labor purchased in connection with a construction or remodeling project.

FY 1998 Total Planned Investment. To qualify for these exemptions, a business must submit a *Request for Project Exemption Certificate* to the Kansas Department of Revenue. This form required the firm to estimate the total amount of investment it plans to make in the project, including what portion will be spent for construction and what portion will be spent for machinery and equipment. *This estimated investment is referred to as "planned investment."*

While planned investment is merely an estimate of investment reported by firms, analysis of these estimates can lend important insight into investment and growth trends in the state.

Figure 1 shows the amount of total planned investment reported over the past six fiscal years. In FY 1998, sales tax exemptions were granted to approximately 340 companies reporting a total of $740.6 million in planned investment. This is a 53% decrease in total planned investment from FY 1997, but only 0.5% less than FY 1996. The spike seen in 1997 is due to unusually high investment in the Transportation, Communications, and Utilities (TCU) sector during that year.

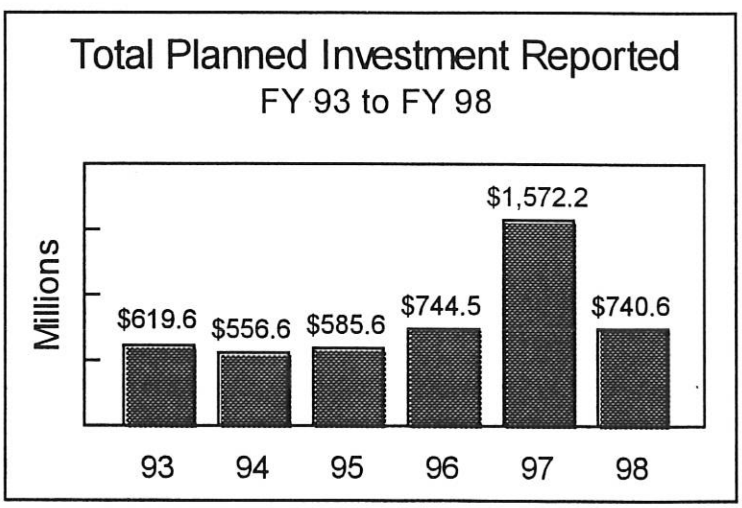


Figure 1

Senate Commerce Committee

Date: 1-13-99

Attachment #2-1 thru 2-7

As illustrated by Figure 2, manufacturing investment rose from $382.4 million in FY 1997 to $420.8 million in FY 1998, a 10% increase. This increase represents a return to that sector's trend of steady increases in total planned investment after the 40% decrease in manufacturing investment reported one year ago.

Growth in Planned Manufacturing Investment
FY 93 to FY 98 (Millions)

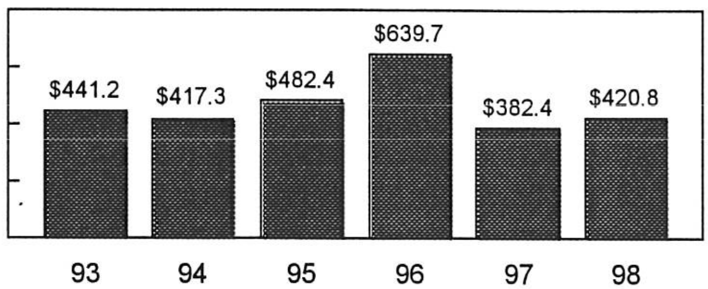


Figure 2

For the fourth consecutive year, the Northeast region of the state reported the greatest total planned investment, accounting for 38% of the state total. The South Central region reported the second greatest total planned investment with 23%. The Northwest, North Central, South Central and Southeast regions all reported increases in total planned investment during FY 98. Only the Southwest and Northeast regions experienced a decrease.

Total Planned Investment by Region
FY 98 (Millions)

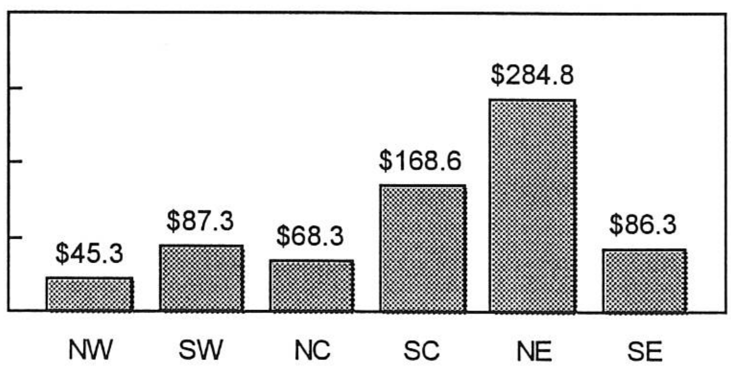


Figure 3

2-2

Additional analysis compared the amount of investment in manufacturing with the manufacturing employment in each region. Figure 4 compares the percentage (or share) of investment made in each region to that region's share of the state's manufacturing employment. A region for which the planned investment exceeded manufacturing employment, experienced more than its "proportional share" of investment. This kind of investment pattern suggests a manufacturing population that, at least in the very short term, is moving toward becoming more efficient and less labor intensive. This phenomenon can also be contributed to by rapid growth of planned investment by new-to-the-region businesses.

