

## MINUTES

### JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

December 5, 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 Valdenia Winn

#### Members Absent

Representative Kenny Wilk  
Representative Scott Schwab  
Representative Jerry Williams

#### Staff Present

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

#### Conferees

John Watson, Director Trade Development Division, Kansas Department of Commerce  
Jason McClelland, ABZ Manufacturing, Madison, Kansas  
Charles Stelfes, ABZ Manufacturing, Madison, Kansas  
Patrick French, President, Wichita Metro Chamber of Commerce  
Paula Greathouse, Director, Division of Workers Compensation, Kansas Department of Labor  
Richard Thomas, Division of Workers Compensation, Kansas Department of Labor  
Fred Lucky, Kansas Hospital Association

## Morning Session

Chairperson Jordan called the meeting to order at 10:10 a.m., and introduced John Watson, Director, Trade Development Division, Kansas Department of Commerce, to give his testimony. Mr. Watson presented written testimony ([Attachment 1](#)).

Mr. Watson stated that the Trade Development Division of the Department of Commerce believes it is good policy for Kansas to advance an active and aggressive international program to empower Kansas companies to export and to use the Department's resources to attract new international investment. He stated that in 2005:

- Kansas had export sales of \$6.8 billion which translates into approximately 70,000 Kansas jobs.
- Kansas has already exceeded that amount of export sales for 2006.
- Kansas has received international investments that employ over 32,000 Kansans.
- The Trade Development Division of the Department of Commerce operates full service offices in Japan, Europe, Mexico, and China. Currently, statistics rank Canada as the number one market for Kansas exports, Mexico ranks second, and China ranks third.

Mr. Watson also stated the Trade Development Division offers a seamless integrated marketing program using the Kansas network of international offices to:

- Provide fresh market intelligence to our export clients;
- Organize trade missions for facilitating exports;
- Organize promotional events for investment recruitment; and
- Support visits by Kansas business, political, and academic leaders.

The Department of Commerce also is using the international office resource to empower Kansas institutions and partners who have the same international goals as the Department of Commerce.

In closing, Mr. Watson stated the Trade Development Division of the Department of Commerce is a good steward of the resources given to promote Kansas exports. The Trade Development Division uses resources given to it to create sales opportunities for the Kansas business community and attract new international investments. They are focused on their efforts and work to maximize the results for their customers and partners and provide leadership for the state in international markets. The Trade Development Division appreciates the support from the Joint Committee on Economic Development in achieving these wealth-creating opportunities for Kansas.

Upon the conclusion of Mr. Watson's testimony, there was discussion with the Committee and it was noted that Mr. Watson would provide the Committee with numbers on the following:

- How Kansas compares with other states regarding exports; and
- The impact of NAFTA on Kansas.

Mr. Watson also noted:

- The federal government does not track imports; therefore, there are no available numbers;
- The total budget for the Trade Division of the Department of Commerce is \$1.2 million; and
- The office in Taiwan was closed because there was not enough customer base to support keeping it open but that did not mean that any ties with Taiwan have been severed.

Chairperson Jordan requested that Mr. Watson get all the information requested by the Committee to Kathie Sparks, Kansas Legislative Research Department, and she would pass it on to the Committee.

Upon the completion of the discussion, Chairperson Jordan introduced Jason McClelland representing ABZ Manufacturing, Inc., Madison, Kansas, to give his testimony. Mr. McClelland furnished a written outline to the Committee (Attachment 2).

Mr. McClelland stated that ABZ is a valve manufacturing company located in a small town of 800 in Madison, Kansas and has been in business since 1977. Mr. McClelland introduced Mr. Charles Stelfes, also with the ABZ Manufacturing, Inc., to review the company's current markets in South America and Mexico.

Mr. Stelfes stated that the Trade Development Division of the Department of Commerce has been instrumental in helping their company to become active in several markets in other countries. ABZ currently exports to Canada, Mexico, Chile, and Peru.

Mr. McClelland joined the review stating ABZ is pursuing expansion in South America, Asia, and Australia, and also are expanding their present facility in Madison, Kansas. He stated they would not have been able to be as successful in other countries without the help of the Trade Development Division of the Department of Commerce.

In closing, Mr. McClelland stated the best tax money spent to make money for the State of Kansas is supporting and funding the Trade Development Division of the Department of Commerce.

Upon the completion of the review, there was discussion with the Committee concerning the direct results of ABZ Manufacturing, Inc.'s exports for their company facility in Madison, Kansas. Mr. McClelland stated that they have added two more employees and with the expansion of their facility will add even more.

After the conclusion of the discussion, Chairperson Jordan introduced Mr. Patrick French, President of the Greater Wichita Economic Development Coalition and Senior Vice Present of the Wichita Metro Chamber of Commerce, to give a brief review of his written testimony (Attachment 3).

