

MINUTES OF THE SENATE COMMERCE

The meeting was called to order by Chairman Karin Brownlee at 8:30 A.M. on January 12, 2005 in Room 123-S of the Capitol.

All members were present:

Committee staff present:

Kathie Sparks, Legislative Research
Susan Kannarr, Legislative Research
Helen Pedigo, Revisor Statutes
Jackie Lunn, Committee Secretary

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

Others attending:

See Attached List.

Chairperson Brownlee called the meeting to order. The Chair welcomed everyone to the Commerce Committee's first meeting for the 2005 session. The Chair asked each committee member to introduce themselves and indicate their interest in the Commerce Committee. The new committee secretary, Jackie Lunn, was introduced and staff were introduced.

Chairperson Brownlee introduced Mr. Lew Ebert, President of the Kansas Chamber of Commerce and Industry. Chairperson Brownlee stated that Mr. Ebert would give an overview of how the Kansas economy is viewed and what the climate looks like at this point.

Mr. Ebert stated the goal of the Kansas Chamber of Commerce and Industry is to make Kansas the best state in America in which to do business. He stated the KCCI measures what is going on in the Kansas business climate by developing a number of indices. Kansas needs to compete with every state in America and not just Missouri. Mr. Ebert provided the committee with a presentation entitled "The Kansas Chamber's 2nd Annual Competitive Index" dated November 18, 2004. (Attachment 1) This index ranks the state's performance in five major areas: education & workforce, business costs & productivity, government & regulation, infrastructure & quality of life and dynamism & entrepreneurship. The presentation indicated the state's competitive economic performance over the past five years has changed little. Kansas has an opportunity to become the preeminent innovation economy in the Plains States and is at a crossroads to lead with growth strategies or be overtaken.

During questions and answers, the committee discussed the need for our Regents institutions to incorporate entrepreneurship into their curriculum. It was decided that the Regents would be invited to the committee to discuss their progress in this.

Mr. Ebert also presented the committee with a presentation of a survey of 300 business owners and operators in the state of Kansas (attachment 2) and a survey of 500 registered voters in the state of Kansas (attachment 3) completed by Cole Hargrave Snodgrass & Associates, Inc.

The key findings of the survey of business owners and operators are: business leaders in Kansas are becoming optimistic about the economy in the state, although it is fragile and at this time significant job growth is not expected, business taxes remain as a top concern and the concern is greater than 10 months ago. Instead of incentives or subsidies, business leaders would prefer addressing the actual costs of doing business, i.e. tackling tort reform, reigning in taxes and reducing health care cost drivers.

Voters in Kansas concluded the general mood is more positive than last year even though they are more concerned about their jobs than in previous years. Voters believe the best way to spur the economy is to cut taxes, slow government spending, make health insurance more affordable and stop lawsuit abuses.

Mr. Ebert closed with a presentation "The Kansas Chamber of Commerce 2005 Kansas Jobs First Package" (attachment 4) which summarizes what policy makers must do to tackle the rough issues that hinder the Kansas economy, limit our growth and stifle our prosperity.

CONTINUATION SHEET

MINUTES OF THE Senate Commerce at 8:30 A.M. on January 12, 2005 in Room 123-S of the Capitol.

Also included in the handouts of the KCCI is was a LJW press release on the Kansas' economic conditions being the lowest in this region during December. (Attachment 5)

The meeting was adjourned at 9:33 a.m. The next meeting will be at 8:30 a.m. on January 13, 2005 in Room 123S.

The Kansas Chamber's 2nd Annual Competitive Index November 18, 2004

The Kansas Chamber's 2nd Annual Competitive Index ranks the state's performance in five major areas utilizing dozens of metrics that systematically measure numerous economic determinants. The Chamber sponsored the competitive analysis in order to provide context for legislative initiatives deigned to achieve the organization's goal of making Kansas the best state in America to do business.

The Kansas Chamber's 2nd Annual Competitive Index is the work of Dr. Graham Toft, Senior Fellow at Thomas P. Miller & Associates, and President of Growth Economics, a consulting firm. Dr. Toft is working on similar studies for Indiana, Ohio, South Carolina and Mississippi.

Collaborating on Dr. Toft's work regarding Kansas' competitive indicators is economist Dr. Art Hall, Executive Director of the Center for Applied Economics at the University of Kansas School of Business, which supports regional economic development through analysis and education.

The Kansas Chamber's 2nd Annual Competitive Index indicates that the state's competitive economic performance over the past five years has changed little.

KANSAS	2004	2003	2002	2001	2000
Composite Grade	C-	C	C+	C+	C+
Education & Workforce	B	B+	B+	A-	B+
Business Costs & Productivity	C-	C-	C+	C	C
Government & Regulation	C-	C-	C-	C	C-
Infrastructure & Quality of Life	C	B-	B-	B-	C+
Dynamism & Entrepreneurism	D-	D-	D+	D-	C+

Grades provide the state's relative position to other states, give Kansas' leaders an indication of progress or lack of it and offer areas where decision-makers can make improvements in order to create an environment where Kansas can grow economically.

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Over the past five years Kansas failed to make substantial gains against its competitive and surrounding states. The Kansas Chamber's economists indicate that the US economy began to turn up in 2003, however the turnaround is not yet showing up in the Kansas data.

	2004	2003	2002	2001	2000
Kansas	C-	C	C+	C+	C+
Colorado	B-	B	B	B	B-
Missouri	C	C	C	C	C
Oklahoma	D+	C-	D+	D+	D+
Nebraska	C	C	C	C	C
Iowa	B-	B-	C+	C+	C+

Two sets of measures in the Annual Competitive Index – Education & Workforce and Business Costs and Productivity – provide insight into the possible causes of Kansas' poor economic performance. Few states rank as well as Kansas in each component of the Education & Workforce category: K-12, Post-Secondary, and Workforce. However, Kansas ranks poorly in the Productivity category, an unexpected combination because economists expect to see a positive correlation between an educated workforce and productivity.

Independent research by the Center for Applied Economics at the University of Kansas School of Business demonstrates that this unexpected combination of poor productivity coupled with an educated workforce has existed for at least two decades.

“As a result,” according to Dr. Art Hall, “Kansas' workers earn wages that are below the national average given their level of education.”

According to Dr. Graham Toft, the Kansas education system and the Kansas workforce are significant drivers in creating human capital, which is a critical asset in today's knowledge economy. Kansas is well positioned to leverage these advantages if it can make important improvements in other areas of great concern.

The Chamber's economists conclude that the root cause of Kansas' poor productivity growth is related to investment and innovation, particularly private sector investment, since Kansas ranks well in most areas of infrastructure investments undertaken by the public sector.

Further, Kansas' poor performance in the Dynamism and Entrepreneurism category is particularly concerning to the economists engaged by The Kansas Chamber to perform this study.

Under performance in the areas of Dynamism and Entrepreneurism is cause for real alarm in Kansas, says Dr. Toft. Kansas' meager record in this area results from a number of causal factors that drive Kansas' poor productivity growth, including the following:

Unit Labor Costs

Research by the Center for Applied Economics indicates that wages in Kansas have, on average, grown faster than productivity for twenty years.

"That phenomenon means that labor is becoming relatively more expensive to Kansas businesses, threatening the viability of existing Kansas businesses and possibly dissuading new firms from locating in Kansas," says Dr. Hall.

Business Taxes

Kansas' business taxes place the state in the middle of numerous rankings of the tax climates among all states. Economists indicate that states with lower tax burdens have better growth rates. The best business climates have tax systems that offer legal stability, low tax rates, and broad tax bases with consistent definitions across different types of economic activity.

Value Added in Manufacturing

Kansas' poor ranking in this category is related to the state's overall poor productivity growth. One of the questions that must be asked if Kansas is to become the best state in which to do business is: Are manufacturers avoiding investment in Kansas?

The Chamber's Annual Competitive Index indicates that the Capital Investment Growth metric is merely average for manufacturing-related investment growth. And in other studies, according to Dr. Hall, Kansas doesn't seem to benefit fully from the fact it is a right-to-work state.

Government Efficiency

This metric measures the relative size of government in Kansas rather than how well governmental units in the state make use of the tax dollars under their stewardship. Kansas simply doesn't measure up in this category because of the large size of the government sector, which is analogous to overhead in a business enterprise. Kansas' decision-makers must ask themselves how much the Kansas economy would prosper and tax burdens would fall if the public sector reduced its size.

Research and Creativity

Kansas ranks poorly in most of the measures contributing to gauging Research and Creativity. As a state Kansas must improve its R&D culture and evaluate what barriers need to be eliminated in order to attract good projects.

Entrepreneurial Financing

Capital in America is mobile and good projects attract financial capital. Merely creating a pool of financial capital will not create good projects, according to The Chamber's economists. If Kansas develops an environment that is conducive to growth opportunities, financial capital will materialize to support them.

The Kansas metrics support his argument. Kansas has average to poor economic performance metrics and average rankings in terms of financing from banks, private lenders, and IPOs. Kansas also ranks poorly in utilization of a number of federal government programs designed to spur economic investment. This reinforces the contention that private investors also do not find Kansas an attractive locale for worthy projects.

Dr. Toft is concerned in particular about a couple areas; the important agriculture and manufacturing economies in Kansas lack momentum, and consequently decision-makers in Kansas must look for ways to

break down barriers in these sectors for the state to grow, according to Dr. Toft.

Productivity, too much government, lack of entrepreneurial financing – all critical elements of an innovation and prosperous economy – remain weaknesses. Poor grades in the Dynamism category also deserve special attention.

During the past five years, Kansas has failed to make substantial gains against its competitor states, according to Dr. Toft. While its education system, workforce development programs, regulatory environment and physical infrastructure are strengths for Kansas it has been unable to leverage these positive attributes into economic strength, he adds.

The business environment in Kansas lacks the business horsepower to absorb all of the intellectual and human capital it is creating, according to Dr. Toft.

Bunching of competitive and surrounding states, however, provides Kansas with an opportunity to develop an economic climate that creates clear discriminators for growth. Kansas has an opportunity to become the preeminent innovation economy in the Plains States. Kansas is at a crossroads; it can lead with growth strategies or could just as easily be overtaken.

MEMORANDUM

DATE: December 21, 2004
TO: Lew Ebert
Kansas Chamber of Commerce
FROM: Pat McFerron
Cole Hargrave Snodgrass & Associates, Inc.
RE: A Survey of 300 Business Owners/Operators in Kansas
Conducted November 29 – December 1, 2004
Margin of error: +/- 5.6%

Cole Hargrave Snodgrass & Associates is pleased to present this summary of findings of its recent study of Kansas business leaders. This is the second survey of business owners and operators that we have conducted on behalf of the Chamber. The previous study, conducted in February 2004, utilized identical methodology and is referenced throughout this summary in order to demonstrate changes in the opinions business owners and operators in Kansas.

When it comes to their business, Kansans are primarily concerned about the costs associated with conducting business. When asked to name their top concern, a third (33%) of those offering a response mentioned taxation. An additional 21% of those answering mention other costs of doing business such as health care and insurance costs, government regulations and mandates and the general cost of doing business. The only other category to reach double digits was concern about the quality of employees – and it barely achieved that status (10%).

The concern over taxation and healthcare is also seen when business people were asked to select from a list their top two concerns. The following table reveals those results.

	<u>Today</u>	<u>Feb.</u>
Managing health care costs	42%	61%
Lower taxes on business	38%	40%
Stop frivolous lawsuits/Tort reform	21%	20%
Economic incentives for business	15%	10%
Decrease regulation/mandates	13%	19%
Workers' Compensation	11%	21%
Funding education	11%	NA
Limit growth of state government	8%	6%
Unemployment Compensation	5%	7%

As one can readily see, three issues: taxation, health care and tort reform separate themselves from other issues as the top concerns. These issues transcend all geographic regions of the state and penetrate all sectors of the economy.

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Attachment 2-1

Cole Hargrave Snodgrass & Associates
201 Robert S. Kerr • Suite 301A Oklahoma City, Oklahoma 73102-4202 • 405/848-1535 • 405/475-3017 • Fax 405/235-2755 • e-mail csh@chsinc.com

While it comes as no surprise that business leaders want to lower the cost of doing business, it is somewhat startling that reducing these costs is the preferred economic development strategy – even when compared to government-provided economic incentives or increasing funding for education. **When tasked with selecting from three economic development models (reducing the government-driven costs of doing business; providing economic incentives for expansion/location; increasing funding for education), a majority of Kansas businesses select reducing the cost of doing business (52%), while just over a quarter (28%) prefer economic incentives and less than one in eight would rather increase education funding.** This represents a statistically significant change from February as the percentage opting for “cutting the cost of doing business” has increased by 7%, indicating that businesses are becoming more and more focused on reducing these costs.

One of the most significant changes in the survey from February is that business leaders are now more optimistic about the direction of the state’s economy than they were at the start of 2004. While still far from a ringing endorsement of the direction of the state’s economy, the fact that 50% believe the economy is moving in the right direction is a significant improvement from the 38% recorded in February. This optimism is strongest in the manufacturing sector (64%) and in the Kansas City area (58%).

While business leaders are more optimistic about the direction of the state, their attitudes toward adding new positions has remained stagnant. The percentage of companies who expect to expand their workforce is virtually no different today (21% increase vs. 4% decrease) than in February (20% increase vs. 7% decrease) indicating fragility in business attitudes toward the economy.

Similarly, Kansas’ business leaders have not changed their attitudes when it comes to comparing the business climate in Kansas to those of other states. While 43% see no difference, almost a quarter (24% -- down from 29% in February) rate Kansas’ business climate as worse than other states, while only one in five (20% -- up from 19% in February) see it as being better. Once again, a distinct difference exists between the Johnson County area and the rest of the state. In Johnson County, 37% see Kansas’ business climate as better than other states – in no other region of the state does this percentage exceed 17%.

While down from 30% in February, more than one in five (21%) Kansas businesses say they would consider relocating to another state because of their dissatisfaction with the business climate in Kansas. Willingness to relocate is particularly high among those in wholesale (33%), professional services (24%) and manufacturing (23%) sectors.

About Cole Hargrave Snodgrass & Associates and Pat McFerron

Cole Hargrave Snodgrass & Associates (CHS) is one of a very few nationally recognized political polling firms in the nation that is not headquartered on one of the coasts. Since 1989, the firm has developed an expertise in surveying the political landscape in its home state of Oklahoma, in surrounding states and throughout the nation. The firm’s history in Kansas dates to 1993 and includes the publication of the The Kansas Report during the 1996 election cycle. Since that time, CHS has regularly been involved in both political and marketing research in Kansas and has recently launched a new newsletter on public attitudes in Kansas called Kansas Survey.

Pat McFerron, a Kansas native, has been the Director of Survey research at Cole Hargrave Snodgrass & Associates since he joined the firm in 1993. During that time, he has supervised polling projects for literally dozens of successful candidates for U.S. Senate, Congress, Governor and numerous other state and municipal offices. In addition, McFerron has developed marketing strategies for Fortune 500 companies and been the lead pollster on numerous statewide initiatives.

A Survey of 300
Business Owners / Operators
in Kansas

Interviewing conducted
November 29 - December 2, 2004
margin of error: +/-5.6%

by
Cole Hargrave Snodgrass & Associates

Key Findings

- Business leaders in Kansas are becoming optimistic about the economy in the state – though it is fragile and at this time significant job growth is not expected.
- Business taxes remain a top concern – and are a more important concern than 10 months ago.
- Instead of incentives or subsidies, business leaders would prefer addressing the actual costs of doing business, i.e. tackling tort reform, reigning in taxes and reducing health care cost drivers.

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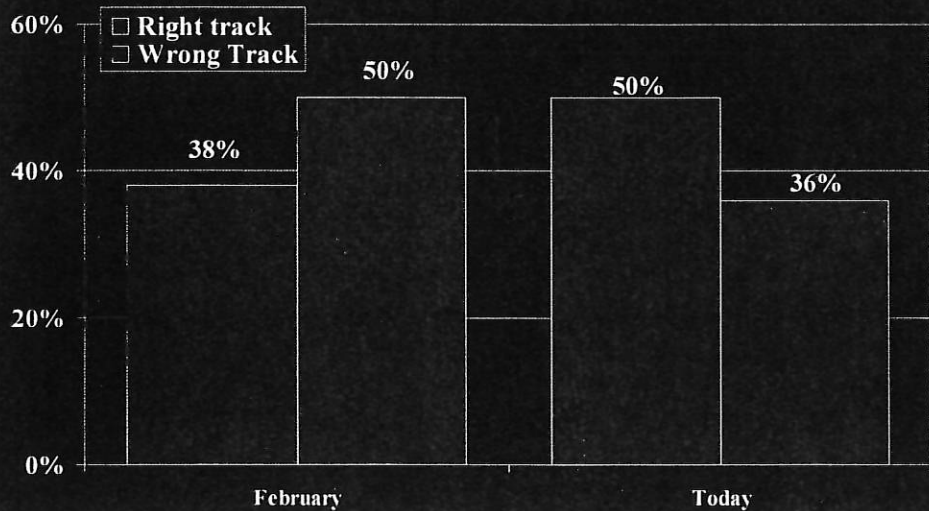
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Optimism

- Opinion about direction of the economy has dramatically improved.
- Give better marks to government and business leaders.
- Expect to invest in the coming year.
- Expected job growth up very slightly.

