

## MINUTES

### JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

September 14-15, 2006  
Room 123-S—Statehouse

#### Members Present

Senator Nick Jordan, Chairperson  
Representative Lana Gordon, Vice-Chairperson  
Senator Jim Barone  
Senator Karin Brownlee  
Senator Laura Kelly  
Senator David Wysong  
Representative Sydney Carlin  
Representative Don Dahl  
Representative Terri Huntington  
Representative Jerry Williams  
Representative Kenny Wilk  
Representative Valdenia Winn

#### Member Absent

Representative Scott Schwab

#### Staff Present

Kathie Sparks, Kansas Legislative Research Department  
Helen Pedigo, Revisor of Statutes Office  
Renaë Jefferies, Revisor of Statutes Office  
Jackie Lunn, Committee Secretary

#### Conferees

Bob North, General Counsel, Kansas Department of Commerce  
Joan Wagon, Secretary, Kansas Department of Revenue  
Ray Hammarlund, Director of AG Marketing and Community Development, Kansas Department  
of Commerce  
John Cyr, North Central Planning Commission  
Tom Weigand, Ottawa Chamber of Commerce  
Richard Cram, Director of Policy and Research, Kansas Department of Revenue  
Steve Radley, Director, Kansas Center for Entrepreneurship  
Jerry Erdman, Greater Kansas City Chamber of Commerce

Dr. Lisa C. Freeman, DVM,PHD, Associate Dean for Research, Graduate Program, College of Veterinary Medicine, Kansas State University  
Dr. Scott Weir, PharmD, PH.D., Director, Office of Therapeutics, Discovery and Development, University of Kansas  
Dr. William Duncan, President, Kansas City Area Life Science Institute  
Bob Walker, Director of Communications, Bayer Health Care, Animal Health Division  
Dr. Daryl Buchholz, Associate Director, Kansas State University Extension and Applied Science  
Clay Blair, Chairman, Kansas Bioscience Authority  
Tom Thornton, CEO, Kansas Bioscience Authority  
Clair Gustin, Executive Manager of External Affairs, Sunflower Electric Power Corporation  
Tracy Taylor, President, Kansas Technology Enterprise Corporation  
Richard Thomas, Public Resource Director, Division of Workers Compensation, Kansas Department of Labor  
Paula Greathouse, Director of the Division Workers Compensation, Kansas Department of Labor

**Thursday, September 14  
Morning Session**

Chairperson Jordan called the meeting to order at 10:00 a.m. and announced that the STAR Bond legislation is up for re-authorization.

Chairperson Jordan introduced Mr. Bob North, General Counsel for the Department of Commerce, to give a brief review of the economic impact of the Speedway/Village West projects and an outline of approved STAR Bonds Projects to date. Mr. North presented written testimony (Attachment 1). It contained information regarding a brief history of STAR Bonds along with issues and suggestions from the Department of Commerce to make STAR Bond legislation easier to administer; a STAR Bond update on formally approved projects (Attachment 2); and the Economic Impact of Village West/Speedway (Attachment 3).

Mr. North stated the Department of Commerce would like clarification on the intent of the Legislature to allow for only the new sales tax revenues generated in a redevelopment district to be available for the STAR Bond repayment, or all of the sales tax revenue generated within the district given the "Greenfield" type of development versus a redevelopment from which revenues already are being collected.

In closing, Mr. North stated the Department of Commerce, in concert with the Department of Revenue, would like to offer their assistance in the redrafting process based on their experiences with successful projects. Discussion followed regarding current projects, and if any studies have been done to determine if the goals were being met.

A discussion followed with the members of the Committee and Mr. North regarding current projects and if any studies had been done to determine if the goals were being met. Mr. North indicated that the Village West project is a positive in excess of what the state invested. It was noted that the Committee was concerned with the fact the Department of Commerce did not interpret the statute on the percent of the sales tax for city and county that shall be pledged on a project. Mr. North stated the Department of Commerce feels the statutes are not clear enough. Senator Brownlee asked the Revisor for clarification. The consensus of the Committee was that KSA 12-1774 (a)(1)(H) as written was the intent of the legislation.

