

## Cerebral Palsy Research Foundation of Kansas

**January 31, 2019**

**To: The Senate Committee on Commerce**

**From: Patrick Terick, Director of Governmental Activities (CPRF) & Patrick Jonas, CEO (CPRF)**

Chairwoman Lynn and members of the Senate Committee on Commerce, I want to thank you for your willingness to allow me to provide testimony on behalf of the Cerebral Palsy Research Foundation of Kansas (CPRFK) and our affiliates. We ask for your support of Senate Bill 26.

Recent changes brought about by CMS rulings and Federal WIOA legislation are forcing disability providers to reassess long-established models for employing people with disabilities and we feel the time has come to look at promising alternatives. Legislators often hear from constituents about growing waiting lists, from budget committees, about increasing Medicaid caseload costs and from advocates about persons with disabilities who are trapped in a system with little hope.

Our proposed language seeks to solve each of these challenges with a singular solution: to increase competitive and integrated employment opportunities for persons with disabilities. Senate Bill 26 includes the same provisions of last session's HB 2416 and implements an approach that could lead to significant savings to the state by reducing subsidies to Kansan's with disabilities. Senate Bill 26 achieves this by incentivizing private sector taxpayers to subcontract work to nonprofit entities engaging in the hiring people with disabilities in competitive and integrated employment practices. HB 2416 passed the house 122-0 during the 2018 session but died in the mega tax bill at the end of the session.

**How it works:** The bill would authorize the issuance of a 15 cent tax credit for each dollar spent on goods and services expended with organizations focused on employing persons with disabilities.

**Safeguards:** To ensure the legislation is targeted properly, working with legislative advocates, the following safeguards have been inserted in the legislation:

- Qualified vendors must have at least 30% of employees be Kansas residents with a disability
- Qualified vendors must provide a high level of health insurance (thus reducing Medicaid expenditures)
- The amount of the credit would be capped at \$500,000 for each qualified vendor per taxpayer relationship each tax year

- The total amount of cumulative credits allowed for the life of the program would be capped at \$5 million.
- The Secretary of Commerce would be required to certify annually the qualified expenditures eligible for the tax credit and provide the amount to the Secretary of Revenue.
- The Secretary of Revenue would be required to make an annual report to the standing taxation committees on the implementation and effectiveness of the tax credit program.

Due to the safeguards in place regarding competitive wages and health insurance, there will be opportunity for significant state savings that take place. See below:

Average Disability Waiver **\$50,000** → State Matching Obligation **\$20,000**

For every person with a disability who is competitively employed, there is approximately **\$20,000** in savings to the state.

Source: KDHE



*Approximately **\$60,000** in sales allows us to hire someone at \$11/hr.*

If we hire someone with a disability, that **\$60,000** saves the state **\$20,000**.



*Example:*

**\$60,000 x 10 = \$600,000** in sales



With these sales, we could hire **10 people**,  
**5** of whom would have a disability.



*This results in a savings of **\$100,000 (or 16.6%)** to the state.*



If we round that percentage down to **15%**,  
this could be a **tax credit of \$90,000**  
to the company who outsourced the work.



I strongly believe the passage of SB 26 will greatly assist in increasing the competitive and integrated employment of Kansans with disabilities.

I wish to thank you again for your time Chairwoman Lynn and members of the Senate Committee on Commerce and urge your support of Senate Bill 26.

