

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairperson Al Lane at 9:05 a.m. on January 29, 2002 in Room 521-S of the Capitol.

All members were present except: All were present

Committee staff present: Jerry Donaldson, Legislative Research
Bob Nugent, Revisor of Statutes
Renaë Jeffries, Revisor of Statutes
Bev Adams, Secretary

Conferees appearing before the committee: Bobbi Mariani, Dept. of Administration
Bernie Koch, Wichita Chamber of Commerce
Janet Harrah, Wichita State University
Jim Gregory, Raytheon
Darryl Taylor, NFIB
Larry Robbins, Plant Manager, Goodyear of Topeka
Ken Daniel, NFIB

Others attending: see attached list

Introduction of Bills

Bobbi Mariani from the Department of Administration asked the committee to introduce legislation that would expand the current drug screening program for the State of Kansas to allow for the testing of more employees in certain safety sensitive positions. This expansion includes all employees of correctional facilities; state parole officers; direct care staff at institutions of mental health; and employees at regents institutions who provide clinical, psychological or therapeutic services to students or staff. By designating these employees as safety sensitive, applicants for these positions would be subject to a preemployment drug test. This proposal would also allow all employees of institutions of mental health, the Kansas state school for the blind, the Kansas state school for the deaf and the Kansas soldier's home to be tested based on reasonable suspicion. This legislation does not affect the provisions of the current drug screening program for employees with commercial driver's licenses (CDLs).

Rep. Long made a motion to introduce the legislation as a committee bill. It was seconded by Rep. Ruff. The motion passed.

Presentations by Kansas Businesses and others on the Business/Economic Climate in Kansas

Bernie Koch, Vice President for Government Relations with the Wichita Chamber of Commerce, appeared before the committee to introduce Janet Harrah and also to share a recent study by the Milken Institute of 315 metropolitan areas in the U. S. A and the impact of September 11th on them. The study indicates that the Wichita Metropolitan Statistical Area is the seventh most impacted metropolitan area with a loss of 2.81 percent of the jobs. (Attachment 1)

Janet Harrah, Director of the Center for Economic Development and Business Research in the W. Frank Barton School of Business at Wichita State University, gave the committee an economic outlook for the Wichita area. She summarized her remarks in her testimony. She finished her appearance by answering many questions from the committee. (Attachment 2)

Jim Gregory, Raytheon Aircraft Company, presented his remarks to the committee from the point of view of one of Kansas' largest employers. He stated that he sees more problems with federal laws than state laws. He encouraged the legislators to support and encourage Congress to pass an economic stimulus package. Right now buyers are waiting for Congress to decide what they are going to do before they buy. Additional assistance from the government for laid off employees would be appreciated. They have laid off 1700 employees since April of 2001. This is about 20% of their employment. Their production is down from 525

CONTINUATION SHEET

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE, Room 521-S in the Statehouse, at 9:05 a.m. on January 29, 2002.

aircraft in 2000 to 371 planned for 2002 (Attachment 3) During his presentation, he answered questions from the committee.

Hal Hudson, National Federation of Independent Business (NFIB), introduced Darryl Taylor, who is owner of C&J Do It Best Hardwares in Olathe and Paola, Kansas and is a member of NFIB.

Mr. Taylor stated that their business is down about 10% this past year and was down 8% in 2000. He said his preference is to say large stores coming into the area have hurt them more than the economy. One big matter that concerns small businesses is the high property taxes. Small companies do not get tax breaks, but have to pay the full amount of taxes year after year. In the past they have had trouble finding employees, but the problem now is finding young people with good work ethics. He suggests that one way the legislature can help is by making it easier to do business with the state by letting them know how to submit bids for state jobs. (Attachment 4)

Larry Robbins, Plant Manager of Goodyear in Topeka, appeared before the committee to let the committee know how the present economy is hurting Goodyear. He gave a short history of the plant in Topeka. The tire industry is a highly competitive business. One of the main reason that their plant is still in business in Kansas is because the work performance and work ethics of their employees are very good. But because of the age of the plant, many of their workers are ready to retire. There has been no lay offs. Most of the losses in their employer numbers is through attrition.

They are now under consideration for a \$100 - \$300 million investment. This would help them retool and bring their plant up-to-date and better able to compete in the market. There are some obstacles in their way. One is the property tax rate in Kansas, they paid \$1.6 million in property taxes in 2000, In Virginia they would have paid \$330,000, and in Nebraska \$495,000 would have been paid. They need help in the form of tax relief in order for them to obtain this investment. (Attachment 5)

Kenneth L. Daniel, Chairman and CEO of Midway Sales & Distributing, Inc., and Chairman of Kansas Federation of Independent Business, appeared before the committee to talk about small businesses in Kansas. Small business provides employment to 53% of the private work force and generates 51% of the gross national product. In Kansas the figures are higher. To help more small businesses in Kansas survive you need to concentrate on three key area—no new taxes, simplify regulations, and eliminate mandates. (Attachment 6) Mr. Daniel concluded his testimony by answering questions from the committee.

Chairman Lane thanked all the conferees for appearing and sharing their stories with the committee.

In answer to a question at a previous meeting about the amount spent on special education in Kansas, Rep. Ballou brought to committee a memo from Ben F. Barrett, Director of the Kansas Legislative Research Department, which gives the amounts. In the 2000-01 school year, school district expenditures for special education from all sources totaled \$471.3 million. This was 13.2% of total school district expenditures in that year. Viewed in a different manner, special education expenditures were the equivalent of 19.4% of school district operating expenditures, defined as the sum of the school district general and supplemental general funds, net of transfers to the special education fund.

Chairman Lane adjourned the meeting at 10:55 a.m.

The next scheduled meeting will be January 30, 2002.

HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE GUEST LIST

DATE: January 29, 2008

NAME	REPRESENTING
Bernie Koch	Wichita Area Chamber
Janet Harrah	Wichita State Univ.
Tom J. J. J.	WICHITA STATE UNIV.
Ken DANIEL	MIDWAY WHOLESALE-TOPEKA
Christy Caldwell	Topeka Chamber of Commerce
RANDY BARTH	GOODYEAR-TOPEKA
Judy Shaw	Goodyear-Topeka
Jarryl Taylor	DO IT BEST HARDWARE
Dary Turner	" " " Hdw Corp
Cary Catchpoole	Kansas Dept of Commerce & Housing
LARRY ROBBINS	GOODYEAR TIRES RUBBER
Hal Hudson	N FIB/ KS
John Peterson	Raytheon Aircraft C,
Jim Gregory	Raytheon Aircraft Co,
Ken Bove	Hem/air chtd.

Stephanie Buchanan

DOB



**Testimony to House Business Commerce & Labor Committee
January 29, 2002**

Bernie Koch
Wichita Area Chamber of Commerce

Thank you Mr. Chairman and members of the Committee. I'm Bernie Koch, Vice President for Government Relations with the Wichita Area Chamber of Commerce.

My purpose here today is to introduce someone considered an expert on the economy in the Wichita Area, but before I do that, I'd like to point out some attachments to my written comments. They summarize a recent study by the Milken Institute of 315 metropolitan areas in the U.S. and the impact of September 11th on them.