Mr. French stated that the Greater Wichita Economic Development Coalition is the regional public/private partnership charged with executing the region's economic development master plan with their target areas being: aviation, automotive, advanced materials and composites, medical devices and instrumentation, metal fabrication, food processing, shared services and corporate headquarters. Because of the global nature of their region's existing economy and their targeted industries, they have an aggressive international marketing program. The Greater Wichita Economic Development Coalition works in partnership with the Trade Development Division of the Department of Commerce and its foreign offices in Europe and Japan. The Trade Development Division has assisted them with several international activities.

In closing, Mr. French stated the Trade Development Division of the Department of Commerce has been instrumental in supporting their international marketing efforts and project management. The offices are staffed by highly competent and knowledgeable personnel who have a history and knowledge of Kansas and its local economy. The investment in these offices directly supports the Greater Wichita Economic Development Coalition in local economic development efforts and increases their effectiveness in attracting foreign direct investment, retaining and creating new jobs, and attracting additional capital investment in South Central Kansas.

Upon completion of Mr. French's testimony, Chairperson Jordan moved the Committee attention to the bill drafts for Tax Increment Financing (TIF) (Attachment 4) and Sales Tax and Revenue (STAR) bonds (Attachment 5) and introduced Renae Jefferies from the Revisors Office to review both with the Committee.

Ms. Jefferies pointed out that the purpose was to remove STAR bond provisions from the TIF statutes. Ms. Jefferies reviewed the bill drafts page by page and both bill drafts are as close as possible to current law with the exception that the STAR bond bill extends the program until July 1, 2012. During the review, Ms. Jefferies took questions from the Committee with their concerns on some of the changes. Before the conclusion of Ms. Jefferies' review of the STAR bond bill draft, Chairperson Jordan adjourned the Committee for lunch at 12:10 p.m., to reconvene at 1:30 p.m.

### **Afternoon Session**

The afternoon session was called to order at 1:40 p.m., and Ms. Jefferies continued her review of the STAR bonds bill draft. During the review, the Committee entered into discussion on the city and county sales tax, the school districts being involved in proposed STAR bond projects, and the existing STAR bond projects and how they would be affected by the proposed legislation. Upon the conclusion of the review of the STAR bonds bill draft, there was a discussion of The Bioscience Authority which was removed from the STAR bonds bill draft, existing STAR bond projects, and several other topics of concern regarding the bill drafts. Chairperson Jordan stated the intent was to separate TIF and STAR bonds and not change current policy and in January they would have more information regarding the existing STAR bond projects and could make policy changes at that point in time.

*Chairperson Jordan made a motion to add the Bioscience Authority back into the STAR bond bill draft. Representative Dahl seconded.*

The Committee joined in discussion regarding the Bioscience Authority and sales tax.

*Chairperson Jordan called for a vote on the motion on the floor. Motion carried.*

Chairperson Jordan stated the following should be topics for discussion during the Session:

- County sales tax when a project is within the city limits;
- STAR bonds under current rule and regulations are available for 50 percent of the value of the project; should the policy be adopted that would allow additional flexibility for use of STAR bond proceeds with certain requirements; and
- Establishment of a procedure at the city level, if the project is denied by the city governing body.

*Senator Brownlee made a motion to approve introduction and prefilling of a TIF/STAR bond bill draft and for it to be introduced as a Senate bill. Senator Barone seconded. Motion carried.*

Chairperson Jordan recognized Representative Carlin and she stated she had good information that might answer the questions the Committee had regarding NAFTA and she would get that to the Committee.

Chairperson Jordan introduced Paula Greathouse, Director, Division of Workers Compensation, Department of Labor, to give testimony regarding the Workers Compensation Medical Fee Board, its structure, and rates. Ms. Greathouse did not present written testimony. Ms. Greathouse introduced Mr. Richard Thomas with the Division of Workers Compensation and also Mr. Kirk Carlson with the Division of Workers Compensation Medical Services Section. Ms. Greathouse stated the Workers Compensation Medical Fee Schedule Advisory Panel is made up of 12 members. The panel is to assist the Director in establishing a schedule of maximum fees. She stated their next meeting will be January 12, 2007 and at that time they will be discussing some of the hot button issues in the rising costs of medical care and medications. Ms. Greathouse stated the fee schedule is based on Medicare reimbursement rates which has become the national benchmark for establishing medical fees for workers compensation medical claims in 43 states. She stated that there is a new benchmark study from the Work Comp Research Institute that was released in November of this year. Ms. Greathouse then called on Richard Thomas to give some of the highlights of the benchmark study.

