

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:15 A.M. on February 26, 2008 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Jennifer Thierer, Kansas Legislative Research Department
Norm Furse, Revisor of Statutes
Jason Long, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Wendell Bailey, Regional Advocate, Small Business Administration
Derrick Sontag, State Director, NIFB
Pete Schreperman, John Stone Supply, Legislature Chair WIBA
Dave Anderson, Mayor, De Soto
Timothy Cowden, Sr. Vice President, Business Development KC Area Council
Steve Weatherford, K DFA
Brad Snapp, Sedgwick County Housing Department

Others attending:

See attached list.

To read testimony submitted by conferees go to:

[http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee.](http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee)

SB 453--Creating the Kansas commission on rural policy.

SB 579--Rules and regulations; consideration of effect on small business

SB 634--Qualified goods manufacturer act

SB 488--Authorization of mortgage revenue bonds

Chairperson Brownlee called the Committee's attention to **SB 453** and called on Jason Long, Revisors Office to explain the balloon on the bill which included all the amendments approved in an earlier meeting. Mr. Long presented written copy (Attachment 1) Mr. Long reviewed the balloon for the Committee. Upon the conclusion of Mr. Long's review there was discussion on the bill with the Committee

Senator Kelly feels that the granting authority should be removed from the bill and would like to delete Sections: 4,5,and 6 because this commission should be a think tank.

Senator Kelly made a motion to amend the balloon and delete sections: 4,5,and 6 and take the grant authority away from this commission and allow them to provide advice to the Secretary of Commerce. Chairperson Brownlee called for a second to the motion and there was none.

With no second to Senator Kelly's motion, there was discussion. Some of the Committee members do not want to remove the grant authority from the bill. Senator Barone suggested a change on Page 1, line 25 removing the phrase "financing and performing" and adding the word "recommending". Senator Kelly stated if they allow granting authority people will perceive the commission differently. Senator Schodorf joined the discussion stating she respects Senator Kelly's views but she feels they need to move on with the bill. Senator Reitz joined in agreeing with Senator Schodorf.

Senator Reitz made a motion to pass the bill out as amended and as a substitute bill. Senator Schodorf seconded. Motion carried with one "no" vote by Senator Kelly.

Next, Chairperson Brownlee turned the Committee's attention to **SB 579** and introduced Jason Long, Revisors Office, to explain the bill. Mr. Long stated that the bill requires that when a state agency submits its economic impact statement to the rules and regs board for adoption of new rules and regs the impact statement must include the consideration of small employers.

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on February 26, 2008 in Room 123-S of the Capitol.

Chairperson Brownlee opened the hearing on **SB 579** and introduced Wendell Bailey, Regional Advocate, Small Business Administration, to give his testimony as a proponent of the bill. Mr. Bailey presented written testimony ([Attachment 2](#)) which can be found in its entirety on the link listed on Page 1 of these minutes.

Chairperson Brownlee introduced Derrick Sontag, State Director, NFIB, to give his testimony as a proponent of **SB 579**. Mr. Sontag presented written testimony ([Attachment 3](#)) which can be seen in its entirety on the link listed on page 1 of these minutes.

Chairperson Brownlee called the Committee's attention to proponent "written only" testimony from the following which can be found in their entirety on the link listed on page 1 of these minutes:

Jeff Glendening, KCCI, ([Attachment 4](#))

Pete Schreperman, Legislative Chair, WIBA, ([Attachment 5](#))

Leslie Kaufman, Executive Director, Kansas Cooperative Council, ([Attachment 6](#))

Chairperson Brownlee asked if there was anyone else that wanted to testify on **SB 579**. With no others to testify Chairperson Brownlee opened the floor for questions of the proponents by the Committee. The definition of small business employer was discussed. It was noted that small employer is 50 and under employees. Rules and regs for businesses were also discussed.

Upon the conclusion of the discussion Chairperson Brownlee closed the hearing on **SB 579**.

Senator Kelly made a motion to pass the bill out favorably. Senator Reitz seconded. Motion carried.

Chairperson Brownlee introduced Jason Long, Revisors Office, to explain **SB 634**. Mr. Long stated the bill provides tax credits for qualified goods manufacturers. Qualified goods manufacturer means a person, corporation, partnership or other entity engaged in manufacturing of paper products and packaging in Johnson county, Kansas, that satisfies certain conditions.

Upon the conclusion of Mr. Long's explanation of the bill, Chairperson Brownlee opened the floor for questions. The Committee had questions on the fiscal note and a discussion followed with the Committee voicing concerns with the fiscal note. It was noted by Mr. Long, that there are no other tax credit programs like this one in the state. The penalty for failure to comply was also discussed. It was noted that if qualified goods manufacturers did not comply they would forfeit their tax credits.

Upon the completion of the questions and discussion, Chairperson Brownlee opened the hearing on **SB 634** and called on Senator Julia Lynn to introduced Timothy Cowden, Sr. VP, Kansas City Area Business Development Council, to give his testimony as a proponent of **SB 634**. Mr. Cowden presented written testimony ([Attachment 7](#)) which can be found in its entirety on the link shown on page 1 of these minutes. Upon the conclusion of Mr. Cowden's testimony there was a short question and answer session.

Chairperson Brownlee introduced Dave Anderson, the Mayor of DeSoto, to give his testimony as a proponent of **SB 634**. Mayor Anderson presented written testimony ([Attachment 8](#)) which can be found in their entirety on the link listed on page 1 of these minutes. It was noted by Mayor Anderson that the corporation in question is a national corporation which is profitable but is showing a tax loss after a restructuring process which occurred a couple of years ago.

Upon the conclusion of Mayor Anderson's testimony there were questions from the Committee. The Committee has concerns since this bill is just for one company, will other companies come back next year asking for the same consideration. It was noted by Mayor Anderson that this was a time sensitive issue with the company in question and they needed to have this tool available when the project is ready to go forward.

Upon the conclusion of the questions from the Committee, Chairperson Brownlee called the Committee's attention to the "written only" testimony of Sara Ritter, Executive Director, Chamber of Commerce and De Soto Economic Development Council, and Kent Eckels, Overland Park Chamber of Commerce, as proponents of **SB 634**. Ms. Ritter's written copy of testimony ([Attachment 9](#)) and Mr. Eckels written copy of testimony

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on February 26, 2008 in Room 123-S of the Capitol.

(Attachment 10) can be found in their entirety on the link shown on page 1 of these minutes.

Chairperson Brownlee asked if there was anyone else that wished to testify for or against **SB 634**. With none, she closed the hearing on **SB 634** and stated to the Committee they would not work this bill today. Chairperson Brownlee then called the Committee's attention to **SB 488**.

Chairperson Brownlee called on Jennifer Thierer, Legislative Research, to explain her memo on **SB 488**, (Attachment 11) which addresses concerns of the Committee regarding the totals for county revenue that Sedgwick and Shawnee counties received from the mortgage bond program. Ms. Thierer's written copy can be found in its entirety on the link shown on page 1 of these minutes. A discussion followed with the Committee regarding the memo. It was noted by Ms. Thierer, that Shawnee County is in agreement with the figures that Sedgwick County has presented.

Upon the conclusion of Ms. Thierer's explanation, Chairperson Brownlee called on Steve Weatherford, KDFA to explain why his figures for the revenue which was received by Sedgwick and Shawnee counties regarding their mortgage bond programs are so different from those presented by Sedgwick and Shawnee counties. Mr. Weatherford presented written testimony (Attachment 12) which can be found in its entirety on the link shown on page 1 of these minutes.

Chairperson Brownlee called on Brad Snapp, Sedgwick County Housing Department, to explain the admin fee received by Sedgwick County Housing Department in 2007 regarding their revenue bond program. Mr. Snapp presented written copy (Attachment 13) which can be found in its entirety on the link shown on page 1 of these minutes.

A short discussion followed with Chairperson Brownlee stating the Committee would work on this bill again tomorrow and adjourned the meeting at 9:30 a.m. with the next scheduled meeting to be February 27, 2008 at 8:30 a.m. in room 123 S.

SENATE BILL No. 453

By Committee on Ways and Means

1-22

9 AN ACT establishing the Kansas commission on rural policy,

concerning rural development;

10

; establishing the division of rural development within the department of commerce

11 *Be it enacted by the Legislature of the State of Kansas:*

8

12 Section 1. (a) Sections 1 through 6, and amendments thereto, shall
13 be known and may be cited as the Kansas commission on rural policy act.

14 (b) The legislature of the state of Kansas hereby finds and declares
15 that:

16 (1) Rural communities provide employment, education, services and
17 opportunities for social interaction and play a critical role in the economic
18 viability of the state of Kansas;

19 (2) decline in these communities has resulted in the need for focused
20 efforts by the state of Kansas to ensure their future prosperity and ability
21 to continue to contribute to the welfare and economy of the state; and

22 (3) the needs of the citizens of the state of Kansas and the public and
23 private entities engaged in rural and community development will be best
24 served by a commission charged with the mission of facilitating, support-
25 ing, financing and performing rural development projects for the benefit
26 of its citizens to promote the state's research, development and entre-
27 preneurial objectives.

