

## 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 18, 2006 in Room 241-N of the Capitol.

All members were present.

## Committee staff present:

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

## Conferees appearing before the committee:

Lew Ebert, President, CEO, Kansas Chamber of Commerce  
John Ostrowski, Attorney, AFL/CIO

## Others attending:

See attached list.

The Chairman asked if anyone wished to introduce bills.

Representative John Grange requested a bill regarding retainage for contractors. Representative Ruff requested a bill regarding workers compensation benefits. Larry McGill, Kansas Association of Insurance Agents, requested a bill regarding deductible that is authorized protection for a catastrophic loss.

The Chairman stated without objection all three bill requests will be accepted.

Lew Ebert, President, CEO, Kansas Chamber of Commerce, gave a briefing on the third annual survey of 300 business owners/executive in Kansas. The surveys were conducted between October 31 and November 3, 2005. The survey reflects how businesses feel about the Kansas economy. While there was a little positive movement from February to November of last year, that trend has begun to reverse itself. The quality of the Kansas workforce is high and the employers recognize that. While concern about energy costs has risen over the past year, taxes remain the top concern. There has also been an increase in those concerned with helping small business and government regulations and mandates. Businesses in Wichita and the West are the most likely to consider leaving Kansas. As has been the case in past surveys, those in the construction, wholesale and retail sectors are the most likely to consider leaving the state – but even 10% of manufacturers and 16% of professional services would also explore this option. Why would businesses consider leaving Kansas? Last year 20% mentioned taxes; this year it is up substantially. A very small percentage of businesses actually increased jobs over the past year. This year's reality does not match last year's expectations. Employment was decreased during the last year in Wichita, Kansas City and Southeast Kansas. Managing health care costs and lowering taxes on business are the most important factors for profitability in business. (See Attachment 1).

John M. Ostrowski, Attorney, Kansas AFL/CIO, gave a briefing regarding workers compensation - 2006. The Kansas AFL/CIO recognizes that Kansas employers must remain "competitive" to enhance job security and job growth for its members. However, it is respectfully suggested that if Kansas employers are not competitive, it is unquestionably not due to the Kansas workers compensation system. Indeed, the Chamber's own membership lists as its top concerns taxes (22%), energy costs (10%), helping small businesses (7%), and government mandates (7%).

It is hoped that it is obvious to even the casual objective observer that Kansas workers deserve better from the workers compensation system. Over the years, the Kansas AFL/CIO, and others, have proposed multiple suggestions for improving the system without driving up premiums. In short, there are "win-win" situations that can serve both employers and employees, Workers Comp Report filed in Chairman's office.

The meeting adjourned at 10:25 a.m. and the next meeting will be January 19, 2006.

COMMERCE AND LABOR COMMITTEE

DATE January 18, 2006

NAME	REPRESENTING
RICHARD THOMAS	KDOL - WC
CAROL CAST	KDOL - WC
JEFF GLENDEN	KS CHAMBER
Scott Heidner	KSIA
DANIEL MAHILL	KAIA
LARRY MAHILL	KAIA
Richard Smalley	Kenney & Assoc.
BRIAN MALONE	KTLA
Jim McHaff	K AFL-CIO
John Ostrowski	AFL-CIO
Wil Linder	Ks. AFL-CIO
Tom Burgess	ASA
Ashley Sherard	Lenexa Chamber
Tom Kumples	KTLA
Jeff/K. Cooper	KTLA - Injured workers -
Rebecca Rice	NE Ks Building & Trades Council
Pat Lehman	KFSA

# A Survey of 300 Business Owners / Executives in Kansas

Margin of error: +/- 5.6%

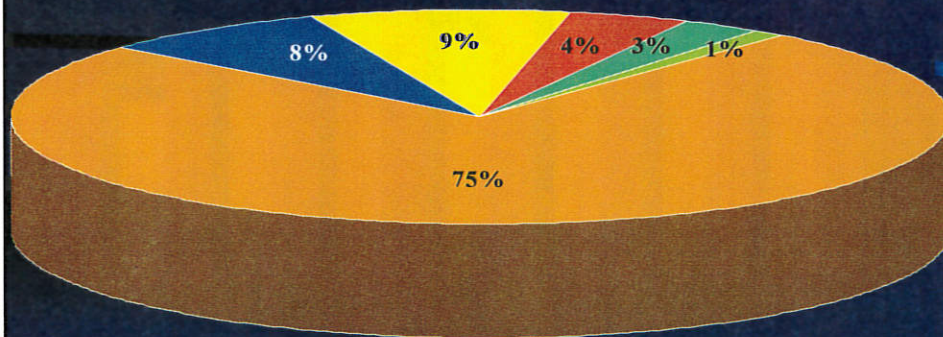
Surveys conducted October 31 – November 3, 2005