Direction of Kansas Economy

50% Right track vs. 36% Wrong track vs. 14% Undecided
February 2004
(38% Right Track vs. 50% Wrong Track vs. 12% Undecided)



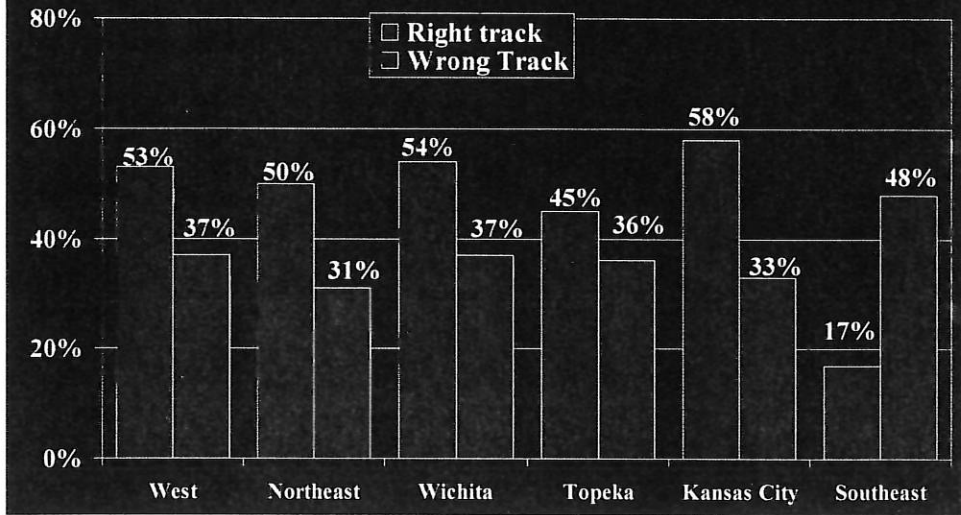
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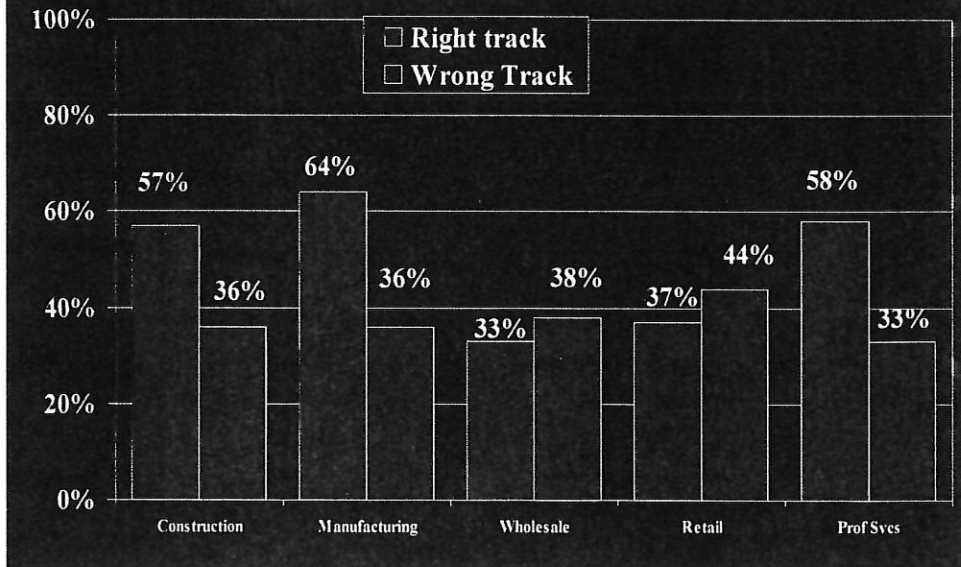
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2-4

Direction of Kansas Economy by Region of the State



Direction of Kansas Economy by Industry Group



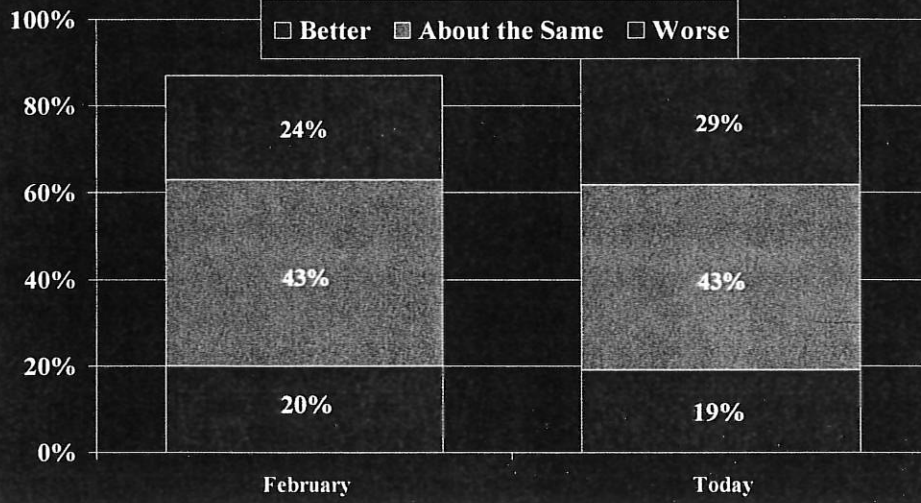
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Attachment 2-5

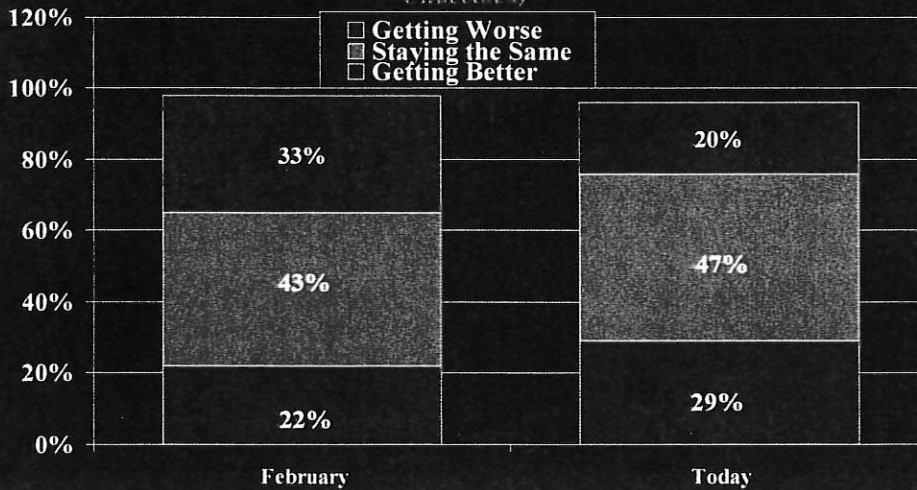
Kansas Business Climate vs. Other States

20% Better vs. 24% Worse vs. 43% About the Same vs. 13% Undecided
February 2004
(19% Better vs. 29% Worse vs. 43% About the Same vs. 10% Undecided)



State of Kansas Business Climate

29% Getting Better vs. 20% Getting Worse vs. 47% Staying About the Same vs. 3% Undecided
February 2004
(22% Getting Better vs. 33% Getting Worse vs. 43% Staying About the Same vs. 2% Undecided)

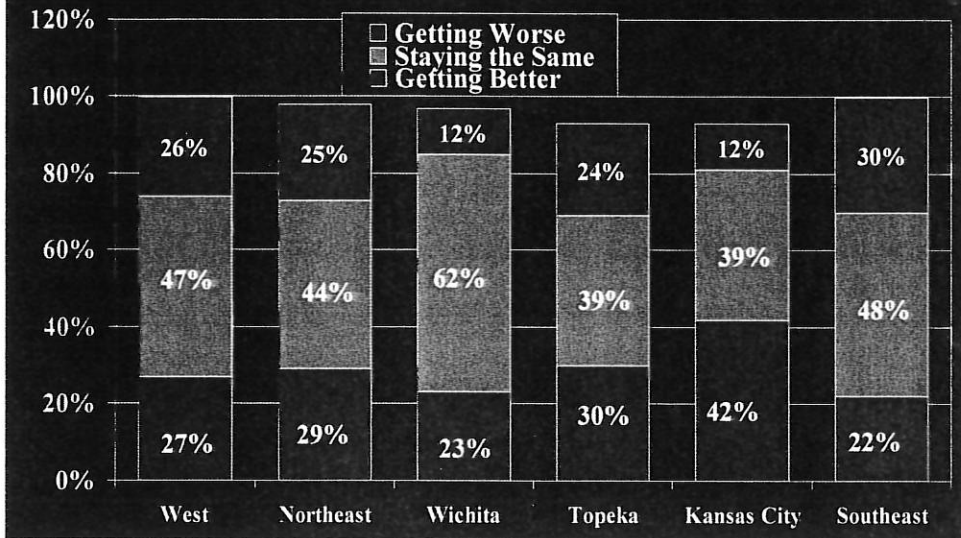


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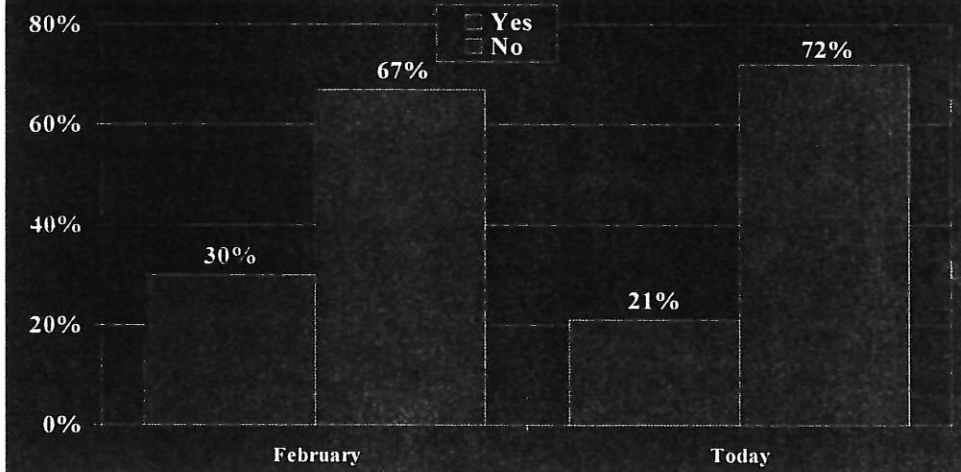
Attachment 2-6

State of Kansas Business Climate by Region



Consider Leaving Kansas Due to Business Climate

*21% Yes vs. 72% No vs. 7% Undecided
February 2004: 30% Yes vs. 67% No vs. 3% Undecided*

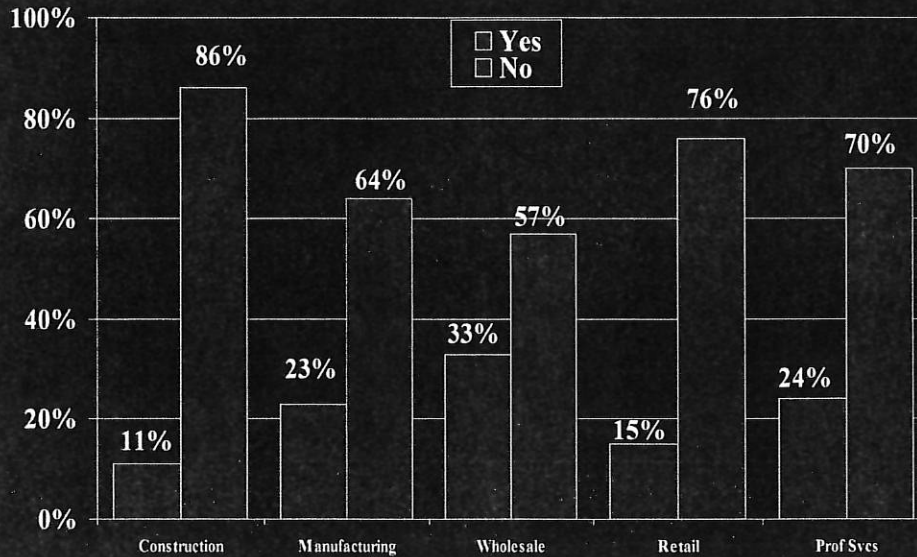


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Attachment 2-7

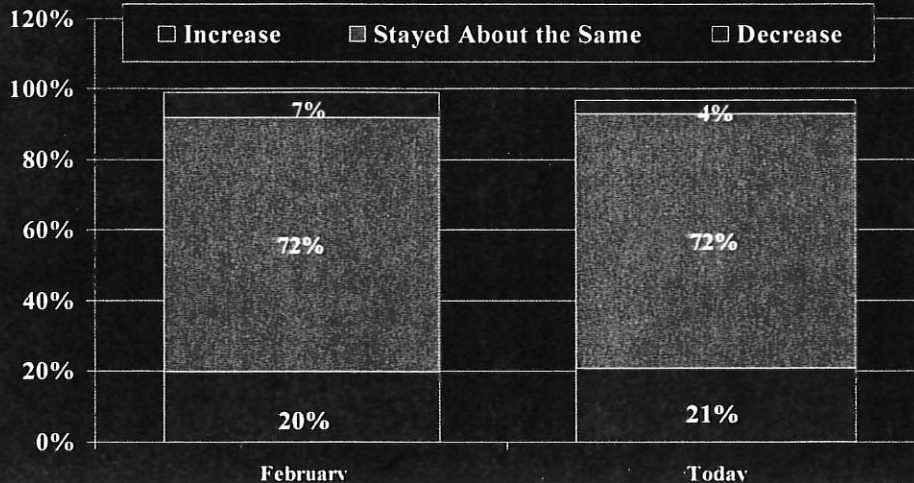
Consider Leaving Kansas Due to Business Climate by Industry



Workforce Change Next Year

4% Increase Substantially vs. 17% Increase Moderately vs. 3% Decrease Moderately vs. 1% Decrease Substantially vs. 72% Stay the Same vs. 3% Undecided

February 2004: 2% Increase Substantially vs. 18% Increase Moderately vs. 3% Decrease Moderately vs. 4% Decrease Substantially vs. 72% Stay the Same vs. 1% Undecided



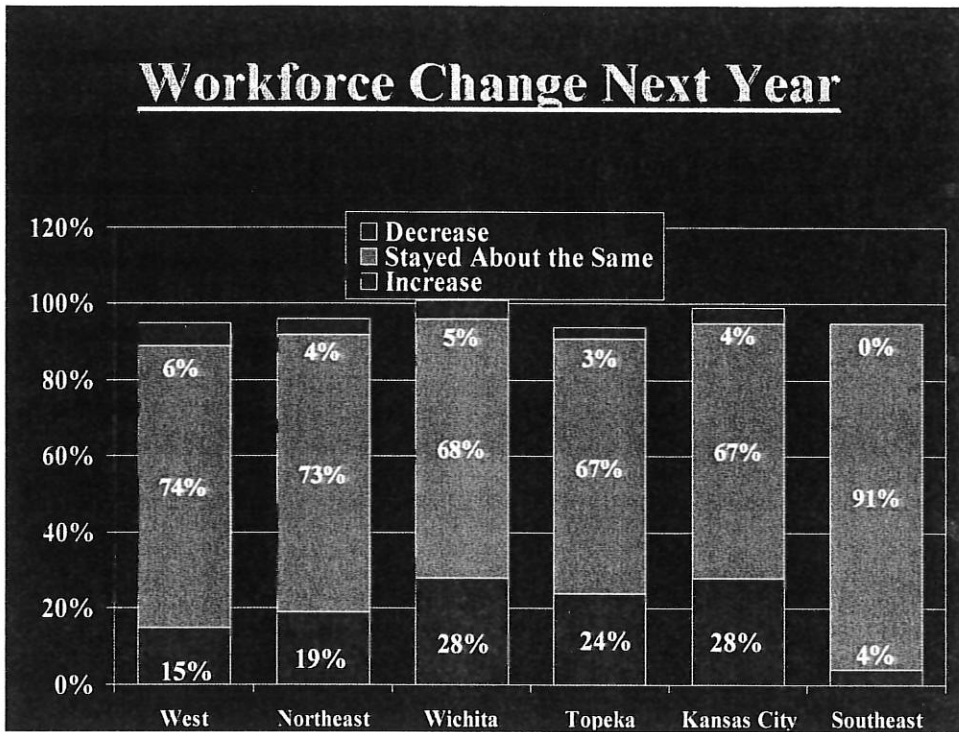
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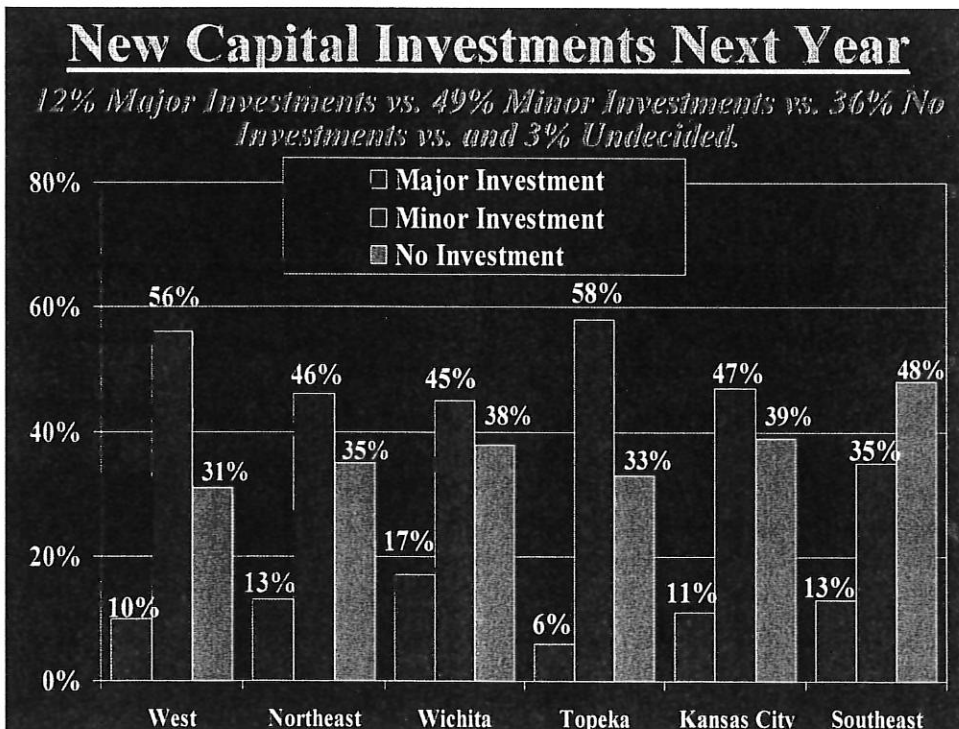
2-8

Workforce Change Next Year



New Capital Investments Next Year

12% Major Investments vs. 49% Minor Investments vs. 36% No Investments vs. and 3% Undecided.