28 (c) The purpose for which the Kansas commission on rural policy is
29 created is to make rural Kansas the most desirable area in which to con-
30 duct, facilitate, support and finance rural business, cultural development
31 and entrepreneurship, and to make Kansas a national leader in the cre-
32 ation and implementation of strategies to foster leadership, the retention
33 of youth, development of entrepreneurship and encouragement of local
34 wealth generation, to create new jobs, foster economic growth, advance
35 knowledge and improve the quality of life for the citizens of the state of
36 Kansas. To accomplish this goal the Kansas commission on rural policy
37 will develop strategies for rural economic development based on national
38 best practices and benchmarking that incorporates the following:

recommendations

39 (1) State efforts to coordinate research and advocacy to provide tax
40 credits and financing through regional community foundations and other
41 philanthropic organizations, and to promote and finance rural entrepre-
42 neurial activity and wealth retention;

43 (2) strategies that promote an extensive network of transportation and

1-2

1 telecommunications services to allow local economies to become fully
2 integrated into the global economy; and

3 (3) local efforts to develop or expand meaningful leadership devel-
4 opment programs and to promote opportunities to recruit young people
5 to return to or establish their home and business in a rural community.

6 Sec. 2. (a) There is hereby established a body politic and corporate
7 to be known as the Kansas commission on rural policy. The commission
8 shall be an independent instrumentality of the state. The exercise by the
9 commission of the powers conferred by this act shall be deemed and held
10 to be the performance of an essential governmental function.

11 (b) (1) The Kansas commission on rural policy shall be governed by
12 a board of directors consisting of 12 members.

13 (2) Nine members of the board of directors shall be voting members
14 appointed as follows: Three shall be appointed by the governor, two shall
15 be appointed by the speaker of the house of representatives, two shall be
16 appointed by the president of the senate, one shall be appointed by the
17 minority leader of the house of representatives and one shall be appointed
18 by the minority leader of the senate. All voting members appointed to
19 the board shall be subject to senate confirmation as provided in K.S.A.
20 75-4315b, and amendments thereto. Any voting member appointed to
21 the board whose nomination is subject to confirmation during a regular
22 session of the legislature shall be deemed terminated when the senate
23 rejects the nomination. No such termination shall affect the validity of
24 any action taken by such member of the board before such termination.

25 (3) The terms of the nine voting members first appointed to the board
26 of directors shall be as follows: Four years for members appointed by the
27 governor, three years for members appointed by the speaker of the house
28 of representatives and the president of the senate and two years for mem-
29 bers appointed by the minority leader of the house of representatives and
30 the minority leader of the senate. Members of the first board shall be
31 appointed by September 1, 2008. Subsequent terms of all voting mem-
32 bers appointed to the board shall be for four years.

33 (4) The other three members of the board of directors shall serve ex
34 officio: The secretary of commerce, the secretary of agriculture and the
35 president of Kansas, Inc. Each ex officio member of the commission may
36 designate an officer or employee of the state agency or organization of
37 the ex officio member to serve on the commission in place of the ex officio
38 member. The ex officio members of the commission, or their designees,
39 shall be nonvoting members of the commission and shall provide infor-
40 mation and advice to the commission.

41 (c) The Kansas commission on rural policy board of directors shall
42 elect annually from among its voting members a chairperson, vice-chair-
43 person and secretary. Five voting members of the board shall constitute

One member shall be appointed from each of the following business sectors or key areas, and such member shall be recognized for outstanding knowledge and leadership in the member's field:
(A) Agriculture;
(B) oil and gas;
(C) aviation;
(D) finance and banking;
(E) any other primary, job creating, value added business sector;
(F) fostering leadership;
(G) encouraging wealth retention and generation;
(H) developing entrepreneurship; and
(I) retaining youth in rural communities.

(3)

and renumber the remaining paragraphs accordingly

1 a quorum and the affirmative vote of five members shall be necessary for
2 any action taken by the board. No vacancy in the membership of the
3 board shall impair the right of a quorum to exercise all the rights and
4 perform all the duties of the board.

5 (d) Members of the commission ~~who are not legislators shall receive~~
6 ~~mileage, tolls and parking as provided in K.S.A. 75-3223, and amend-~~
7 ~~ments thereto, for attendance at any meeting of the commission or any~~
8 ~~subcommittee meeting authorized by the commission. Legislative mem-~~
9 ~~bers of the commission shall be paid amounts provided in subsection (e)~~
10 ~~of K.S.A. 75-3223, and amendments thereto, for attendance at any meet-~~
11 ~~ing of the commission or any subcommittee meeting authorized by the~~
12 ~~commission.~~

attending

as

13 (e) All resolutions and orders of the Kansas commission on rural pol-
14 icy board of directors shall be recorded and authenticated by the signature
15 of the secretary or a person designated by the secretary. The book of
16 resolutions, orders, minutes of open meetings, annual reports and annual
17 financial statements of the commission shall be public records as defined
18 by K.S.A. 45-215 et seq., and amendments thereto. All public records
19 shall be subject to regular audit as provided in K.S.A. 46-1106, and
20 amendments thereto.

21 Sec. 3. (a) The Kansas commission on rural policy shall develop com-
22 munity-based programming and funding in the following key areas: Fos-
23 tering leadership; encouraging wealth retention and generation; devel-
24 oping entrepreneurship and retaining youth in rural communities. The
25 commission shall not compete with ~~other state and private agencies~~ in
26 delivering services related to the above key areas, but will design and
27 optimize the activities of such other agencies in a comprehensive effort.

, duplicate or assume the responsibilities or functions of existing federal or state funded programs and organizations,

, collaborate with

28 (b) Prior to July 1, 2009, the commission shall perform the following:

29 (1) Hire an interim executive director or consultant to act as executive
30 director, having all the powers, duties and responsibilities of the executive
31 director of the commission until such time as an executive director can
32 be hired by the board of directors. The legislative coordinating council
33 may authorize a consulting study in order to fulfill this duty;

34 (2) hire such support staff as deemed necessary;

35 (3) develop a comprehensive plan for fulfillment of the commission's
36 duties until an executive director is hired;

37 (4) acquire facilities in a community with a rural knowledge base,
38 rural resources and leadership which shall serve as a base of operations
39 for the commission;

40 (5) evaluate the current efforts being utilized to fulfill the commis-
41 sion's objectives and report to the legislature during the 2009 legislative
42 session as to best practices currently being conducted;

43 (6) develop partnerships with other organizations to ~~begin offering~~

offer

1 technical assistance to rural communities seeking programming
2 assistance;

3 (7) develop partnerships with private organizations and institutions
4 engaged in rural development strategies to identify best practices and
5 make those resources available to rural communities; and

6 (8) report on the commission's activities to the legislature during the
7 2009 legislative session.

8 (c) In addition to the duties set forth in subsection (b), the commis-
9 sion, once appointed and confirmed, shall perform the following:

10 (1) Develop on-the-ground resources for rural communities utilizing
11 existing resources and potential partnerships or by developing new efforts
12 and strategies;

13 (2) act in concert with contracting organizations to develop funda-
14 mental capacity building resources to assist communities in achieving
15 growth using the key areas set forth in subsection (a);

16 (3) identify up to 20 pilot communities for direct programming efforts
17 by July 1, 2010;

18 (4) review rural development programs in other state agencies and
19 provide strategic direction to such agencies;

recommendations

20 (5) serve as a convener of organizations engaged in activities focused
21 on the key areas set forth in subsection (a) to develop a unified strategy
22 for rural development efforts across the state;

recommendations

23 (6) administer the rural community development grant program pur-
24 suant to the provisions of sections 4 through 6, and amendments thereto;
25 and

(6) develop and recommend to the secretary of commerce a strategic mission for
the office of rural opportunity;
and renumber the remaining paragraphs accordingly

26 (7) report annually to the legislature with each annual report to in-
27 clude a report on the activities of the commission, recommendations by
28 the commission and suggestions for legislation.

29 Sec. 4. (a) The Kansas commission on rural policy is hereby author-
30 ized to develop a program of grants to carry out rural community devel-
31 opment activities in accordance with the provisions of this act. Recipients
32 of such grants shall be selected by the commission in accordance with
33 policies and procedures adopted by the board of directors of the
34 commission.

35 (b) Any individual or organization desiring to receive a grant pursuant
36 to this act shall submit a request for grant funds to the commission in a
37 form and manner prescribed by the commission. Such request shall in-
38 clude a statement of such individual or organization's proposed rural com-
39 munity development activities, projected use of grant funds and any other
40 information related to the grant required by the commission.