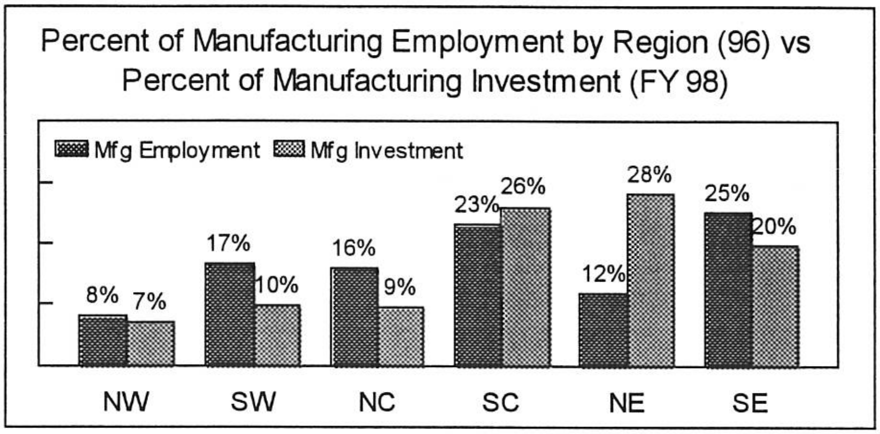


Figure 4

The same comparison can be made looking at the different size categories of Kansas counties. Figure 5 shows the total amount of planned investment aggregated according to county size. Again, when manufacturing investment exceeds the percentage of manufacturing employment, it suggests a manufacturing population that, at least in the very short term, is moving toward becoming more efficient and less labor intensive. As Figure 5 shows, such may be the case in the manufacturing communities in mid-sized and rural county aggregates.[1]

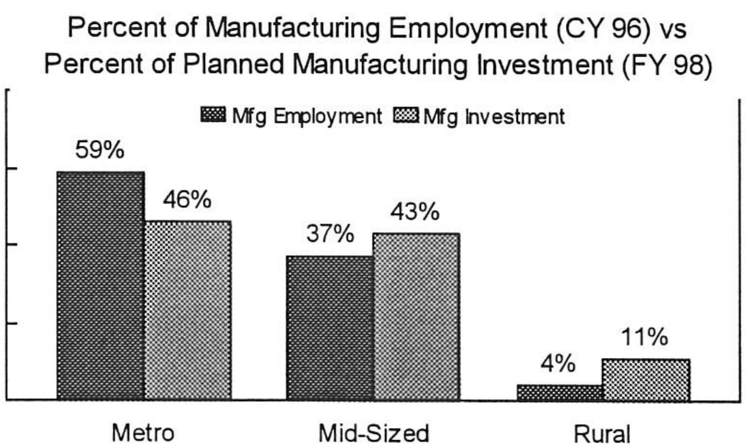


Figure 5

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[1]Metropolitan counties are those nine counties in metropolitan statistical areas (MSAs) as defined by the U.S. Census. Mid-sized counties are non-metropolitan counties with populations over 10,000. Rural counties are those with less than 10,000.

Fiscal Impact

Foregone Sales Tax on Construction: Using the Department of Revenue's assumption that 60% of the construction costs are for labor and 40% are for materials, the forgone sales tax on the $82.0 million in total taxable labor costs, and the $138.2 million in material costs reported in FY 1998 is $10.8 million.

Foregone Sales Tax on Machinery & Equipment: Kansas, Inc. believes that between 80 and 95 percent of the machinery and equipment purchased and used "primarily and directly" in the manufacturing process would already be exempt under 79-3606(kk). Our calculations used an 80/20 ratio of exempt and non-exempt manufacturing machinery and equipment.

Using this assumption, only 20% ($49.8 million) of this amount is taxable. Non-manufacturing firms reported purchases of $122.0 million for a total of $171.8 million in taxable machinery and equipment expenditures. The total foregone sales tax for machinery and equipment therefore is $8.42 million.

Table 1 reports these computations and shows a total of $19.2 million in forgone sales tax in connection with the Kansas Enterprise Zone Act, less than half that estimated for FY 1997.

Table 1

Total Taxable Construction Costs and
Total Taxable Machinery & Equipment Expenditures, FY 1998

	Total *Taxable* Construction Costs*		Total *Taxable* Machinery &Equipment**
	Labor	**Materials**	**Expenditures**
Manufacturing	$43,496,222	$63,143,052	$49,832,214
Non-Manufacturing	$38,519,992	$75,083,358	$122,019,621
Total	$82,016,213	$138,226,410	$171,851,835
	x .049	x .049	x .049
	$4,018,794	$6,773,094	$8,420,740

Total Foregone State Sales Tax: **$19,212,628**

***Total Taxable Construction Costs** includes labor on non-original construction costs and all materials for both new and remodeling projects.