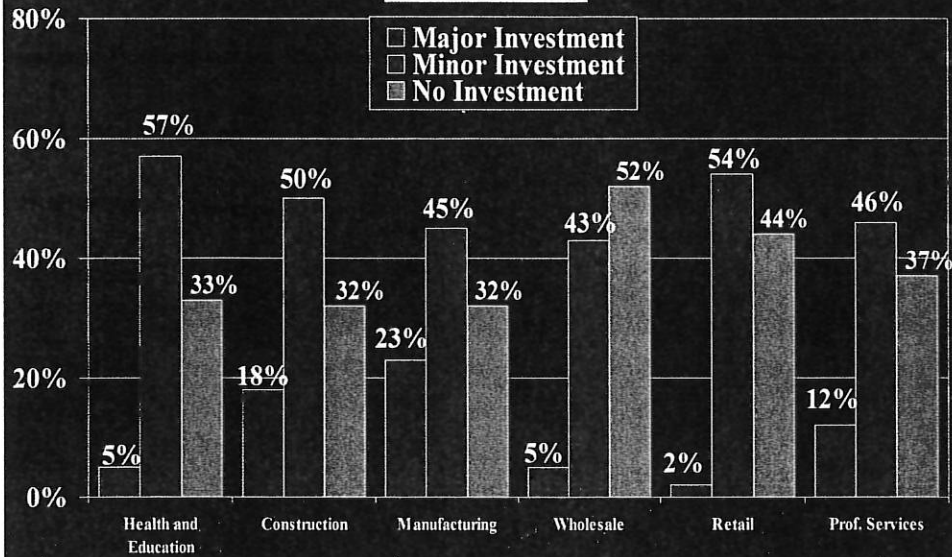
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Attachment 2-9

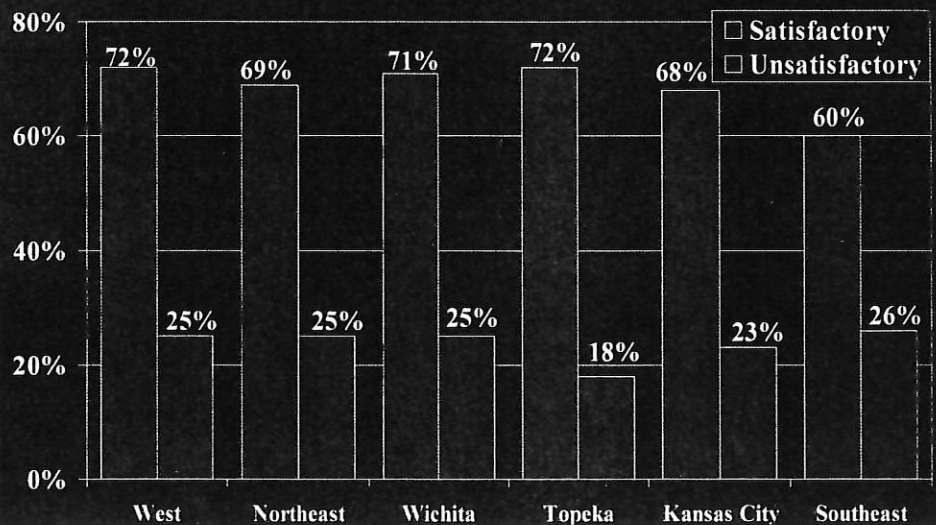
New Capital Investments Next Year by

Industry



Kansas Workforce Quality

22% Very Satisfactory vs. 48% Somewhat Satisfactory vs. 14% Somewhat Unsatisfactory vs. 10% Very Unsatisfactory vs. 7% Undecided



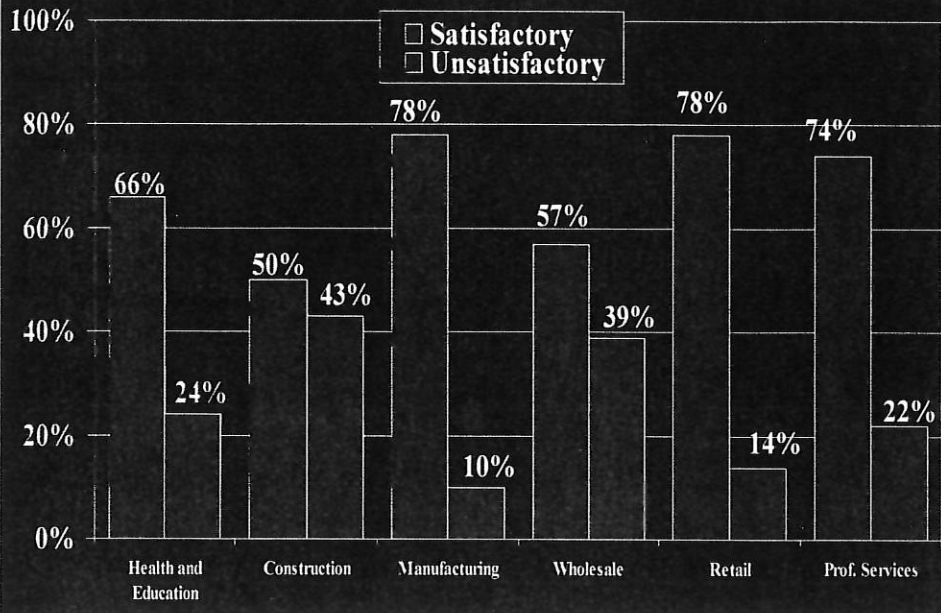
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Attachment

2-10

Kansas Workforce Quality by Industry



Most Important for Profitability of Your Business? (Two Responses Accepted)

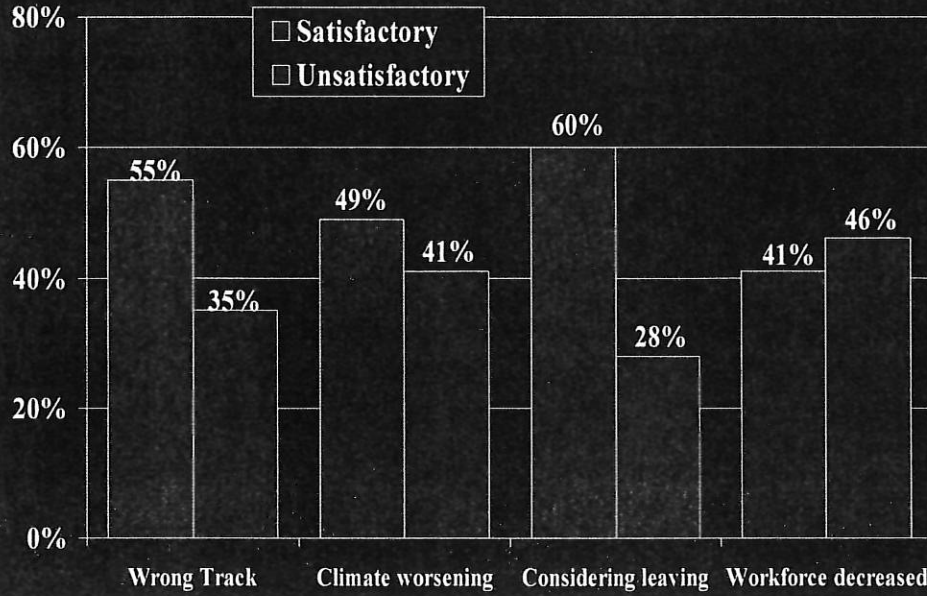
	<u>Today</u>	<u>Feb.</u>
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Funding education	11%	NA
Limit growth of state government	8%	6%
Unemployment Compensation	5%	7%

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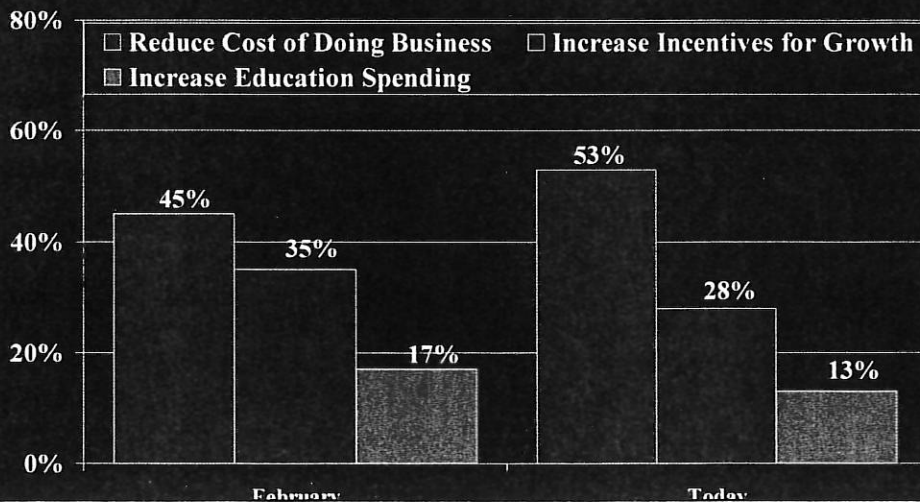
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Attachment 2-11

Kansas Workforce Quality by Groups



Preferred Economic Growth Strategy for Kansas

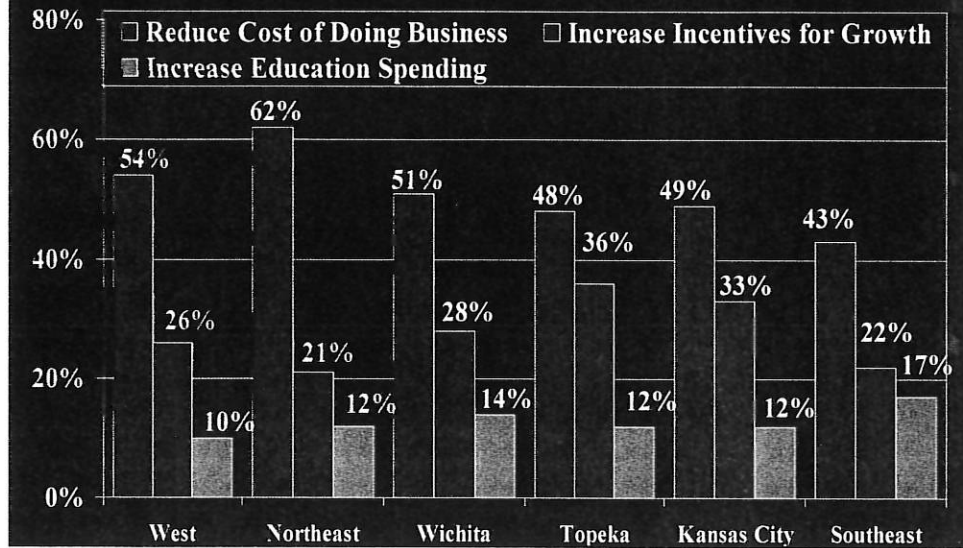


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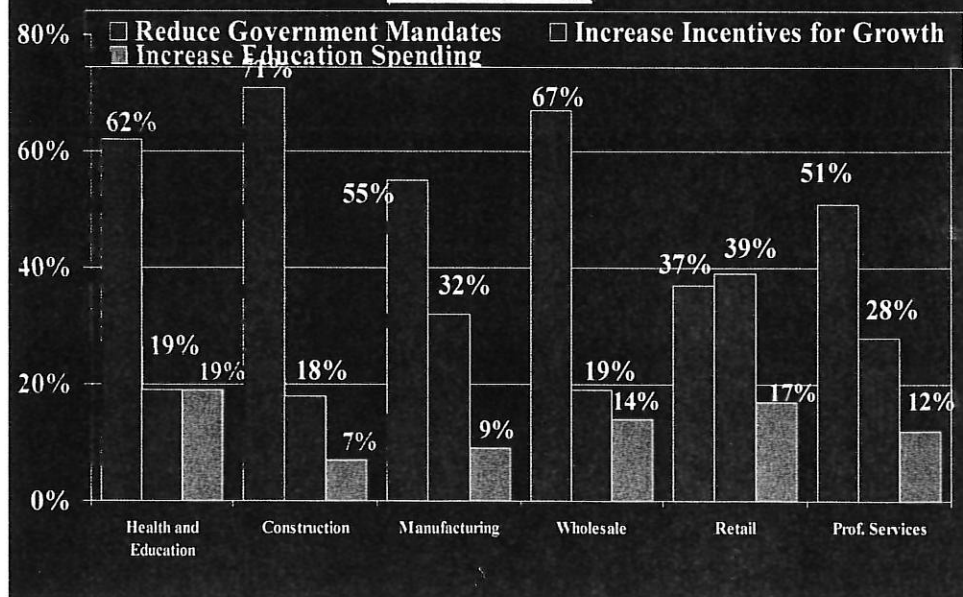
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Attachment 2-12

Economic Growth Strategy for Kansas



Economic Growth Strategies by Industry

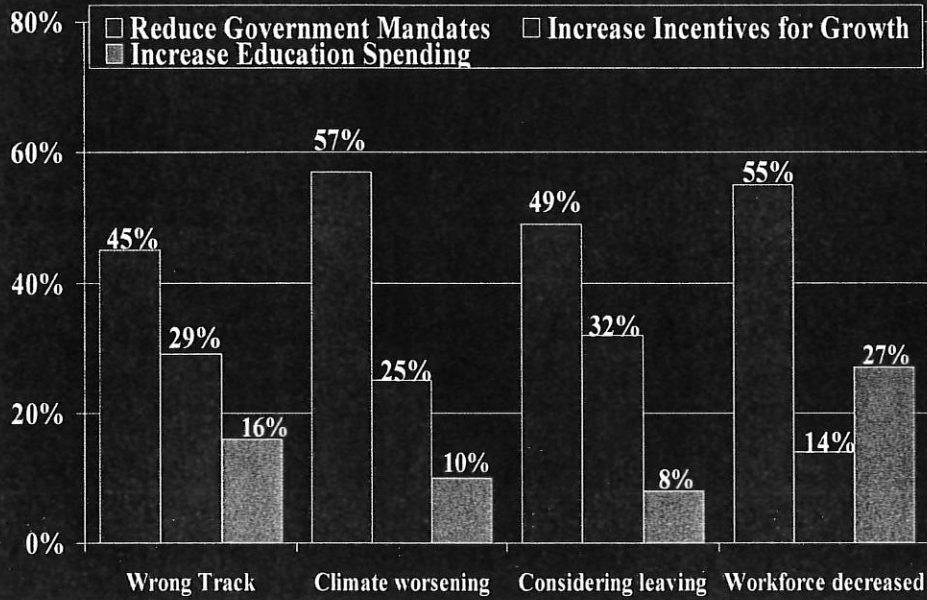


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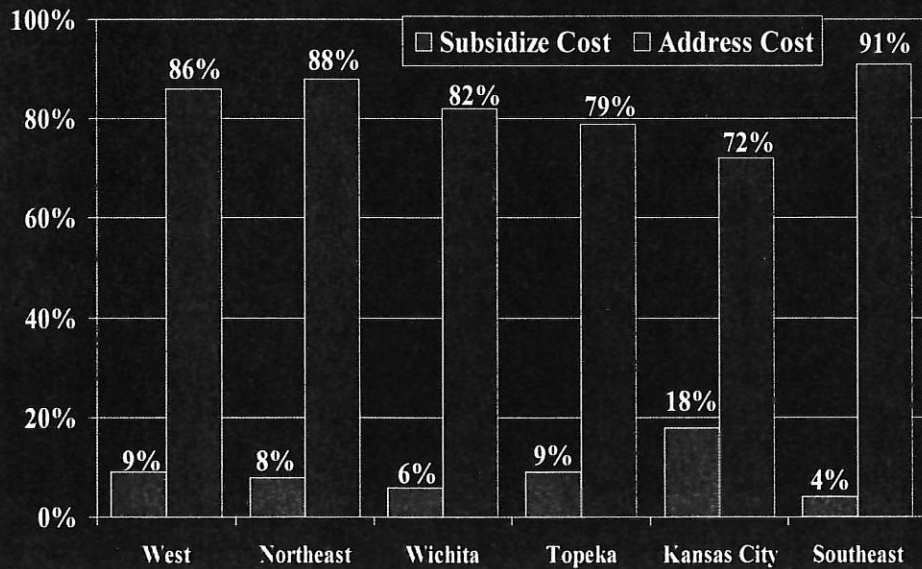
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Economic Growth Strategies by Groups



Preferred Approach to Healthcare

9% Subsidize Cost vs. 82% Address Cost vs. 8% Undecided

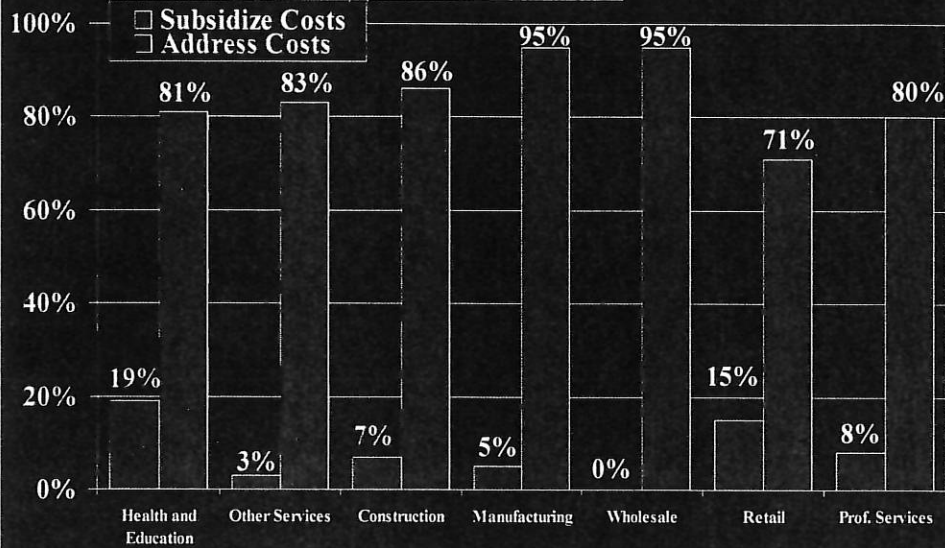


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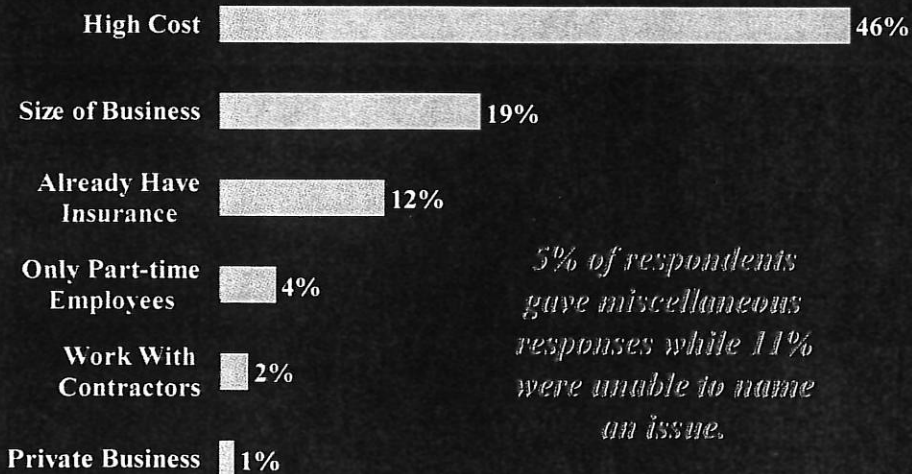
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Attachment 2-14

Kansas Approach to Healthcare by Industry



Why Company Does Not Provide Healthcare

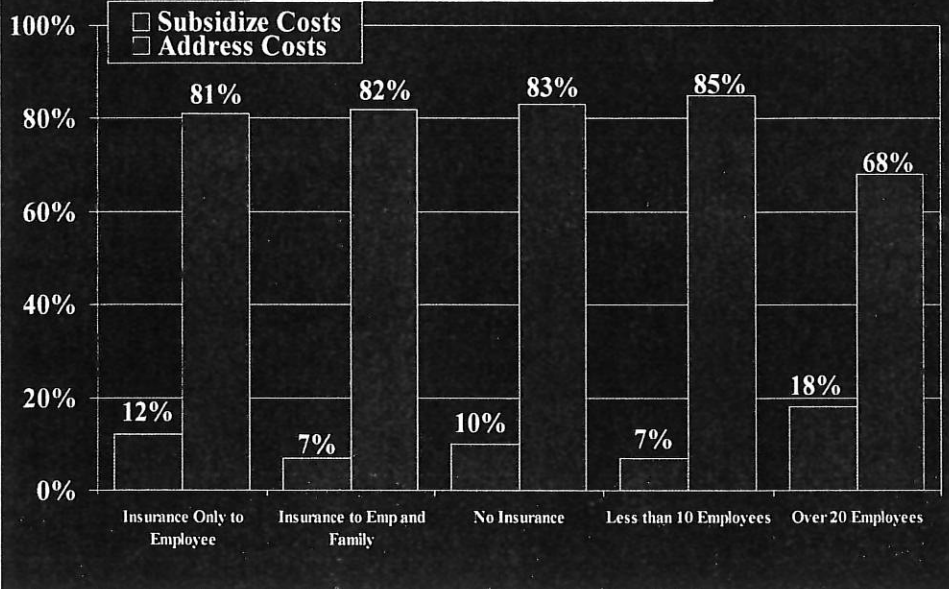


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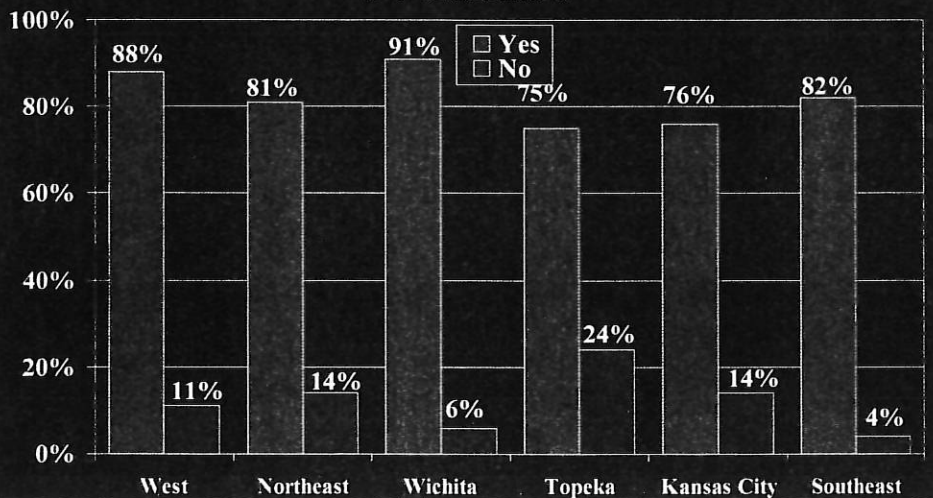
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Approach to Healthcare Among Business Categories



