

## MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 a.m. on January 21, 2004 in Room 241-N of the Capitol.

All members were present. Representative Dale Swenson, Absent

Committee staff present:

Jerry Ann Donaldson, Legislative Research Department  
Norm Furse, Revisor of Statutes  
Renaë Jefferies, Revisor of Statutes  
June Evans, Committee Secretary

Conferees appearing before the committee: Lew Ebert, President, Kansas Chamber of Commerce and Industry

Others attending:

See Attached List.

The Chairman called the meeting to order and commented on the different committee room for this year and the increased seating capacity.

Lew Ebert, President, Kansas Chamber of Commerce and Industry, gave a briefing regarding the Kansas Chamber's Annual Competitive Index. Kansas is located at the crossroads of America. Kansas has good roads, the 4<sup>th</sup> largest number of public roads in the country and third in the number of bridges. The U. S. Highway system traverses the state east to west and north to south. The comprehensive transportation program of 1999 is the largest public works program in the state's history. Kansas has the reputation for good work ethics and workforce development efforts will help prepare the state for growth. Kansas has a good educational system.

Kansas is losing population while other states are getting the big economic development wins, i.e., Mississippi and other southern states. The three Kansas cities that led the nation in net job loss were Lawrence, Topeka and Wichita.

The winning states have attacked spiraling health care costs, increasing workers compensation expenses, unfriendly unemployment compensation formulas, high costs of litigation and have created a business friendly tax climate.

Site Selection Magazine 2003 ranked Kansas 25<sup>th</sup> overall. Kansas did not make the top half of the rankings last year. Kansas ranked 36<sup>th</sup> in the Tax Foundation's State Business Tax Climate Index.

The small business survival index ranked Kansas 32<sup>nd</sup> overall, 35<sup>th</sup> in capital gains tax rate, 26<sup>th</sup> in state and local property taxes, 25<sup>th</sup> in unemployment tax rate, 22<sup>nd</sup> in health care costs, 20<sup>th</sup> in workers compensation costs, 22<sup>nd</sup> in electric utility costs and 45<sup>th</sup> in the number of bureaucrats (government employees).

The U. S. Chamber Harris Survey moved Kansas from 4<sup>th</sup> to 15<sup>th</sup> in the legal climate in the past year. Since that study 21 states have enacted some sort of tort reform. Kansas has solid damage caps but more can be done.

Kansas was given 3 out of 5 possible stars in health grades. In Business Health Care Costs Kansas ranks as average.

Public opinion polling showed the economy could be improved by a 35% job creation with higher pay, control spending 16%, cut taxes 13% and stop exporting 6% of jobs.

In talking to over 1500 business men and women, health care, workers compensation, unemployment compensation, tort reform and taxes were the top issues that concerned them.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE at 9:00 a.m. on January 21, 2004 in Room 241-N of the Capitol.

The Kansas Chamber Legislative Agenda to address the growth deficit is health care, workers compensation, unemployment compensation, litigation expenses and tax issues (Attachment 1).

States are in competition. The “two decade plus” survey of the tax and business climate literature looks at the bigger picture. As states change their tax positions, in relation to other states, those states that “lower their relative tax burdens” and become “lower taxing bodies” appear to be the top winners over the past 25 years. Kansas needs to be aware of its position, relative to the other states, and take the necessary steps to make sure that it strives to become “above average.” Only then can Kansas expect to win the battle for more jobs and other measures of economic growth (Attachment 2).

The Kansas Chamber will be sending copies of all studies.

The meeting adjourned at 10:05 a.m. and the next meeting will be January 22.

COMMERCE AND LABOR COMMITTEE

Date January 21, 2003

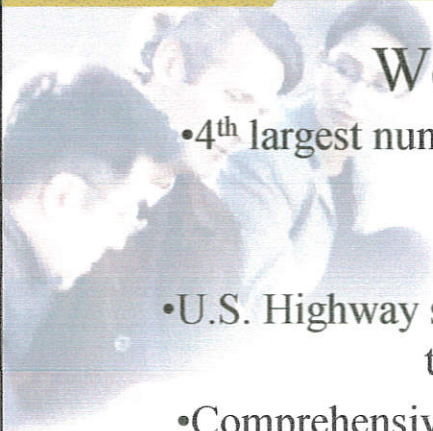
NAME	AGENCY
Scott Heidner	KS Self Insurers Association
Megan Dunn	HCH Law Firm
GRAN COBB	KCCT
Lisa Hoopes	Leg. Post Audit
Tom Slattery	AGC of KS
LAW ERNST	KS Chamber
Lana Nicol	WC Division - State
RICHARD THOMAS	KPHQ WC Division
JEFF KNIFF	GROW KANSAS
[Signature]	K Trial Lawyers Assn.
TIMOTHY A. SLAT	Kansas Trial Lawyers Assn.
DAN HELSTMANER	KANSAS TRIAL LAWYERS ASSOC.