****Total Taxable Machinery & Equipment Expenditures** is the estimated expenditures on equipment & machinery not already exempt by K.S.A. 79-3606(kk).

Kansas Income Tax Credits

This section reports the historical and current fiscal impact of tax credits designed to encourage economic development in the state. These numbers were gleaned from the recent report of the Research and Revenue Analysis Office, Kansas Department of Revenue.

Historical Impact. Figures 6 & 7 illustrate the fiscal impact and composition of economic development tax credits actually claimed since 1986. Much of the significant increase beginning in 1993 can be traced to changes made to the original Enterprise Zone Act made by the 1992 Legislature. Those changes eliminated the original Enterprise Zone program, which limited eligibility for incentives to only designated county-wide zones, and established the current program which extends Enterprise Zone eligibility statewide. The Appendix to this report contains a full history of the Kansas Enterprise Zone Act.

As Figure 7 illustrates, the vast majority of credits (81.2%) granted since 1986 have been Job Creation and

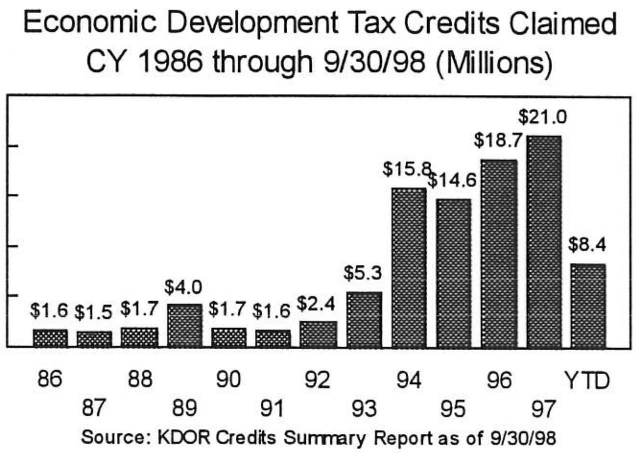
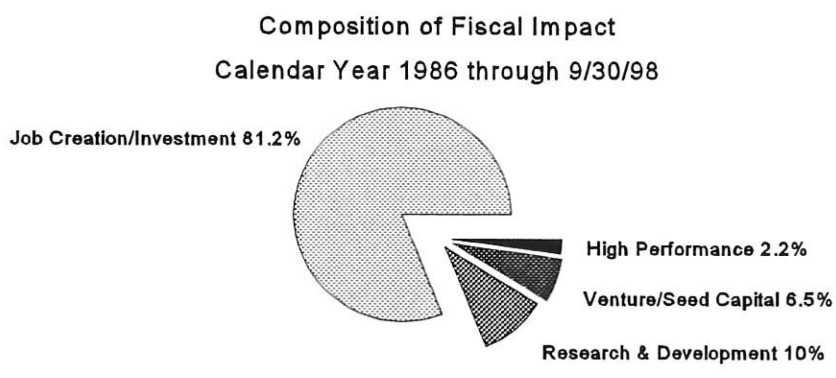


Figure 6

Investment Tax Credits authorized under the Kansas Enterprise Zone Act and K.S.A. 79-32,153 et seq.. The second largest impact was generated by Research and Development Tax Credits. A total of nearly 9,000 claims were processed during this period.

Figure 7



2-5

Fiscal Impact -- Calendar Year 1997. According to the Department of Revenue, taxpayers claimed economic development income or privilege tax credits totaling $21.0 million during Calendar Year 1997. Table 2 reported these figures by specific tax credit.

Table 2

Summary of Income Tax and Privilege Tax Credits Processed by Kansas Dept. of Revenue: Calendar Year 1997

Job Creation and Investment Tax Credit	$ 19,175,836
Certified Venture Capital Fund Investment Credit	$0
Certified Seed Capital Fund Investment Credit	$0
Research & Development Credit	$1,057,756
High Performance Firms Workforce Training and Investment Tax Credit.	$808,207
Total	**$21,041,799**

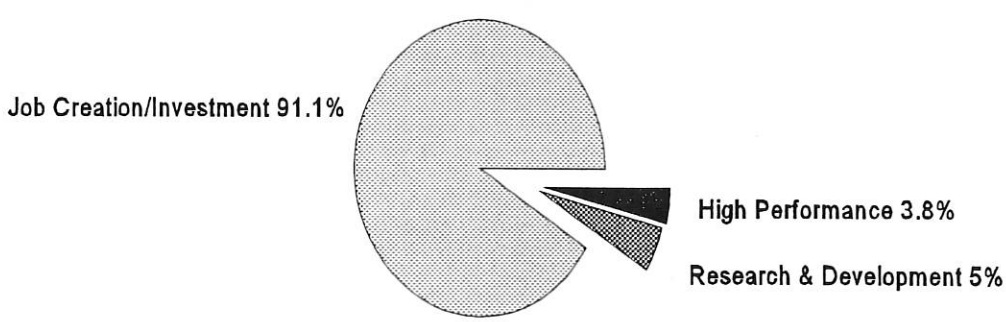
Source: Kansas Department of Revenue Credit Summary Report as of September 30, 1998

Figure 8 presents a breakdown of the fiscal impacts of each economic development tax credit (including carryovers) claimed during Calendar Year 1997. More than ninety percent (91.1%) of the total economic development credits claimed during Calendar Year 1997 were Job Creation and Investment Credits available through the Kansas Enterprise Zone and K.S.A.79-32,153 et seq.. It is expected that the High Performance Firms Incentives Program, which is a relatively new program, will constitute a larger portion of the pie in the future as the number of certified firms continues to grow.