With no further questions, Chairperson Jordan introduced Joan Wagnon, Secretary, Department of Revenue, to give her testimony. Secretary Wagnon referred the Committee to written testimony. Secretary Wagnon stated that the Department of Revenue had been working on the TIF side for almost 20 years (Attachment 4). She stated that putting TIF projects together is an important development tool for local communities and must be preserved. She further stated that the TIF process does work. Secretary Wagnon stated the Department of Revenue also has a role in the administration of STAR Bonds statutes because it collects the sales tax and distributes it and because the Department of Revenue needs to be informed of all changes in districts, projects, and so forth, because there are statutory requirements on how/when they can be changed.

Secretary Wagnon stated that STAR Bonds, as currently structured, are only for special projects; not every community will be able to use them; and not every bond project will be appropriate. She also stated STAR Bonds generally have not been viewed as replacement revenue for local governments to preserve their local dollars, but rather as additive for projects that are beyond the scope of local governments to do on their own. For the state to be a minority partner is essential to preserve, although it is currently not in the statute except for the Speedway and the 400 areas project.

Secretary Wagnon stated mixing the STAR Bond process with the TIF process causes much confusion in regard to statutes. The Department of Revenue believes they should be separated, creating a new stand alone set of statutes.

Secretary Wagnon went on to state the sunset review of STAR Bonds is a good idea. The Department of Revenue recommends giving the process an additional 5 years until 2012, to guarantee a review by the Legislature. During this time, every effort should be made to leave the statutes alone so local communities will know what the rules are and what to expect.

Upon completion of Secretary Wagnon's testimony, there was discussion.

Chairperson Jordan recessed for lunch at 11:50 p.m., stating the meeting would reconvene at 1:30 p.m.

### **Afternoon Session**

Chairperson Jordan reconvened the meeting at 1:30 p.m. and introduced Ray Hammarlund, Director, AG Marketing and Community Development, Kansas Department of Commerce, to give his testimony. Mr. Hammarlund presented written testimony which gives some background on the Rural Business Development Tax Credit (Attachment 5, pg 1). Mr. Hammarlund stated the Department of Commerce provides oversight and assistance to the seven regional foundations.

He stated the Department of Commerce believes that the Rural Business Development Tax Credit Program can and will offer benefits to Kansas, and will help empower individual foundations in the seven regions to deliver financial assistance to their local communities, utilizing their unique insights and relationships with the communities and businesses in their regions.

Mr. Hammarlund introduced Mr. John Cyr, Executive Director, North Central Regional Planning Commission, to give his testimony. Mr. Cyr presented written testimony, which presents observations and recommendations concerning the Kansas Rural Business Development Tax Credit Program (Attachment 5, pgs. 2,3,4).

Upon the conclusion of Mr. Cyr's testimony, Tom Weigand, President/CEO, Ottawa Area Chamber of Commerce, gave testimony ([Attachment 5, pg. 5](#)). Mr. Weigand stated the Ottawa Area Chamber of Commerce serves as the Administrator for the six counties of: Franklin, Miami, Douglas, Johnson, Wyandotte, and Leavenworth. He asked the Committee for its continued support for the Rural Business Development Tax Credit Program.

Mr. Weigand stated he and those who have been involved with the Rural Business Development Tax Credit Program for the two years of its existence believe it to be a creative and cost effective tool they can use in creating and retaining jobs in Kansas. With the increasing of credits from 50 percent to 75 percent, they believe the credits are more attractive to donors and will be easier to market. He feels this program will take time to root and grow; it will hold great promise when fully funded and functioning operationally. In closing, Mr. Weigand stated it would be a tragedy if this program were not permitted the time to develop and grow.

A discussion followed. It was noted that there are seven regions covering the entire state. There are three areas in which tax credits have been sold, to date. With the increase from 50 percent to 75 percent, that number will grow. The three areas that have taken advantage of the tax credits are:

- \$90,000 North Central
- \$34,000 Northeast
- \$25,000 Northwest

The first year's audit, which is required by law, costs \$2,600.00. It was noted that the fiscal year for the foundation is April 1 through March 31. An annual audit is required by the Department of Commerce for administrative purposes on a calendar year basis, which is different from the fiscal year.