Frivolous Lawsuits Increase the Cost of Business

72% Strongly Yes vs. 11% Yes vs. 4% No vs. 8% Strongly No vs. 5% Undecided



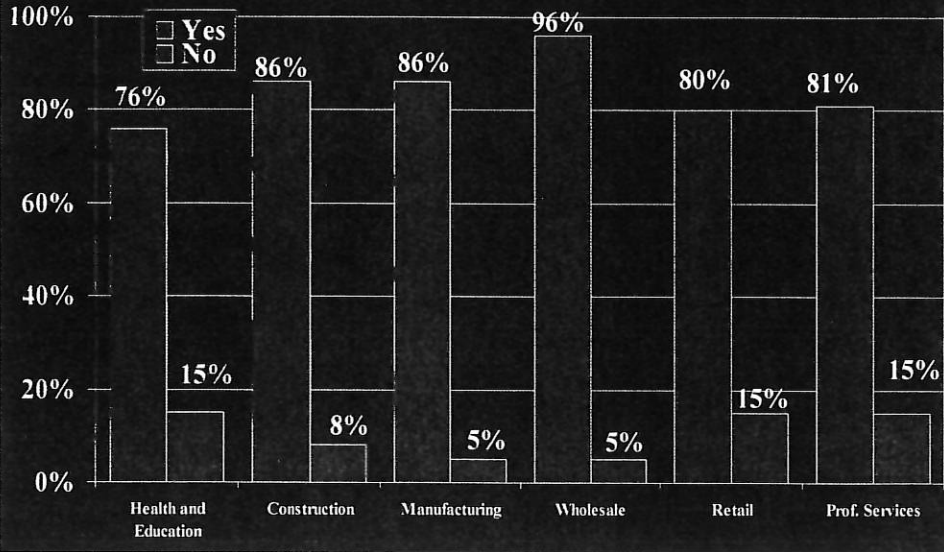
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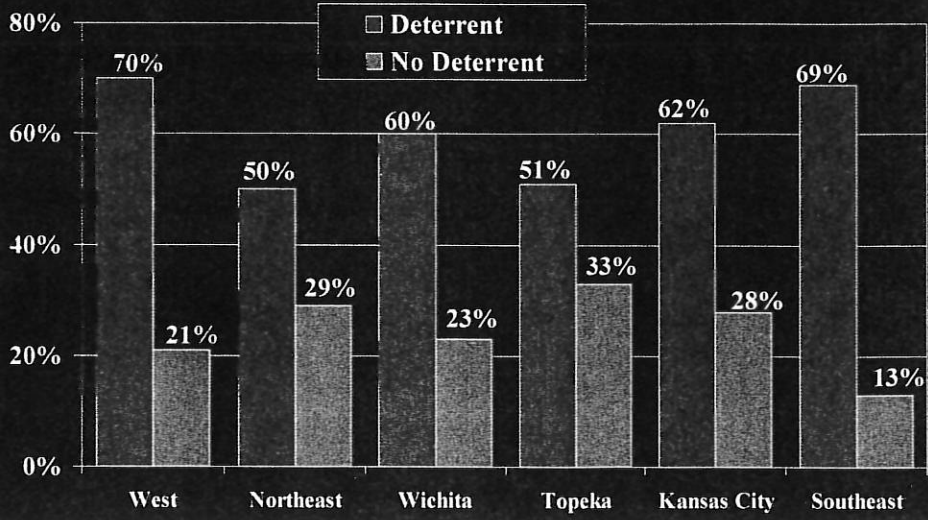
2-16

Frivolous Lawsuits Increase the Cost of Business by Industry



Current Lawsuit System Is A Deterrent To Businesses Growth

28% Major Deterrent vs. 32% Minor Deterrent vs. 25% Not a Deterrent vs. 14% Undecided.

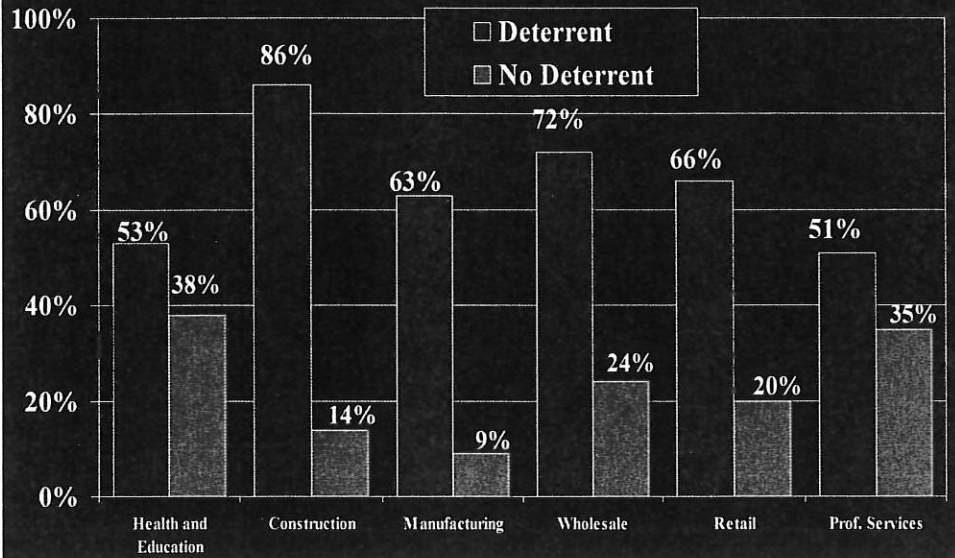


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Attachment 2-17

Current Lawsuit System Is A Deterrent To Businesses Growth by Industry



Senate Commerce Committee

1-12-05

Attachment

2-18

MEMORANDUM

TO: Lew Ebert, President & CEO
Kansas Chamber of Commerce

FROM: Pat McFerron, Director of Survey Research
Cole Hargrave Snodgrass & Associates

RE: A Survey of 500 Registered Voters in Kansas
Conducted November 7-10, 2004; Margin of error: +/- 4.3%

DATE: November 18, 2004

This survey of registered voters reveals that while Kansans are more optimistic about the direction of the state since our fall 2003 survey, the percentage feeling secure in their job has actually dropped. This on-going apprehension possibly reflects continuing uncertainties with employer decisions to outsource, cut back and sell Kansas facilities. **Furthermore, the survey reveals that three areas dominate voters' minds when it comes to promoting economic growth: Driving down the cost of health care and health insurance; reforming an abused lawsuit system; and, cutting taxes while slowing government spending.**

On the issue of health care, Kansans are most concerned about the cost of prescription drugs (34%) and the cost of health insurance (46%). A strong correlation with age exists on this question. As a general rule, older Kansans are more interested in the cost of medicines, while younger Kansans focus more on the cost of insurance. **One issue, on which both groups agree, however, is the belief that lawsuits increase the cost of insurance (83% agree vs. 12% disagree).** In addition, the vast majority of Kansas voters believe that Kansas government should focus on reducing the cost of healthcare. Perhaps most important, however, is the fact that Kansas voters see the cost of health care as an economic development issue and that **24% say addressing the cost of health care is the single most important thing that can be done to improve the state's economy.**

Kansans are also united in their desire for meaningful lawsuit reform. Two-thirds of Kansans believe that the current system needs to be either reformed (35%) or radically changed (30%), while fewer than one in five (18%) is satisfied with the status quo. Concern about legal reform also is apparent when looking at the workers' compensation system. Fully 68% of the respondents believe that the workers' comp system is plagued by the over involvement of lawyers and that this keeps legitimately injured workers' from receiving their fair share. Additionally, 57% of Kansans believe that the abundance of lawyers in the workers' comp system keeps businesses from expanding in Kansas. Given this sentiment, it is no surprise that **Kansans are very united in their desire to cap attorney fees at 20% (85% favor vs. 8% oppose).** **Most striking is the fact that 67% of Kansas voters – cutting across all income, age and geographic groupings – strongly favor capping attorney fees.**

Even after arguments are made against lawsuit reform, Kansans remain committed to seeing a change. When presented with arguments that reform could jeopardize the "little person's day in court" and that big corporations would lose an incentive to make safe products and could calculate lawsuits as a cost of doing business, 68% still say that reform is needed.

Senate Commerce Committee

1-12-05

Attachment 3-1

Cole Hargrave Snodgrass & Associates
201 Robert S. Kerr • Suite 3012 • Oklahoma City, Oklahoma 73102-4202 • 405/848-1585 • 405/415-3017 • fax 405/239-2755 • e-mail: cns@chinc.com

Currently, 64% of Kansans feel secure in their job and the jobs of members of their immediate families, down slightly from the 68% who felt they were secure in their job last year. The region of the state with the most concern about jobs, however, has shifted. Whereas the Wichita area and the west showed the most concern in 2003, today, Topeka is the region with the greatest concern (55% secure vs. 24% insecure).

When given a list of possible action items that could be addressed in an effort to improve the economy, Kansans demonstrate a strong desire for smaller government. Fully 35% support slowing government spending and cutting taxes as the best way to improve the Kansas economy, while only 9% advocate more government spending. Additionally, 24% of Kansans see lowering the cost of health insurance as an economic remedy, while 6% favor providing tax incentives to businesses as an engine for growth.

Currently, 48% of Kansans believe they pay too much in taxes to fund state and local government (up from 45% in 2003), while only 3% believe they pay too little. While our survey experience reveals that those believing they pay too much in taxes generally exceeds those believing they pay too little, the current 16 to 1 ratio represents an anti-tax sentiment that we have not seen in the more than 30 states in which we have conducted polling. When coupled with the 43% of Kansans believe that the amount they pay in taxes is just about right, it is readily apparent that any general tax increase will be met with resistance from more than 80% of the electorate.

As was the case in 2003, Kansans remain prepared to back-up their aversion for tax increases by supporting budgetary cuts. When voters are asked to how much government should be cut, if at all, before raising taxes, the anti-tax sentiment is very clear. Only 7% of Kansas voters say that taxes should be raised prior to cutting government services while almost a quarter (23%) say taxes should never be raised. The majority of Kansans, however, are in the middle, with 28% saying the budget should be cut up to 5% before taxes are raised, and another 27% saying that the budget should be cut up to 10% before increasing revenue. Another 8% of the electorate wants to see cuts exceeding 10% before they would be supportive of a tax increase. All totaled, 76% of Kansans believe that the state budget should be cut up to 5% before any consideration is given to a tax increase – and 48% believe it should be cut up to 10% before looking to tax increases.

About Cole Hargrave Snodgrass & Associates and Pat McFerron

Cole Hargrave Snodgrass & Associates (CHS) is one of a very few nationally recognized political polling firms in the nation that is not headquartered on one of the coasts. Since 1989, the firm has developed an expertise in surveying the political landscape in its home state of Oklahoma, in surrounding states and throughout the nation. The firm's history in Kansas dates to 1993 and includes the publication of the The Kansas Report during the 1996 election cycle. Since that time, CHS has regularly been involved in both political and marketing research in Kansas and has recently launched a new newsletter on public attitudes in Kansas called Kansas Survey.

Pat McFerron, a Kansas native, has been the Director of Survey research at Cole Hargrave Snodgrass & Associates since he joined the firm in 1993. During that time, he has supervised polling projects for literally dozens of successful candidates for U.S. Senate, Congress, Governor and numerous other state and municipal offices. In addition, McFerron has developed marketing strategies for Fortune 500 companies and been the lead pollster on numerous statewide initiatives.

Senate Commerce Committee

1-12-05

Attachment 3-2

Actual Question Verbiage

Hello Mr./Mrs. _____, I'm _____ of CHS & Associates, a national research firm. We're speaking with people in Kansas today about public leaders and issues facing us.

1. In general, do you think that things in Kansas are going in the right direction, or do you think that things have pretty seriously gotten off on the wrong track?

Right track..... 54%
 Wrong track 29%
 Undecided (vol.) 17%

2. Do you think that the state legislature has done an excellent, good, only fair or poor job?

Excellent22%
 Good..... 25%
 Only Fair 55%
 Poorly 14%
 Undecided (vol.).....4%

3. Do you feel secure in your job and the jobs of other members of your immediate family? (After response, ask:) Would you say you feel very (secure / insecure) or only somewhat (secure / insecure)?

Very secure..... 43%
 Somewhat secure..... 21%
 Somewhat insecure..... 9%
 Very insecure..... 7%
 Retired (vol.) 19%
 Undecided (vol.)..... 2%

4. Do you feel secure in your family's ability to continue having your health insurance? (After response, ask:) Would you say you feel very (secure / insecure) or only somewhat (secure / insecure)?

Very secure..... 38%
 Somewhat secure..... 27%
 Somewhat insecure..... 13%
 Very insecure..... 3%
 Do not have health insurance (vol.)..... 3%
 Undecided (vol.)..... 5%

5. Which of the following do you think is most necessary to improve the economy in Kansas?

Stopping frivolous lawsuits..... 18%
 Lowering taxes and slowing government
 Spending..... 35%
 Lowering health care insurance costs..... 24%
 Increasing spending on government and
 Education 9%
 Providing tax incentives to businesses 6%
 Undecided (vol.)..... 7%

6. When it comes to taxes that fund state and local government, do you think you pay too much in taxes, not enough in taxes, or about the right amount?

Too much.....50%
 Not enough..... 3%
 About the right amount.....43%
 Undecided (vol.) 3%

7. Thinking about state spending and taxes, how much should state government be cut before taxes are again raised? Would you say Kansas should...(Read list)

Raise taxes and you should never cut any services 7%
 Cut up to five percent before raising taxes28%
 Cut 6 to 10 percent before raising taxes.....17%
 Cut more than 10 percent..... 8%
 Should never raise taxes to fund government23%
 Undecided (vol.)16%

8. Thinking about liability lawsuits – that is lawsuits where a person or a business who says they have been injured sues another person or business for damages. Do you think this system in Kansas should be kept the same, slightly reformed or radically changed?

Kept the same18%
 Slightly reformed35%
 Radically changed.....30%
 Undecided (vol.)18%

9. Who do you think is the most to blame for any problems in the current liability lawsuit system in Kansas? (Rotate)

Personal injury lawyers.....43%
 Small businesses 0%
 Large businesses 4%
 People who bring lawsuits17%
 Judges 6%
 Insurance companies.....11%
 Juries 3%
 Undecided (vol.)14%

10. What do you consider to be the most important healthcare problem that needs to be addressed?

The high cost or prescription drugs30%
 The high cost of health insurance46%
 Keeping hospitals open and doctors in rural
 Kansas11%
 Or is there something else? (Open ended) 7%
 Undecided (vol.) 6%

Now I'm going to read you a list of statements. For each one, I want you to tell whether you agree or disagree with that statement. (After each statement, ask:) Would you say you strongly (agree/disagree) or only somewhat (agree/disagree)?

(Rotate series)

11. Lawsuits increase the cost of goods, services and insurance for Kansas families.

Strongly agree..... 60%
 Somewhat agree..... 23%
 Somewhat disagree 7%
 Strongly disagree 5%
 Undecided (vol.) 5%

Senate Commerce Committee

1-12-05

Attachment 3-3

12. Kansas needs to adopt meaningful lawsuit reform because studies have shown that state's that adopt these reforms experience employment growth of 8.8%, productivity growth of 3.5% and total output growth of 12%.
 Strongly agree.....29%
 Somewhat agree.....32%
 Somewhat disagree 8%
 Strongly disagree 6%
 Undecided (vol.)..... 26%

13. (half the sample) The Kansas workers' compensation system – a program designed to aid those injured on the job – is plagued by the over involvement of lawyers which keeps injured workers from getting their fair share of awards when they are legitimately hurt on the job.
 Strongly agree37%
 Somewhat agree31%
 Somewhat disagree 8%
 Strongly disagree 7%
 Undecided (vol.) 16%

14. (half the sample) The Kansas workers' compensation system – a program designed to aid those injured on the job – is plagued by the over involvement of lawyers which discourages companies from expanding or locating in Kansas and costs us quality jobs.
 Strongly agree31%
 Somewhat agree26%
 Somewhat disagree.....16%
 Strongly disagree.....10%
 Undecided (vol.).....17%

15. Would you favor or oppose reducing the percentage of the money awarded that attorneys can collect from their clients down to 20%? (After response, ask:) Would you say strongly (favor / oppose) or only somewhat (favor / oppose)?
 Strongly favor67%
 Somewhat favor18%
 Somewhat oppose.....3%
 Strongly oppose.....5%
 Undecided (vol.).....7%

16. Some people say . . . While other people say . . . (Round arguments)
 . . .that tort reform such as capping punitive damages awarded in lawsuits and reducing the percentage that attorneys can receive from awards. / such reform...

. . . is necessary. They say that lawsuit abuse has caused health care costs to increase, kept businesses from locating in Kansas, and have increased the costs of consumer goods and services. They say that the only winners of the current system are the personal injury attorneys and their friends. They say real reform will stop excessive damages and frivolous lawsuits that are harmful to our businesses and our economy, but will allow deserving lawsuits to go forward.

. . . is not necessary. They say that the courts are the only way to protect the people and that so-called reform would take away the "little person's" day in court. They say there would be no check on big corporations that would continue to take advantage of us and that if punitive damages are limited, big corporations will no longer have an incentive to make safe products and could just count lawsuits as a cost of doing business. They also say that capping lawyers' contingency fees will keep lawyers from taking complicated cases and that corporations could more easily put up roadblocks for attorneys working for a smaller fee.