by

*Cole, Hargrave  
Sundquist & Associates*

## Number of Employees in Businesses Polled

Less than 10	10 to 20	21 to 50
51 to 100	101 to 500	500+



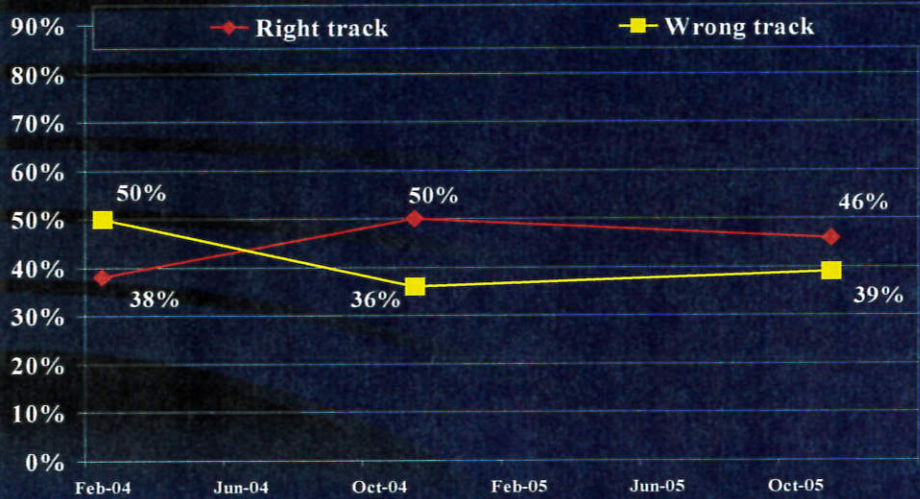
*Cole, Hargrave  
Sundquist & Associates*

Comm & Labor  
1-18-06  
Atch # 1



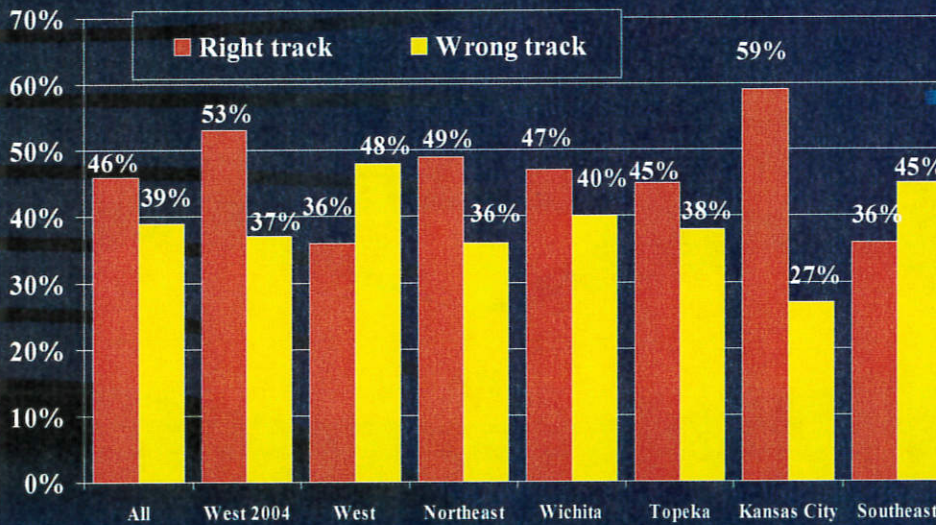
## Right / Wrong Track Kansas Economy Over Time

46% Right track vs. 39% Wrong track vs. 15% Undecided



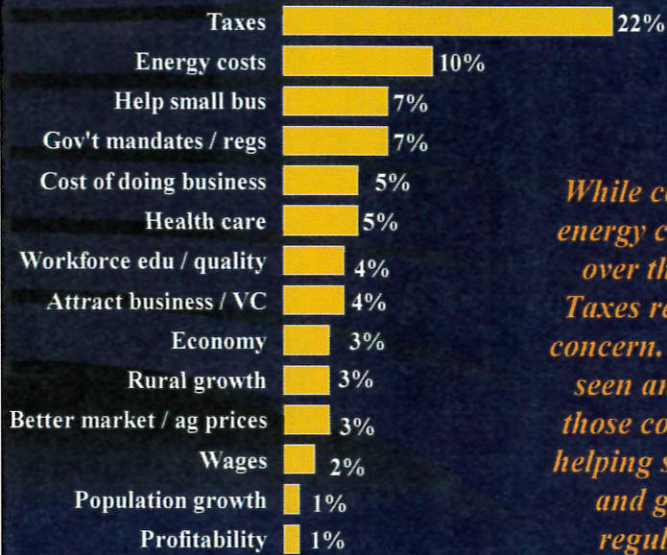
While we saw a little positive movement from February to November of last year, that trend has begun to reverse itself.