It was noted that the only criteria for the evaluation of the Rural Business Development Tax Credit program is a 60/40 split. That is, 60 percent must go to business for the creation of job growth, wealth enhancement, economic activity, and direct business assistance; and 40 percent must go to capacity building, telecommunication, infrastructure, and educational components.

Chairperson Jordan introduced Richard Cram, Director of Policy and Research, Kansas Department of Revenue. Mr. Cram presented written testimony which is a status report on the Regional Foundation Tax Credit Usage ([Attachment 6](#)). Mr. Cram noted a error in his testimony. The second paragraph, first sentence, should read "Effective for tax years 2005" instead of 2004. Mr. Cram noted that as a result of 2006 legislation, the amount of the credit was changed from 50 percent of the total contribution to 75 percent of the total contributions. He also stated that if the amount of the credit exceeds the taxpayer's liability, the excess is refunded to the taxpayer. In closing, Mr. Cram stated his testimony shows the regional foundation tax credit utilization, to date, based on K-32 schedules received by the Department of Revenue from taxpayers claiming credit. The information for tax year 2005 is not yet complete. The Department of Revenue expects to receive more returns on the extension claiming credits by the end of October of this year.

Chairperson Jordan introduced Steve Radley, Director, Kansas Center for Entrepreneurship, to give his testimony. Mr. Radley presented written testimony, which outlined the steps the Kansas Center for Entrepreneurship has taken to develop a vision that is consistent with the vision of the Kansas Economic Growth Act of 2004, and to give an update on entrepreneurial education and economic resources ([Attachment 7](#)).

Mr. Radley then introduced Erik Pedersen, Operations Manager, Kansas Network, to give an update on expertise service offerings. Mr. Pedersen offered written testimony giving a brief update concerning NetWork Kansas and the Kansas Center for Entrepreneurship (Attachment 8). Mr. Pedersen stated that on March 9, 2006, the Kansas Center for Entrepreneurship officially launched the NetWork Kansas call center and *networkkansas.com* website with 240 resource partners and at present there are 270 resource partners statewide.

Currently, there are 50 service providers in both the East Central and South Central region. In addition, there are more than 35 in the Southwest and approximately 25 in each of the other four economic development regions of the state. The types of organizations that make up NetWork Kansas are very broad. There are 15 to 20 different types represented, such as small business development centers, economic development organizations, Kansas Department of Commerce field offices, Workforce Centers, KTEC Centers for Excellence, Enterprise Facilitation, Kansas Main Street, and Regional Foundations.

Mr. Radley stated Network Kansas provided a grant to The Center for Entrepreneurship at Wichita State University to conduct an inventory of all entrepreneurial offerings in the State of Kansas. This report should be completed by the end of September of this year. When this report is received, they will be able to determine which areas are in need of education that are not covered through the current course offerings offered in the state.

Once the report is received, they will then move to determine whether there are any additional areas of need for education that are not covered through current course offerings offered in the state. Mr. Radley stated he would like to share some insight received through the town hall meetings. They found that in the K-12 level there was very little exposure to entrepreneurship, and that very little in the way of entrepreneurship is being taught before high school. It was the subjective consensus in their town hall meetings that if the youth of Kansas are not exposed to it at a younger age, the entrepreneurship at the high school and college level will not be as effective, and it might come a little too late.

Mr. Radley stated they are in the process of getting their 501(c)3 status so that they can begin raising additional capital for the fund, and believes that the change in the percentage for tax credits from 50 percent to 75 percent will enhance their ability to raise additional funds.

In closing, Mr. Radley stated the Kansas Center for Entrepreneurship's implementation of the Kansas Economic Growth Act of 2004 is focused on three primary needs that each entrepreneur and small business may need at different times during their business life-cycle. They need expertise; they need education; and they need economic resources. He feels they are moving forward in all three of these areas.