Mr. Thomas referred to the report which had been sent to the Committee members by mail. He noted that Kansas is an employer choice state so they can negotiate lower fee schedules but the study is based on the maximum level medical fee schedules. In summing up the benchmark study, Mr. Thomas referred the Committee to graphs on pages 10 through 13 which show that Kansas is in the middle of the other states for medical fee reimbursement.

Upon the conclusion of Mr. Thomas' review, there was discussion with the Committee regarding the benchmark study regarding other states and also a comparison within the state.

Ms. Greathouse entered the discussion again presenting information on Workers Compensation fraud in regard to the insurance carriers. She stated the Kansas Insurance Commissioner's office handled all insurance carrier fraud claims. It was noted that the following information was presented by Ms. Greathouse to the Committee on behalf of the Kansas Insurance Commissioner's office and was information for the year of 2006:

- Seventy-nine complaints against insurance carriers had been filed with the Insurance Department;

- Six had insufficient information and were dismissed;
- Twenty-six cases currently remain open; and
- All others were settled by reimbursement or discontinuance of complaint.

Ms. Greathouse noted approximately 60,000 accident reports are filed in the state every year and approximately 8,000 proceeded to litigation last year. She stated she would get the exact numbers to Kathie Sparks, Legislative Research Department.

With no further questions, Chairperson Jordan introduced Mr. Fred Lucky, Senior Vice-President, Kansas Hospital Association, to give his testimony on the effects of the Division of Workers Compensation Medical Fee Advisory Panel. Mr. Lucky presented written testimony (Attachment 6).

Mr. Lucky stated the charge to the Panel is very specific in the statute; 44-510i(c)(1):

The schedule of maximum fees shall be reasonable, shall promote health care costs containment and efficiency with respect to the workers compensation health care delivery system, and shall be sufficient to ensure availability of such reasonably necessary treatment, care and attendance to each injured employee to cure and relieve the employee from the effects of the injury.

Mr. Lucky stated the Kansas Hospital Association believes that the Workers Compensation Medical Fee Schedule Advisory Panel accomplishes its charge.

Mr. Lucky gave a brief history of the Workers Compensation Medical Fee Schedule Advisory Panel and the Medical Fee Schedules, stating he had been involved since its inception in the early 1990s.

He stated that the Kansas Health Association operated the Kansas Hospital Association Workers Compensation Fund, Inc. and through this fund it insures 47 hospitals that cover over 8,000 employees. Cost containment issues are very important to Kansas hospitals, and it is a very delicate balance between being a provider of services and a payer for those same services. In closing, Mr. Lucky stated that the Kansas Workers Compensation Medical Fee Advisory Panel is doing a good job, and the Kansas Hospital Association sees no reason to try to fix something that is not broken.

Upon the completion of Mr. Lucky's testimony, there was discussion with the Committee regarding medical fees. It was noted that the employer chooses the doctor and if the employee is not satisfied with the choice of the employer, he or she can go before an Administrative Law Judge and then be given three doctors from whom to choose. The discussion also covered over-use of medical procedures and how they are controlled. Mr. Lucky noted that all medical services must have pre-authorization. Cost effectiveness also was discussed. Senator Brownlee joined the discussion, stating that it appears with all the information given on the Workers Compensation Medical Fees Advisory Panel and the medical fees, that she felt the Committee did not need to pursue it any further.

Chairperson Jordan brought the Committee's attention to a proposal that Senator Wysong had presented to Chairperson Jordan and had asked him to present it to the Committee on his

behalf. The proposal was an outline of things to discuss regarding a clean energy initiative. It was the consensus of the Committee that it needed to be referred to the Kansas Energy Council.

Senator Brownlee turned the Committee's attention to the subject of the Extension Offices in the State of Kansas and the fact they are not a partner with the Center for Entrepreneurship. She stated by statute the Extension Office is obligated to participate in economic development even in areas of the state that are represented by other economic development organizations. It was discussed whether to remove their obligation to participate in economic development from the statute; therefore, releasing them of the obligation to participate in economic development in areas that are already involved with local economic development organizations.

Chairperson Jordan called for the recommendations of the Committee regarding today's meeting.

The following recommendation was made by the Committee subject to the approval of the majority of the members of the Committee:

The Revisor is to draft legislation to remove the term "economic development" from the Mission Statement of the Kansas Extension Service statute and to replace "economic development program" with "community resource development program" in the statute.

Representative Sydney Carlin voiced opposition to the recommendation and proposed bill draft.

Chairperson Jordan instructed staff, due to a lack of a quorum, to highlight the recommendation in the Committee minutes mailed out for approval and if the recommendation receives the majority of the Committee's approval it will be included in the final report.

Chairperson Jordan adjourned the meeting at 3:05 p.m., with no other meetings scheduled.

Prepared by Jackie Lunn  
Edited by Kathie Sparks

Approved by Committee on:

December 22, 2006  
(date)