After hearing these arguments, do you think that tort reform is needed or is not needed?
 Is needed.....68%
 Is not needed.....15%
 Undecided (vol.)17%

A Survey of 500 Registered Voters in Kansas

Surveys conducted November 7 - 10, 2004

Margin of error: +/-4.3%

by

Cole Hargrave Snodgrass & Associates

General Mood of the Electorate

- General mood is more positive than last year
- More concerned about their job than in 2003
- Voters continue to give the state legislature poor marks
- Believe the best way to spur the economy is to cut taxes, slow government spending, make health insurance more affordable and stop lawsuit abuses

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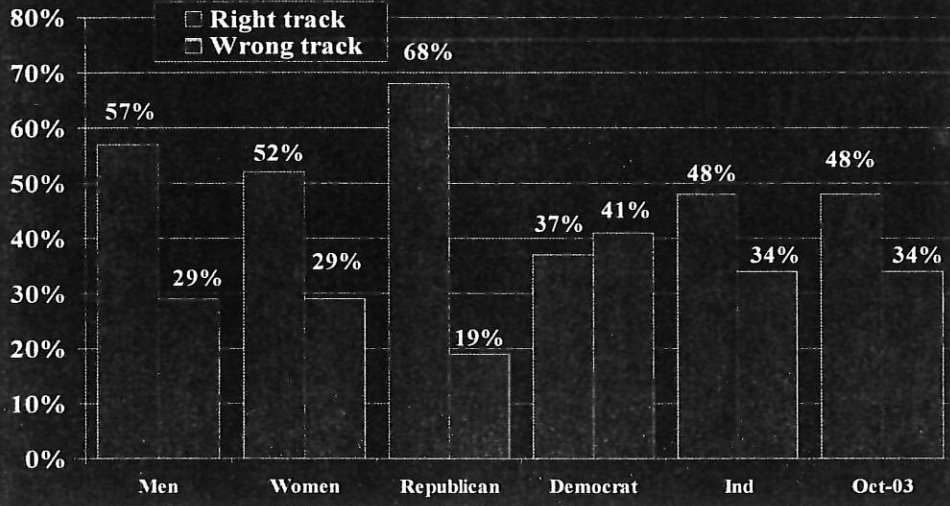
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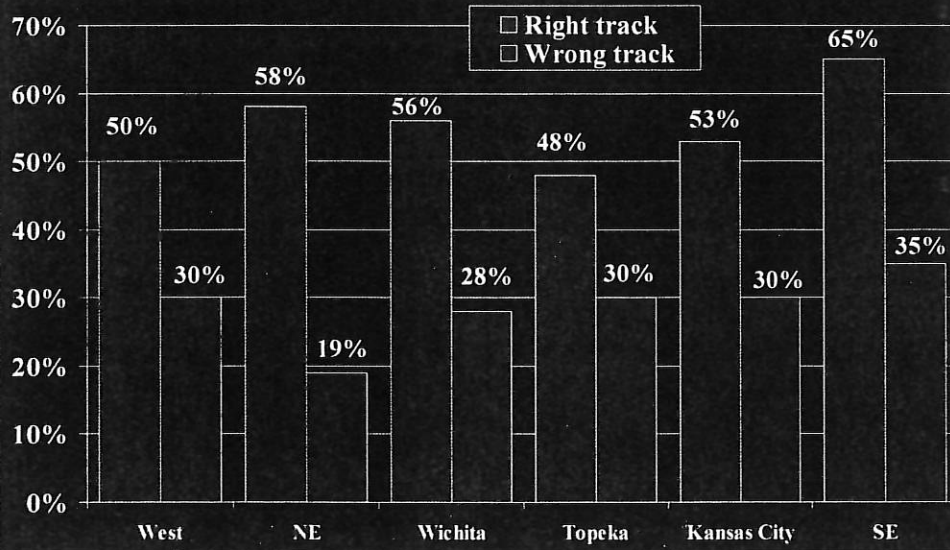
3-5

Right track/Wrong track by Groups

54% Right track vs. 29% Wrong track vs. 17% Undecided



Right track/Wrong track by Region



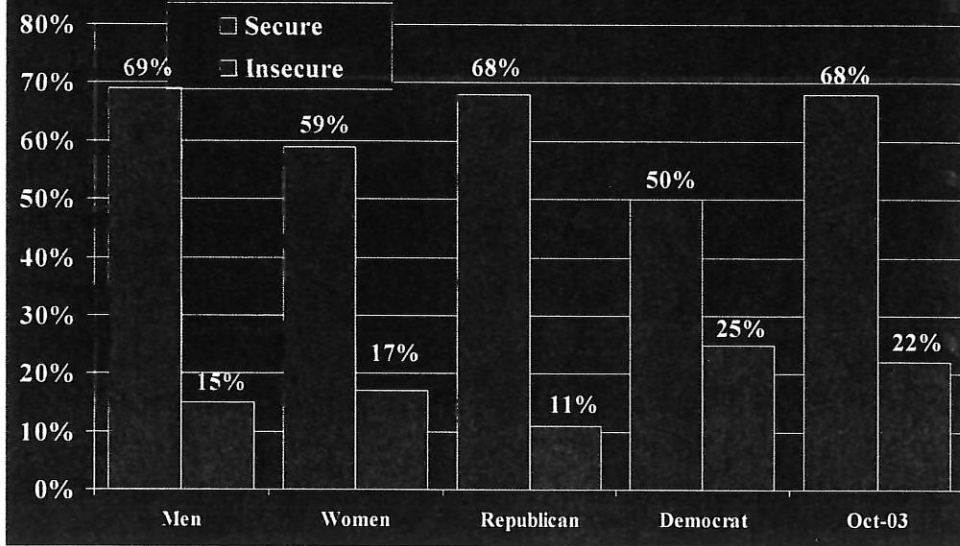
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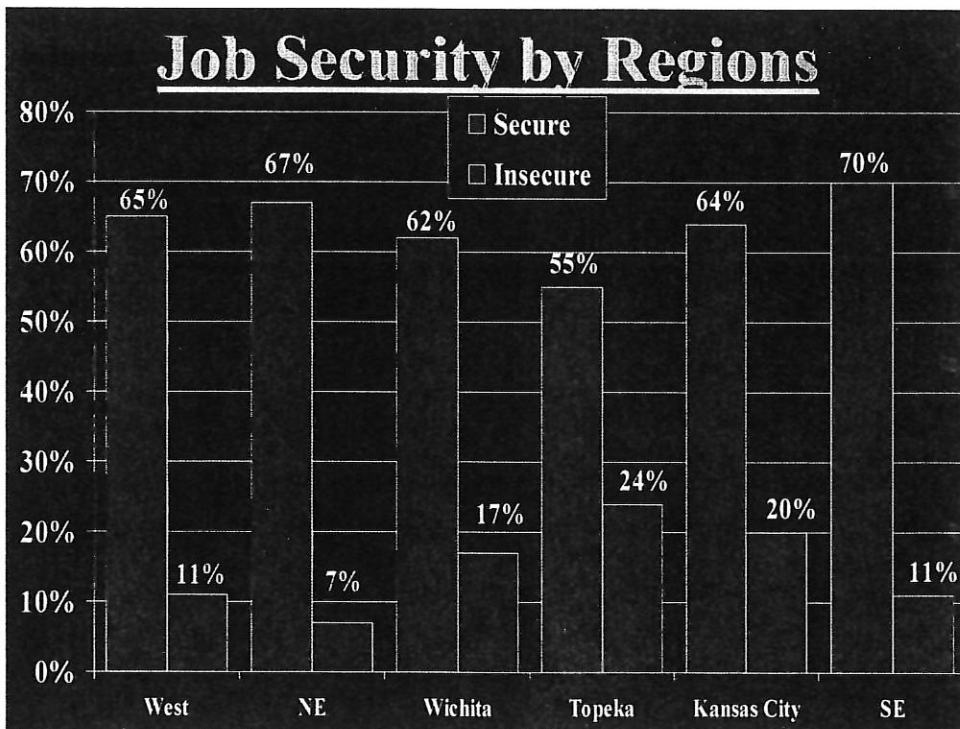
Attachment 3-6

Job Security by Groups

43% Very Secure vs. 21% Somewhat Secure vs. 9% Somewhat Insecure vs. 7% Very Insecure vs. 19% Retired vs. 2% Undecided



Job Security by Regions



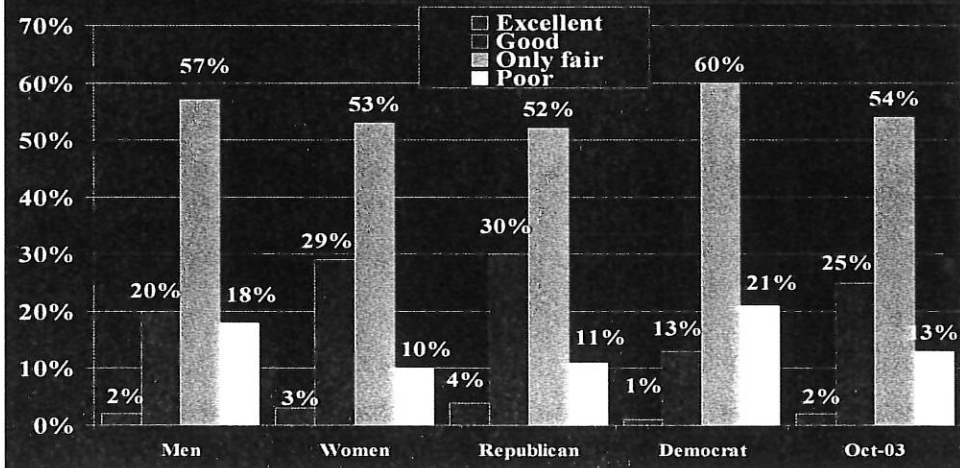
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Attachment 3-7

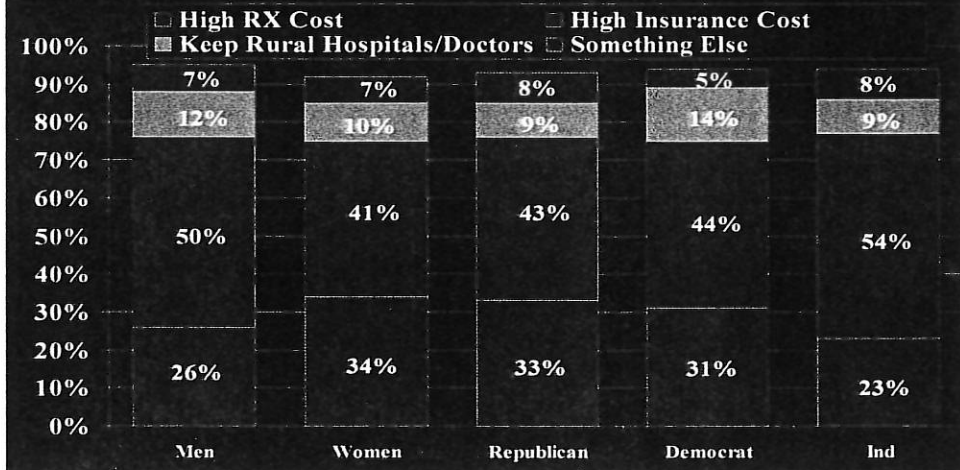
Job of State Legislature by Groups

2% Excellent vs. 25% Good vs. 55% Only fair vs. 14% Poor vs. 4% Undecided



Most Important Healthcare Problem?

30% High Cost RX vs. 46% High Cost Insurance vs. 11% Keep Rural Hospitals/Doctors vs. 7% Something Else vs. 6% Undecided



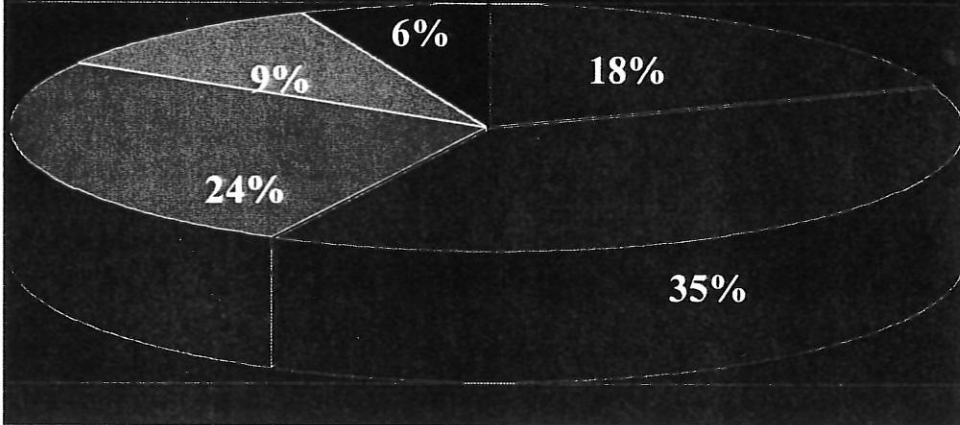
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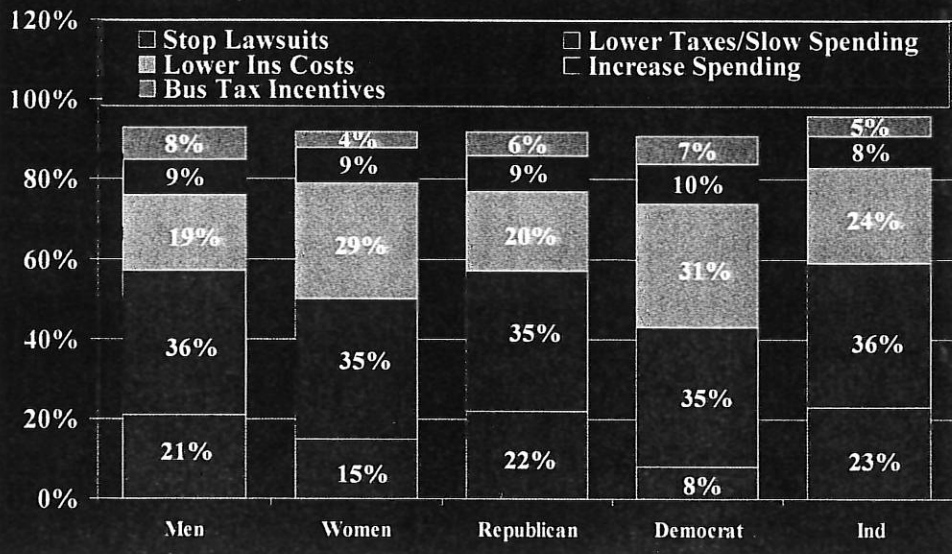
Attachment 3-8

Most Important for Economic Improvement

- Stop Frivolous Lawsuits
- Lower Taxes/Slow Spending
- Lower Health Insurance Costs
- Increase Gov't Spending
- Business Tax Incentives



Most Important for Economic Improvement by Groups

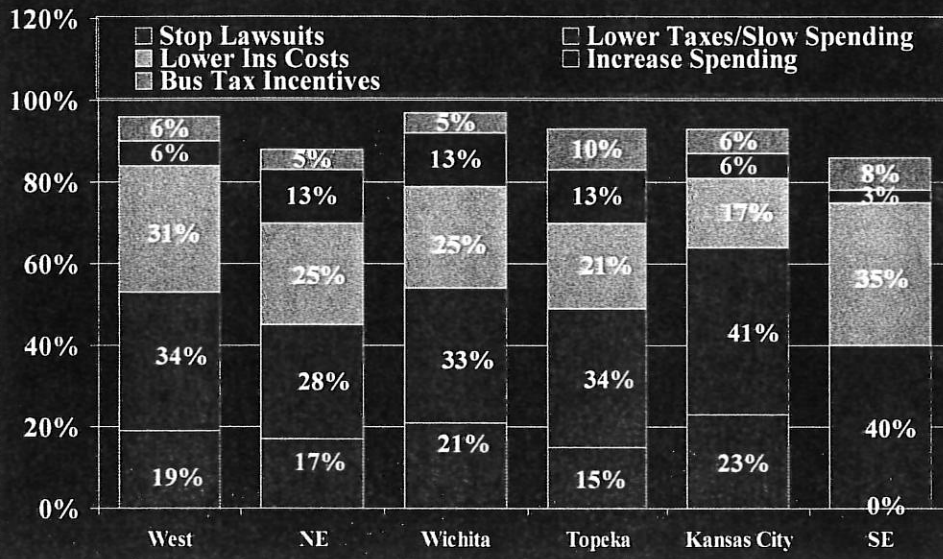


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Attachment 3-9

Most Important Economic Reform by Regions



Voters on Cost of Health Care

- While most voters are secure in their own ability to retain healthcare, such security is not universal
- Among registered voters, availability of health insurance is not at crisis level
- Cost of prescription drugs and the cost of health insurance are the top health care concerns of Kansans
- Kansans believe that frivolous lawsuits are a leading cost driver for health care costs
- Kansas prefer to address the problems of high costs instead of subsidizing the costs

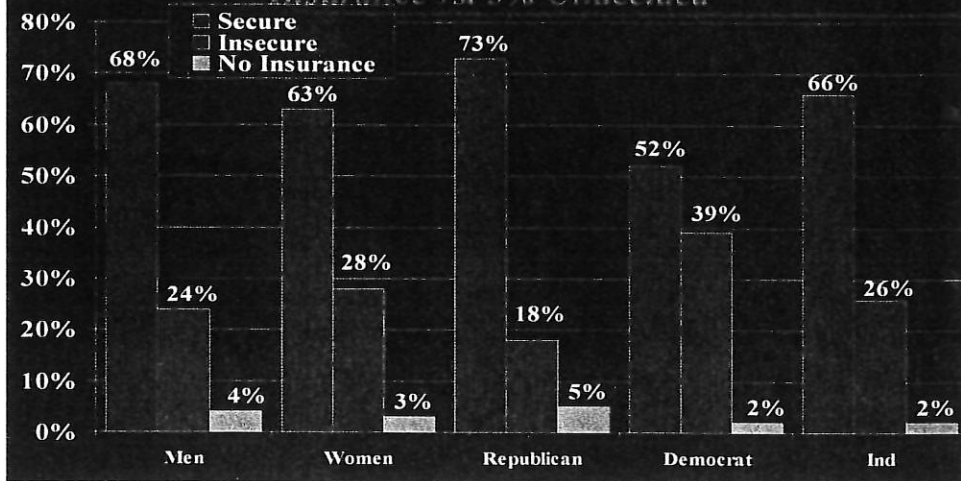
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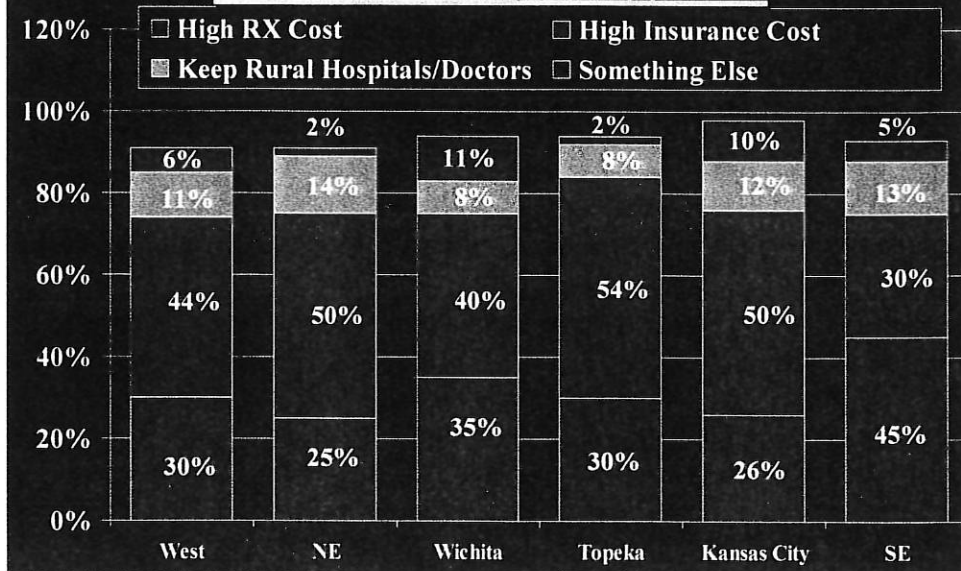
Attachment 3-10