Chairperson Jordan introduced Ray Hammarlund, Director of AG Marketing and Community Development, Kansas Department of Commerce, to give testimony which provided an update on a statutory requirement of the Kansas Center for Entrepreneurship, the bioscience summit. Mr. Hammarlund presented written testimony (Attachment 9). Mr. Hammarlund stated that in the Kansas Economic Growth Act of 2004 a requirement of the Kansas Center for Entrepreneurship was to organize a summit to recommend policy to foster an economic climate conducive to the development of an agriculture bioscience industry. The dates they are considering for the summit are January or early February of 2007.

The Kansas Center for Entrepreneurship presented information on NetWork Kansas, (Attachment 10), Town Hall Meeting's Feedback Report of June 2006 (Attachment 11), and a List of Resource Partners (Attachment 12) for the Committee's review.

Chairperson Jordan announced a suggested statute change. He introduced Renae Jefferies, Revisor of Statutes Office, to explain the changes in the statute. Ms. Jefferies stated this statute change was basically a technical cleanup that resulted in changes that were made in SB 324 from the 2006 Session. The changes in 74-99c04 are as follows:

- Section 1 (a) on the first page - to take out the name “community entrepreneurship” and replace it with the “center for entrepreneurship”;
- Section 1 (4) - replace “Kansas community entrepreneurship fund” with “interest-bearing accounts”;
- Section 2 (a) middle of page - delete 74-99c06; and
- Section 3 - replace “community entrepreneurship fund” with “center’s interest-bearing accounts” (Attachment 13).

Upon the conclusion of Ms. Jefferies' explanation of the suggested statute changes, Chairperson Jordan introduced Jenny Erdman, Greater Kansas City Chamber of Commerce, to give a presentation on Animal Health Research (Attachment 14).

Ms. Erdman stated she is the Director of Government Relations for the Greater Kansas City Chamber of Commerce; it is one of the three organizational partners behind the Kansas City Animal Health Corridor. Ms. Erdman gave a PowerPoint presentation, and presented written copy. (see Attachment 14). Ms. Erdman turned the presentation over to Dr. Lisa C. Freeman, Associate Dean for Research & Graduate Programs, Kansas State University College of Veterinary Medicine. Dr. Freeman continued with the presentation, and presented written copy (see Attachment 14). Dr. Freeman stated Kansas State University is creating an educated workforce, which promotes continued excellence in preparing veterinarians for private practice with unique programs that focus on rural communities. This educated workforce will create emerging opportunities in Comparative Medicine, Food Safety and Security, Agricultural Biosecurity, and Public Health.

Chairperson Jordan introduced Dr. Scott Weir, Director, Office of Therapeutics, Discovery and Development, University of Kansas, to present his portion of the PowerPoint presentation. Dr. Weir presented written copy, as well (see Attachment 14). Dr. Bill Duncan, Ph.D., President, Kansas City Area Life Sciences Institute, explained that the Kansas City Area Life Sciences Institute is a not-for-profit organization formed in 2000 to lead their region’s transformation into a center of excellence in the life sciences research, development, and commercialization. Dr. Duncan stated that the Kansas City Area Life Sciences Institute recognized that one key to sustaining the Animal Health Corridor is the region’s ability to translate laboratory discoveries and innovations into products and services that fuel the growth of the existing 116 animal health companies in the region, or lead to the formation of new startup companies. He then announced that the Kansas City Area Life Sciences Institute has received development grants, and plans to focus on comparative medicine to support research and development with the most promise to move successfully to the market place.

In closing, Dr. Duncan stated that the Kansas City Life Sciences Institute is excited about the prospects of the Animal Health Corridor and the role they will play as one of the partners. He believes the Kansas City region will be the “global hub for animal health,” and the place to be if you are in the animal health business (see Attachment 14).