Figure 8

Composition of Fiscal Impact

Calendar Year 1997



2-6

Results of Economic Development Questionnaire Contained in Corporate Tax Booklet

Background: As stated earlier, the 1994 Legislature passed K.S.A. 74-8017 and charged Kansas, Inc. with evaluating the cost effectiveness of the various income tax credits available to Kansas businesses. Kansas, Inc. determined, and the Kansas Legislature agreed, that an evaluation such as this would require identifying taxpayers who claimed income tax credits and contacting or surveying those identified. To that end, the original version of H.B. 2556 gave Kansas, Inc. access to corporate tax returns to identify filers. The bill passed both tax committees, but the Senate Committee of the Whole did not support Kansas, Inc.'s access to corporate tax returns.

H.B. 2556 was amended on the Senate floor to provide what was envisioned to be an effective method to identify firms claiming state income tax credits without revealing information from the corporate tax return. The amendment required all corporations subject to state income tax to file a questionnaire along with their corporate income tax returns stating whether the corporation had claimed any of the economic development tax credits listed. The Department of Revenue was then required to harvest the completed questionnaires from the corporate tax return and provide them to Kansas, Inc. Kansas, Inc. would use the information from the questionnaires to contact those firms regarding the effect of incentives on their company.

As directed, the Secretary of Revenue, with the cooperation of Kansas, Inc., developed a questionnaire which became a part of the Corporate Tax Booklet beginning in 1994.

Effectiveness: Despite the best efforts of the Department of Revenue, results from the questionnaire system are disappointing and cannot be used as intended because too few filers are identified in each category of tax credits to allow for reliable survey results. Kansas, Inc. is therefore unable to produce with confidence analysis of the effectiveness of the economic development tax credits as required by the statute.

Table 3 compares the number of completed questionnaires received by Kansas, Inc. as of September 30, 1998 with the actual number of corporate claims filed for tax credits during that same period. As reported in Table 3, less than one-third are being captured through the questionnaire process.

Table 3
Results of Questionnaire Collection Process

Tax Credit	Questionnaires Received* (1994 to 9/30/98)	Actual Corp. Claims Reported by Revenue** (1994 to 9/30/98)	Percent of Actual Claims
Venture & Seed Capital	0	4	0.0%
Research and Development	22	251	8.8%
HPIP	8	25	32.0%
Job Creation or Investment Tax Credit	269	698	38.5%
Totals	299	978	30.6%

*45 additional questionnaires were received but were missing the second page and were therefore unusable.
**Kansas Department of Revenue Credit Summary Report as of September 30, 1998

Kansas, Inc. Testimony
Presented to Senate Commerce Committee
January 13, 1999

Fiscal Year 1998 Grants & Loans Report

Introduction

Since 1990, Kansas, Inc. has issued an annual report detailing statewide economic development, community development, CDBG, and natural resources grants and loans activity and distribution patterns across the state. This report is a continuation of that series of reports, and chronicles awards made during FY 1998. The responsibility for this report was assigned to Kansas, Inc. by the 1990 Legislature (K.S.A. 74-8015).

This report provides the Governor, the Legislature, and the general public a better understanding of grants and loans activity in the State of Kansas. This report is most useful when considering issues such as targeting scarce resources to geographic regions of the state, or to areas of greatest economic distress.

Methodology

For this analysis, grants and loans administered by several state agencies were grouped into four categories: 1) Economic Development, 2) Community Development, 3) Small Cities Community Development Block Grants (CDBG), and 4) Natural Resources. Each category of loans and grants was analyzed with regard to total dollars awarded, distribution per capita, distribution per capita compared to population share, distribution by region of the state, and distribution by county size. Each category is also analyzed to determine distribution of grants and loans by level of economic distress as measured by the latest update of the *County Economic Vitality and Distress Report* published by Kansas, Inc. in December, 1998.

In the interest of time, I will present only the economic development grants and loans analysis.

FY 1998 Report Findings--Economic Development Grants & Loans

The grants and loans programs included in this category are administered by the Kansas Department of Commerce & Housing (KDOC&H), and the Kansas Technology Enterprise Corporation (KTEC).