41 (c) As part of any request for grant funds the requesting individual
42 or organization shall certify to the commission that the individual or or-
43 ganization will provide matching funds in an amount equal to the total

1 amount of funds to be granted to the individual or organization by the
2 commission, or in-kind labor and services with an equivalent value.

3 (d) The commission shall adopt policies and procedures regarding the
4 application procedure, grant periods, grant evaluation and reporting cri-
5 teria, the filing of forms that support the request for grant awards, the
6 method and manner of payment of grant funds and any other matter
7 necessary to carry out the provisions of this act.

8 (e) For the purposes of this section and section 5, and amendments
9 thereto, the term "rural community development activities" means those
10 activities and programs that focus on fostering leadership, encouraging
11 wealth retention and generation, developing entrepreneurship and at-
12 tracting and retaining youth in rural communities.

13 Sec. 5. (a) Each recipient of grant funds pursuant to this act shall
14 submit to the Kansas commission on rural policy, at a time determined
15 by the commission, a performance and evaluation report concerning the
16 use of grant funds made available under section 4, and amendments
17 thereto, together with an assessment by the recipient of the relationship
18 of such use to the rural community development activities identified in
19 the recipient's statement under subsection (b) of section 4, and amend-
20 ments thereto. The recipient's report shall indicate an evaluation of the
21 rural community development activities, the nature of and reasons for any
22 changes in such activities and an evaluation of the use of the grant funds
23 for such activities. The commission shall, at least on an annual basis, make
24 such reviews and audits as may be necessary or appropriate to determine:

25 (1) Whether the recipient has carried out its rural community devel-
26 opment activities in a timely manner;

27 (2) whether the recipient has carried out those activities and its cer-
28 tifications in accordance with the requirements of sections 4 and 5, and
29 amendments thereto; and

30 (3) whether the recipient has a continuing capacity to carry out those
31 activities in a timely manner.

32 (b) Insofar as they relate to grant funds provided under section 4,
33 and amendments thereto, the financial transactions of recipients may be
34 audited under such policies and procedures as may be adopted by the
35 commission. The commission shall report the final results of any audits
36 conducted pursuant to this section to the state legislature during the leg-
37 islative session immediately following the audit.

, the governor and any affected state agency, organization or entity

38 Sec. 6. (a) There is hereby established in the state treasury the rural
39 community development grant program fund. All moneys credited to
40 such fund shall be used only for the awarding of grants pursuant to sec-
41 tions 4 and 5, and amendments thereto. Such fund shall be administered
42 in accordance with the provisions of sections 4 and 5, and amendments
43 thereto, and the provisions of appropriation acts.

1 (b) All expenditures from the rural community development grant
 2 program fund shall be made in accordance with appropriation acts upon
 3 warrants of the director of accounts and reports issued pursuant to vouch-
 4 ers approved by the executive director of the Kansas commission on rural
 5 policy.

6 (c) On or before the 10th of each month, the director of accounts
 7 and reports shall transfer from the state general fund to the rural com-
 8 munity development grant program fund interest earnings on:

9 (1) The average daily balance of moneys in the rural community de-
 10 velopment grant program fund for the preceding month; and

11 (2) the net earnings rate for the pooled money investment portfolio
 12 for the preceding month.

13 Sec. 7. This act shall take effect and be in force from and after its
 14 publication in the statute book.

Sec. 7. (a) There is hereby established within and as a part of the department of commerce a division of rural development, the head of which shall be the deputy secretary of rural development. Under the supervision of the secretary of commerce, the deputy secretary of rural development shall administer the division of rural development. The secretary of commerce shall appoint the deputy secretary of rural development and the deputy secretary shall serve at the pleasure of the secretary. The deputy secretary of rural development shall be in the unclassified service under the Kansas civil service act and shall receive an annual salary fixed by the secretary of commerce and approved by the governor.

(b) Prior to appointing the deputy secretary of rural development pursuant to subsection (a), or any successor deputy secretary of rural development, the secretary of commerce shall consider any recommendations regarding appointments to such office that may be submitted to the secretary by the Kansas commission on rural policy established by section 2, and amendments thereto.

(c) As part of the duties and responsibilities of the office, the deputy secretary of rural development shall oversee and direct the operations of the office of rural opportunity.

Sec. 8. The provisions of sections 1 through 8, and amendments thereto, shall expire on and after July 1, 2013.

and renumber the remaining sections accordingly

Regulatory Flexibility: What It Is And Why It Matters

Presented by
Wendell Bailey
as his
testimony

According to a 2001 study funded by the Office of Advocacy, *The Impact of Regulatory Costs on Small Firms*, by Drs. Mark Crain and Thomas Hopkins, small businesses spend \$6,975 each year per employee just to comply with federal regulations and mandates. That is 60 percent more than large firms.

In September 1980, Congress enacted the Regulatory Flexibility Act (RFA), which mandated that agencies consider the impact of their regulatory proposals on small entities, analyze equally effective alternatives, and make their analyses available for public comment.

The law was not intended to create special treatment for small businesses. Congress intended that agencies consider impacts on small businesses to ensure that, in their efforts to fulfill their public responsibilities, their regulatory proposals did not have unintended anticompetitive impacts and that agencies explored less burdensome alternatives that were equally effective in resolving agency objectives.

In March 1996, Congress was finally persuaded by 16 years of uneven compliance with the RFA, and by the repeated urging of the small business community, to authorize the courts to review agency compliance with the RFA. This amendment to the RFA, in the form of the Small Business Regulatory Enforcement Fairness Act (SBREFA), became law and raised the stakes for regulatory agencies. Judicial review gave the RFA "teeth" and reinforced the RFA requirement that agencies reach out and consider the input of small businesses in the development of regulatory proposals.

One of the clearest examples of how benefits can be derived from efforts to ensure compliance with the RFA comes from the Office of Advocacy's work with the U.S. Department of Transportation (DOT). In 2002, DOT published a proposed rule to revise its Computer Reservations System (CRS) regulations. DOT issued its proposed rule to exam-

ine whether the existing rules governing these systems were necessary and if so, whether they should be modified. Through small business outreach, Advocacy determined that the proposed rule had several provisions that could harm small businesses such as travel agencies. In its March 2003 comment letter, Advocacy encouraged DOT to publish for comment a revised initial regulatory flexibility analysis that identified the affected small entities, analyzed the proposal's economic impact on the small entities, and addressed regulatory alternatives that would minimize the impact on small businesses.

On January 7, 2004, DOT announced that it would deregulate the CRS industry by discontinuing most of its regulations on January 31, 2004. To ensure a smooth transition, rules governing display bias and prohibiting CRSs from imposing certain unreasonably restrictive contract clauses remained in effect until July 31, 2004. The final rule allowed travel agencies to negotiate their own contracts and receive bonuses and other incentives from CRSs. DOT achieved its deregulatory objective while protecting the interests of small businesses in the travel industry. The travel agent industry was very pleased with DOT's decision and estimated that removal of the CRS rules prevented travel agents from losing \$438 million annually in revenue.

Enforcing the RFA is central to the success of tearing down regulatory barriers to entrepreneurial success. By working with federal agencies to implement the RFA, the Office of Advocacy in FY 2004 saved small businesses \$17.1 billion in foregone federal regulatory costs—money that can now be invested by the businesses in other productive uses.

Regulatory Flexibility and the States

While there are federal measures in place to reduce regulatory burdens on small businesses, the need does not stop at the federal level. More than 92 percent of businesses in every state are small businesses, which bear a disproportionate share of regulatory costs and burdens. However, sometimes because of their size, the aggregate importance of small businesses to the economy is overlooked. Because of this, it is very easy to fail to notice the negative impact of regulatory activities on them.

Senate Commerce Committee

February 26, 2008

Attachment 2-1

Recognizing that in addition to the federal government, state and local governments can also be a source of burdensome regulations on small business, Advocacy drafted model regulatory flexibility legislation for the states based on the federal RFA.

The intent of Advocacy's model legislation is to foster a climate for entrepreneurial success in the states so that small businesses will continue to create jobs, produce innovative new products and services, bring more Americans into the economic mainstream, and broaden the tax base. Excessive regulation can be reduced and the economy improved without sacrificing important regulatory goals such as higher environmental quality, greater travel safety, better workplace conditions, and increased family financial security.

"This bill recognizes the vital role that small business plays in growing jobs and opportunity within the state. We must work to create an environment that fosters small business growth."—Kentucky Governor Ernie Fletcher

Many states have some form of regulatory flexibility laws on the books. However, many of these laws do not contain all of the five critical elements addressed in Advocacy's model legislation. Recognizing that some laws are missing key components that give regulatory flexibility its effectiveness, legislators continue to introduce legislation to strengthen their current systems.