Upon the conclusion of Dr. Duncan’s presentation, Chairperson Jordan introduced Bob Walker, Director of Communications and Public Policy, Bayer HealthCare’s Animal Health Division, to present his portion of the program (see Attachment 14). Mr. Walker stated that Bayer is proud to

have their Animal Health North American headquarters in the State of Kansas, and is also proud to be a partner in the Kansas City Animal Health Corridor. He stated their expectations are high, and their commitment is steadfast. He further stated Bayer was eager to get involved in the Animal Health Corridor from the start, and to donate seed money, because they know their company and the State of Kansas will benefit. He stated they know they will receive the benefits of retaining and recruiting top talent, and the research and development of new products. They feel that this initiative will bring new jobs, more research dollars, and continued innovation; and that the universities in Kansas will gain new access to top-tier researchers and federal grants for cutting-edge research. He stated the animal health and nutrition market has grown exponentially in the last decade, and will continue to do so. Because of this growth, now is the time to leverage all of the State of Kansas' assets, from farming roots to biotechnology and each step in between.

In closing, Mr. Walker stated the Kansas City Animal Health Corridor's work will create future opportunities for the children of Kansas to want to stay in the state; and that would be great for Bayer and the State of Kansas.

Upon the completion of Mr. Walker's statement, the presentation on the Kansas City Animal Health Corridor was concluded, and a brief discussion followed.

Chairperson Jordan introduced Dr. Daryl Buchholz, Associate Director, Kansas State University Extension and Applied Research, who stated that the Kansas Legislature provided \$52.3 million for all of Kansas State University (KSU) Research and Extension in FY 2007. State funding is leveraged with additional federal and local appropriated funds, and with grants, contracts, and other funds for services amounting to \$86.2 million, or a factor of 1.6 from other sources, for a grand total of \$138.5 million.

He stated KSU Research and Extension maintains a network of local offices in every county across Kansas. The positive benefit of funds from only the extension sources that generate economic income into those counties and communities is estimated to be \$48 million in both direct and indirect income. This economic activity is closely tied to about 1,200 jobs throughout the state. In closing, Dr. Buchholz stated a large part of what the KSU Research and Extension does cannot be measured in economic terms, but rather by their positive development of youth, adults, family, and community (Attachment 15).

Upon the conclusion of Dr. Buchholz's testimony, Chairperson Jordan opened the floor for questions and discussion.

Chairperson Jordan adjourned the meeting at 4:35 p.m.

**Friday, September 15  
Morning Session**

Chairperson Jordan called the meeting to order at 9:05 a.m. and announced that by the end of the day they would be talking about recommendations. Chairperson Jordan introduced Clay Blair, Chairman, Bioscience Authority, to give his testimony on the Bioscience Authority. Mr. Blair presented written testimony regarding the history of the Bioscience Authority and an update (Attachment 16). He also presented Kansas Bioscience Authority In The News (Attachment 17).

Mr. Blair announced that the Bioscience Authority has added two board members since he was last before the Committee; Dr. Ray Smilor, Ph.D., Executive Director, Beyster Institute, University of California, San Diego, and John W. Carlin, former Governor of Kansas, and the Visiting Professor and Executive-in-Residence at Kansas State University. He also stated the Bioscience Authority, through a recruiting service that searched across the nation over several months, has secured Tom Thornton as the CEO of the Bioscience Authority. Mr. Thornton was formally the President of Illinois Technology Development Alliance and previously was Senior VP and Regional Director at a Seattle-based Convergent Technology Group. Mr. Thornton also was Chief of Policy for the Speaker of the House in Washington, D.C., and he headed up a venture capital firm for over three years. Mr. Thornton presently resides in northern Illinois and is scheduled to move to Kansas this month. Mr. Blair stated that Mr. Thornton brings a wealth of contacts and knowledge to the Bioscience Authority and introduced him to the Committee.

Mr. Thornton gave a brief statement, stating he was very impressed with the unique program Kansas has put together with the Bioscience Authority and looks forward to working with the Legislature and the Bioscience Authority to promote bioscience economy in the State of Kansas.

Upon the completion of Mr. Thornton's statement, Mr. Blair continued with his testimony. He stated the Bioscience Authority was taking a new approach; instead of just passing out investment grants, investment requests must show how they are meeting the Bioscience Authority's Operating Principles in the following areas: partnerships; leveraging money and resources; return on investment; and reduced bureaucracy; and accountability. Mr. Blair then referred the Committee to the Current Funded Investments listed on the last page of his testimony, stating there is an interesting broad section of investments that have been made by the Bioscience Authority. He also stated they are trying to be statewide as much as they can be. He highlighted a couple of exciting projects on which they are currently working. The first being the City of Manhattan's project involving incubators which they feel looks very promising for the State of Kansas. Second, he made note of the generous gift from the City of Olathe of 100 acres of land located next to their new high school in northwest Olathe. The gift was to Kansas State University and the Bioscience Authority so they could create a bioscience industrial park. They are working out the details for this project at this time.