## R/W Track Kansas Economy by Area of State



Outlook has dropped most in the West from a year ago (53% Right vs. 37% Wrong). All other regions remain similar.

## Most Important Issue Facing Kansas Business

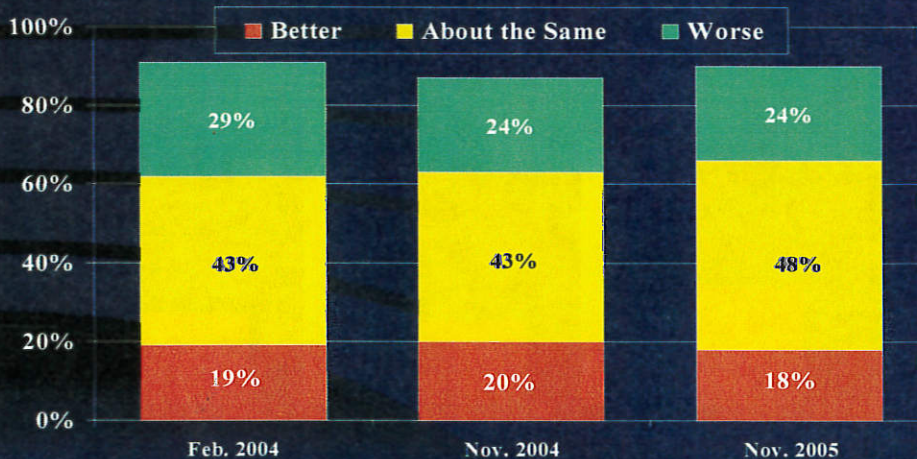


*While concern about energy costs has risen over the past year, Taxes remain the top concern. We have also seen an increase in those concerned with helping small business and government regulations and mandates.*

*Bob Higgins  
Governor's Council*

## Kansas Business Climate vs. Other States

*18% Better than others vs. 24% Worse than others vs. 48% About the same vs. 11% Undecided*

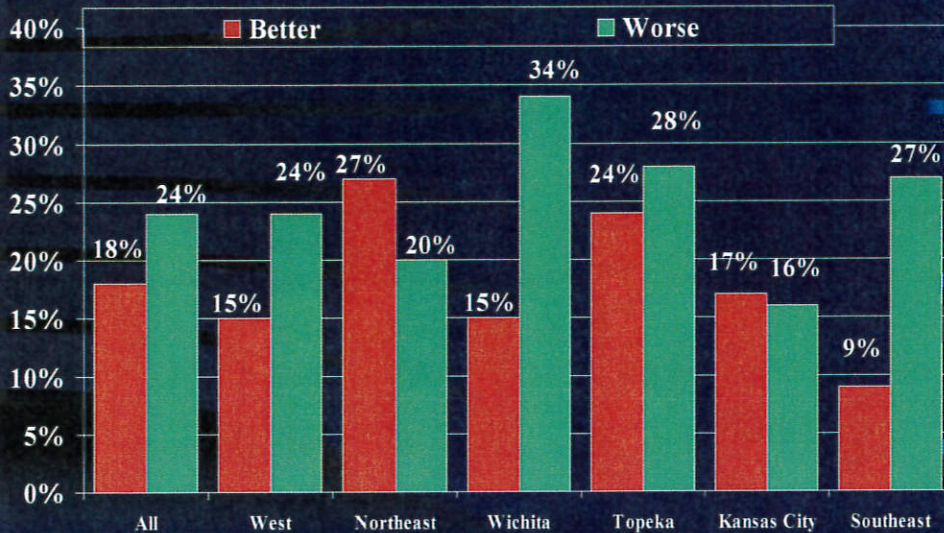


*As has been the case, more CEOs believe the business climate in Kansas is worse than other states than believe it is better than other states.*