Programs included in this analysis are:

Kansas Department of Commerce & Housing

a. Kansas Industrial Training and Retraining Programs (KIT/KIR)
b. Certified Development Companies (CDCs)
c. Small Business Development Centers (SBDCs)
d. Attraction Development Matching Grants
a. Tourism Marketing Grants

Senate Commerce Committee

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Attachment # 3-1 thru 3-8

f. Kansas Trade Show Assistance Program (KTSAP)
g. Kansas Economic Opportunity Initiatives Fund (KEOIF)
h. Kansas Existing Industries Expansion Program (KEIEP)
i. Training and Equipment Grants
j. Agriculture Products Development Grants

Kansas Technology Enterprise Corporation

a. Applied Research Matching Funds (ARMF)
b. State Small Business Innovation Research (SSBIR) Matching Grants
c. Invention Development Assistance Program (IDAP)
d. Special Projects

Economic Development Grants & Loans

By Economic Distress:

- Per Capita Distribution - Figure 1 illustrates per capita funding levels for economic development grants and loans to counties categorized by economic distress. Counties ranking within the two most distressed categories of counties received the greatest funding per capita in FY 1998 with the most highly distressed counties receiving $5.74 per capita and the next most distressed group receiving $5.78 per capita in economic development grants and loans. Relatively high per capita funding in counties with low and marginally low distress were primarily a result of a number of large KEOIF and KEIEP grants provided by KDOC&H, and to a lesser extent, several large ARMF and SSBIR grants awarded by KTEC. It should be said that KDOC&H also made substantial KEOIF and KEIEP investment in the two most distressed categories of counties. In the highly distressed counties, KEOIF and workforce training programs were the dominating influenced on per capita funding figures. A perfectly equitable distribution of funds would be $4.38 per capita.

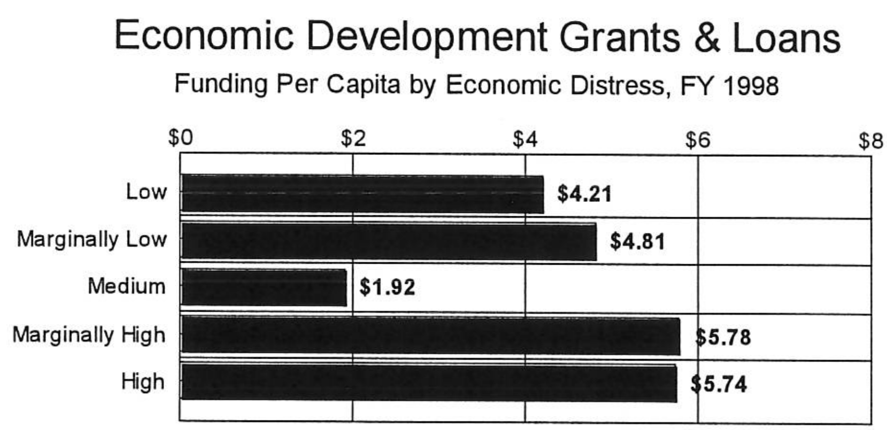

Figure 1

- Percent of Funding to Percent of Population - Figure 2 highlights funding by distress category compared to the category's share of the state's population. The marginally high, high, and marginally low distress groupings all received larger shares of funding than their shares of the state's population, approximately 3.0% more for the marginally high and high distress groupings and almost 2.0% more for the marginally low. In contrast, counties in the low and medium distress categories received a smaller share of funding than was their share of the state's population with the largest disparity being seen in the medium distress category. Counties in the low distress category received the largest portion of funding (52.1%), however, these counties are home to a similarly large portion of the state's population (54.2%.)

3-3

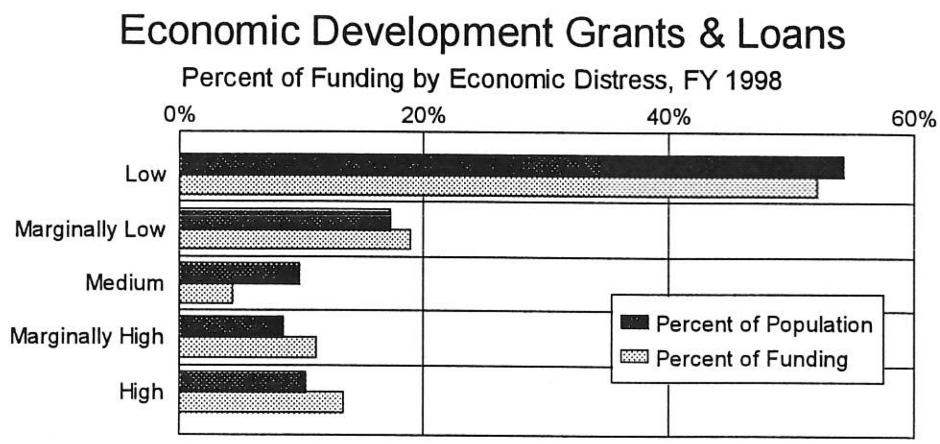

Figure 2

Summary Table 1 reports the actual distribution of economic development grants and loans by economic distress for FY 1998. The information in this table was used to construct Figure 1 and Figure 2.