Mr. Blair asked the Committee to focus on agriculture and bioenergy. He feels that the Bioscience Authority should not limit themselves strictly to human, animal, and plant sciences. He thinks they should think further out of the box and see how they can incorporate agriculture and bioenergy in the Bioscience Authority. He stated in the bioenergy world there are a number of federal grants available.

He stated another exciting project they are interested in is in Holcomb and Garden City. Through Kansas State University, they have been working with Sunflower Bioenergy on that project.

Mr. Blair introduced Clair Gustin, Executive Manager of External Affairs for Sunflower Electric Power Corporation. Ms. Gustin presented written information on the Sunflower Electric Power



Corporation project (Attachment 18). Ms. Gustin stated Sunflower Electric Power Corporation, the National Institute for Strategic Technology Acquisition and Commercialization, and the Kansas Bioscience Authority have partnered to develop an Integrated Bioenergy Center which will be located at Sunflower's Holcomb Station. This Center will find energy efficiencies not previously realized. When the Center is completed it will involve several systems, including: livestock processing, a dairy, anaerobic digestion, algae reactor, ethanol plant, and a biodeisel plant; and they will all be integrated with one another. Sunflower Electric Power Corporation believes the Center could dramatically improve their ability to serve their cooperative agriculture producers and add another level of value to the products they raise in central and western Kansas. Ms. Gustin stated The National Institute for Strategic Technology Acquisition and Commercialization believes the primary benefit of the Center is the efficiency of integration. The improved economics over stand-alone systems, the reuse of water, utilization of waste streams, and removal of the carbon dioxide from power plant flue gas will benefit all the partners involved in this project.

Upon the completion of Ms. Gustin's testimony, discussion followed. It was noted that the algae reactor component makes this system unlike any other closed loop system in use at this time.

Mr. Blair continued his testimony, stating that the Bioscience Authority will continue to work with the Cleveland Bio Enterprise people. They have expanded to the University of Wisconsin. In closing, he stated that this is a global world in which we live and the Bioscience Authority needs to join in partnership with the Midwest, which will allow them to compete with the East Coast and the West Coast.

Chairperson Jordan introduced Tracy Taylor, President, Kansas Technology Enterprise Corporation (KTEC), to give his testimony regarding KTEC and Ventria Bioscience. Mr. Taylor presented written testimonies of:

- A Brief History of Economic Development (Attachment 19);
- An Overview of Kansas Technology Enterprise Corporation Initiatives (Attachment 20); and
- Ventria Bioscience, Your Life. Our Passion (Attachment 21).

Mr. Taylor gave a brief overview of KTEC and their initiatives, in which he stated that KTEC was created by the Legislature in 1986 out of a need for entrepreneurship and technology economic development in the State of Kansas.

Mr. Taylor gave a brief history of Ventria Biosciences. He stated that Ventria is the leading biotechnology company emerging in the field of plant-made pharmaceuticals. Ventria has created a self-pollinating plant capable of yielding high expressions of human proteins for use in medical foods. This self-pollinating plant is rice. Ventria's approached the state of Kansas with a request of \$6 million in grants to build a production facility in Kansas to do the rice production. If that was accomplished, then the State of Kansas would agree to help raise \$5 to \$10 million in private monies, preferably in Kansas, and in return Ventria would put their field operations in Kansas including its primary processing center and up to 30,000 acres of rice production. Mr. Taylor stated the farmers would not be taking any yielding risks and would not be required to make any capital investment. Ventria will be doing that for them. The farmer must follow Ventria's protocols which will be determined by the USDA and Ventria. This project has the support of the Kansas Farm Bureau and the Kansas Secretary of Agriculture, Adrian Polansky. Mr. Taylor stated KTEC has worked as a part of a team to raise the \$6 million. He also stated the Junction City area will be the location. In closing, Mr. Taylor stated that Ventria would like to make their decision in time to be growing rice by next spring and have the processing plant ready to service the rice.