This study caught our attention because it indicates the Wichita Metropolitan Statistical Area, which is Sedgwick, Harvey, and Butler Counties, is the seventh most impacted metropolitan area by the September 11th attacks with a loss of 2.81 percent of the jobs.

At the top of the list is Las Vegas, followed by Myrtle Beach, South Carolina, both tourist destinations. New York City is third, for obvious reasons. Then the list returns to major tourist destinations: Reno, Nevada; Atlantic City; and Orlando, Florida. I think it's worth it to point out that Wichita is the largest metro area affected that is not a tourist destination or a direct target of the attacks.

This is not the full report, but a summary and news release that I simply pulled off the Milken Institute web site. It was something I thought you should be aware of as you look at the state of the economy in Kansas.

When I received Chairman Lane's letter about these hearings, I immediately thought about asking Janet Harrah. Janet is the director of the Center for Economic Development and Business Research in the W. Frank Barton School of Business at Wichita State University. She's been the director since 1999, but has worked at the Center for 12 years.

Her areas of expertise are the demographic and economic characteristics of the Kansas population and labor force. She's recognized as an authority on economic forecasting for the Wichita and south central Kansas region who is frequently asked to analyze economic trends and the impact of current events on the area economy and local industries.

She represents Kansas on the regional economic round table of the Kansas City Federal Reserve. Janet Harrah is highly respected by the Wichita business community. I'm pleased to present her to you this morning.

**House Business, Commerce & Labor Committee
1-29-2002
Attachment 1**

For immediate release

Jan. 11, 2002

Contact

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**Sept. 11 terror attacks to cost U.S. metros more than
1.6 million jobs in 2002, new Milken Institute study shows**

Examination of 315 metro areas shows tourist destinations like Las Vegas, Orlando and Honolulu will suffer major losses in 2002 due to cutbacks in travel; New York, L.A. and other big cities will also lose many jobs, study finds.

LOS ANGELES – Which cities in the United States will suffer the biggest job losses as a result of the Sept. 11 terrorist attacks?

According to a new study from the Milken Institute, some of this country's biggest tourist destinations – Las Vegas, Reno, Atlantic City, Orlando and Honolulu – and its biggest cities – New York, Los Angeles and Chicago – will suffer heavy job losses as a direct result of the terrorist attacks of Sept. 11.

Percentage-wise, Las Vegas will suffer more than any other metro in the country in 2002. It is expected to have nearly 5 percent fewer jobs this year than it would have had without the terrorist attacks, the study found. Myrtle Beach, S.C. is second, with a projected loss of 3.6 percent, and New York City – site of the worst terrorist attacks – is third with a decline of 3.42 percent in jobs.

The remaining top 10 hardest hit are: 4. Reno (3.15%), 5. Atlantic City (2.98%), 6. Orlando (2.85%), 7. Wichita, KA (2.81%), 8. Flagstaff, AZ (2.61%), 9. Honolulu (2.57%) and 10. Forth Worth (2.45%).

In overall numbers, New York will suffer the most job losses in 2002 – nearly 150,000 fewer than it was expected to have in 2002 prior to the events of Sept. 11. Second-worst hit will be Los Angeles, with a predicted loss of 69,000 jobs this year. Chicago is third with a projected loss of more than 68,000 jobs.

The others in the top 10 are: 4. Las Vegas (40,770 jobs lost), 5. Boston (36,080), 6. Seattle (33,940), 7. Atlanta (32,170), 8. Washington, D.C. (31,600), 9. Detroit (31,430) and 10. Dallas (29,300).

All told, metropolitan areas across the U.S. will lose an estimated 1.64 million jobs this year as a direct result of the attacks of

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Sept. 11, the Institute found. Most of those – almost half – will come from industries hardest hit by the attacks, such as air transportation, hotels, amusement and dining.

“The shock waves of the Sept. 11 attacks on the World Trade Center and the Pentagon are still pulsing through the American economy,” the report states. “And with the economic injury focused predominantly on a handful of sectors – travel, tourism, lodging, dining and recreation – the consequences for individuals and unique localities have been profound.”

Hardest hit have been cities that are heavily dependent on tourism and travel, and, of course, the city that suffered the most damage from the attacks, New York, which is expected to suffer significant job losses through 2004.

Las Vegas, a prime tourist destination, will be especially hard hit by Sept. 11, the study found. “With its large gambling industry and related infrastructure primarily accessible by air, Las Vegas is the single most vulnerable metropolitan economy,” the study found.

While not top tourist destinations themselves, some of the cities high on the Institute’s list of most-impacted metros include those whose economies depend heavily on industries hardest hit by the Sept. 11-related slowdown, such as airlines and aerospace (Seattle and Wichita), airports (Fort Worth, St. Louis and Atlanta) or financial industries (New York, Chicago and San Francisco).

The study looked at all 315 metro areas (MSAs) in the U.S. and analyzed their economic trends prior to Sept. 11. Institute scholars then examined hundreds of industries in those cities to see what’s happened since the terrorist attacks. Using its economic models, Institute economists looked at the before-and-after scenarios to forecast the long-term employment losses expected in each metro as a result of the attacks.

“The attacks of September 11 devastated several key industries and the cities dependent on them,” said Ross DeVol, Director of Regional Studies and principal author of the report. “The good news is that many of those jobs should come back by next year.”

The report predicts that the U.S. economy will remain in a recession until the second quarter 2002, when recovery will begin.

The report includes a detailed analysis of those industries and metropolitan areas hardest hit by Sept. 11, and examines the overall U.S. economy in light of the attacks and recession.

Key links:

- ▼ [Click here to view the 315 metros ranked by percentage of job losses \(hardest hit in 2002 on top\)](#)
- ▼ [Click here to view the 315 metros ranked by total job losses \(hardest hit in 2002 on top\)](#)
- ▼ [Click here to view the overall industry breakdown of all job losses caused by Sept. 11](#)
- ▼ [Click here to view the industries hardest hit by Sept. 11 \(percentage of job losses\)](#)

To view the report (PDF – you need Acrobat Reader):

- ▼ [Click here to view the Executive Summary](#)
- ▼ [Click here to view the Section I: Macroeconomic Environment](#)
- ▼ [Click here to view the Section II: Metro Economic Impact Summary](#)
- ▼ [Click here to view the Section III: Industry Impacts](#)
- ▼ [Click here to view the Appendices \(19MB\)](#)
- ▼ [Click here to view the full report \(19 MB\)](#)



EXECUTIVE SUMMARY

Americans have become all too familiar with the human pain and suffering that terrorism inflicts. Yet while violence generates terrorism's most stunning and visible impact, the economic ripples are wider and more lasting. The shock waves of the September 11 attacks on the World Trade Center and the Pentagon are still pulsing through the American economy. And with the economic injury focused predominantly on a handful of sectors – travel, tourism, lodging, dining and recreation – the consequences for individuals and unique localities have been profound. Bellhops as far away as Las Vegas and Honolulu, baggage handlers at airports such as O'Hare and LAX and housekeepers at hotels throughout the nation, are now jobless.