Security of Health Insurance by Groups

38% Very Secure vs. 27% Somewhat Secure vs. 13% Somewhat Insecure vs. 13% Very Insecure vs. 3% No Insurance vs. 5% Undecided



Most Important Healthcare Problem by Regions



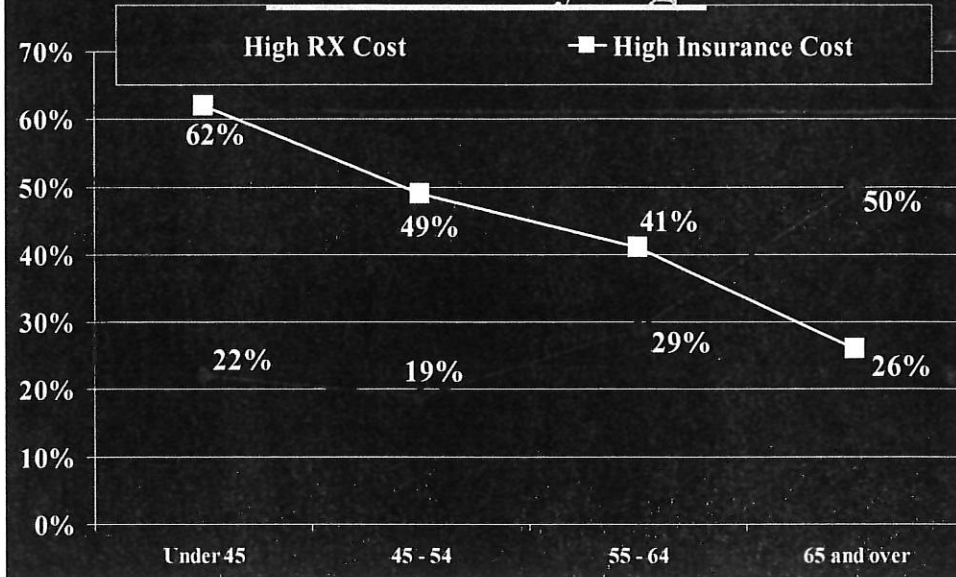
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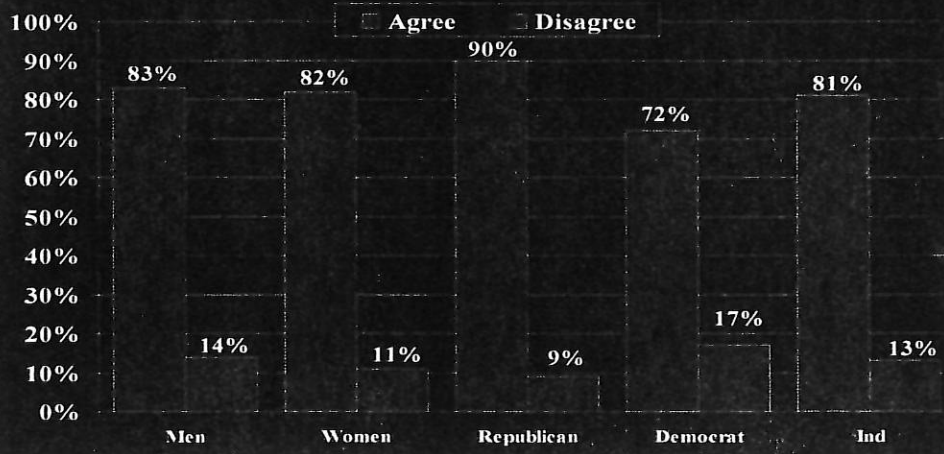
3-11

Most Important Healthcare Problem by Age



Lawsuits Increase Insurance Costs by Groups

60% Strongly Agree vs. 23% Somewhat Agree vs. 7% Somewhat Disagree vs. 5% Strongly Disagree vs. 5% Undecided



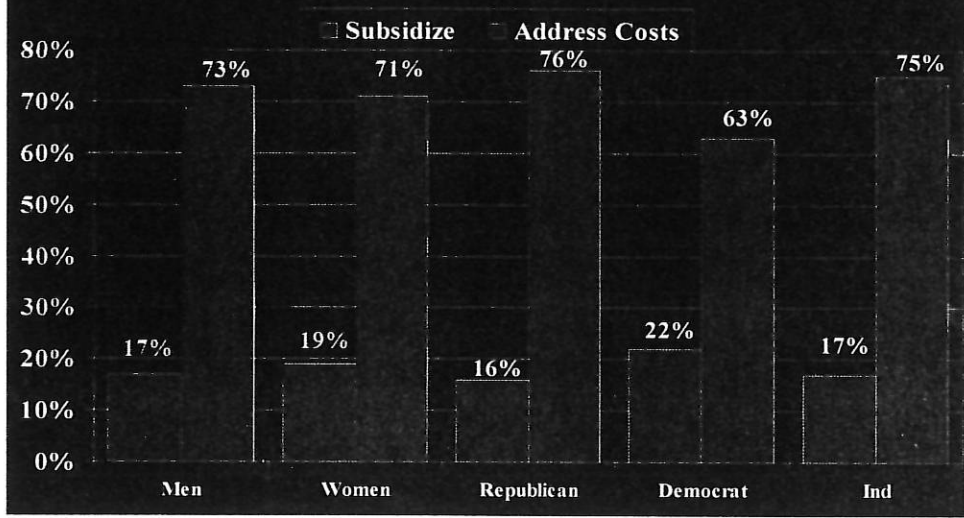
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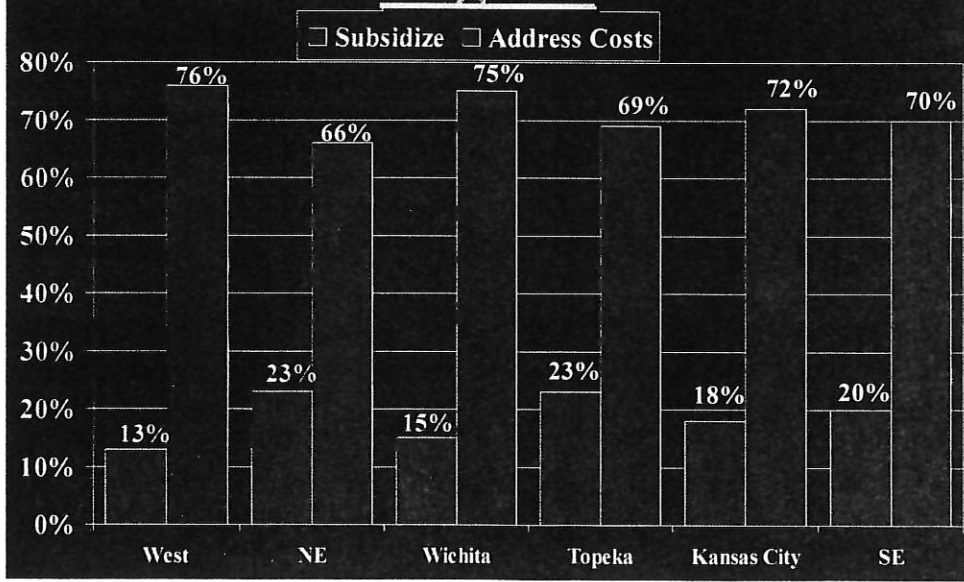
Attachment 3-12

Solution to Healthcare Costs by Groups

18% Subsidize vs. 72% Address Costs 10% Undecided



Solution to Healthcare Costs by Regions

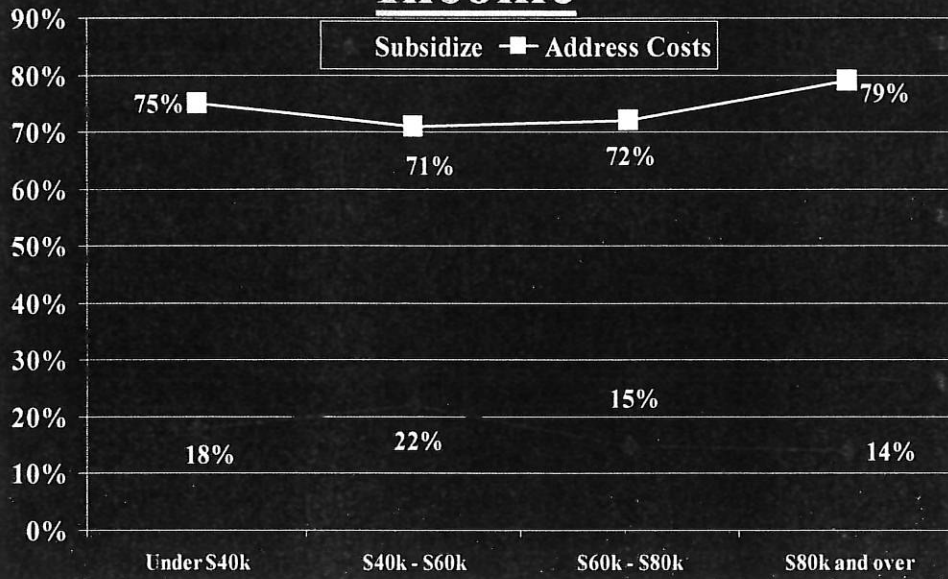


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Attachment 3-13

Solution to Healthcare Costs by Income



Kansans on Lawsuit Reform

- Two-thirds believe the system needs to be changed
- Personal injury trial lawyers, far and away, receive the most blame for the problems of the current system
- A strong majority believes that meaningful lawsuit reform will help the economy
- Voters want to cap attorney fees and believe lawsuit reform is an issue that may decide how they vote

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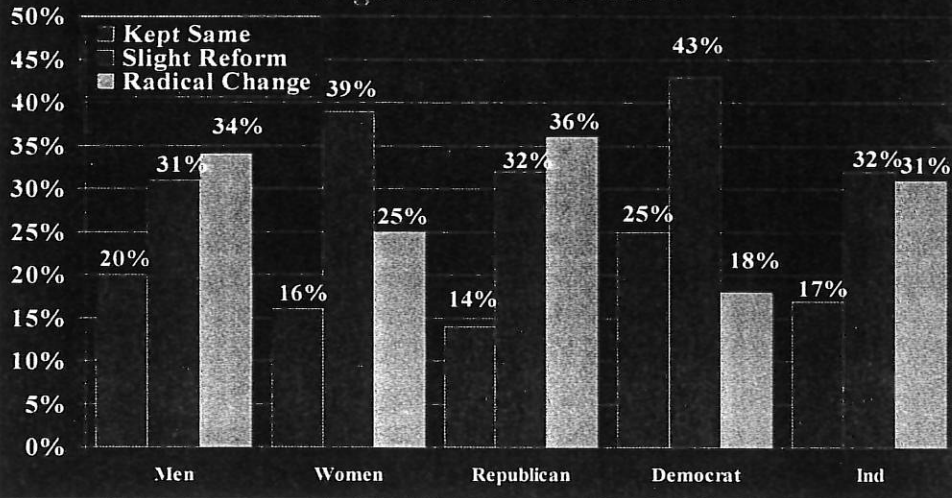
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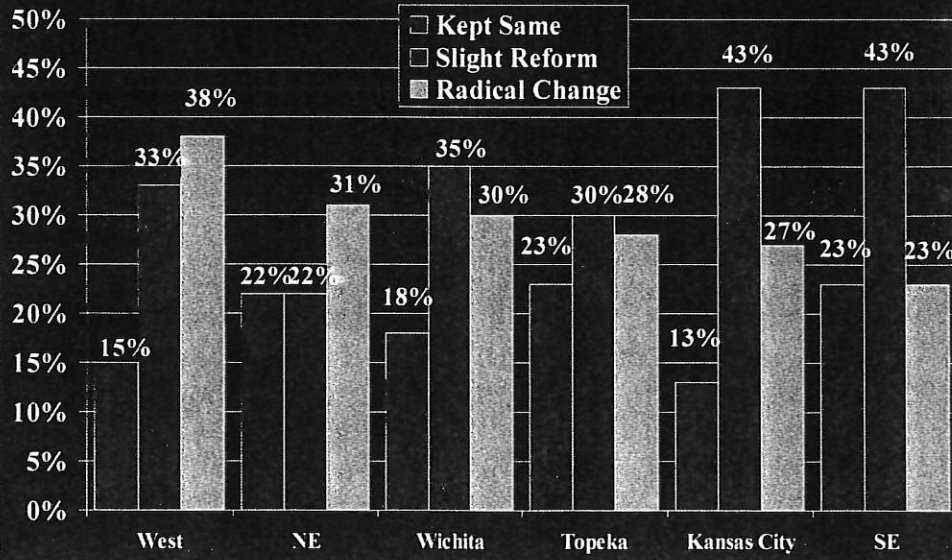
3-14

Liability Lawsuit System by Groups

18% Kept Same vs. 35% Slight Reform vs. 30% Radical Change vs. 18% Undecided



Liability Lawsuit System by Regions



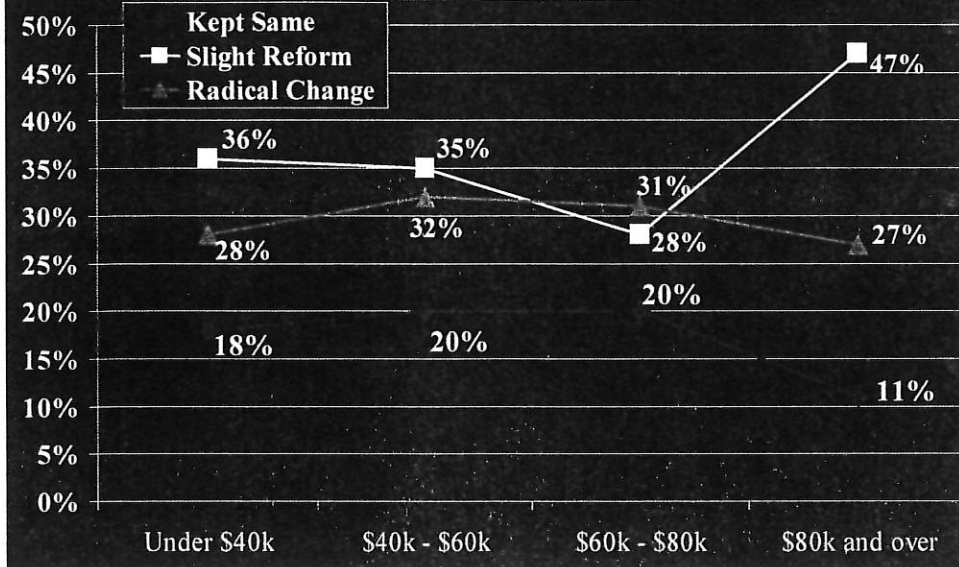
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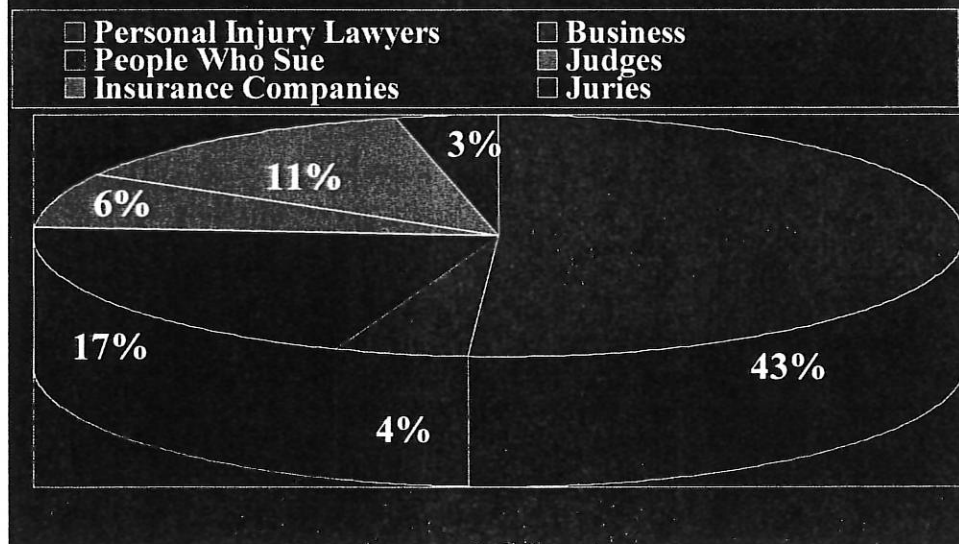
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3-15

Liability Lawsuit System by Income



Who Is to Blame for Liability Lawsuit System Problems?

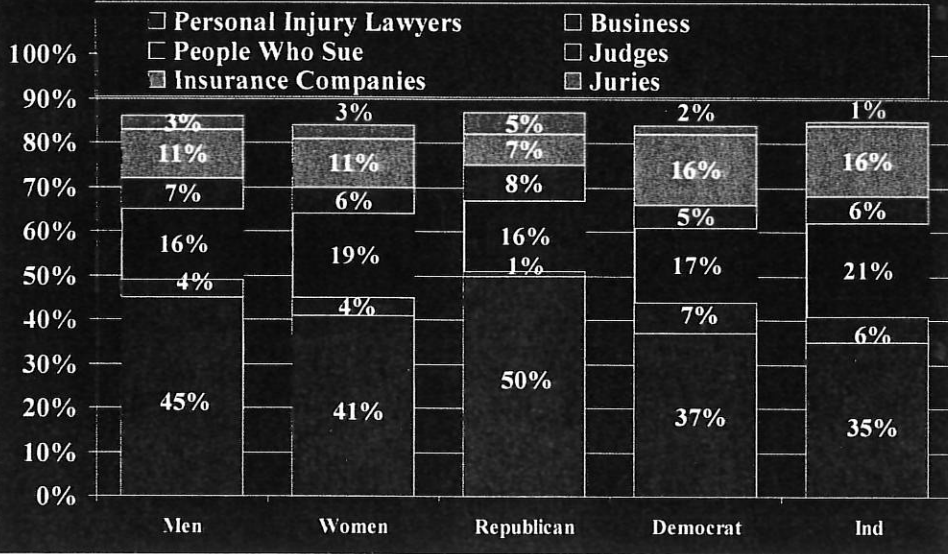


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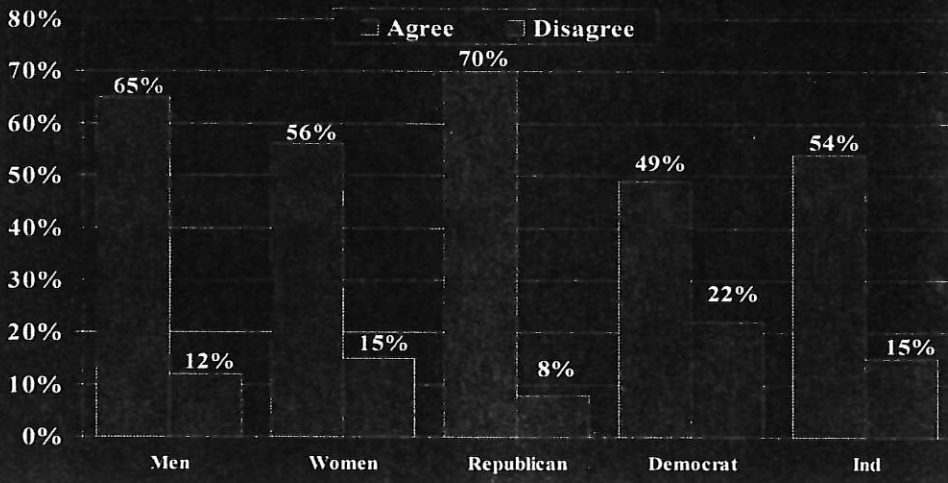
Attachment 3-110

Who Is to Blame for Liability Lawsuit System Problems?