Upon completion of the discussion with Mr. Taylor, Chairperson Jordan introduced Lisa Taylor, Public Information Officer for the Kansas Department of Agriculture, who was appearing on behalf of the Kansas Secretary of Agriculture to present his written testimony to the Committee (Attachment 22).

Ms. Taylor called the Committee's attention to the written testimony and stated she would stand for questions. A discussion followed with the Committee and Ms. Taylor. It was noted that the source of the water would depend on the location. It also was noted that this project would not require any additional statutory requirements with Kansas water policies and the 30,000 acres of rice would be grown within a 60 mile radius of Junction City. Ms. Taylor stated the rice would be genetically altered rice. Duane Simpson, representing the Kansas Farm Bureau, joined the discussion, and stated they were in support of the program.

Chairperson Jordan introduced Richard Thomas, Public Resource Director, Division of Workers Compensation, Kansas Department of Labor, to give his testimony. Mr. Thomas presented written testimony:

- Workers Compensation Research Annual Report, (Attachment 23);
- Fee Schedule Reimbursement Rates (Attachment 24);
- Workers Compensation Medical Fee Advisory Panel (Attachment 25);
- 2006 State of the Line: Analysis of Workers Compensation Results (Attachment 26); and
- Kansas Department of Labor Division of Workers Compensation Schedule of Medical Fees dated August 28, 2006 can be found by calling the Division of Workers Compensation, Kansas Department of Labor.

Mr. Thomas opened by stating there are 40 states that have workers compensation medical fee schedules and Kansas was right in the middle as to what states pay in comparison to Medicare fee schedules. He noted he would have more current information in November of this year. Mr. Thomas stated that the high cost of prescription drugs are driving the medical costs higher, nationally. He explained that Kansas uses a 10 percent multiplier on prescription drugs referring the Committee to the chart on the last page of the Annual Report. He stated that this multiplier is one of the lowest used in the United States. He also stated some of the problem with the doctors in Kansas is that they are using the most current drugs to treat the injury and if they would use the generic drug the cost could be lowered.

Mr. Thomas continued with his testimony, calling the Committee's attention to the State of the Line handout (see Attachment 26). He stated that during the past few years there had been a drop in the number of accidents annually with the cost of lost time claims increasing dramatically. He stated that more money was being spent on medical losses than indemnity which is just the opposite of what it was in 1985.

A brief discussion followed with the Committee regarding the fee schedules and the Medical Fee Advisory Panel. Senator Brownlee inquired if adding four new members to the panel last session was working out. Paula Greathouse, Director of the Division of Workers Compensation with the Department of Labor, joined the discussion, stating the panel had not met yet but is scheduled to meet in November of this year.

Mr. Thomas continued with his testimony, stating that Kansas was right in the middle as to what states pay for medical fees as compared to Medicare and that the cost of medicine is rising higher than the costs for the service. Discussion followed about the medical fee advisory panel.

Upon the completion of the discussion regarding workers compensation, Chairperson Jordan called the Committee's attention to recommendations.

The Committee is in favor of sending a letter to the Secretary of Commerce and the Department of Commerce stating the Committee's original intent of the existing law regarding STAR Bonds.

The Committee requested that the letter address the following points:

- The intent under KSA 12-1774, is that 100 percent of city and county sales taxes will be pledged for such projects. This applies to any project that uses only city or county sales taxes, or other specific taxes.
- The intent under KSA 12-1774(d) is that all approved STAR bond projects shall submit a report to the Secretary of Commerce that describes the status of the project, expenditures of the proceeds of the special obligation bonds that have occurred since the last annual report, and any expenditures of the proceeds to occur in the future, including the amount of sales tax revenue; how it has been spent; the projected amount of such revenue; and the anticipated use of such revenue. The Department of Commerce is to compile this information and submit a report annually to the Governor; Kansas, Inc.; and the Legislature by February 1 each year. In addition the Committee requests that a copy of the report be forwarded to Kathie Sparks, Kansas Legislative Research Department, so that copies can be distributed to the Committee.
- The Committee believes that the requirements of the feasibility study are clearly defined in subsection (k) of KSA 12-1770a.