This report analyzes the impact of the September 11 attacks on all 315 U.S. metropolitan statistical areas (MSAs). Using econometric models to examine each metro area's economic trends prior to September 11 and the effect upon the industries they rely upon since then, the long-term employment losses for each metro was extrapolated. The models allow an assessment of the ripple effects – the multipliers – from the directly affected industries as they spread through local economies. The results are then compared to a baseline – the state of the economy had there not been a terrorist attack and taking a mild recession into account.

All in all, this report finds that, in total, metropolitan areas across the United States will lose 1.6 million jobs in 2002, relative to the absence of a terrorist attack. The metros most vulnerable to job losses are those that rely heavily on the travel and tourism industry, such as Las Vegas, and business related to them, such as airlines, hotels and dining.

Some of the reports most salient findings are:

- The country's major tourist destinations such as Las Vegas, Myrtle Beach and Honolulu, and its largest cities – New York, Los Angeles, and Chicago – will suffer the heaviest job losses as a direct result of September 11.
- From an employment perspective, Las Vegas will be hardest hit with a 5 percent loss in jobs. Myrtle Beach is second, with 3.6 percent fewer jobs, and New York City is third, with a job decline of 3.2 percent.
- In absolute numbers, New York City will lose the most jobs – 149,200 in 2002, followed by Los Angeles and Chicago at approximately 69,000 and 68,000 respectively. Las Vegas will lose close to 41,000 jobs.
- Real GDP is expected to decline 1.0 percent, a reduction in real GDP of \$175 billion by the first quarter of 2002, relative to the baseline scenario.
- Most cities will recover their job losses in 2003 with the exception of New York, expected to rebound in 2004.



The initial impulse to analogize the attacks against New York City to natural disasters such as the Northridge earthquake in Los Angeles and Hurricane Andrew in Miami, is flawed. As rebuilding commences after a natural disaster, economic activity generally recovers in the quarter after the event. New York, however, will be coping with the rubble for many months, delaying reconstruction and accompanying economic recovery. Furthermore, given the psychological trauma, it is far from clear that office capacity lost in lower Manhattan will be replaced anytime soon.

The far-reaching effects of the terrorist attacks create another important distinction in terms of economic revival. Disaster in New York affects business confidence in every major city, but a natural disaster such as an earthquake in Los Angeles, does not impact business elsewhere in the same way.

Transportation has also been affected in complex ways. Consumers are, of course, apprehensive about the safety of airline travel. But the economic impact of heightened security at airports may be more enduring, since screening has increased transit times and rendered airline travel less appealing. Moreover businesses, already reeling from years of rising airfares, have responded by reassessing travel needs.

Note, too, that the recession on which September 11 is layered has been felt disproportionately by a handful of cities. This is due to the unusual nature of the downturn, which was very much a business investment-led recession. The collapse of investment in information technology products and services, precipitated by excessive spending earlier, weighed heavily on the economy before the attacks. Tech-centric areas such as Silicon Valley, Austin, Seattle, and Portland were reeling for many months. Meanwhile, more traditional manufacturers of heavy capital goods are now feeling the pain. Manufacturing centers like Cleveland and St. Louis in the Midwest, and Atlanta, Greenville-Spartanburg-Anderson, and Birmingham in the South, are victims.

Our post-September 11 forecast incorporates a mild national recession by historical standards. The economy is expected to decline from third-quarter 2001 through first-quarter 2002. Real GDP growth turns moderately positive in the second quarter of 2002, before a modest recovery begins in the second half of the year. Once excess inventories of IT equipment are reduced, firms will begin to place new orders.

In the nine recessions since 1948, the average peak to trough decline was 2.3 percent and the duration 11 months. We expect real GDP to decline by 1.0 percent in the recession of 2001-02, slightly less than the peak to trough decline in the 1990-91 business cycle experienced, but to last longer by at least three months. Relative to the baseline scenario (no terrorist attack), this is a reduction in real GDP of \$175 billion by the first quarter of 2002.



Nevertheless, 2002 will witness additional declines in employment – especially relative to what the economic environment would have been in the absence of September 11. And it is going to take considerably longer for some local economies to recover.

Sectoral Impact

A locality's economic exposure to the consequences of September 11 is largely determined by the composition of its industrial base. The most directly affected industry is travel and tourism. Travelers generate jobs and a substantial share of income for millions of Americans.

Throughout the following discussion, metropolitan areas are based upon Census Bureau definitions of metropolitan statistical areas. Standard tools of regional economic analysis were used to estimate the impact. Of the total direct estimated metropolitan job loss of 760,000 relative to the baseline scenario (no terrorist attack) in 2002, two-thirds are in travel and tourism and related sectors. Overall, roughly 1.64 million jobs will be lost in America's metropolitan economies as a result of September 11.

The largest percentage declines are in air transportation (roughly 20 percent), followed by amusement and recreational services, and hotels and motels. The most exposed metros are destinations with high concentrations of foreign tourists as well as domestic tourists who generally arrive by air. New York is the (unfortunate) exception because many tourists who could come by car or train are staying away anyway.

Early data releases in the aftermath of September 11 are beginning to shed some light on the probable severity of the impact on the travel and tourism industry. In September, consumption expenditures on airline travel plunged by 38.2 percent, a decline of \$12.5 billion. There was a recovery of \$3.7 billion in October as some airline-travel resumed. Nevertheless, relative to one year ago, October's expenditures were down by \$13.2 billion or 35.6 percent. During October and November 2001, the airline industry cut employment by a combined 81,000, a 6.2 percent decline from September. Many more layoffs are on the way. Transportation services, which include travel agencies, cut 12,000 positions in November alone.

Foreign travel to the U.S. has witnessed the largest decline since the terrorist attacks. Foreign tourists cut U.S. travel expenditures by \$25.9 billion (26.5 percent) in September. October witnessed an additional decline of \$5.6 billion (7.8 percent), and spending was down by 31.3 percent from the same period one year ago. The loss of foreign travel to the U.S. explains much of September's \$11.1 billion drop in spending at restaurants and bars.



Localities dependent upon international trade are also feeling the pain. Global growth is slowing, and Japan and much of the rest of Asia are in recession. Europe is experiencing a dramatic reduction in growth. Supply chains are being shortened and terrorist concerns are harming economies around the globe.

Commercial aircraft orders have been cut as airlines lay off workers and downsize capacity. We expect that aircraft and parts employment in metropolitan areas will be reduced by 42,000 compared to a no-terrorist attack scenario – not a very large number in the context of the whole economy, but a big hit for the handful of cities in which aircraft production is concentrated.

Entertainment and advertising are also feeling the consequences of September 11. As a hedge against possible actors' and writers' strikes last spring, many studios overproduced films and TV programming early in 2001. The strike was avoided, but production activities still fell in spring and summer. Before they could resume production in the fourth quarter, the uncertainty associated with the terrorist attacks led to cutbacks. Layoffs are percolating through every segment of the entertainment industry.

With the cut in corporate advertising budgets, television ad revenues are in deep decline. Theatrical productions are suffering in tourist destinations, particularly in New York. We estimate that entertainment and advertising related sectors will lose 150,000 more jobs than in the baseline no-terrorism recession.

The adverse impact of the terrorist attacks on financial services – an industry that includes securities, insurance and real estate brokerage – was severe. New York, which is headquarters to most of the nation's major financial services firms, was hit directly by the destruction of property, while others felt immediate losses from suspended market activity. Insurance firms' profits were sliced by compensation to victims' families. The financial services industry is expected to lose 96,000 jobs in 2002, compared to the baseline scenario. This represents a loss of 1.4 percent of all jobs in the industry – and a considerably higher percentage in New York.