Lawsuit Reform = Economic Growth?

29% Strongly Agree vs. 32% Somewhat Agree vs.
8% Somewhat Disagree vs. 6% Strongly Disagree vs.
26% Undecided



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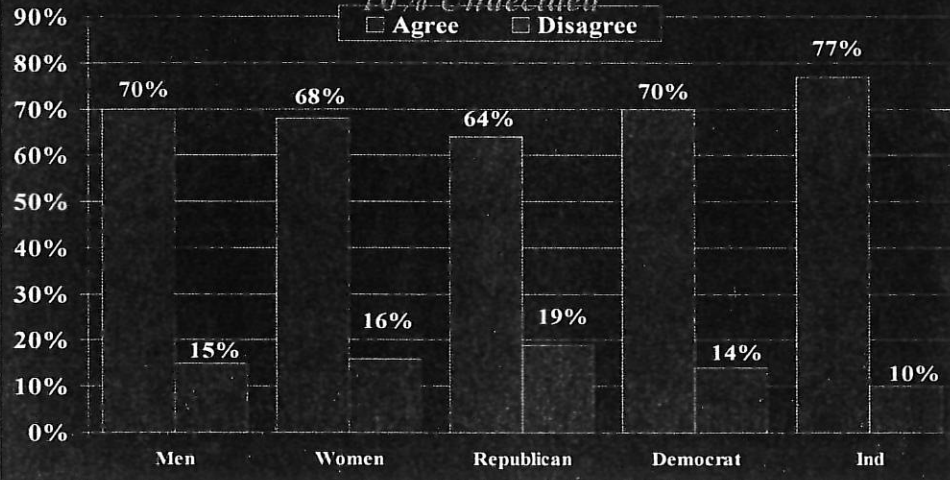
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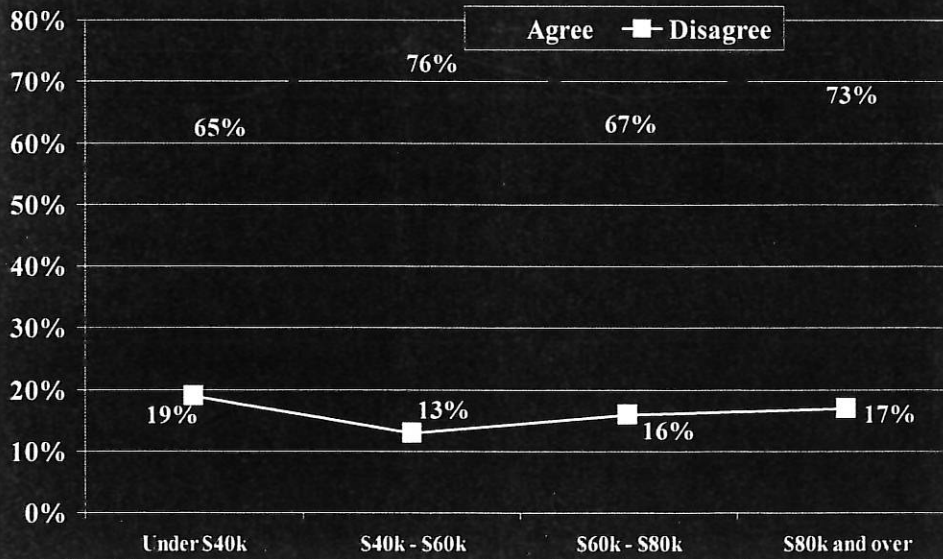
3-17

Lawyers Keep Injured Workers from Getting their Fair Share

37% Strongly Agree vs. 31% Somewhat Agree vs.
8% Somewhat Disagree vs. 7% Strongly Disagree vs.
16% Undecided



Lawyers Keep Injured Workers from Getting Fair Share



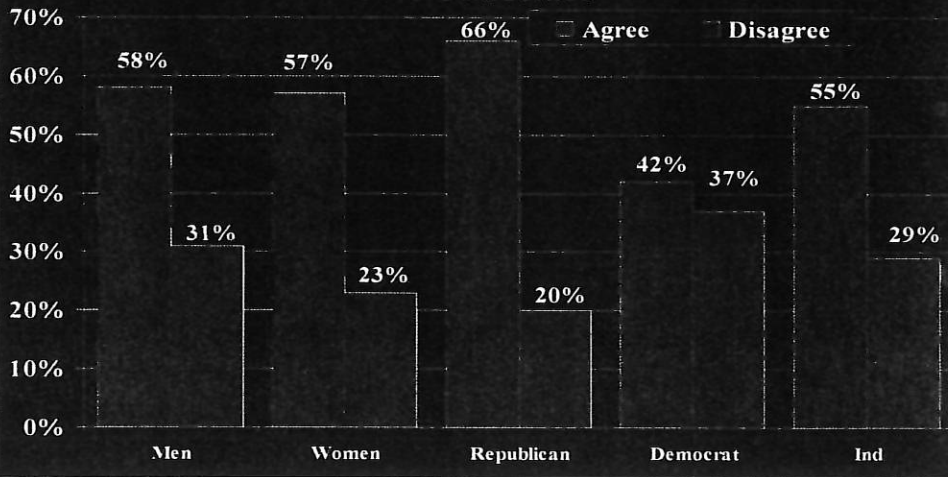
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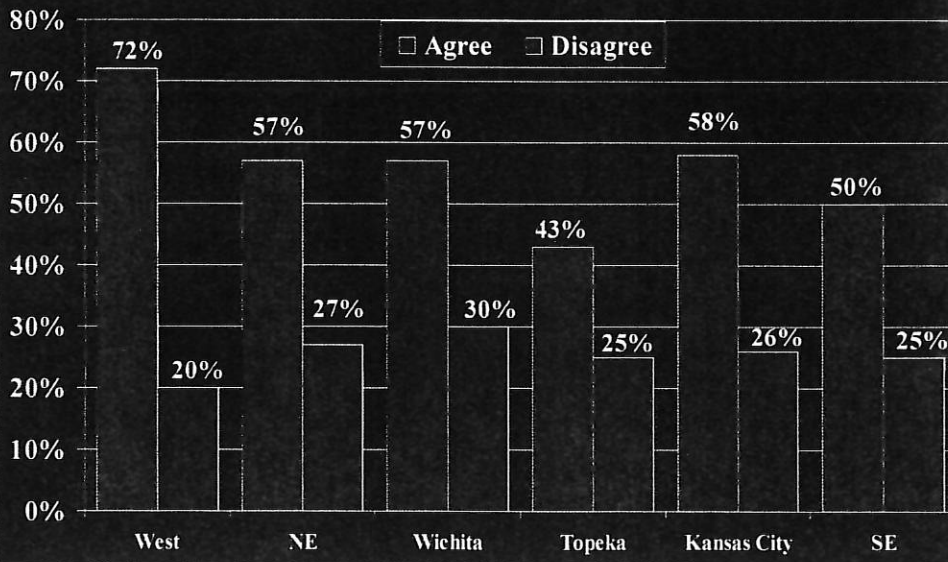
Attachment 3-18

Workers' Comp Lawyers Deter Businesses Growth

31% Strongly Agree vs. 26% Somewhat Agree vs. 16% Somewhat Disagree vs. 10% Strongly Disagree vs. 17% Undecided



Workers' Comp Lawyers Deter Businesses Growth by Region



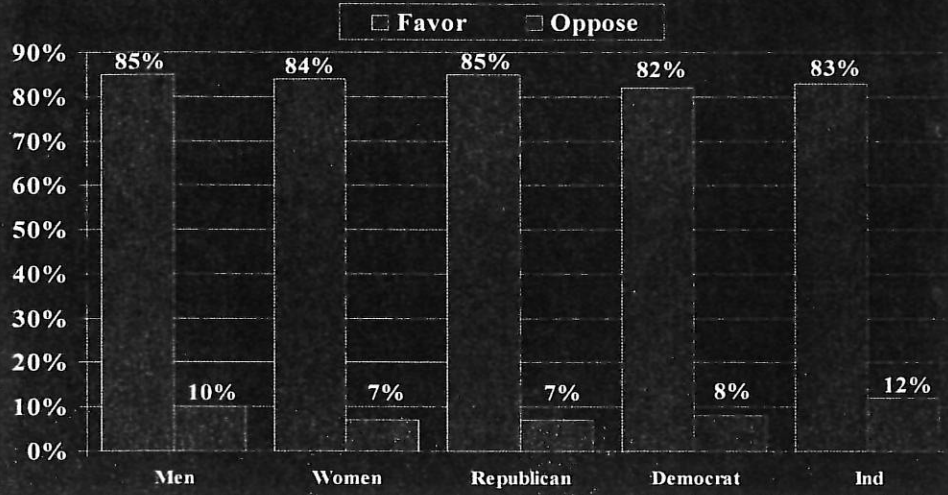
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Attachment 3-19

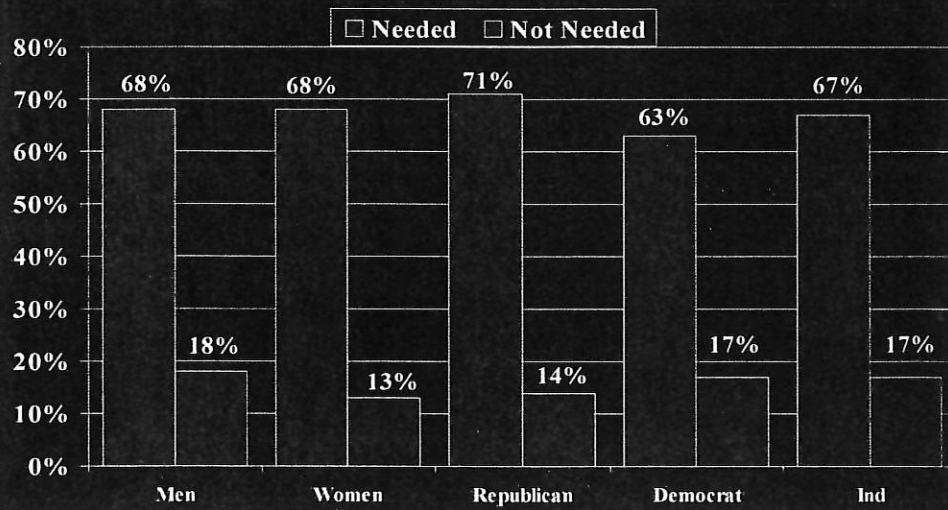
Cap Attorney Fees at 20%?

67% Strongly Favor vs. 18% Somewhat Favor vs. 3% Somewhat Oppose vs. 5% Strongly Oppose vs. 7% Undecided



After Arguments: Is Tort Reform Needed?

68% Needed vs. 15% Not Needed vs. 17% Undecided

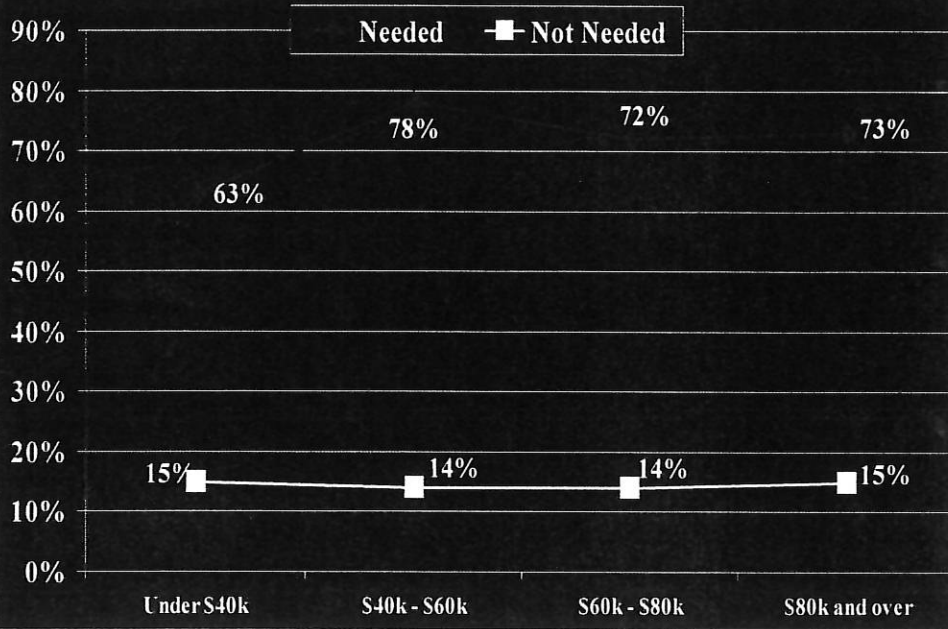


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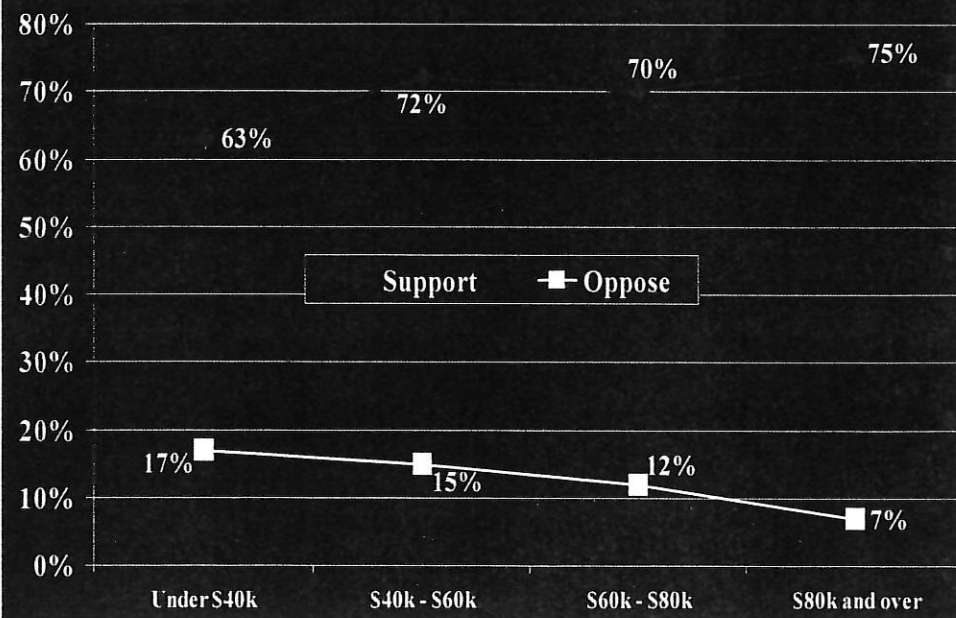
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Attachment 3-20

Tort Reform Needed? by Income



Tort Reform Necessity by Income



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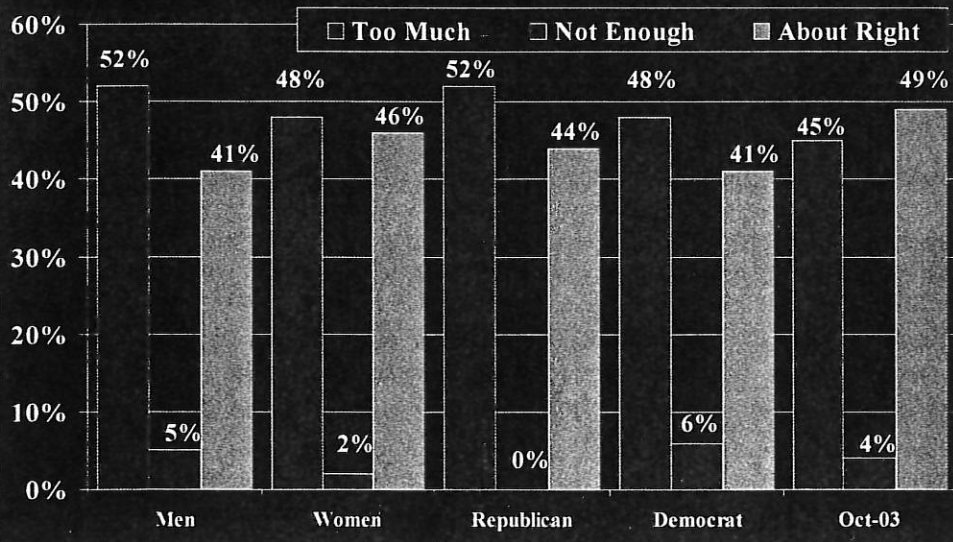
Attachment 3-21

Voters on Taxes

- Marginally more anti-tax than last year
- Strong majorities of all groups favor cutting spending as opposed to raising taxes

Tax Sentiment by Groups

50% Too Much vs. 3% Not Enough vs. 43% About the Right Amount vs. 3% Undecided



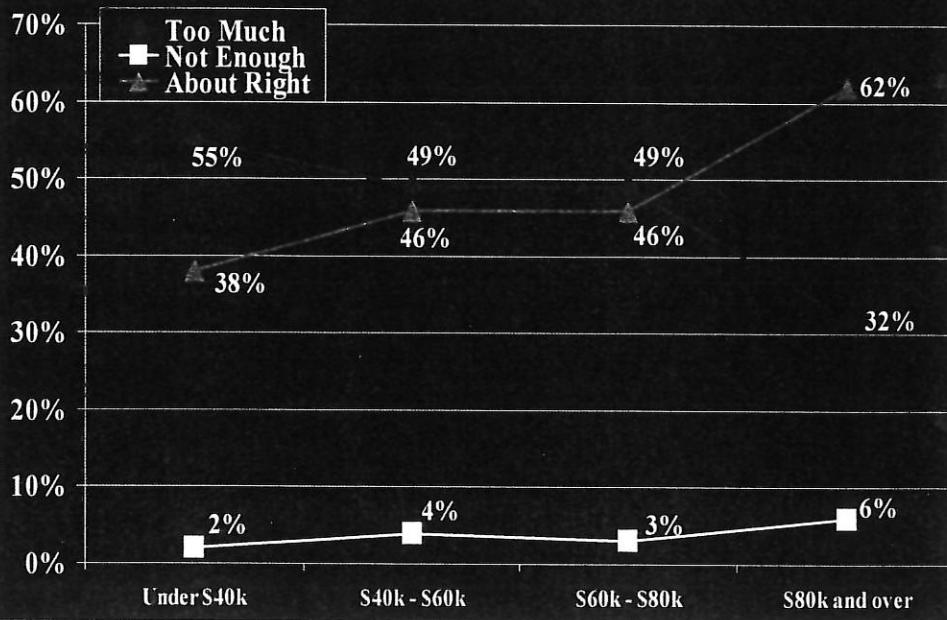
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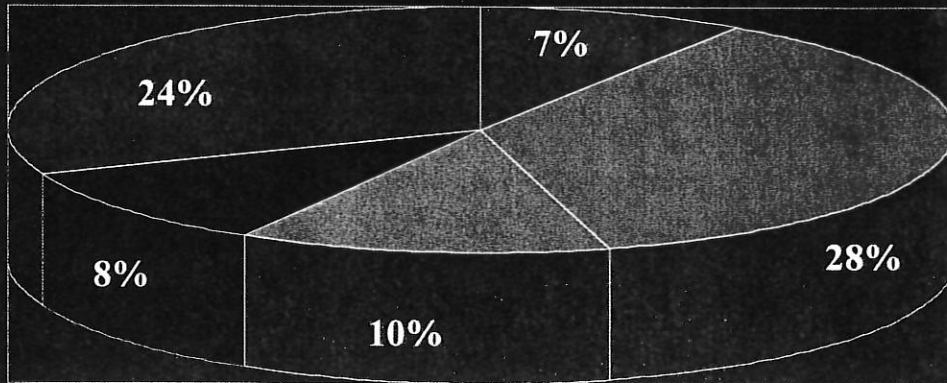
3-22