## The **Kansas** Chamber

The Kansas Chamber's

Annual Competitiveness  
Index

## The **Kansas** Chamber



We have good roads

- 4<sup>th</sup> largest number of public roads in the country.
- 3<sup>rd</sup> in number of bridges.
- U.S. Highway system traverses state east to west and north to south.
- Comprehensive Transportation Program of 1999 is the largest public works program in the state's history.

## The **Kansas** Chamber

We have excellent strategic  
location

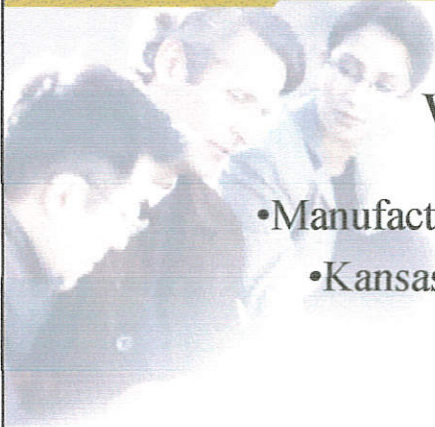
Crossroads of America



## The **Kansas** Chamber

We have skilled labor

- Manufacturing base has available labor.
- Kansas has reputation for good work ethic.
- Right-to-Work state.
- Workforce Development efforts will help prepare state for growth.



## The **Kansas** Chamber



### We have natural resources

- Available land
- Clean air
- Clean water
- Temperate climate
- Energy resources and affordable utility rates

## The **Kansas** Chamber

### We have a good educational system

- 7<sup>th</sup> highest in country for SAT exam scores – NEA
- 15<sup>th</sup> highest for high school completion rate
- Kansas considers education a priority
- Education held harmless in 2003 session



## The **Kansas** Chamber

### We have solid Eco Devo

- Incentives, like other states
- Processes, like other states
- Professionals, like other states
- Commitment, like other states



## The **Kansas** Chamber

### So, why are we losing ground?

- Kansas is losing population
- Other states are getting the big eco devo wins, i.e. Mississippi, other southern states
  - In 2002, Kansas was a net job loser
- Three Kansas cites led the nation in net job loss (Lawrence, Topeka and Wichita)

*American City Business Journals*

1-4

## The **Kansas** Chamber

“Growth Deficit” is Bigger  
Problem for Kansas than the  
“Budget Deficit”

## The **Kansas** Chamber

### Winning States

- Have attacked spiraling **health care costs**
- Have attacked increasing **workers compensation expenses**
- Have attacked unfriendly **unemployment compensation formulas**
- Have attacked the high **costs of litigation**
- Create a business **friendly tax climate**





## The **Kansas** Chamber

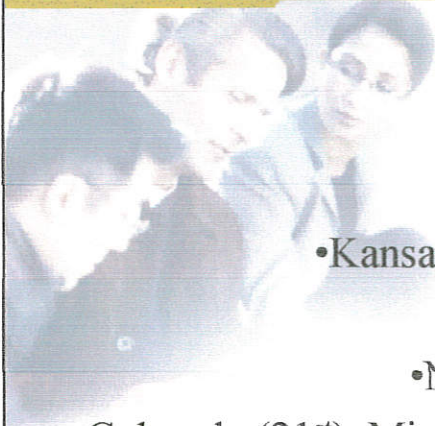
### 2004 Kansas Chamber Annual Competitiveness Index

- How Kansas compares and competes with all 50 states
- Independent economist compiled and reviewed state studies
- Made summaries and conclusions
- Annual survey—each year this data will be re-examined so we can measure our progress

## The **Kansas** Chamber

1) Tax Foundation	36th best
2) Ohio University Study	36th best
3a) Corp of Enterprise Development	19-23 average
3b) Corp of Enterprise Development	“C” Grade
4) US Chamber – Liability Systems	15th best
5) Small Business Survival Index	32nd
6) Health Grades	“As Expected”
7) Personal Health Care Expenditures	25th highest
8) Business Health Care Costs	“Average”
9) Site Selection Magazine	25th best
10) Business Tax Burden Study	NA
11) CFO 2004 State Tax Survey	“Average”
12) New Hampshire Econ Development	27th highest
13) University of Kansas 2003 Update	“competitive with region”