Some sectors – and thus some regional economies – will see job growth related to the attacks. These include producers of goods and services required to battle terrorism – high-tech reconnaissance aircraft, unmanned craft sensors, ultra-sensitive communications devices and other precision instrumentation. These high-tech sectors should see an increase in employment of about 8,000.

Methodology Summary

The Milken Institute's metropolitan area econometric models incorporate structural linkages between "export" sectors and dependent supplier industries derived from an input-output framework. Export sectors — such as casinos and commercial aircraft — produce goods and services that are primarily consumed outside the local economy. These export industries serve national rather than



local markets. The income they generate, however, is concentrated in local economies.

The models allow an assessment of the ripple effects – the multipliers – from the directly affected industries as they spread through local economies. The income from export sectors such as travel and tourism multiplies through the indirect effect on the demand for construction, local transportation, utilities and communications, wholesale and retail trade, government services and so forth.

Metropolitan Impacts: Some Highlights

With its large gambling industry and related infrastructure primarily accessible by air, Las Vegas is the single most vulnerable metropolitan economy. Lodging employment in Las Vegas is 16 times more important to the local economy than to the national economy. Employment in Las Vegas is expected to fall by 5.0 percent in 2002 relative to the baseline, compared to 1.4 percent for the average metro. Approximately half of these jobs should be recovered in 2003.

Myrtle Beach, SC is the second most impacted metro; we expect employment to fall by 3.6 percent. This beach resort has the highest concentration of restaurant employment in the nation. It ranks 8th in concentration in amusement parks and recreational services employment (three times greater than the U.S. average) and 4th in hotel employment concentration (six times greater than average).

The New York-Newark metro area ranks third on percentage job loss at 3.4 percent in 2002. However, in absolute terms, it is the bigger job loser by far, with a projected decline of almost 150,000. In October 2001 alone, employment in the New York metro area fell by a record 79,000 (1.8 percent).

New York's economy has been severely disrupted. It will lose some 31,000 thousand jobs in the finance, insurance and real estate sectors in 2002 – most of them high-paying positions. Advertising is another important industry for the New York economy with 5.3 times as many jobs per capita as for the nation as a whole. The same goes for entertainment employment (14th in the nation), and museums and art galleries (15th in the nation). Service-sector employment is projected to fall by 68,000, and wholesale and retail employment by 24,000 in 2002. All told, wage and salary income in the New York metro area will decline by \$9.1 billion in 2002.

Reno is fourth on our list with a 3.2 percent job loss expected for 2002. Reno ranks 3rd in concentration of hotel and motel employment in the country, and 18th in its concentration of scheduled air transportation employment. Atlantic City-Cape May, NJ ranks as the fifth most impacted metro with 3.0 percent loss of jobs. It has the distinction of having the highest concentration of hotel and motel employment in the nation – a whopping 20 times greater than the U.S. average. Atlantic City avoided being the hardest-hit metro overall only because so many tourists arrive by car.



Orlando, home to Disneyworld and other theme parks, is the sixth most impacted with a 2.8 percent job decline projected. Wichita, which has the highest concentration of aircraft and parts employment in the nation, follows Orlando. Flagstaff, Arizona ranks eighth on the list, due to its dependence on tourists from distant places. Honolulu is ninth on the list, where wage income is expected to decline by about \$360 million in 2002. Fort Worth-Arlington, Texas rounds out the top ten on economic impact stemming from September 11. The Fort Worth airport is a major airline hub, and the city is heavily dependent upon aircraft and parts production.

In the next tier of impacted areas, Seattle-Bellevue-Everett stands out at 13th. Thanks to Boeing, the Seattle region is the 2nd most dependent metro on aircraft and parts production employment in the nation. San Francisco ranks 19th overall on economic impact with a percentage job loss of 1.9 percent projected for 2002. Miami rounds out the top-twenty.

Other metros expected to experience large job losses in 2002 include: Chicago, IL (68,300); Boston, MA (36,100); Atlanta, GA (32,200); Washington, DC-MD-VA-WV (31,600); Detroit, MI (31,400); Dallas, TX (29,300); and Houston, TX (29,000).

The terrorist attacks of September 11 are effecting greater geographic dispersion of the economic fallout than was underway prior to the event. More communities will become part of the recession of 2001/2002. For the most part, these job losses are transitory; still, many communities will suffer job losses for an extended period of time.

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Post-September 11 U.S. Metropolitan Areas Employment Outlook

	Absolute Job Loss (In Thousands)				Job Losses (% Change From Pre 9-11 Conditions)			
	2001	2002	2003	2004	2001	2002	2003	2004
1 Transportation	-16.44	-215.37	-166.11	-85.72	-0.27	-3.46	-2.63	-1.35
2 Manufacturing	-15.42	-341.14	-217.56	-40.36	-0.11	-2.48	-1.58	-0.29
3 Services	-132.21	-580.78	-296.21	-147.16	-0.37	-1.59	-0.79	-0.38
4 Construction	-12.06	-84.77	-58.36	-38.33	-0.21	-1.43	-0.96	-0.63
5 FIRE	-23.79	-96.27	-85.28	-39.80	-0.34	-1.38	-1.21	-0.56
6 Wholesale & Retail Trade	-39.37	-263.34	-162.50	-65.64	-0.15	-1.01	-0.61	-0.24
7 Government	-8.66	-58.93	-40.21	-26.27	-0.05	-0.35	-0.24	-0.15
Total MSA Cummulative Non-Farm Employment Loss	-247.95	-1640.60	-1026.23	-443.28	-0.22	-1.46	-0.90	-0.38

*Ranked by 2002 Job Losses

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Post-September 11 U.S. Metropolitan Area Employment Outlook*

For 3-Digit SIC Most Impacted Industries

	Net Job Losses (In Thousands)			
	2001	2002	2003	2004
Eating & Drinking Places	-17.95	-150.56	-174.18	-105.22
Hotels & Motels	-49.17	-140.61	-99.40	-38.64
Micellaneous Amusement & Recreational Services	-33.00	-100.36	-76.28	-42.30
Air Transportation, Scheduled	-46.16	-85.89	-35.19	-28.63
Advertising	-13.32	-79.30	-52.07	-35.47
Theatrical Producers, Bands, & Recreational Services	-10.53	-52.77	-34.67	-18.61
Aircraft & Parts	-3.44	-42.41	-49.05	-44.36
Airports & Airport Terminal Facilities	-9.98	-19.19	-13.29	-0.24
Fire, Marine, & Casualty Insurance	-4.77	-17.44	-19.77	-11.85
Life Insurance	-9.32	-17.04	-12.64	-6.38
Medical Services & Health Insurance	-8.07	-14.49	-14.93	-7.30
Radio & TV Broadcast Stations	-3.18	-12.68	-4.29	-3.39
Arrangement of Passenger Transport	-7.56	-10.27	-2.32	-0.03
Museums & Art Galleries	-5.09	-9.31	-0.45	-0.60
Communications Equipment	-0.48	-7.02	-5.21	-2.20
Cable & Other Pay TV Services	-2.27	-4.74	-0.44	-0.03
Ship & Boat Building and Repair	-0.23	-3.31	-2.46	-1.04
Railroads	46.93	0.57	0.35	0.28
Search & Navigation Equipment	0.66	3.47	2.58	1.09
Guided Missiles & Space Vehicles	4.42	4.42	6.63	3.98
Total MSA Cumulative Employment Loss	-172.53	-758.92	-587.07	-340.97