According to Advocacy's state model legislation, successful state-level regulatory flexibility laws should address the following: 1) a small business definition that is consistent with state practices and permitting authorities; 2) a requirement that state agencies perform an economic impact analysis on the effect of a rule on small businesses before

they regulate; 3) a requirement that state agencies consider alternatives for small businesses that are less burdensome while meeting the agency's regulatory goals; 4) a provision that requires state governments to review existing regulations periodically; and 5) judicial review to give the law "teeth."

Since 2002, 14 state regulatory flexibility laws have been signed into law,¹ 33 state legislatures have considered regulatory flexibility legislation,² and four executive orders have been signed by governors implementing regulatory flexibility.³

"This bill is all about making life easier for our state's small businesses, which is a big step forward in stimulating job creation and economic growth in South Carolina. Ultimately, though, letting those businesses keep more of what they earn so they can reinvest in new people, new equipment and new technologies is going to have the biggest impact on our state's economy."—South Carolina Governor Mark Sanford

In 2005, 18 states introduced regulatory flexibility legislation (Alabama, Alaska, Hawaii, Indiana, Iowa, Mississippi, Missouri, Montana, New Jersey, New Mexico, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Utah, Virginia, and Washington). Alaska Governor Frank Murkowski, Indiana Governor Mitch Daniels, Missouri Governor Matt Blunt, New Mexico Governor Bill Richardson, and Virginia Governor Mark Warner signed regulatory flexibility legislation into law and Arkansas Governor Mike Huckabee implemented regulatory flexibility through an executive order in 2005.

One of the most recent examples on the state level of how benefits can be derived from regulatory flexibility laws comes from the New York

1 These states include: Alaska, Colorado, Connecticut, Indiana, Kentucky, Missouri, New Mexico, North Dakota, Rhode Island, South Carolina, South Dakota, Virginia, and Wisconsin.

2 These states include: Alabama, Alaska, California, Colorado, Connecticut, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin.

3 These states include: Arkansas, Massachusetts, Missouri (whose executive order was later superseded by legislation), and West Virginia.

Department of Health. In October 2004, New York State adopted an emergency regulation to prevent prescription fraud by requiring the use of an official state prescription form for all prescriptions issued in New York. These forms have a security feature used to curtail alterations and forgeries which often divert drugs to the black market and result in the sale to unsuspecting consumers. This type of fraud also costs New York's Medicaid program and private insurers tens of millions of dollars annually in fraudulent claims.

Under New York's Administrative Procedure Act and an Executive Order signed by Governor Pataki, the Department of Health was required to perform a regulatory flexibility analysis for small business. As a result of its analysis, the agency found that the proposed regulation would affect a variety of small businesses such as practitioners, pharmacists, retail pharmacies, hospitals, and nursing homes.

Therefore, in drafting the regulation, the Department of Health met with and considered comments from the affected small businesses. By consulting with small business throughout the rule writing process, the agency was able to craft a regulation that met its goals without unduly burdening small entities.

As a result of this collaborative effort, the Department of Health promulgated a rule that took into account the uniqueness of small businesses by establishing a grant administered by the agency to defray costs for software adjustments faced by small pharmacies; eliminating the official prescription fee for small practitioners and institutions; and allowing small practitioners, pharmacists, retail pharmacies, hospitals, and nursing homes 18 months to transition to the new prescription form system.

Under the Serialized Official New York State Prescription Form regulation, private insurers and the Medicaid program are expected to save millions

of dollars by reducing fraudulent prescription claims while at the same time benefiting the state, its citizens, and private insurers.

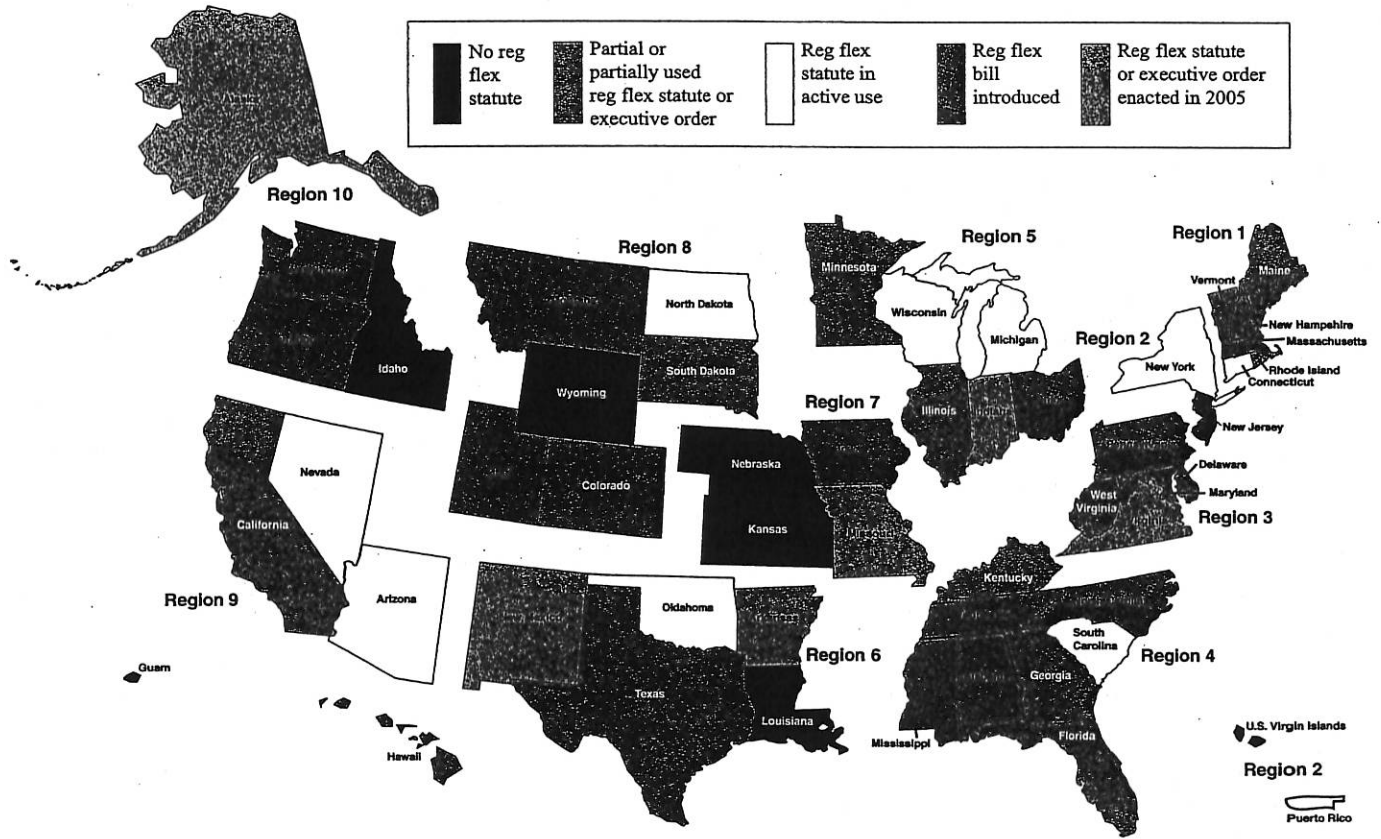
A vibrant and growing small business sector is critical to creating jobs in a dynamic economy. Small businesses are 99.7 percent of all businesses, employ half of the work force, produce 52 percent of the private sector output, and provide significant ownership opportunities for women, minorities, and immigrants.

"Small business is the dynamo that powers our economy and every dollar a small business puts towards complying with cumbersome government regulations is a dollar that cannot be spent expanding the business, providing benefits, or hiring new employees. I sponsored HB 33 because I see smarter regulations as an economic development tool and strongly feel that we can add an awareness of the needs of small businesses to the regulatory process without compromising the health, safety, or welfare of the public."

—Alaska Representative Kevin Meyer

Advocacy welcomes the opportunity to work with state leaders on their regulatory issues. In addition to this report, the text of Advocacy's model legislation and frequently updated versions of the state regulatory flexibility legislative activity map can be found on Advocacy's website at http://www.sba.gov/advo/laws/law_modeleg.html.

State Regulatory Flexibility Model Legislation Activity



August 2005

Appendix B

The Regulatory Flexibility Act

The following text of the Regulatory Flexibility Act of 1980, as amended, is taken from Title 5 of the United States Code, Sections 601–612. The Regulatory Flexibility Act was originally passed in 1980 (P.L. 96-354). The act was amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (P.L. 104-121).