## The **Kansas** Chamber



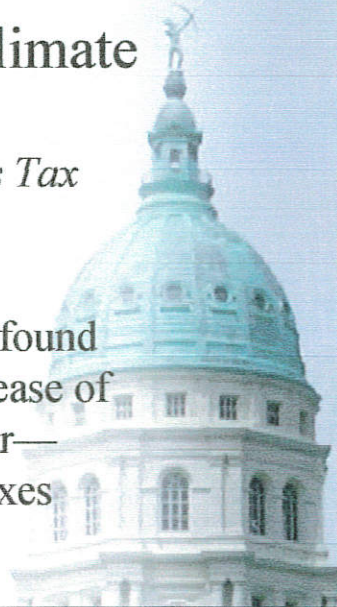
### Site Selection Magazine 2003

- Kansas ranked 25<sup>th</sup> overall
- Kansas did not make the top half of the rankings last year
- North Carolina was named #1
- Colorado (21<sup>st</sup>), Missouri (23<sup>rd</sup>), Oklahoma (19<sup>th</sup>), and Texas (6<sup>th</sup>)

## The **Kansas** Chamber

### The Business Tax Climate

- Kansas ranked 36<sup>th</sup> Tax Foundation's *State Business Tax Climate Index*
- Council on State Taxation, *Business Tax Burden Study* found that businesses paid an increase of 5.3% in taxes in the last year—43% of all state and local taxes collected in 2003



## The **Kansas** Chamber

### Small Business Survival Index

- **Overall, Kansas ranked 32<sup>nd</sup>**
  - 35<sup>th</sup> in capital gains tax rate
- 26<sup>th</sup> in state and local property taxes
  - 25<sup>th</sup> in unemployment tax rate
  - 22<sup>nd</sup> in health care costs
- 20<sup>th</sup> in workers compensation costs
  - 22<sup>nd</sup> in electric utility costs
  - 45<sup>th</sup> in number of bureaucrats



## The **Kansas** Chamber

### **Corp. for Enterprise Development**

Grades 71 factors in a state

**C** in Performance  
**C** in Business Vitality  
**B** in Development Capacity



## The **Kansas** Chamber

### Ohio University Study

- Ranked the overall tax burden in the 1990's as 36<sup>th</sup>
- C+ overall grade for Kansas

### Kansas University/Kansas, Inc.

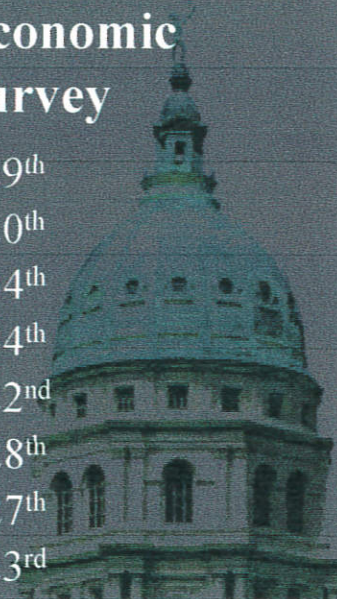
- State and local business taxes in 6 state region (Kansas, Colorado, Iowa, Oklahoma, Missouri and Nebraska)
- Kansas cost and tax climate is "competitive within region"



## The **Kansas** Chamber

### New Hampshire Economic Development Survey

- |                       |                  |
|-----------------------|------------------|
| • Overall State Rank  | 29 <sup>th</sup> |
| • Knowledge Jobs      | 20 <sup>th</sup> |
| • Globalization       | 34 <sup>th</sup> |
| • Economic Dynamism   | 34 <sup>th</sup> |
| • Digital Economy     | 22 <sup>nd</sup> |
| • Innovative Capacity | 28 <sup>th</sup> |
| • High Tech Jobs      | 27 <sup>th</sup> |
| • Venture Capital     | 23 <sup>rd</sup> |



## The **Kansas** Chamber

### Tort Reform

#### US Chamber Harris Survey

- Kansas moved from 4<sup>th</sup> to 15<sup>th</sup> in Legal Climate in past year
- Since that study 21 states have enacted some sort of tort reform
- Kansas has solid damage caps, but more can be done



## The **Kansas** Chamber

### Health Care

- *HealthGrades*—Kansas given 3 out of possible 5 stars
- *Personal Health Care Costs*—Kansas ranks #25 per individual  
*(Henry J. Kaiser Family Foundation)*
- *Business Health Care Costs*—Kansas ranks as “Average”  
*(Mercer Human Resource Consulting)*