They also would like to see the redraft of the changes needed in the STAR Bond legislation presented to the Committee at its meeting in October.

Chairperson Jordan then called the Committee's attention to the re-authorization of rural tax credits, stating they asked for a two-year extension. A discussion followed with the Committee regarding the number of years of the extension.

*Senator Barone made a motion to extend the re-authorization of rural tax credits to five years with a \$2 million cap.*

A discussion followed with the Committee regarding the re-authorization of rural tax credits.

*Senator Brownlee made a motion to change the time frame on the audit to concur with the fiscal year of the organization. Representative Gordon seconded. Motion carried.*

*Chairperson Jordan directed the Committee back to the motion Senator Barone made regarding the re-authorization of rural tax credits. Representative Huntington seconded. Motion carried.*

*A motion was made by Senator Kelly to accept the recommendations for the statute changes regarding the Center for Entrepreneurship which were made by Ms. Jefferies, Revisor of Statutes Office. Representative Gordon seconded. Motion carried.*

The Committee was in agreement that the presentation on the Kansas City Animal Health Corridor was very informative and that the animal health industry is a positive for the State of Kansas.

A discussion followed on the KSU Extension and its involvement in economic development and whether it overlapped other existing programs. Senator Kelly also stated KSU Extension should be involved with the Center for Entrepreneurship and be on its list of resources.

Senator Brownlee stated she would like to draw up an amendment with the staff that would address concerns regarding KSU Extension's involvement with economic development that the Committee could review at the October meeting.

Chairperson Jordan stated that would be acceptable and that he would like to see a follow up on the suggestion that KSU Extension contact the Center for Entrepreneurship regarding participating as a resource partner.

Chairperson Jordan stated that the Bioscience Authority was involved with some very positive projects. It was noted that more information was needed in detail on existing Bioscience projects with a breakdown for determining who receives money and how much has been spent. It was decided by consensus of the Committee to draft a letter asking the Bioscience Authority for that information.

Chairperson Jordan stated that farmaceuticals located in Kansas is very positive for the state.

Chairperson Jordan asked for recommendations regarding Workers Compensation in Kansas. The Committee joined in a discussion, agreeing the medical fees needed to be more in line. It was noted the agenda for the next two days of meetings for the Committee are very full and there would not be time to address the medical fees further. Representative Dahl suggested the Committee ask the LCC for additional days so the Committee could address the issue of workers compensation medical fees and maybe some other issues.

Chairperson Jordan stated he would request staff to ask for additional days.

*Representative Wilk made a motion to request the LCC put together a small travel squad to attend the 2007 International Bio conference. Representative Huntington seconded the motion.*

A discussion followed, with comments in favor of the motion and in opposition of the motion. Some of the Committee believes it is needed since the State of Kansas is making a large investment in biosciences and it would be good exposure for the state. Others felt it might open the door for other groups to make special requests that might be overwhelming for the LCC.

*Chairperson Jordan called for a vote on the motion made by Representative Wilk. The motion carried by a show of hands.*

Senator Brownlee suggested that the Committee needed a list of all the reports that are supposed to be presented to the Senate Commerce Committee and the Economic Development Committee in the House during session so they could cover them at the beginning of the next session.

She also stated Senator Morris has concerns regarding the Kansas Department of Commerce's office in Taiwan that was closed recently and one was opened in Beijing. She stated he would like for the Committee to request Secretary Fricke come before the Committee to explain. Senator Brownlee stated it also would be helpful to find out where other offices were located and

why. Chairperson Jordan stated he would request staff to include this request in the letter to the LCC requesting an additional day for the Committee to meet.

Chairperson Jordan adjourned the meeting at 12:25 p.m.

Prepared by Jackie Lunn  
Edited by Kathie Sparks

Approved by Committee on:

October 12, 2006

(date)