Table 1 - Economic Development Grants & Loans by Economic Distress, FY 1998

Distress	Total Funding	Percent of Funding	Population 1997	Percent of Population	Funding Per Capita
Low	$5,919,937	52.1%	1,406,803	54.2%	$4.21
Marginally Low	$2,146,023	18.9%	446,422	17.2%	$4.81
Medium	$489,654	4.3%	255,198	9.8%	$1.92
Marginally High	$1,270,989	11.2%	219,824	8.5%	$5.78
High	$1,530,110	13.5%	266,593	10.3%	$5.74
Total	**$11,356,714**	**100.0%**	**2,594,840**	**100.0%**	**$4.38**

Economic Development Grants & Loans

By County Size

- Per Capita Distribution - Figure 3 illustrates per capita distribution of economic development grants and loans among metropolitan, mid-sized, and rural counties in FY 1998. Mid-sized counties in Kansas were awarded more economic development funding per capita than either metropolitan or rural counties. Mid-sized counties received approximately the same level of funding as in FY 1997 while rural counties received $.72 per capita less than in FY 1997. Metropolitan counties received $.66 less per capita in FY 1998 than in FY 1997. A perfectly equitable distribution of funds would be $4.38 per capita.

  The 1997 update of the *County Economic Vitality and Distress Report* assigns an average distress ranking of 21 for metropolitan counties, 45 for mid-sized counties, and 62 for rural counties. (A ranking of 1 indicates the lowest economic distress and a ranking of 105 indicates the highest economic distress.)

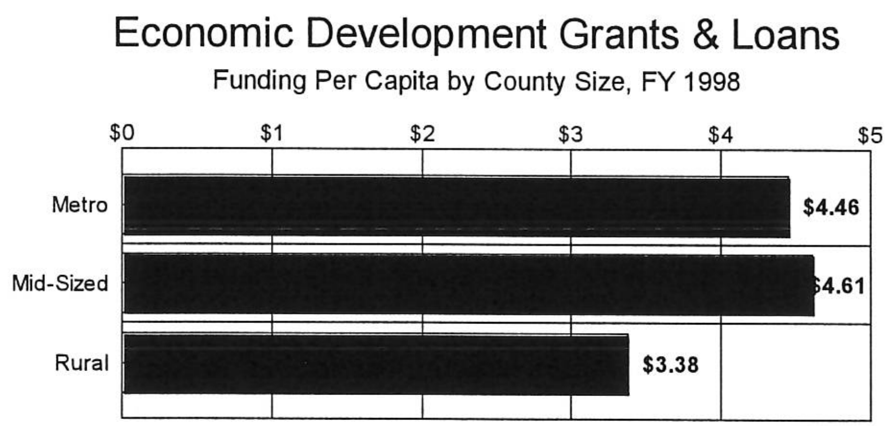

Figure 3

- Percent of Funding to Percent of Population - Figure 4 highlights the funding within each size category compared to population share. Both metropolitan and mid-sized counties were awarded slightly higher percentages of funding than their shares of the state's population. Metropolitan counties were awarded 57.0% of all economic development grants and loans and are home to 56.0% of the state's population. Mid-sized counties received 33.8% of all funding, and are home to 32.1% of the state's population. Conversely, rural counties received a slightly lower percentage of funding than is their share of the state's population, being awarded 9.2% of all economic development grants and loans in relation to their 11.9% of the state's population.

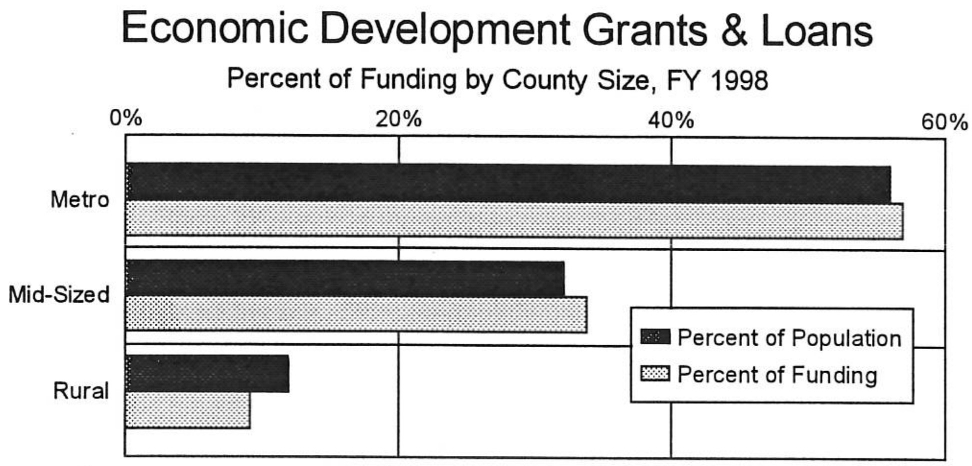

Figure 4

Summary Table 2 reports the actual distribution of economic development grants and loans by county size for FY 1998. The information in this table was used to construct Figure 3 and Figure 4.