Congressional Findings and Declaration of Purpose

(a) The Congress finds and declares that —

- (1) when adopting regulations to protect the health, safety and economic welfare of the Nation, Federal agencies should seek to achieve statutory goals as effectively and efficiently as possible without imposing unnecessary burdens on the public;
- (2) laws and regulations designed for application to large scale entities have been applied uniformly to small businesses, small organizations, and small governmental jurisdictions even though the problems that gave rise to government action may not have been caused by those smaller entities;
- (3) uniform Federal regulatory and reporting requirements have in numerous instances imposed unnecessary and disproportionately burdensome demands including legal, accounting and consulting costs upon small businesses, small organizations, and small governmental jurisdictions with limited resources;
- (4) the failure to recognize differences in the scale and resources of regulated entities has in numerous instances adversely affected competition in the marketplace, discouraged innovation and restricted improvements in productivity;
- (5) unnecessary regulations create entry barriers in many industries and discourage potential entrepreneurs from introducing beneficial products and processes;

(6) the practice of treating all regulated businesses, organizations, and governmental jurisdictions as equivalent may lead to inefficient use of regulatory agency resources, enforcement problems and, in some cases, to actions inconsistent with the legislative intent of health, safety, environmental and economic welfare legislation;

(7) alternative regulatory approaches which do not conflict with the stated objectives of applicable statutes may be available which minimize the significant economic impact of rules on small businesses, small organizations, and small governmental jurisdictions;

(8) the process by which Federal regulations are developed and adopted should be reformed to require agencies to solicit the ideas and comments of small businesses, small organizations, and small governmental jurisdictions to examine the impact of proposed and existing rules on such entities, and to review the continued need for existing rules.

(b) It is the purpose of this Act [enacting this chapter and provisions set out as notes under this section] to establish as a principle of regulatory issuance that agencies shall endeavor, consistent with the objectives of the rule and of applicable statutes, to fit regulatory and informational requirements to the scale of the businesses, organizations, and governmental jurisdictions subject to regulation. To achieve this principle, agencies are required to solicit and consider flexible regulatory proposals and to explain the rationale for their actions to assure that such proposals are given serious consideration.

Regulatory Flexibility Act

- § 601 Definitions
- § 602 Regulatory agenda
- § 603 Initial regulatory flexibility analysis
- § 604 Final regulatory flexibility analysis
- § 605 Avoidance of duplicative or unnecessary analyses
- § 606 Effect on other law
- § 607 Preparation of analyses
- § 608 Procedure for waiver or delay of completion
- § 609 Procedures for gathering comments
- § 610 Periodic review of rules



The Voice of Small Business®

**Legislative Testimony
Derrick Sontag, NFIB State Director
Senate Bill 579
February 26, 2008**

Madam Chair and members of the committee:

Thank you for the opportunity to appear before you in support of Senate Bill 579.

The National Federation of Independent Business/Kansas and its more than 4,500 members strongly support measures that promote regulatory fairness for small businesses. The intent of the legislation is to foster a climate for entrepreneurial success in Kansas, so that small businesses will continue to create jobs, produce innovative new products and services, bring more Kansans into the economic mainstream, and broaden the tax base. The goal would be to accomplish this without sacrificing agency regulatory goals.

Specific to Kansas, in 2006 NFIB asked the following question of its membership:

Should the Small Business Regulatory Fairness Act be enacted in Kansas?
Yes=77% No=3.3% Undecided=19.7%

According to the Small Business Administration’s (SBA) Office of Advocacy, businesses with fewer than 20 employees spend 45 percent more per employee than larger firms to comply with government regulations. These small firms spend four and a half times as much per employee to comply with environmental regulations and 67 percent more per employee on tax compliance than larger businesses do.

SB 579 would help rectify this problem by doing the following:

Defining “Small Employer”

- Proposed legislation would define “small employer” as any person, firm corporation, or partnership with no more than 50 employees.
- Firms employing less than 100 employees represent more than 94% of businesses in Kansas, according to the latest statistics from the U.S. Census Bureau.

Economic Impact Statement Specific to Small Business

- Current law requires state agencies to prepare an economic impact statement to determine the effect of a proposed rule on all governmental agencies or units, all regulated persons and the general public.
- Proposed legislation calls for state agencies to take into account the immediate and long-term economic impact specific to “small employers”.

By recognizing the cost of a regulation to small businesses and the differences in scale and resources of regulated businesses, agencies are able to craft regulations that consider the uniqueness of small firms. As a result, small businesses are better able to comply with agency rules and to survive in a competitive marketplace.

The legislation before the committee calls for state agencies to consider the impact a proposed regulation would have on small businesses *before* enactment. The purpose is to educate state agencies of the various challenges small business owners have in complying with regulations. Not to mention, that the legislation would increase the amount of communication and cooperation between government and small business owners.

Thank you for your time and consideration on this important matter.

Derrick Sontag
State Director
National Federation of Independent Business/Kansas

Legislative Testimony

SB 579

February 26, 2008

achieve
more

Testimony before the Kansas Senate Commerce Committee By Jeff Glendening, Vice President of Political Affairs

Co-Chair Brownlee, Co-Chair Jordan and members of the committee;

The Kansas Chamber of Commerce supports the proposal of SB 579 to bring about regulatory fairness in the state. The Chamber believes this bill will have a positive impact on small businesses in Kansas. As Kansas competes with other states, not taking the time to determine the impact of new rules and regulations only impedes business growth.

According to the Small Business Office of Advocacy, more than 93 percent of businesses in every state are small business. The Office of Advocacy also found that firms with fewer than 20 employees annually spend \$7,647 per employee to comply with federal regulations, compared with the \$5,282 spent by firms with 500 or more employees. That is a 45 percent greater burden on small entities than their larger business counterparts.

Kansas lags behind other states when considering the effects of rules and regulations. Kansas is among the only eight states that have not enacted partial or full regulatory fairness legislation. In the region, Colorado, Missouri and Oklahoma have already passed regulatory fairness legislation. In the other forty-two states with partial or full regulatory fairness legislation, there have been several key components of that legislation.

- Identifies and estimates the number of small businesses affected by a proposed rule.
- Estimates the costs required for compliance with the proposed regulation.
- Considers utilizing alternative regulatory methods that will accomplish the agency objective while minimizing the adverse impact on small business.

The Chamber believes that SB 579 has these successful key components in the framework. A recent situation in Arizona demonstrates the positive impact this bill could have on small businesses.

In 2004, the Arizona Department of Environmental Quality (ADEQ) found that the state administered Air Permits Administration Fund (APAF) was operating at a substantial shortfall of approximately \$1.7 million per year. State law required that the APAF must cover its cost by imposing direct fees on those who hold the air permits.



Before regulatory fairness laws were enacted the state probably would have just raised air permit fees. However, under Arizona's regulatory fairness law the agency was required to do an economic impact study and found that the cost of increased fees would overburden the small businesses that held these permits. As an alternative, the ADEQ met with stakeholders and came up with a plan to reduced the administrative costs of this important program while improving compliance and mitigating the original fee increase proposal. This alternative action saved small businesses money and streamlined the ADEQ creating a win/win situation for everyone involved.

We are committed to working together to make Kansas a more fair and competitive place to do business so that more companies view Kansas as a great place to make investments and create jobs. Again, the Chamber supports the direction SB 579 is taking the state of Kansas.

Thank you for your time and I will be happy to answer any questions.

Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium and large employers all across Kansas.



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

**Senate Commerce Committee
Testimony in Support of SB 579**

**By: Pete Schrepferman, Owner, Johnstone Supply
February 26, 2008**

Chairman Brownlee and honorable committee members:

Thank you for the opportunity to submit written comments regarding how state regulations impact my business and why small businesses support the requirement, as set out in SB 579, which proposes to require regulators to conduct and impact study specifically on small businesses. My name is Pete Schrepferman, and I am the owner of Johnstone Supply in Wichita. As a small business owner for more than 26 years, I've seen firsthand how a compliance issue that is barely noticed by large businesses can greatly – and negatively – impact the productivity of a small business.

If proposing agencies are required to analyze how rules and regulations impact businesses with fewer than 50 employees, I believe many eyes would be opened to the unfair burden put on small business.

I can illustrate my point of view with my recent experience with the Kansas Department of Revenue and destination sourcing. I collect sales tax on behalf of the state of Kansas and was required a few years back to change our accounting system to calculate sales tax based on destination sourcing. As a small, family owned and operated business (as many small businesses are), our office staff amounts to my wife and myself, and one clerk. We wear many hats. In order to comply with the new regulations, we had to enter the more than 750 different tax jurisdictions in the state, and to code each of our customers to the proper jurisdiction. We then devised an Excel report to correspond to the format required by KDOR. We copy that data to the KS WebTax form. Initially, we spent several hours each month reviewing the results, particularly since our computer came up with slightly different figures. We have come to the conclusion that the differences, usually less than .5%, were the result of rounding; often in our favor.

