

Testimony on House Bill 2188

Presented to the House Judiciary Committee

Justin Nichols

Chairman of the Board

Shawnee Chamber of Commerce

February 12, 2013

My name is Justin Nichols and I am the chairman of the board for the Shawnee Chamber of Commerce. I am here in opposition to HB #2188 because of the far reaching and decidedly negative consequences it will have on not for profit organizations and nonprofit agencies across the state of Kansas.

It's unclear to me whether the supporters of this bill fully appreciate the impact it will have on those it seeks to regulate. I will speak first specifically in the context of my organization, the Shawnee Chamber of Commerce. We are made up of three distinct components all under a single corporation umbrella—the Shawnee Chamber of Commerce, the Shawnee Economic Development Council, and the Shawnee Convention and Visitors Bureau. A significant portion of the budget for the overall chamber consists of member dues and investments, programming, and the like. However, nearly half of our budget comes from governmental sources, including all of the funding of our CVB and a significant portion of the funding for our EDC. These funds come, in Shawnee, from impact fees due to the presence of the Johnson County Landfill in our community, and from a guest tax imposed on hotel rooms in our community. The chamber structure in Shawnee is truly a three legged stool. The chamber serves existing businesses, who benefit from the influx of new businesses brought in by the EDC, and those businesses benefit from increased customer traffic brought by our CVB. If one leg of the stool is removed or broken, the overall ability of the others is weakened or destroyed. It is essential to our operations that all three legs of the stool remain intact and strong.

And we run a lean organization. We have limited staff, and the staff we do have serve multiple functions across the board. They are overworked and they do what they do for our chamber because they love Shawnee and they love working to benefit the greater good of a community. Their work benefits me as a Shawnee resident, but it also indirectly benefits my brother as a Lenexa resident, and my sister in law as an Olathe resident. As businesses come to Kansas and Johnson County, all of our communities benefit. And we are very good at what we do. We've developed our abilities as a chamber over an extended period of time and we have been recognized in the top three percent of all Chambers nationwide as a result.

This bill has the potential to destroy all of that. The requirements this bill would impose on not for profit like my chamber are overwhelming. We project that the requirements that this bill would create will require the equivalent of a fulltime employee's cost to our organization, between the manpower needed to comply with this unfunded mandate (which is potentially impossible to satisfy, given that government funds are generally allocated to the general budget of our organization, and expenditures are allocated funding sources internally), the technology upgrade required to our website, the increased audit costs, and other costs which have not even been fully identified yet. And the simple truth is that we do not have the ability to take on that cost and still offer the same services we have in the past. We are a not for profit. We don't operate with any margin. This bill will require our chamber to do one of two things. We will either have to cut services that are vital to our mission simply to satisfy a new government regulation. Or we will have to stop accepting governmental funds and lay off four employees while undermining the core of what we do- serving business interests in our community. What we will not be able to do is continue to operate in the same way we do today, and our members and our community will suffer because of it.

Part of the justification for the tax cut bill last year was that the tax changes would drive job growth in Kansas. While we all certainly hope to see that expectation become reality soon, one key component of increasing job attraction, growth, and retention is undoubtedly having the boots on the ground in local communities to attract those new businesses. That means groups like economic development councils need to exist and need to be staffed and funded. Many of these groups are either private/public partnerships, or are entirely publicly funded. The result of these new mandates could be the shuttering or reduction in services of a large number of groups dedicated to the promotion of business growth because of the increased administrative costs associated with compliance. It would be ironic indeed if the same legislators who voted for tax cuts because they believed doing so would result in growth turned around and imposed new regulations which made economic growth less likely.

This is the impact on just my organization. There are a huge number of others that will be impacted as well. Some of these are among the largest charities in the state. For example, the Salvation Army receives funding from the federal government for faith based organizations. Organizations like TARC here in Topeka rely on government funding because they are under budget strains due to United Way funding cuts. Faith based organizations like Catholic Charities receive government funding and will be subject to this mandate. Outstanding nonprofits in my area such as Sunflower House, which provides services to victims of childhood physical and sexual abuse, would be required to comply. The impacts on the nonprofit community from this bill are vast and seem ill advised.

The bill is thick with ironies as well. For example, we have heard consistently from all levels of state government that some of the recent cuts in social services will be offset by the many charities in our

state. But if those charities see their missions fundamentally compromised by the costs of compliance with this mandate, the poor of this state will have suffered a government imposed double blow. They will have lost essential services and they will have lost the purported replacement for those services as well. Enacting regulations with these impacts will, fairly or not, be viewed as petty and targeted. And our state cannot afford to increase any divisions with our poor which have risen in the past few years.

The greatest irony of all, though, is the fact that so many who might consider a vote in favor of this bill promised their constituents that they would work to limit government regulations in the classic Republican tradition. The people of this state expect limited government. And this type of regulation is exactly the type of thing that increases government intrusion into our communities, instead of deregulating. If it were a bill of general application all funds which left governmental coffers, it might be argued that it increases government transparency. But as written, it targets only a subset of those who receive government funds annually, and in doing so impacts nonprofits in a way that will adversely impact their mission. If the argument for this increased government intrusion into private business interests is that we are looking for government transparency, then the bill should be expanded to include government contracts with private businesses and require the same level of transparency from them. At least private enterprise can charge the cost of goods and services to make up for the increased costs of compliance. Nonprofits lack that option. The best choice, though, is to simply refuse to increase government regulation, as so many of you promised in your campaigns, and not vote for this bill.

It is a clear example of government overreach and an unnecessary regulation that will not serve to improve the lives of Kansans, and has the very real potential to negatively impact significant numbers of Kansans. It could wipe out swaths of the nonprofit industry in Kansas. And it will increase costs not just for nonprofits, but for government, as well, which will have to obtain the records of expenditures of agencies over which they have no direct control. Given the limits on government spending we all support today, this additional increased burden seems unnecessary and serves no useful purpose. Taken in combination with the potential fatal blow this bill would deal to many nonprofits, the bill does not deserve your support, and I would ask that you not allow it to see the house floor. Please vote no.

Thank you.