Tax Sentiment by Income



Cut Before Raising Taxes by Groups

- No Cuts / Raise Taxes
- Cut Up to 5%
- Cut 6% to 10%
- Cut 10% Plus
- Never Raise Taxes

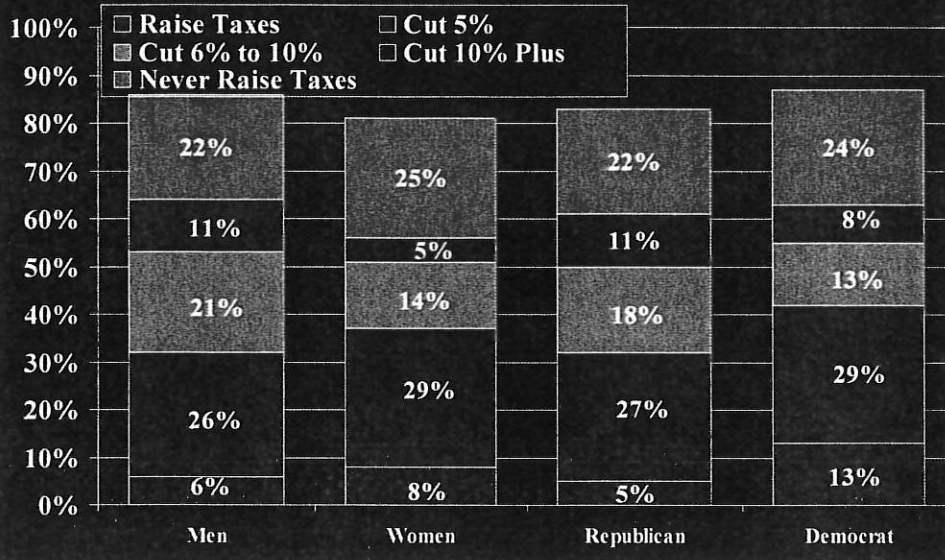


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Attachment 3-23

Cut Before Raising Taxes by Groups



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Attachment 3-24

The Kansas Chamber of Commerce 2005 Kansas Jobs First Package

The Kansas Chamber of Commerce and its over 7,500 members are working together to make Kansas the best state in America in which to conduct business. The Kansas Chamber Job's First Package summarizes what policy makers must do to tackle the tough issues that hinder the Kansas economy, limit our growth and stifle our prosperity. Once implemented, these initiatives will help make Kansas the best state in the nation to conduct business.

Businesses across the state have said there are several cost drivers that inhibit economic growth and prosperity. The following are issues that businesses, large and small, believe can make a difference in competing for business and growing jobs in Kansas.

1. Manage the Rising Cost of Health Insurance
2. Improve the Legal Environment
3. Decrease the Kansas Business Tax Burden
4. Enact Workers Compensation Changes
5. Reduce Unemployment Compensation Costs
6. Maintain Current Economic Development Incentives
7. Continue Fighting the War on Red Tape
8. Maintain our Consistent Support of a Well Educated Workforce

Manage the Rising Cost of Health Insurance

Rising health care costs are a significant concern for all businesses. Through the Kansas Chamber's Health Care Working Group and the Health Care Now Tour employers voiced that market-driven solutions to manage the increase in health insurance costs would help make their companies more competitive and allow more employers to offer health care benefits to their employees.

1. **Reduce the Impact of Insurance Mandates** -- Kansas should examine the costs of all mandated insurance benefits and allow for the sale of limited benefit policies that do not include cost-inflating mandates. Some studies indicate that mandates may add 20%-30% to the cost of a health insurance plan while others say 5%-10%. No matter the actual increase, even a modest reduction will make health insurance more affordable to more employers and employees.
 - a. **Enact a two-year moratorium on mandates in Kansas.** Mandates add to the costs of health insurance. Three states have enacted a moratorium on mandates. This will help ensure, for two years, that no additional costs drivers will be added to health insurance policies.
 - b. **Require a periodic review of the true cost of all health insurance mandates.** Knowing the true costs of mandates enacted in Kansas is essential. Utilization costs, treatment costs and lengths of stay are factors in the costs mandates add to health insurance policies. These costs and

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benefits should be assessed on a regular basis to determine the overall impact on the health care consumer.

c. Offer limited benefit plans to uninsured small business owners.

Offering a limited mandate plan or a "mandate-lite" plan to businesses that do not currently offer health insurance to their employees will help insure more Kansans. This coupled with high deductibles can create an affordable plan for those currently uninsured. These plans can currently be structured and offered through the Kansas Business Health Partnership.

2. **Authorize broader approval discretion for more flexible plan design—**
Currently, the Insurance Department has relied on statutes that limit the approval of certain plan designs to be approved. Legislative changes should be made so that sound, more cost effective, market driven policies can be offered to consumers.
3. **Encourage Administrative Simplification** – Kansas should encourage efforts to simplify health care administrative processes as a way to lower costs to payers. Roughly 25 cents of each health care dollar is spent on administrative overhead. Reducing hassle factors, streamlining policies and procedures, and decreasing nonproductive work should be a focus of improving the health care system. Administrative simplification should include harmonizing business practices (billing, claims, computer systems and communication) so that providers and payers can interact cost effectively.
4. **Adopt the Consumer Right to Know Act** -- Cost and quality information from all types of doctors, hospitals, procedures and pharmaceuticals is already collected by the State of Kansas, the Insurance Department and Kansas companies and should be organized in a useable form so that patients can make educated decisions about their health care options in Kansas.
5. **Promote Health Savings Accounts** – Promote the use of HSA's as a way of controlling health care costs to companies and individuals. HSA's will help employees control their own health care costs and become more efficient and effective users of the health insurance system.
6. **Expand Consumer Education** -- Kansas should make sure health care consumers have ready access to health education and consumer information. When consumers have access to sufficient information they can make more intelligent choices. State health education programs should be strengthened to emphasize personal responsibility for important lifestyle choices. They should also help consumers learn about various treatments and insurance options, and the qualifications, performance, and cost records of medical care providers.
7. **Encourage Long-Term Care Insurance** -- Kansas should create incentives that encourage companies to offer and encourage individuals to purchase long-term care insurance.

Tort Reform

The litigation environment in a state affects business investment decisions and plays a large role in the cost and affordability of health care. The Kansas Chamber supports

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litigation reforms that reduce the cost of doing business as well as health care costs for all companies.

- **Conduct and Publish Judicial Evaluations.** The Judicial Branch of government makes decisions everyday that affect the business climate in Kansas. To shed light on the Kansas Supreme Court and the Kansas Court of Appeals, the Kansas Chamber will publish an evaluation that will rate the Judges and Justices and determine if they are legal expanders or follow the letter of the law.
- **Modify the Common Law Collateral Source Rule.** The collateral source rule of the common law says that evidence may not be admitted at trial to show that plaintiffs' losses have been compensated from other sources, such as plaintiffs' insurance, or workers compensation. As a result, 35% of total payments to medical malpractice claimants are for expenses already paid from other sources. The Chamber encourages Kansas to join the ranks of the twenty-five states have modified or abolished the collateral source rule.
- **Enact Sound Science Reform.** Sound Science Reform will ensure that state courts follow the same guidelines as federal courts in admitting expert opinions about scientific and technical evidence. By ensuring that the federal and state standards are similar, the change will prevent forum shopping and overburdening state courts with cases that involve so-called "junk science" that would not pass muster in the federal system.
- **Promote the Commonsense Consumption Act.** The Commonsense Consumption Act clarifies that food suppliers are not liable for health conditions that flow from long-term food consumption except under specific situations. The Act also includes procedural provisions that require a court to make a determination of the likelihood the suit is one in which a food supplier is potentially liable, thus preventing the unnecessary expenditure of resources on plainly frivolous claims.
- **Advocate for Appeal Bond Reform.** While many large verdicts are overturned or reduced on appeal, defendants in many states are required to post an appeal bond sometimes equal to 150 percent of the verdict in question. In an era where billion-dollar verdicts are common, appealing an outrageous verdict can force a company or an industry into bankruptcy. Appeal bond waiver legislation limits the size of an appeal bond when a company is not liquidating its assets or attempting to flee from justice.

Business Taxes

The Kansas Chamber supports a fair and stable tax environment that promotes the success and growth of Kansas businesses.

- **Enact Tax Study Commission.** The Kansas Chamber encourages a study of the tax environment in Kansas, focusing on business taxes and tax credits. We encourage the legislature to undertake a full and comprehensive look at the tax structure in Kansas and if it helps or hinders business growth and expansion.

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- **Simplify Economic Development Tax Credits.** The Kansas Chamber will work with the Department of Revenue and the Department of Commerce to streamline the current tax credit system for job growth and expansion.
- **Repeal the Estate/Death Tax.** The Kansas estate tax is often an obstacle for small business owners who want to pass down their business to family members. A family-owned business stands to lose 55% of all its assets when it passes from one generation to the next. Because of this tax, 70% of families choose to cash out or abandon their business after one generation and only 13% of businesses survive into a third generation. The Kansas Chamber supports repeal of the estate tax so that the penalty for passing down a family owned businesses is removed in Kansas.
- **Promote a Constitutional Amendment for Property Tax Relief.** The tax on machinery and equipment has been a source of concern for Kansas business for many years. In Kansas, machinery and equipment is assessed at 25% of market value when new, less depreciation. In 1998, the Kansas Legislature passed a 15% refundable income tax credit for property taxes paid on business machinery and equipment. This tax credit will be increased to 25% over the next few years. A 1997 report by Kansas, Inc. indicates that a 50% reduction in machinery and equipment property tax would create over 2,500 new jobs in Kansas and boost state personal income by \$59 million in its first year of implementation. The Kansas Chamber proposes a constitutional amendment to change the assessed valuation on this tax on business growth and investment.
- **Support the Streamlined Sales Tax.** The Kansas Chamber will continue to support the Streamlined Sales Tax Project while taking into consideration the effect the destination sourcing requirements has on small retailers in Kansas.

Enact Workers Compensation Reform

The Kansas Chamber will again advocate for improvements in workers' compensation system. In Kansas, workplaces have gotten safer while attorney involvement has increased. The Kansas Chamber will work on ways to ensure that the injured worker receives the maximum amount of his workers compensation payments or settlement.

- **Reform the Date of Accident Definition.** Determining a date of accident for a traumatic injury is a simple process. However, it is a challenge in non-traumatic injury cases such as back injuries or carpal tunnel injuries. The Kansas Chamber supports establishing in law, a date of accident in non-traumatic injury cases.
- **Limit Attorney Fees.** While litigation of workers compensation claims may be inevitable in certain situations, cases involving attorneys tend to delay the prompt delivery of care and compensation to the injured worker. The Kansas Chamber will support legislation to limit the amount an attorney can receive in compensation above a settlement offer by the employer, thus encouraging fair settlements and prompt resolution of claims.

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- **Examine Benefit Increases.** The Kansas Chamber will continue to look into benefit increases that help the injured worker that will not overburden Kansas employers.

Reduce Unemployment Compensation Costs

Unemployment compensation taxes will increase again this year. This is a tax increase on employers in which the legislature does not vote, but is dictated by state statute. Rates will go up for all employers and there will be more employers will be paying the maximum UC tax rate for the next year. The Kansas Chamber proposes changes that better defines when an employee is eligible for benefits so that the system is fair for employers and employees and costs are mitigated where ever possible.

Maintain Current Economic Development Incentives

Economic Development incentives are important tools as businesses grow and expand. The Kansas Chamber will work to ensure that current benefits are maintained, work to streamline the economic development tax credit process, support the sale of tax credits and work with coalitions to preserve the state's eminent domain powers.

Continue Fighting the War on Red Tape

Even though the Kansas Legislature only meets to pass laws for a few months of each year, regulators from the agencies of the Executive branch of government are on the job year round. The rules and regulations issued by government bureaucracies have a profound effect on the costs of doing business in Kansas. The Kansas Chamber's War on Red Tape sheds light and heart on the regulations that don't make sense.

Maintain our Consistent Support of a Well Educated Workforce

The Kansas Chamber has a long history of supporting public education in Kansas. The key to a well-trained workforce is a good education system. The Kansas Chamber is for efficiency in the school systems, supports the Governor's Efficiency Audit Taskforce, is for getting more money into the classrooms and supports transparency in school budgeting. The Kansas Chamber has been a consistent supporter of a high quality education system in Kansas and will continue to ensure that the Kansas workforce is well trained, educated and an asset for businesses to locate and expand in the state.

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Midwest business index hits year low

Kansas' economic conditions lowest in region during December

By Joe Ruff - Associated Press Writer

Tuesday, January 4, 2005

Omaha, Neb. — The Midwest's manufacturing sector held on strong in December, though seasonal declines in heavy manufacturing pushed it below levels achieved earlier in the year, according to a manufacturing index released Monday. advertisement

The Mid-America Business Conditions Index declined to 59 from November's 63.8, and it was the lowest reading of the year. But it remained well above growth-neutral 50, said Ernie Goss, Creighton University economics professor, who conducts the monthly survey of supply managers and business leaders.

Kansas didn't fare as well as its neighbors. The state's index fell for the fifth straight month to 48.6, the region's lowest, as the Kansas economy posted regional lows for new orders, production and delivery speed.

"Despite somewhat cooler economic conditions in December, surveys over the past several months signal rising growth in Kansas for the first half of 2005," Goss said. "Of course, any significant pullbacks resulting from the Sprint-Nextel merger would alter this."

Nationally, manufacturing activity expanded for the 19th consecutive month in December, suggesting that the industrial sector entered the new year with solid strength behind it.

The Institute for Supply Management said its main index measuring nationwide industrial activity rose to 58.6 in December from 57.8 in November. The December performance was slightly better than expected.

In the Midwest, strong readings for new orders at 61.2 and production at 65.1 were primarily responsible for December's strong reading, Goss said.

The prices-paid index increased to 84.4 from November's 81.4, indicating inflationary pressures that probably would be met with another interest rate increase when the Federal Reserve Board meets in February, Goss said.

Employers in the nine-state region added workers in December, but the pace was down to a reading of 53.8 compared with November's 61.5, Goss said.

Record farm income last year will ripple through the region in the first half of the new year, Goss said.

"For example, 2004 farm implement sales are up more than 30 percent from 2003, according to survey participants in this sector," Goss said. "This growth will be especially important for the nonmetropolitan areas of Kansas, Iowa, Nebraska, North Dakota and South Dakota."

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Kansas population growth among nation's slowest

U.S. Census ranks state 42nd in new estimate

By Joel Mathis, Journal-World

Wednesday, December 22, 2004

Kansas is one of the slowest-growing states in the nation, according to U.S. Census Bureau estimates to be released today.

advertisement



"If you're not growing, you're declining," said Genna Hurd, co-director of the Kansas Center for Community Economic Development at Kansas University.

The state's population grew by just 0.4 percent in the 12 months ended July 1, for only the 42nd-fastest growth rate among the 50 states and District of Columbia.

That trend was in line with other Census estimates showing Kansas had grown by 1.7 percent since 2000, to 2.74 million people from 2.68 million, also 42nd in the nation during that time.

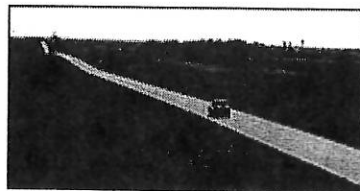
Such slow growth can affect, and be affected by, the state's economy, Hurd said.

"Without population growth, communities face a tightening labor market, lack of new customers for businesses, a shrinking tax base and an overall decline in economic activity," she said.

"Areas of population growth are also areas of economic growth, whereas areas of population loss suffered previous economic decline and restructuring."

Officials said they're working to improve the state's economy and pull more residents to Kansas.

"We will continue to focus on pieces we can truly impact: improving health care for all Kansans, making sure we have a strong education system and by continuing to improve the business climate," said Nicole Corcoran, spokeswoman for Gov. Kathleen Sebelius. "We hope to attract more families to our state for years to come."



Bill Snead/Journal-World
File Photo

With less population in the western half of Kansas, there usually is quite a bit of open road between cities. Highway 255 looks small

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Today's report continues a series of bad demographic reports for the state:

1 The Census Bureau reported last year more people were leaving Kansas than arriving. More than 276,000 people moved to Kansas during the late 1990s, but 284,000 people left for another state.





1 The bureau also reported last year that 77 counties in Kansas were losing population;

only 28 counties were gaining residents, mostly in urban and suburban areas surrounding Kansas City, Topeka and Wichita.

as it cuts through the green countryside between Victoria and Gorham in western Kansas.

In response to such reports, Sen. Sam Brownback has backed the New Homestead Act in Congress, which would offer tax incentives to entrepreneurs willing to make their homes in declining rural areas. Brownback was not available for comment Tuesday.

INTERNET ENHANCED

-  [U.S. population change data \(pdf\)](#)
-  [Kansas loses residents to Missouri \(11-28-03\)](#)
-  [Lawrence, urban areas magnets for rural residents \(4-17-03\)](#)
-  [Kansas Center for Community Economic Development](#)

Today's estimates show Kansas' neighbors are growing a little more quickly. Colorado had a 1.2 percent population increase in the past year, good for 14th-fastest in the nation; Oklahoma had 0.5 percent growth, which ranked 38th. Missouri and Nebraska both grew by 0.6 percent, good for 31st and 35th places.

Nevada, with 4.1 percent growth, was the fastest-growing state in the nation during the last year. Massachusetts actually lost population, according to the bureau, the only state to do so.

Kansas continues to grow, Hurd said, in part simply because births continue to outpace deaths across the

state.

"It appears that Kansas continues to hold its own and is not growing as fast as its surrounding states," she said.

State officials, however, were optimistic the trend would change.

"A study conducted for Forbes this year ranked Kansas as the most business-friendly state in the nation," Corcoran said. "New business means new workers, which translates into new families in our communities, both big and small."

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East has the least

The states with the worst population trends during the year ending July 1, 2004:

State	Percent growth	Rank
Rhode Island	0.4	41
Kansas	0.4	42
Vermont	0.3	43
Michigan	0.3	44
Pennsylvania	0.3	45
West Virginia	0.2	46
Ohio	0.2	47
North Dakota	0.2	48
New York	0.1	49
Massachusetts	-0.1	50
U.S. average	1.0	

Source: U.S. Census Bureau

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