445 N. Waco Street / Wichita, KS 67202-3719
316-267-8987 / 1-800-279-9422 / FAX 316-267-8964 / E-mail: info@wi
www.wiba.org

Senate Commerce Committee
February 26, 2008

Attachment 5-1

We were fortunate that as part of a national organization we have proprietary software that could handle 750 tax jurisdictions. I have heard of several businesses that were not so fortunate and had to buy new software, and in some cases new computer systems to comply with these new regulations. As with our business, most were faced with the choice of hiring outside help to set this up, or taking the owners' time away from running the business to do it. In most cases this was done after hours or on a weekend.

The KS WebTax site is user- friendly now that we have everything in place. We now have the process to the point where we spend about 2 hours each month in review and reporting. We have reached the point where we don't try to reconcile our results with KS WebTax if the difference is slight. We just pay what they show and move on.

SB 579 is a step in the right direction for continued economic development on an important sector of Kansas business – small business. I look forward to working with lawmakers to create the best possible environment for all businesses in Kansas. Thank you for the opportunity too share my input and perspective on the proposed bill. Natalie Bright will be present at the hearing if you should have any questions regarding my testimony.



816 SW Tyler St., Ste. 300
Topeka, Kansas 66612
Phone: 785-233-4085
Cell: 785-220-4068
Fax: 785-233-1038
www.kansasco-op.coop

Senate Commerce Committee

Feb. 26, 2008
Topeka, Kansas

SB 579 - regulatory impacts on small business.

Co-Chairs Brownlee and Jordan and members of the Senate Commerce Committee, thank you for the opportunity to comment in support of SB 579 allowing for the consideration of regulatory impacts on small businesses. I am Leslie Kaufman, Executive Director for the Kansas Cooperative Council. The Kansas Cooperative Council represents all forms of cooperative businesses across the state -- agricultural, utility, credit, financial and consumer cooperatives.

Our members come from a wide variety of industries, but all are regulated in some manner. Some are very heavily regulated. The burden of regulation is an ever-present operational consideration. We have a history of supporting an open, in-put driven regulatory process based on sound science, fact and a consideration for the economic impacts. Our on regulatory reform state, in part:

Regulation of an entity/industry is most appropriately accomplished under statutory parameters and open rule making procedures where the regulated community has the opportunity to provide in-put. Actions taken to "protect" safety, public health, the environment or other general areas should be based on regulations/law founded on sound, scientific information, an informed rule making process, impacts on the regulated community, and the feasibility and possibility of compliance.

A sizeable number of our members fall within the definition of "small business" under the parameters of SB 579. We are supportive of the provisions in the bill and believe it prudent to address economic impacts within the list of considerations when analyzing potential regulatory burdens on all sizes of businesses. We would offer that these considerations should automatically be part of the regulatory review process, not just evaluated as requested. Nevertheless, this is an important step and we are pleased to see some formal mechanism for small business to receive greater consideration.

Thank you for allowing us to comment in support of SB 579. We respectfully request your favorable consideration of this measure. Please feel free to contact me if you have any questions regarding our testimony or position on the bill.

Leslie Kaufman, Executive Director
Kansas Cooperative Council

Senate Commerce Committee
February 26, 2008

Attachment 6-1

SENATE BILL 634
COMMITTEE ON COMMERCE

Timothy Cowden, Sr. Vice President,
Business Development
Kansas City Area Development Council
Home address:
14003 Eby
Overland Park, KS

Thank you, members of the Committee on Commerce, Chairpersons Brownlee and Jordan, for allowing me the opportunity to speak this morning to you about Senate Bill 634.

First off by way of background, I have led the Kansas City Area Development Council's recruitment program for a decade. During this time, I have formed a strong opinion that the incentive programs offered by the State of Kansas by and large have been extremely effective. The recruitment and retention team at the Department of Commerce is known by both site selection consultants and peers in the economic development business across the country for its professionalism and results-oriented approach. It's been a powerful combination and one that continues to benefit the citizens of this State.

Before I comment specifically on the importance of SB 634, let me provide some perspective on today's climate for recruitment and expansion projects. Each of you on this committee understands well the competitive nature of economic development. I would imagine that the one common link between all the testimonials you have heard during this and previous legislative sessions dealt at some level with Kansas maintaining or gaining a competitive edge. The reality of the marketplace for economic development projects is that today, in many similar conference rooms and legislative assemblies across the country, presentations or discussions are underway about why that state's leadership should pass some type of economic development legislation to give it some edge when competing with Kansas or any other state.

There's one element of weakness in Kansas' incentive programs that we at KCADC have frequently been hearing from site location consultants and corporate executives. They feel the State's focus on tax credit based

Senate Commerce Committee
February 26, 2008

Attachment 7-1

incentive programs is becoming increasingly out of touch with the market. To be specific, and this won't come as any surprise, site location consultants and the corporate executives they advise are placing greater emphasis on cash based incentive programs offered by states and communities.

Based on our experience, the most impactful incentive programs that Kansas offers conventional economic development projects are KEOIF and IMPACT—two cash based programs. More and more, when discussions with our clients turn to the State tax credit based programs, they discount these programs' impact. The rationale being that these companies often times don't have the corporate income tax liability in Kansas to utilize the credits within the first couple of years after receipt—if ever.

Senate Bill 634 is a very important piece of legislation that will enable the State of Kansas to better compete for quality manufacturing jobs provided by an excellent corporate citizen of this State. And as importantly, passage of SB 634 will be a powerful signal to the market that Kansas continues to make the adjustments needed to win in the ever changing environment for all job and investment creation projects considering the State.

Thank you for your time this morning. I would be happy to address any of your questions to the best of my knowledge.



David R. Anderson
Mayor

Patrick J. Gullfoyle, ICMA-CM
City Administrator

Lana R. McPherson, MMC
City Clerk

Patrick G. Reavey
City Attorney

Michael D. Brungardt, P.E.
City Engineer

To: TESTIMONY TO KANSAS INTERIM TAX COMMITTEE – Senate Bill #634

From: David R. Anderson, Mayor of the City of De Soto

Date: February 25, 2008

First, thank you to the chairpersons and members of this committee for the opportunity to address you on an issue of economic development.

Our community of 5,000 people is not unlike many across the state. We are working hard at every level to provide a business climate which partners with the manufacturing and service sectors. The fruit of this work produces jobs; this, in turn, offers our community citizens who want to live, work and go to school in the community. The business of governing is helped by healthy, growing businesses. Our community can make much needed investments in water, sewer, roads, public safety, and parks and recreation when our tax base is broadened.

City Council

Betty Cannon

This bill will create the type of atmosphere where good corporate citizens already in our state, and who are already producing goods and services and providing good paying jobs, bring new technology to Kansas.

Mike Drennon

This bill will meaningfully enhance the IMPACT incentive program.

Tim Manlez

Our community will be enhanced by this legislation.

Ted Morse

Our state will benefit by making this type of investment.

Mitra Templin

Thank you for your time. I stand for questions.

Senate Commerce Committee

February 26, 2008

Attachment 8-1

Testimony from Mayor Dave Anderson
Senate bill 634
2-26-08

Specific Benefits to City of De Soto

- \$ 432,000 Annual increase in (Westar's) Electric Franchise Fee paid to City. Increase is equivalent to 7.3 mills in municipal property taxes (25% of municipal tax bill).
- \$1,438,061 Off-site water improvements, \$0 net cost to current City water customers.
- \$ 461,000 Annual net increase in City's water utility profit based on projected demand.
 - Water utility profit will allow City to expand and improve its service delivery system without added costs to water utility customers.
 - Potential exists to reduce City's water utility rates for all customers.
- \$5,205,000 Off-site sewer improvements, \$0 net cost to current sewer customers.
- \$ 232,000 Annual net increase in City's sewer utility profit based on projected demand.
 - Project will necessitate expansion of City's sewer collection system south of K-10 without added cost to sewer utility customers.
 - Expanded sewer system will provide long-desired development potential for De Soto
 - Potential exists to reduce sewer utility rates for all customers.
- \$7,768,061 **BOTTOM LINE: First year financial benefit for City**
- \$1,180,000 **BOTTOM LINE: Perennial revenue increase for City municipal operations.**

Specific Benefits to State of Kansas

- \$119,000 Annual State sales tax from water utility usage.
- \$115,000 Annual State income tax from new employees
- \$234,000 **BOTTOM LINE: Annual increase in State sales and income taxes**

Specific Benefits to Local Schools

- \$145,000 Annual Property Tax, Unified School District #232 (after 10-year tax rebate)
- \$31,000 Annual Property Tax, Johnson County Community College (after 10-year tax rebate)
- \$176,000 **BOTTOM LINE: Annual increase in local school taxes**



Chamber of Commerce

"Building on Small Town Values"

February 25, 2008

The Honorable Senator Karen Brownlee, Co-Chair
The Honorable Senator Nick Jordan, Co-Chair
Members of the Kansas Senate Interim Tax Committee
State of Kansas
300 SW 10th Street
Topeka, KS 66612

RE: Written Testimony for Senate Bill No. 634

Dear Members of the Kansas Senate Interim Tax Committee:

On behalf of the De Soto Chamber of Commerce, the De Soto Economic Development Council and the businesses of our community, I would like to thank you for opportunity to provide written testimony on behalf of Senate Bill No. 634 which considers the monetization of tax credits and other incentives available to companies in Kansas.