*Ranked by Net Job Losses in 2002

January 29, 2002

Wichita Area Economic Outlook

Prepared remarks presented by Janet Harrah, director,
Center for Economic Development and Business Research,
W. Frank Barton School of Business, Wichita State University

Introduction

According to the National Bureau of Economic Research the United States entered the current recession in March 2001. Capital spending led to the boom of the late 1990s and in turn a near collapse of capital spending led to the current recession. Most economists believe there is an over inventory of capital equipment. The U.S. is going to have to work off that inventory and it may take a while. In addition, profits are necessary to finance capital spending, so the pace of profit resurgence is critical to the speed of the recovery. However, there are several factors in the market that are likely to slow the pace of profit growth going forward. These include:

- Higher operating costs for insurance, transportation and security as a result of the September 11 attacks.
- Most other World economies are sluggish as well, which will hold down exports to overseas markets and increase price competition with lower cost imports.
- Several industries are experiencing overcapacity worldwide in both the manufacturing and service sectors.

These national factors along with layoffs in Wichita's manufacturing sector have led to a local recession as well. Thus the Center expects overall employment in the Wichita metropolitan area to decline in 2002. The hardest hit sectors will be manufacturing and new residential construction along with wholesale and retail trade. Retail sales are expected to decline, compared to 2001, also. However, we can expect modest job growth in the service and government sectors.

Manufacturing

Raytheon, Boeing and Learjet to date have announced layoffs of about 7,300 to be completed by mid-2002. Many of these layoffs have already occurred. In light of these layoffs, the Center expects manufacturing employment in 2002 to decline by 6.3 percent or 4,600 jobs. The expected total layoffs in excess of 7,000 jobs would represent a 10

Center for Economic Development and Business Research,
W. Frank Barton School of Business, Wichita State University

House Business, Commerce & Labor Committee

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Attachment 2

percent decrease in area manufacturing jobs compared to year-end 2000. While a slowdown is expected for all manufacturing, the brunt of the cutbacks will be felt in the aviation sector. With the U.S. economy not expected to rebound until 2nd quarter 2002 and corporate profit growth expected to recover slowly, the Center does not expect any significant growth in Wichita's manufacturing sector until mid to late 2003. Looking at the broader picture, the Center expects total employment for all sectors of the Wichita economy to decline by 1.6 percent or 4,650 jobs next year.

Services

Turning now to services, the Center expects this industry to add 500 jobs next year. Modest gains are expected in health care and business services. The outlook is also good for firms offering business or home security along with companies engaged in disaster recovery services. The health care industry has experienced chronic shortages of labor, particularly among its highly skilled occupations such as pharmacists and nurses. However, it is unlikely that laid off aircraft workers can quickly adapt their skills to fit the particular needs of the health care industry. A related issue due to recent events is the possibility of medical personnel being called up for military service. Therefore, labor shortages are likely to continue during 2002. Despite these challenges, the health care industry is still healthy as demonstrated by the expansion and construction of facilities. The tight labor market was limiting growth in other service sectors as well. Recent layoffs may free up skilled labor for the service industry. For example, firms that are closely watching the bottom line may decide to outsource selected professional services rather than hiring full-time, permanent employees. This trend may provide opportunities for temp agencies, consultants and other business service providers.

Retail Sales

Retail sales are tightly linked with employment levels. As a result of the layoffs, which occurred during the fourth quarter and the prospect of additional layoffs this year, along with a weak economy in general, overall retailers had a modest Christmas. Since the majority of retailers had already purchased most of their Christmas inventory prior to September 11th, many resorted to deep discounts or other incentives to move merchandise. The automakers started this trend by offering zero percent financing on

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new vehicles. Consequently, while sales levels remained similar to 2000, the level of profits declined for most retailers.

Retail sales have declined slowly since peaking in 1998, corresponding to a peak in manufacturing employment. With further declines in manufacturing and falling consumer confidence, the Center expects taxable retail sales to decline by \$172 million or 2.5 percent during 2002. While local retailers can expect to see a drop in revenues, the Center does not expect to see significant job losses in this industry. Most retailers were already staffed at minimal levels due to the tight labor market. Therefore, most cannot afford to cut staff and still manage to keep the doors open. Overall, the Center expects retail trade employment to decline by 0.4 percent or 200 jobs.

Utilities

In the utility sector, last year at this time, most Kansas were concerned about the rising costs of energy. The good news for Wichita is the reduction of electricity rates, on average 7.2 percent, and the reduced cost of natural gas, expected to be between 30 and 40 percent lower this winter compared to last. Gasoline prices have recently dropped from this summer's highs due to reduced demand. The costs for trash service are increasing with the closing of the Brooks Landfill. With a slowdown in new commercial and residential construction, industry revenues from new electricity and natural gas hookups will decline as well. For the utility consumer, costs are expected to decline significantly with these rate reductions and lower fuel costs. This should also represent a significant reduction in operating expenses for area businesses. A potential wildcard in any economic forecast for the industry is the possible impact of an interruption in oil supplies as a result of U.S. military actions abroad. Locally, the Center expects the industry to have job losses totaling 150 in 2002, similar to the job losses experienced in the recession of the early 1990s.

Construction

Moving now to construction, prior to the September attacks Wichita's construction industry had been steadier than other U.S. markets. This residual strength may help local construction firms ride out the current economic recession better than other areas. In addition, there are a significant number of commercial construction projects already underway. Also, several government projects, specifically highway construction and

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school bond improvements, are currently in process. Together these should help maintain employment levels on the commercial side. On the residential side, while low interest rates make housing cheaper, the Center expects the impact of low consumer confidence to outweigh that impact. Therefore we should see a reduction in residential construction next year. Overall the Center is expecting employment in the construction sector to decline slightly, losing 200 jobs.

Finance, Insurance and Real Estate

Before the September 11 attacks, banks in Wichita were experiencing stable lending rates, in spite of slow-downs in the rest of the nation. However, lending activity responds to changes in the rest of the economy. Many area banks and credit unions are prepared to help laid-off borrowers with additional flexibility in repayment options and financial counseling as well. These same institutions have been lowering their prime interest rates, and lowering the rates on mortgages and credit cards. The Center does not expect much change in employment in this sector. However, it expects that the industry will continue to invest in infrastructure as banks, following the population to the suburbs, build new branches. Some job losses are expected in other financial sectors such as real estate and brokerage firms in response to a slowing construction industry and Wall Street losses. Overall the Center expects employment in the finance, insurance and real estate sector to decline by 1.8 percent or 200 jobs.

Conclusion

In conclusion to state the obvious it's going to be a rough year. Repercussions from recent events are going to affect the national and local economies throughout 2002. This will be the fourth decade in a row in which Wichita's manufacturing sector has experienced a significant downturn early in the decade. In each case, while the manufacturing sector had significant layoffs, most of the job losses were confined to that sector and the rest of the economy simply went flat. We expect a similar scenario in 2002.