Table 2 - Economic Development Grants & Loans by County Size, FY 1998

Size	Total Funding	Percent of Funding	Population 1997	Percent of Population	Funding Per Capita
Metro	$6,472,558	57.0%	1,452,862	56.0%	$4.46
Mid-Sized	$3,843,043	33.8%	834,063	32.1%	$4.61
Rural	$1,041,113	9.2%	307,915	11.9%	$3.38
Total	**$11,356,714**	**100.0%**	**2,594,840**	**100.0%**	**$4.38**

3-6

Economic Development Grants & Loans

By Geographic Region:

- Per Capita Distribution - Figure 5 depicts per capita funding levels for the regions of Kansas for FY 1998. The North Central region received the greatest per capita funding of economic development grants and loans among all regions of the state in FY 1998. Counties within this region were awarded a total of $5.82 per capita, followed by counties in the Northeast region, which were awarded $5.24 per capita. Counties in the Southeast region received the third highest per capita funding level at $3.48, followed by counties in the South Central region, which were awarded $3.40 per capita. A perfectly equitable distribution of funds would be $4.38 per capita.

  The 1997 update of the *County Economic Vitality and Distress Report* assigns an average distress ranking of 35 for the Southwest region, 45 for the Northeast, 57 for the North Central, 57 for the Northwest, 57 for the South Central, and 85 for the Southeast region. (A ranking of 1 indicates the lowest economic distress and a ranking of 105 indicates the highest economic distress.)

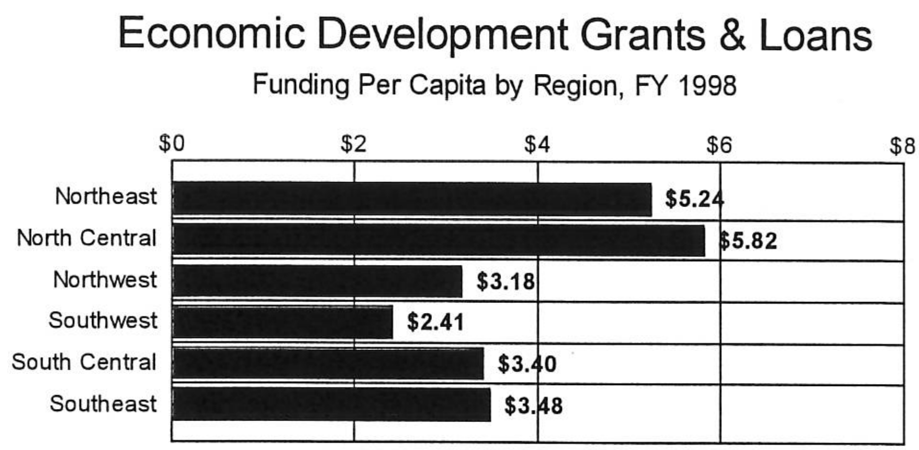

Figure 5

- Percent of Funding to Percent of Population - Figure 6 illustrates each region's percentage share of economic development funding to their share of the state's population. Counties in Northeast Kansas received close to half (47.9%) of all economic development grants and loans in FY 1998. This figure is somewhat greater than the region's 40.0% share of the state's population. The North Central region also received a slightly greater percentage of funding than its share of the state's population, being awarded 17.8% of all grants and loans while comprising only 13.4% of the state's residents. The remaining regions received less funding than their populations would predict. The South Central region experienced the greatest disparity between share of funding and share of population, followed by the Southwest region.

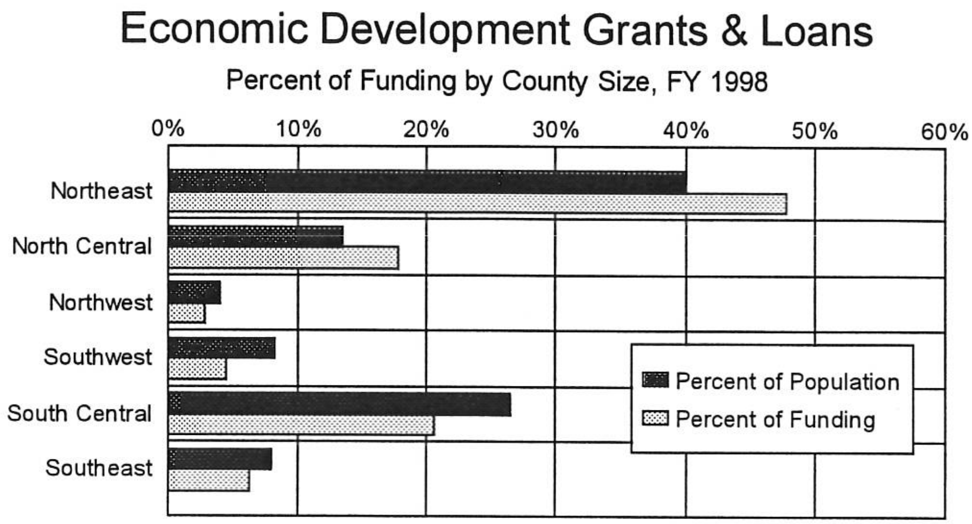

Figure 6

Summary Table 3 presents the data on distribution of economic development funding by region for FY 1998. The information in this table was used to construct Figure 5 and Figure 6.