In order for Kansas to remain competitive and provide a successful business climate, refundability policies as well as enhancing existing IMPACT programs should be considered to encourage business investments and grow economic development opportunities for the State of Kansas. As the business voice for our growing bedroom community, Senate Bill No. 634 would enable De Soto to provide a stable tax base for our citizens, increase business opportunities within the state and provide investments into our community that may not be possible without the support of thriving companies and the State of Kansas. Opportunities such as Senate Bill No. 634 will stimulate business and encourage existing businesses to grow and expand in Kansas, which has a reaching benefit across the state.

The De Soto Chamber of Commerce and the De Soto Economic Development Council respectfully requests that Senate Bill No. 634 receive serious consideration and assistance from the Committee to improve State incentive policies.

Thank you in advance for this opportunity and honor to address the Interim Tax Committee on this matter. Please do not hesitate in contacting me should you have any questions.

Respectfully,

Sara R. Ritter
Executive Director
De Soto Chamber of Commerce and De Soto Economic Development Council
P.O. Box 70
De Soto, Kansas 66018
913-583-1585 (office)
913-238-2206 (cell)
sritter@desotoks.org

Senate Commerce Committee
February 26, 2008

Attachment 9-1



Written Testimony before the Senate Commerce Committee
Senate Bill 634 – The Qualified Goods Manufacturer Act
Presented by J. Kent Eckles
Vice President of Government Relations
Tuesday, February 26th, 2008

The Overland Park Chamber of Commerce appreciates the opportunity to submit written testimony in favor of Senate Bill 634. The Chamber speaks for over 850 member businesses in Overland Park and Johnson County. The Chamber Board and its volunteer Government Affairs Committee both unanimously endorse efforts to monetize existing tax credits.

As this committee has heard the chamber testify previously, site location consultants throughout the county have told us they advise companies considering relocating to Kansas not to bother seeking out tax credits because they are too complicated and offer little real value. In fact, many consultants will now **only** consider cash or cash equivalent programs in their analysis because so many other states offer cash. The fact that there are approximately \$300 million in unclaimed tax credits on the books is clear evidence of their worth, which puts the State at a competitive disadvantage with our neighbors.

The need for Senate Bill 634 also provides clear evidence that the State's current tax credit-based incentive programs are ineffective.

Again, we appreciate the opportunity to offer testimony in favor of Senate Bill 634 and we look forward to working with the committee on ways to monetize existing tax credits and thus better incentivize job creation and investment in the State of Kansas.

Senate Commerce Committee
February 26, 2008

Attachment 10

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

010-West-Statehouse, 300 SW 10th Ave.
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kslegres@klrd.state.ks.us

<http://www.kslegislature.org/klrd>

February 25, 2008

To: Senate Commerce Committee
From: Jennifer Thierer, Legislative Intern
Re: SB 488

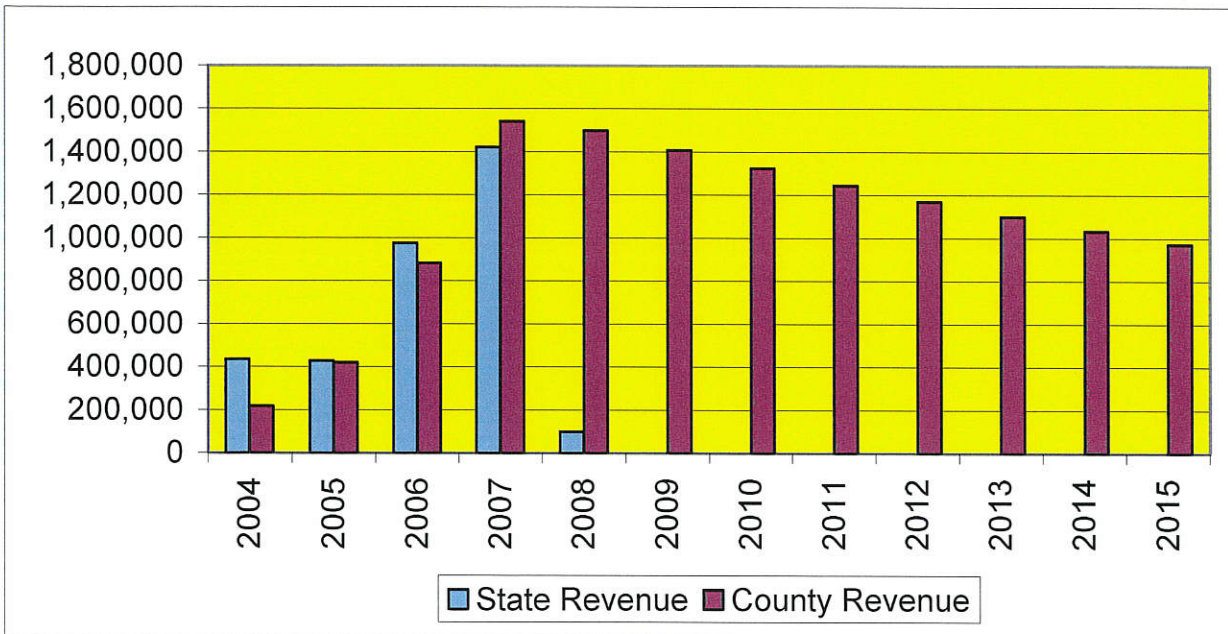
During testimony presented on SB 488, two different totals were presented for county revenue (for Sedgwick and Shawnee) from the mortgage bond program. Below is an explanation of how each total was reached.

The Kansas Housing Resources Corporation estimates that Sedgwick and Shawnee counties should have received \$1,541,985 in combined revenue from the mortgage bond program in 2007. According to Stephen Weatherford, the estimate was arrived at by totaling the issuer fees the county could collect each year. The issuer fees total one-quarter of one percent of total bond amounts issued.

Brad Snapp of the Sedgwick County Housing Department reports an income of \$122,550 for Sedgwick County in 2007. He said Shawnee County would have received a similar amount. His total is based on issuer fees of .0004 percent of the total bond that are received only once over the lifetime of the bond, not yearly. This equals \$16,660 per \$40 million in bonds. Mr. Snapp said the money earned from these fees goes back into the general fund to cover the cost of administering the bonds, and that the program generally breaks even.

Total Annual Revenue 2002-2015 (all series)

Calendar Year	Total Bonds	State Revenue	County Revenue
2004	\$ 87,300,000	\$ 436,500	\$ 218,250
2005	\$ 85,700,000	\$ 428,500	\$ 421,588
2006	\$ 195,200,000	\$ 976,000	\$ 884,292
2007	\$ 284,300,000	\$ 1,421,500	\$ 1,541,985
2008	\$ 20,000,000	\$ 100,000	\$ 1,499,466
2009	\$ -	\$ -	\$ 1,409,498
2010	\$ -	\$ -	\$ 1,324,928
2011	\$ -	\$ -	\$ 1,245,432
2012	\$ -	\$ -	\$ 1,170,706
2013	\$ -	\$ -	\$ 1,100,464
2014	\$ -	\$ -	\$ 1,034,436
2015	\$ -	\$ -	\$ 972,370