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Summary of Job Performance by Sector for 2002

Sector	Job Loss/Gain in 2002*
Total All Industries	Loss of 4,650 jobs
Manufacturing	Loss of 4,600 jobs
Services	Gain of 500 jobs
Retail Trade	Loss of 200 jobs
Utilities	Loss of 150 jobs
Construction	Loss of 200 jobs
Finance, Ins., Real Estate	Loss of 200 jobs
Government	Gain of 350 jobs

*Detail does not sum to total since data are not shown for all industry sectors

Testimony of Jim Gregory
Raytheon Aircraft Company
Kansas House Committee on Business, Commerce & Labor
Jan. 29, 2002

Summary Comments

We are occasionally asked what the Legislature can do to improve the business climate in Kansas. From the perspective of one of Kansas' largest employers, these thoughts are submitted:

It's very important to consider economic relief for the aerospace workers and their families impacted by the recent economic downturn.

In addition, the Legislature could consider the following measures to assist companies recover more quickly from the existing economic conditions, which were exacerbated by the horrific events of September 11, 2001:

- Redirect Kansas Department of Commerce and Housing policy to provide for priority grants to larger employers with concurrent increases in available funds from the Kansas Industrial Training and Kansas Industrial Retraining program. The majority of the large employment losses recently in Kansas have been from larger employers and consequently their recovery should be a priority.
- Modify the IMPACT program to take into account manufacturing industry cycles. This excellent program was created primarily for a utility company and consequently it doesn't acknowledge inevitable business cycles of the aviation manufacturing industry.
- Increase the maximum time period for property tax abatements for Kansas Industrial Revenue Bonds to 15 years from 10. This would permit companies additional time to recoup large capital investments necessary to reinvest in the future during a slower economy.
- Double High Performance Incentive Program incentives. Governor Bill Graves has proposed this and we support the concept. Additionally, to provide even more incentive for these huge investments the Legislature could consider making the tax credits refundable.
- Issue emergency Kansas Economic Opportunity Incentive Funds grants. This could provide specific relief for companies and employees, which have been particularly hard hit in the aftermath of the events of September 11, 2001.
- Increase the state income tax property tax credit from 15 percent to 25 percent. This would further stimulate the business climate in the state.

Thank you for the opportunity to address the committee.

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Attachment 3

January 28, 2002

TO: Rep. Al Lane, Chairman of the House Business Commerce and Labor Committee and Committee Members

FROM: Darryl Taylor, Owner, C&J Do It Best Hardware in Olathe, Kansas and Paola Do It Best Hardware in Paola, Kansas

QUESTIONS AND BASIC ANSWERS

1. How has the present economic climate affected your organization? Our business at both stores is down about 10% for the past year. We were down about 8% for the year 2000. My preference is to say large stores coming into the area have hurt us more than the economy.

2. What are the problems you are encountering with respect to federal, state and local regulations and/or laws?

- A. We normally have no problem with most regulations/laws. I will mention the following: A few years ago an article was written in National Hardware Retailing magazine concerning automotive freon. This product was removed from the market place. A hardware store back east had a can returned by a customer. Apparently, the cashier was unaware of the new removal regulation and she placed the can of freon back on the shelf. The EPA officials just happened to stop by, found the freon on the shelf and fined the store owner \$10,000. Is that fair?
- B. The one big matter concerning laws I would speak about is property taxes. A friend of mine owns a modest sized hardware store in Prairie Village, KS. His property taxes this past year increased over \$6,000. Our complaint is this: Larger companies get tax-breaks. Many large corporations have plenty of cash to begin with and do not need a break...we pay the full amount year after year with no break whatsoever. It's just not fair.

Too, I've learned that some companies come into communities that offer tax-breaks and hang around until their tax-break time is up. They then move on to another community for more property tax-breaks.

3. Has your firm had to lay off any personnel? Yes. We laid off one, another has quit and we are not filling either of those positions. In Paola, one quit for another job and we are not filling that position. We have cut hours worked at both stores.

4. Has the labor market affected your company? When employment was high the past few years...yes, it was hard to find people. A problem we do have is finding young people with good work ethics.

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5. Do you have any ideas of what the legislature can do to assist you in overcoming the present difficulties?

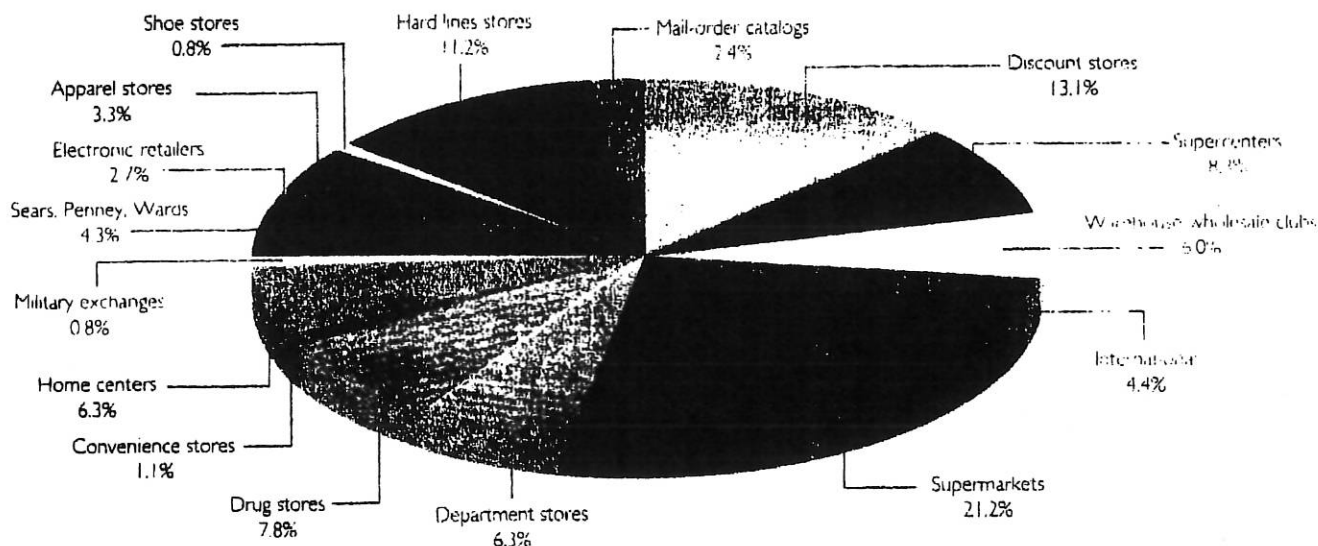
- A. For those in retail business, make it easier to do business with the state. Too, pass the business around. Do not let one company get all the business.
- B. We retailers collect sales tax for the state. Our accountant computes the tax and fills out the appropriate papers. We pay \$.34 for the stamp and even pay ½ of the sales tax in advance for the next month. We get no credit for doing this. We are fined a penalty and interest if not paid in time. You most likely know the State of Missouri allows a 2% credit for timely payment.
- C. Small business will appreciate ANYTHING you can do to help us. It needs, however, to affect the cash in a positive way. All of us know that it's cash that runs the show.