/-10

## The **Kansas** Chamber

### Public Opinion Polling

#### **Most important issue facing Kansas (open-ended)**

- 30% Economy/Jobs
- 21% Education
- 9% Gov't Spending/Budget
- 8% Taxes

#### **How to improve the economy (open-ended)**

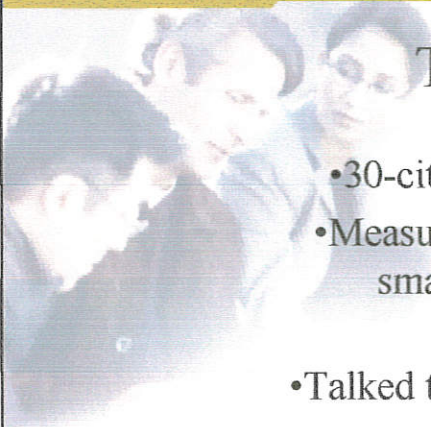
- 35% Job Creation/Higher Pay
- 16% Control Spending
- 13% Cut Taxes
- 6% Stop Exporting Jobs



## The **Kansas** Chamber

### The Kansas Express

- 30-city roundup of business insight.
- Measuring the economic concerns of small, medium and large business throughout the state.
- Talked to over 1500 business men and women
- Health Care, Workers Compensation, Unemployment Compensation, Tort Reform and Taxes were the top issues



## The **Kansas** Chamber

### Addressing the “Growth Deficit” The Kansas Chamber Legislative Agenda

1. Health care
2. Workers comp
3. Unemployment comp
4. Litigation expenses
5. Tax issues

**Business Climate, State Taxes and Economic Growth**  
EXECUTIVE SUMMARY

For the past 25 years, economists have been doing empirical studies and surveys that conclude "taxes and business climate do matter." In short, a competitive state tax climate matters in relation to both a healthy business climate and prosperous economic growth.

States are in competition: States are currently in competition with each other for jobs and other measures of state economic growth.

The "two decade plus" survey of the tax and business climate literature looks at the bigger picture. As states change their tax positions, in relation to other states, those states that "lower their relative tax burdens" and become "lower taxing bodies" appear to be the top winners over the past 25 years.

In addition, other business costs matter to Kansas' competitive position. Costs such as workers compensation, unemployment compensation, health care and tort reform can make Kansas an advantageous place to locate a business or put Kansas at a competitive disadvantage. Now that numerous studies document that state/federal tax policy do matter as well as other business taxes, *How do these costs relate to business climate, state taxes and growth in Kansas?*

Current Comparisons of Kansas and its Business Climate:

According to the most recent studies and surveys, by most business climate measures, Kansas ranks in the middle of the pack. This means Kansas is an "average" state. But at the same time, many of the neighboring states are "above average." This makes it even harder for Kansas to grow. To really compete for economic growth, Kansas will need to pay attention to its neighbors as well as all other states.

The following Table summarizes the results from the 13 business climate studies included in this paper. From the work done by the Tax Foundation (1), through the study done by the University of Kansas (13) – the results are fairly stable. The average Kansas rank is 26-27<sup>th</sup> best out of the 50 states, or a grade of "C" to "C+".

**Summary of Business Climate Studies and Kansas Rankings**

<i>Study</i>	<i>Kansas Ranking</i>
1) Tax Foundation	36 <sup>th</sup> best
2) Ohio University Study	36 <sup>th</sup> best
3a) Corp of Enterprise Development	19-23 average
3b) Corp of Enterprise Development	"C" Grade
4) US Chamber – Liability Systems	15 <sup>th</sup> best
5) Small Business Survival Index	32 <sup>nd</sup>
6) Health Grades	"As Expected"
7) Personal Health Care Expenditures	25 <sup>th</sup> highest
8) Business Health Care Costs	"Average"
9) Site Selection Magazine	25 <sup>th</sup> best
10) Business Tax Burden Study	NA
11) CFO 2004 State Tax Survey	"average"
12) New Hampshire Econ Development	27 <sup>th</sup> highest
13) University of Kansas 2003 Update	"competitive within the region"
AVERAGE	26-27 <sup>th</sup> best out of 50
KANSAS RANK	or a C to C+ grade

Taxes and business climate matter in the 50 United States. Kansas needs to be aware of its position, relative to the other states, and take the necessary steps to make sure that it strives to become "above average." Only then can Kansas expect to win the battle for more jobs and other measures of economic growth.

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