*Bob Higgins  
Governor's Council*



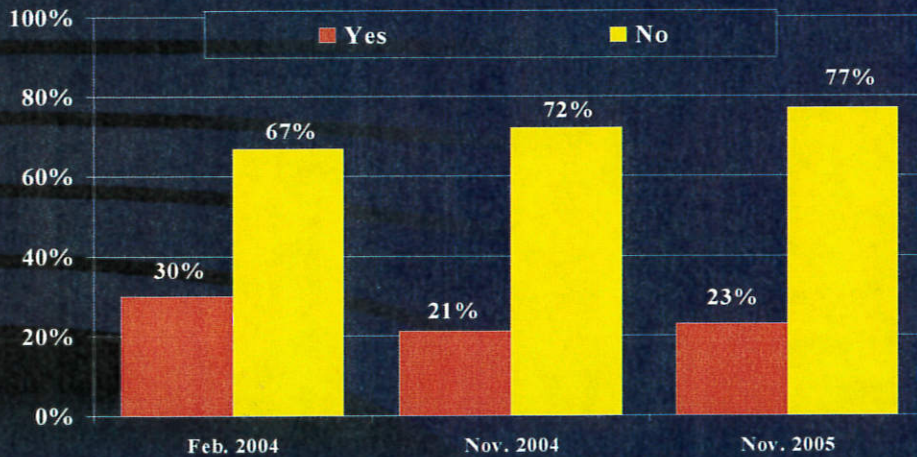
## KS Bus. Climate vs. Others by Area of State



Only in the KC and Topeka areas do more business leaders believe that Kansas is better than believe it worse than in other states. Dissatisfaction is highest in the SE and Wichita areas.