6. What are your prospects for recovery from the present situation? In my honest opinion, not very good. Large box stores are no doubt hurting small business. We can be competitive on price but people are somehow drawn to the big retailers. Too, they have the cash to continue building more and more stores. For us smalls, we have to borrow and pay back for expansion. For the larger corporation...they issue stock and pay back no one.

Thank you for your time to listen.

Darryl Taylor

TOP 100 U.S. RETAILERS \$1,104,076,974,000



Company/Headquarters/ Main Retail Segments/ Fiscal Year End	2000 Revenues (000)	1999 Revenues (000)	2000 Profits (000)	1999 Profits (000)	Stores 2000 1999	Comments
1 Wal-Mart Stores Inc. Bentonville, Ark. (DS, SC, WC, S, E) 1/31/01	\$191,329,000	\$166,013,000	\$6,295,000	\$5,377,000	4,190 3,989	Scaling back German expansion while pushing ahead in China.
2 The Kroger Co. Cincinnati (S, SC, CV, HS) 2/3/01	49,000,400	45,351,600	876,900	613,400	3,541 3,473	Zooming ahead with plans to add fuel centers. Already gassing up at more than 100 locations.
3 The Home Depot Atlanta (HC) 1/28/01	45,738,000	38,434,000	2,581,000	2,320,000	1,134 930	Will test small-store format in urban areas.
4 Sears, Roebuck and Co. Hoffman Estates, Ill. (D, HS, C, HC, E) 12/30/00	40,937,000	39,484,000	1,343,000	1,453,000	3,021 3,011	Cut capital expenditures from \$1.3 billion to \$950 million. Scaled back Great Indoors expansion to 15 by yearend from 30.
5 Kmart Corp. Troy, Mich. (D, SC, E) 1/31/01	37,028,000	35,925,000	(244,000)	403,000	2,105 2,171	Will the return of the Blue Light Special shine a brighter light on Kmart's future?
6 Target Corp. Minneapolis (DS, SC, D, E) 2/3/01	36,903,000	33,702,000	1,264,000	1,144,000	1,307 1,243	Has plans to double its supercenter count with 30 openings this year, topped by 60 more in 2002.
7 Albertson's Boise, Idaho (S, DR) 2/1/01	36,762,000	37,478,000	765,000	404,000	2,533 2,492	Tapped outsider, Lawrence Johnston, formerly of GE, to be its new CEO as it continues to integrate the American Stores acquisition.
8 J.C. Penney Plano, Texas (D, DR, C, E) 1/27/01	32,649,000	32,510,000	(409,000)	336,000	3,800 4,076	First year CEO Allen Questrom says the turnaround will take three to five years.
9 Costco Issaquah, Wash. (WC, E) 9/30/00	32,164,296	27,456,031	631,437	397,298	335 302	Large numbers of California stores leaves it vulnerable to energy-related woes.
10 Safeway Pleasanton, Calif. (S, E) 12/30/00	31,976,900	28,859,900	1,091,900	970,900	1,688 1,659	Expects to open 85 to 90 stores this year and remodel 275 units.

* Estimate ** Retail operations only; operating income reported *** Excludes fuel sales † Continuing operations () Loss
AS = Apparel Specialty D = Department GM = General Merchandise SC = Supercenter DNA = Does not apply
C = Catalog DR = Drug Store HC = Home Center SH = Shoe Store NA = Not available
CS = Catalog Showroom DS = Discount HS = Hard Line Specialty V = Variety
CV = Convenience Store E = Electronic S = Supermarket WC = Warehouse Wholesale Club

January 29, 2002

Business, Commerce, & Labor Committee Testimony
(Larry Robbins, Goodyear-Topeka Plant Manager)

- I. Goodyear – Topeka Plant History.
 - A. Manufacturing tires and tire products since 1945.
 - 1. Current product line includes medium radial truck tires, radial and bias earthmover tires, and military tires.
 - B. Size of facility is 69 acres (3 million square feet) under roof.
 - 1. Approximately 1750 associates.

- I. Impact on Community
 - A. Largest manufacturer in the area.
 - B. Fifth largest employer overall in Topeka.
 - C. Associates live in more than 70 surrounding cities.
 - D. Annual payroll of more than \$100 million.
 - E. Associate's average hourly earnings of \$40.00.
 - F. Purchases of \$34.5 million of goods and services.

- II. Current opportunities for Topeka – Goodyear.
 - A. Under consideration for \$100 - \$130 million investment.
 - B. Newest technology in radial truck tire building.
 - C. Newest concept available in EM tire market.
 - D. Would insure future viability of plant for years to come.

- III. Obstacles that prevent "Seizing the Moment"
 - A. \$24 million in income, sales, real estate, and personal property taxes paid in eight-year period from 1993 through 2000.
 - 1. Danville, VA., paid \$6 million during same time frame.
 - B. During the eight year time period, total taxes levied against the Topeka plant represented 23% of the total taxes paid by all eight of Goodyear's plants located in the United States.
 - C. During this eight year period, we have paid #1 million per year more in personal property tax than the average amount paid by the other plants.
 - D. Real estate taxes were 1.7 times higher than the average of the other U.S. tire plants.
 - E. Property tax Analysis.
 - 1. Topeka \$1.6 million.
 - 2. Danville \$330,000
 - 3. Nebraska \$495,000

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- V. The Prophecy of 1993.

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Attachment 5

**Presentation to the House Business, Commerce and Labor Committee
January 29, 2002**

**By Kenneth L. Daniel, Jr.
Chairman and C.E.O.
Midway Sales & Distributing, Inc. d/b/a Midway Wholesale
And
2002 Kansas Leadership Council Chairman
National Federation of Independent Business**

Mister Chairman and Members of the Committee:

My name is Ken Daniel. I am here today both as a spokesman for my own business and for the 6,800 Kansas small businesses which belong to the National Federation of Independent Business (NFIB).

I am the Founder, Chairman and C.E.O. of Midway Wholesale, a building materials distributor headquartered in Topeka with branches in Salina, Manhattan, Lawrence, Elwood/St. Joseph, and Kansas City, Missouri. I am also the Chairman of Kansas NFIB, a volunteer position.

First I will answer the questions that were asked in your invitation.

The present economic climate has not hurt my company yet. Our business is dependent upon construction and remodeling, and those sectors lag the overall economy. They are slowing but haven't fallen off sharply yet. The drop in interest rates and energy costs helped us greatly in 2001, but for 2002 our health insurance costs increased 36% and our casualty insurance went up 39%. In 2002, insurance costs will eat up any savings on interest and energy and more. We have not laid

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anyone off, and it is fairly easy for us to find good new employees at this time. We expect to weather the current recession, but we have no plans to open any new locations, build any new buildings, buy any major new equipment, or add any additional personnel in 2002.

For the rest of my presentation, I would like to speak for small business in general.

The Small Business Survival Council (www.sbosc.org) recently ranked the states as to their small business climates. Here's how the states in our area ranked: Texas was 6th, Colorado 11th, Missouri 17th, Arkansas 25th, Oklahoma 28th, Nebraska 31st, Iowa 39th, and Kansas 47th. Only Maine, Hawaii, and Rhode Island were ranked lower than Kansas.