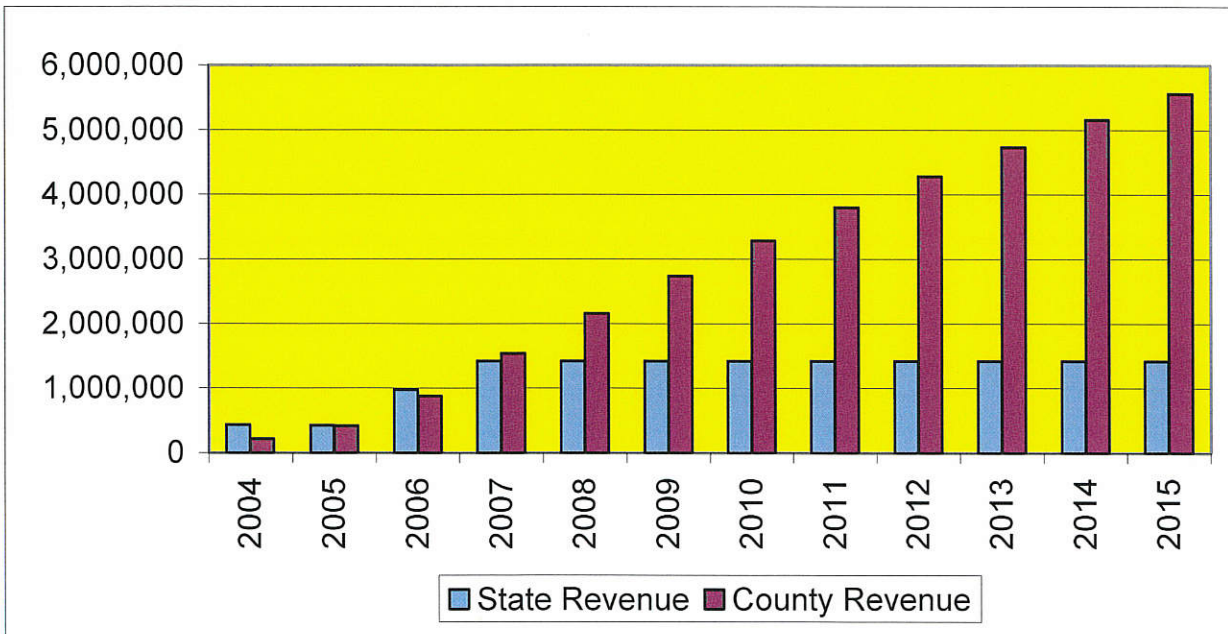
Interpretation: This graph demonstrates the annual revenue to the state for the allocation fee and to the county for the issuer fee. County revenue increases constantly through 2014. The increase results from a combination of two factors. First, growth in the amount of annual bonds issued and second due to a change in the county issuer fee. Beginning in 2004 we have assumed a 25 basis point issue fee paid annually on the outstanding principal balance of the bonds. The outstanding principal amount decreases by 6% per year to recognize prepayments (per industry standards).

Presented by:
Steve Weatherford
KDFA

Senate Commerce Committee
February 26, 2008
Attachment 12-1

Total Annual Revenue 2002-2015 (all series)

Calendar Year	Total Bonds	State Revenue	County Revenue
2004	\$ 87,300,000	\$ 436,500	\$ 218,250
2005	\$ 85,700,000	\$ 428,500	\$ 421,588
2006	\$ 195,200,000	\$ 976,000	\$ 884,292
2007	\$ 284,300,000	\$ 1,421,500	\$ 1,541,985
2008	\$ 284,300,000	\$ 1,421,500	\$ 2,160,216
2009	\$ 284,300,000	\$ 1,421,500	\$ 2,741,353
2010	\$ 284,300,000	\$ 1,421,500	\$ 3,287,622
2011	\$ 284,300,000	\$ 1,421,500	\$ 3,801,114
2012	\$ 284,300,000	\$ 1,421,500	\$ 4,283,797
2013	\$ 284,300,000	\$ 1,421,500	\$ 4,737,520
2014	\$ 284,300,000	\$ 1,421,500	\$ 5,164,018
2015	\$ 284,300,000	\$ 1,421,500	\$ 5,564,927



Interpretation: This graph demonstrates the annual revenue to the state for the allocation fee and to the county for the issuer fee. County revenue increases constantly through 2014. The increase results from a combination of two factors. First, growth in the amount of annual bonds issued and second due to a change in the county issuer fee. Beginning in 2004 we have assumed a 25 basis point issue fee paid annually on the outstanding principal balance of the bonds. The outstanding principal amount decreases by 6% per year to recognize prepayments (per industry standards).

Purchase Price Limits: New and Existing Homes

	Non-Target Areas	Target Areas
Kansas City MSA (Leavenworth, Wyandotte, Johnson, Franklin, Linn & Miami)	\$241,875	\$295,625
All Other Areas	\$237,031	\$289,705

Purchase Price Limits

The purchase price of a home, new or existing, financed through the Program, cannot exceed the limits shown above. These limits are much higher than in past Programs.

Eligible Properties

The Program can finance one unit and two unit residential homes and qualified condominiums. Rental houses or mobile homes are not eligible. Qualified manufactured homes may be eligible with the purchase of land.

The purchase price of a home financed through the Program cannot exceed the purchase price limits shown above.

Federally Designated Target Areas

Target Areas are designated census tracts where 70% or more of the families have incomes which are 80% or less of the statewide median income, or are in areas in need of economic development or revitalization as defined by the U.S. Department of Housing and Urban Development.

You do not have to be a first-time home buyer to apply for the Program if the home is located in a Target Area, and slightly higher income and purchase price limits apply.

Target Areas can be found in: Sedgwick County (Wichita), Shawnee County (Topeka), Reno County (Hutchinson), Douglas County (Lawrence), Riley County (Fort Riley and Manhattan), Wyandotte County (Kansas City), Geary County, Saline County and Montgomery County. Links to Target Area maps are on this web site.

**We can help make your dream of homeownership a reality.
Give us a call.**

Sedgwick County Housing Department (316) 660-7270
www.sedgwickcounty.org/housing

Ranson Housing Compliance, L.L.C. (316) 263-4991

George K. Baum & Company (316) 264-9351

KANSAS LOCAL GOVERNMENT STATEWIDE HOUSING PROGRAM

FIRST-TIME HOME BUYER PROGRAM

4% Cash Assistance

How does the program work?

This Program provides below-market, 30 year fixed rate mortgage loan financing for first-time home buyers statewide. Qualified home buyers will be eligible to receive up front cash of 4% of the loan amount which can be used for down payment, closing costs and other prepaid items. The Program's 4% cash assistance is a grant and does not have to be repaid. The mortgage loans and 4% cash assistance are funded from bonds issued by Sedgwick and Shawnee County. Periodically, new bonds are issued and a new mortgage interest rate is set.

Potential borrowers have over 100 locations in the state to find a participating lender. Contact a participating lender to obtain the most current interest rate information for the Program. New lenders are encouraged to participate. **No commitment fee** is required by a lender to participate.

Federal law establishes the limits for eligibility in the Program. Those limits include purchase price and income limits

How to Apply for a Loan

Contact any of the participating lenders listed on this web site. There are over 100 locations to pick from statewide. The lenders, in turn, will reserve money for your application by contacting the compliance agent, Ranson Housing Compliance, LLC.

Eligible Borrowers

Borrowers must be first-time home buyers unless the home being purchased is in a Target Area *. A first-time home buyer is one who has not had an ownership interest in a primary residence for the past three years. You must occupy the home within 60 days of loan closing. At the time of loan closing, you are not permitted to have an ownership interest in other residential property.

The total gross annual household income for all residents living or intending to live in the residence, age 18 or older, must be within the income limits detailed below on this page. Total gross annual household income is calculated using all sources of income, including but not limited to wages, overtime, bonuses, child support, alimony, commissions and earnings from a second job, business and investments.

Eligible Mortgage Loans

The type of mortgage loan you obtain from a participating lender may be a qualifying FHA, VA, Farmers Home Administration (USDA-RHS) or conventional loan.

The mortgage loan must be for the purchase of the home and not for the refinancing of an existing mortgage loan.

* See definition on next page

Homebuyer Income Limits

	Non-Target Areas		Target Areas	
	1 - 2 Persons	3+ Persons	1 - 2 Persons	3+ Persons
Kansas City MSA (Leavenworth, Wyandotte, Johnson & Miami)	\$68,400	\$78,660	\$82,080	\$95,760
Lawrence MSA (Douglas)	\$64,700	\$74,405	\$77,640	\$90,580
Topeka MSA (Shawnee, Jefferson, Jackson, Osage & Wabaunsee)	\$60,400	\$69,460	\$72,480	\$84,560
Wichita MSA (Sedgwick, Butler & Harvey)	\$61,200	\$70,380	\$73,440	\$85,680
All Other Areas	\$59,300	\$68,195	\$71,160	\$83,020



Sedgwick County
Housing Department

Brad Snapp - Director

604 N. Main, Suite E Wichita, Kansas 67203 T 316-660-7270 F 316-383-8271

Date: February 22, 2008
To: Senator Jean Shodorf
From: Brad Snapp
Subject: Kansas Local Government Statewide Housing Program

At the 2/13 Senate Commerce Committee Hearing on SB 488, I believe you asked for a comparison of how much money Sedgwick and Shawnee Counties received from the Program in 2007 and how much in allocation fees the Program sent the Kansas Department of Commerce. In addition to the requested information I included figures from 2001 through 2007.

Funds Distributed in 2007

To Sedgwick and Shawnee Counties	\$122,550
To Kansas Department of Commerce	\$1,534,553

Funds Distributed 2001 - 2007

To Sedgwick & Shawnee Counties	\$3,071,495
To Kansas Department of Commerce	\$4,037,042

Senate Commerce Committee
February 26, 2008

Sedgwick County...working for you

Attachment 13-1

Sedgwick and Shawnee Co., Kansas
Statewide Single Family Mortgage Revenue Bond Program

<u>Year</u>	<u>Cash Flow to Issuer</u>
2001	\$ 880,125
2002	536,521
2003	29,625
2004	959,754
2005	41,500
2006	501,419
2007	122,550