Table 3 - Economic Development Grants & Loans by Region, FY 1998

Region	Total Funding	Percent of Funding	Population 1997	Percent of Population	Funding Per Capita
Northeast	$5,437,472	47.9%	1,038,466	40.0%	$5.24
North Central	$2,026,103	17.8%	348,139	13.4%	$5.82
Northwest	$326,703	2.9%	102,725	4.0%	$3.18
Southwest	$511,085	4.5%	212,332	8.2%	$2.41
South Central	$2,340,506	20.6%	687,938	26.5%	$3.40
Southeast	$714,845	6.3%	205,240	7.9%	$3.48
Total	**$11,356,714**	**100.0%**	**2,594,840**	**100.0%**	**$4.38**

January 13, 1999

the Kansas Chamber of Commerce and Industry

The Unified Voice of Business

To: Senator Alicia Salisbury, Chairperson, Kansas Senate Commerce Committee

Re: A Bill Request from the Kansas Chamber of Commerce and Industry

During the summer of 1998, the Kansas Chamber of Commerce and Industry conducted a series of member meetings on the subjects of workers compensation and unemployment compensation, in an effort to solicit potential law changes from our members. The results of these programs were forwarded to KCCI's Human Resources Committee and Board of Directors for further review and support.

KCCI respectfully requests the Senate Commerce Committee consider the introduction of legislation to address these workers compensation and unemployment compensation concerns of the Kansas business community.

WORKERS COMPENSATION

REFORM THE DEFINITION OF "WORK DISABILITY"

KCCI proposes to replace work disability with a "supplemental compensation" formula (award functional impairment compensation in all cases and 'supplement' individuals with wage loss with up to 100 additional weeks of compensation).

CLARIFY THE PRE-EXISTING CONDITION EXCLUSION

In recent court rulings, the effectiveness of the preexisting condition exclusion has been eroded. KCCI proposes redefining the preexisting condition exclusion to deliver on its original promise of making workers compensation only responsible for injuries the aggravation of preexisting condition.

ADMINISTRATIVE LAW JUDGE ACCOUNTABILITY

KCCI supports implementing a change to the judge selection process to use a nominating committee, similar to the process used to select the members of the Workers Compensation Appeals Board. Finally, with other changes in accountability in place, KCCI would support a compensation increase for Administrative Law Judges.

DATE OF ACCIDENT DEFINITION

Determining a date of accident for a traumatic injury is a simple process. However, it is a challenge in non-traumatic injury cases. KCCI supports establishing the date an employee first sought medical treatment as the injury date in non-traumatic injury cases.

CHANGE OF HEALTH CARE PROVIDER

Current law permits employers to submit a list of three alternative health care providers from which an injured worker chooses in cases where a physician change is desired. To address a problem that limits an employer's options in these cases, KCCI supports permitting the list of three providers include doctors who work in the same practice.

Senate Commerce Committee

Date: 1-13-99

Attachment # 4-1 Thru 4-2

835 SW Topeka Blvd. • Topeka, KS 66612-1671 • 785-357-6321 • Fax: 785-357-4732 • E-mail: kc

UNEMPLOYMENT COMPENSATION

CONVERSION FROM RESERVE RATIO STRUCTURE TO BENEFIT RATIO

To cause unemployment compensation tax rates to more closely reflect a business' unemployment utilization, KCCI supports converting the Employment Security tax structure to a benefit ratio system.

HIGHER TAX RATE FOR NEGATIVE BALANCE EMPLOYERS

Traditionally, negative balance employers receive significantly more in benefit charges than they pay in unemployment taxes. As a result, KCCI supports a higher maximum tax rate.

0% TAX RATE

During the 1995 to 1999 unemployment tax moratorium in Kansas, all positive balance employers benefited from no taxes. KCCI would support a 0% tax class for employers who have established their business' potential benefit burden is significantly less than their past tax contributions.

SEASONALITY PROVISION

In several states, unemployment benefits are denied to workers who are laid off from work that is seasonal in nature. In theory, the employee agreed to the fact they would lose employment when they accepted a seasonal position, and should not qualify for unemployment benefits.

BURDEN OF PROOF

A constant frustration from employers is the failure of the unemployment compensation process in Kansas to require employees to establish their right for benefits before they are awarded. KCCI supports strengthening the employee burden to demonstrate their right for benefits beyond today's system.

MISCONDUCT

KCCI supports further refinement of Kansas misconduct provisions in the areas of absenteeism and drug use, to deny benefits to employees who cause their unemployment, due to their misconduct.

Thank you for considering KCCI's request to introduce legislation to address these employer concerns. At your convenience, I would be happy to answer any questions regarding these proposals.

Sincerely,

Terry Leatherman

Terry Leatherman
Kansas Chamber of Commerce and Industry