Small business is the backbone of the Kansas economy. Much needs to be done to nurture it. High taxes, complicated regulations, and health insurance mandates are three key areas that need to be addressed to improve the climate for small business in Kansas.

This year about 9,000 new small businesses with employees will start up in Kansas. Only a tiny fraction of these will have any financial subsidies from the State of Kansas. Unlike Enron and other huge corporations, if these small businesses make money, they will pay income taxes.

Collectively, small business isn't small. It provides employment to 53% of the private work force and generates 51% of the gross national product. It has been providing 3/4 of the growth in jobs to the economy and it has been giving 67% of workers their first job. It hires a larger proportion of women, younger workers, older workers, and part-time workers than does large business.

Instead of direct subsidies, all you have to do to help more small businesses survive is to concentrate on the three key areas—no new taxes, simplify regulations, and eliminate mandates.

Taxes: In the 13 years from FY1989 through FY2001, total state spending increases averaged 7.5% per year while inflation averaged 3.2%. It was a robust business environment that allowed this prolonged spending spree, but we are now in a recession. The State is going to have to pull in its horns and allow the recession to pass and let business revenues catch up with government spending. The worst thing you can possibly do during a recession is to increase taxes. That methodology is how we got into the Great Depression. Taxes should be decreased to cure a recession.

Excessive regulation: We need you to ncrease the property tax threshold on business machinery and equipment to \$1000 from \$250. This is much more of an excessive regulation issue than a tax issue. We contend this will cost the state nothing. The fiscal note was estimated at \$1 million last year but we contend it will

be zero. This is a small business issue. Big business is not reporting and paying tax on items under \$1000, anyway. Most of the 250,000 small businesses in Kansas will save paperwork with this law. If on the average they save \$100 each year, it will put \$25,000,000 into the Kansas economy each year.

Mandates: The Small Business Survival Index rated Kansas dead last of the 50 states in costs of health insurance to small business. The “Mental Health Parity” mandate passed last year was a dagger to the heart of small business. It is a gift to big business, which doesn’t have to comply, because it helps big business at the expense of small business. That law needs to be rescinded or made optional, and new health insurance mandates of any type need to be avoided.

Any investment you make in small business in Kansas will be much less risky than those you might make in large business. Kansas was built upon small business in the form of the family farm, and Kansas can continue to grow and thrive on family-owned small businesses today, if we will only nurture them.

Facts about NFIB

Did you know that....

- NFIB represents 600,000 small and independent businesses in the U.S.?
- NFIB represents 6,800 small and independent businesses in Kansas? This is about 4 times as many businesses as any other "voice" of business in Kansas.
- NFIB members, not leaders, determine which issues NFIB will support or oppose? Unless about 2/3 or more of members are in agreement on an issue, NFIB will not be involved.
- The average NFIB member has five or fewer employees and has been in business for 10 years?
- 95% of NFIB members vote in elections?
- NFIB does not represent non-profit groups, governmental entities, or businesses with stock traded on a stock exchange?
- NFIB does not take any public money, period?

State and National NFIB Goals That Pertain to Kansas Legislation...

- Oppose health-care mandates, especially so-called "Mental Health Parity".
- Allow small businesses to band together to purchase health insurance.
- Raise the personal property tax exemption threshold to \$1000 from \$250.
- Repeal all death taxes, state and national.
- Ease the complexity of taxes on small-business owners.
- Make regulations less costly and complicated for small business.
- Expand options for individuals who buy their own health insurance.
- Oppose making employers liable for health care issues.
- Curb frivolous lawsuits.

NFIB Issue #1: Tax Increases

- **By a 6 to 1 margin, Kansas NFIB members are opposed to tax increases in this legislative session.**
- **In the 12 years from FY1989 through FY2001, total state spending increases averaged 7.5% per year while inflation averaged 3.2%. It was a robust business environment that allowed this prolonged spending spree, but we are now in a recession. The State is going to have to pull in its horns and allow the recession to pass and let business revenues catch up with government spending.**
- **The worst thing you can possibly do during a recession is to increase taxes. That methodology is how we got into the Great Depression. Taxes should be decreased to cure a recession.**
- **If there are any tax increases, 84% of our members prefer sales taxes to income or property tax increases. NFIB has no position on cigarette or gambling taxes. NFIB is opposed to increases in vehicle and fuel taxes.**
- **Education spending: Teacher's salaries in Kansas are higher than all surrounding states except Colorado. Per pupil spending in Kansas is higher than all surrounding states. Kansas is one of the very worst in the nation in the percentage of K-12 funding which gets to the classroom. Before there are any tax increases for K-12 education, districts must adopt and follow honest budgeting and accounting practices. Statewide, there are hundreds of millions buried in school district slush funds.**

NFIB Issue #2: Increase Property Tax Threshold to \$1000

- **This is much more of an excessive regulation issue than it is a tax issue.**
- **We contend this will cost the state nothing. The fiscal note was estimated at \$1 million last year but we contend it will be zero.**
- **This is a small business issue. Big business is not reporting and paying tax on items under \$1000, anyway.**
- **At Midway, we have to keep special records for this purpose only. Enactment of this law will cut 60% of our work in keeping those records. It will also cut 60% of the work that county appraisers are doing for this purpose.**
- **Most of the 250,000 small businesses in Kansas will save paperwork with this law. If on the average they save \$100 each, it will put \$25,000,000 into the Kansas economy.**

- **From spring of 2001 to spring of 2002, premiums are rising 11% on average, but for firms with 3 to 9 employees, they are rising an average of 16.5%.**
- **Give higher-paid employees better benefits than lower-paid ones.**
- **Drop dental, optical, and other optional coverages or make the employee pay 100% of the costs of optional coverages.**
- **Drop health insurance benefits entirely.**
- **Decrease pay raises, pensions, or other benefits to pay health insurance costs.**

NFIB Issue #3: Health Insurance

Did you know that...

- The Small Business Survival Index rated Kansas dead last of the 50 states in costs of health insurance to small business?
- Employers who are not already providing company-paid health insurance benefits are highly unlikely to start now?
- All types of employers—public, private, and large corporations—are dropping payments for dependent coverage?
- The average premium for a single coverage is now \$2,650 per year or \$221 per month. Family coverage averages \$7,053 per year or \$588 per month?
- The State of Kansas offers a tax credit of \$35 per month to some small businesses as an incentive to offer health insurance coverage?
- Most small business owners are not allowed to deduct their insurance premiums for income tax purposes?
- Many lower-paid employees are dropping part or all of their employer-paid benefits because they can't afford the employee's share of the costs?
- 20-25% of the cost of health insurance goes to provide health services to the uninsured?
- The Society of Professional Benefit Administrators estimates that "Mental Health Parity" will cause insurance cost increases of 11% to 14%?
- The Kansas "Mental Health Parity" law strikes mainly at small business and not large business?
- 75% of the companies selling health insurance are already out of the business. Kansas has been especially adept at running carriers out of the state?

Steps being taken by employers to limit their increased costs of health insurance:

- Eliminate paying for dependent coverage.
- Make the employee pay for the increases (56% of employers).
- Raise deductibles and employee co-pays (70% of employers.)