## Consider Leaving Kansas Over Time

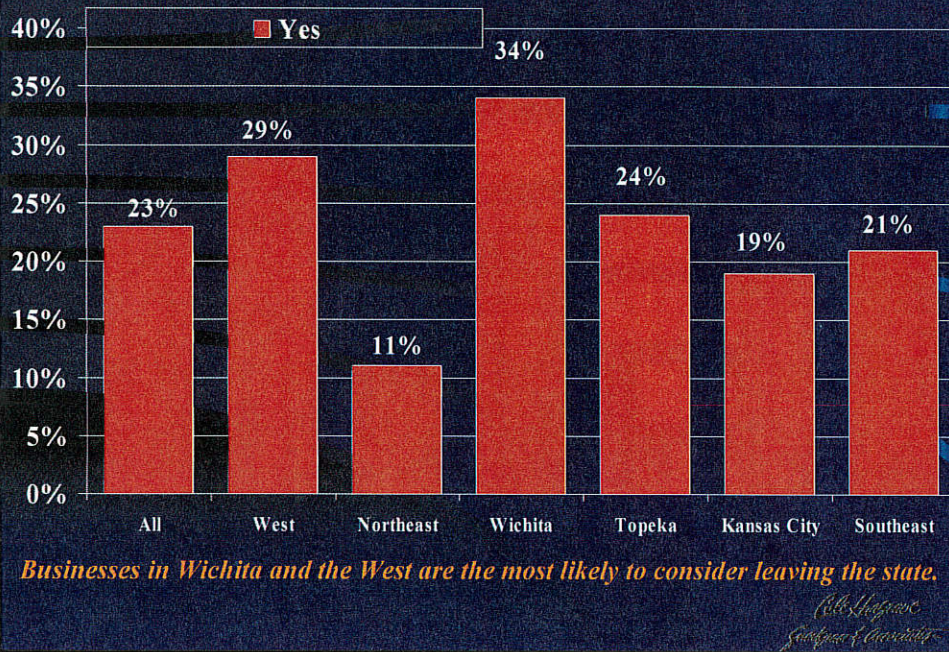
23% Yes vs. 77% No



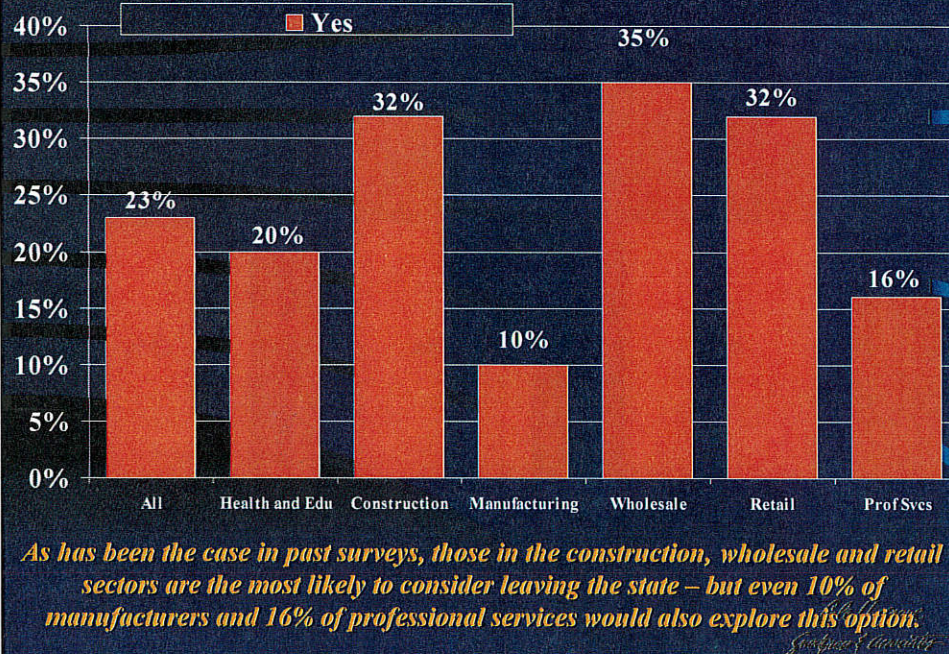
While the percentage saying they would consider leaving Kansas is not as high as February of 2004, it is slightly higher than last November, and still represents almost a quarter of the businesses in Kansas.



## Consider Leaving Kansas by Area of State

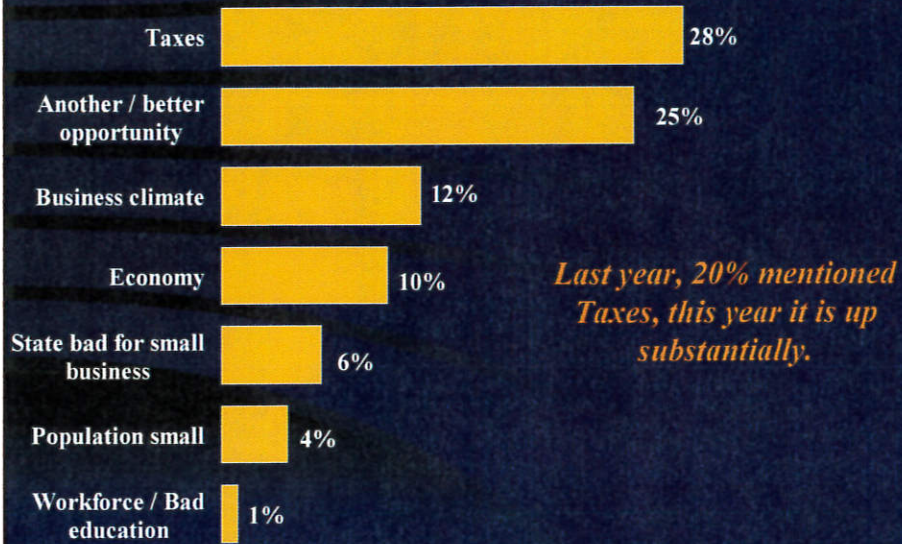


## Consider Leaving Kansas by Industry



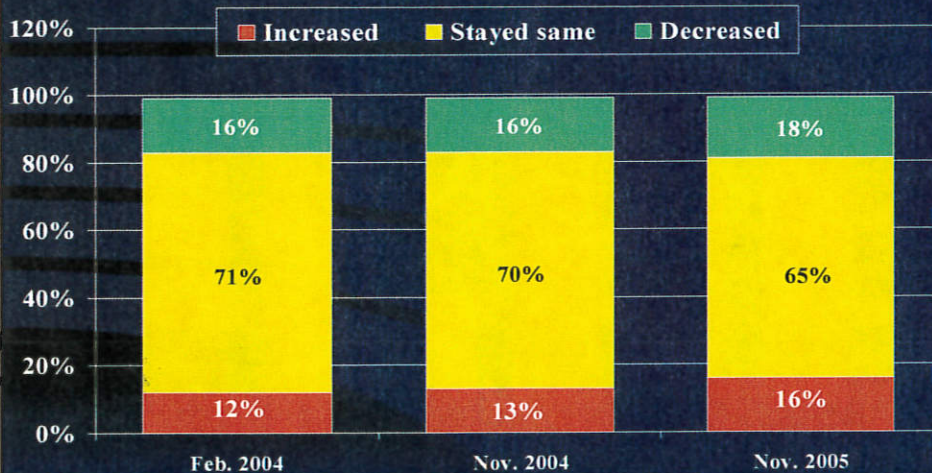


## Why Consider Leaving Kansas?



## Past Year Workforce Size Over Time

*3% Increased substantially vs. 13% Increased moderately vs. 13% Decreased moderately vs. 5% Decreased substantially vs. 65% Stayed about the same*



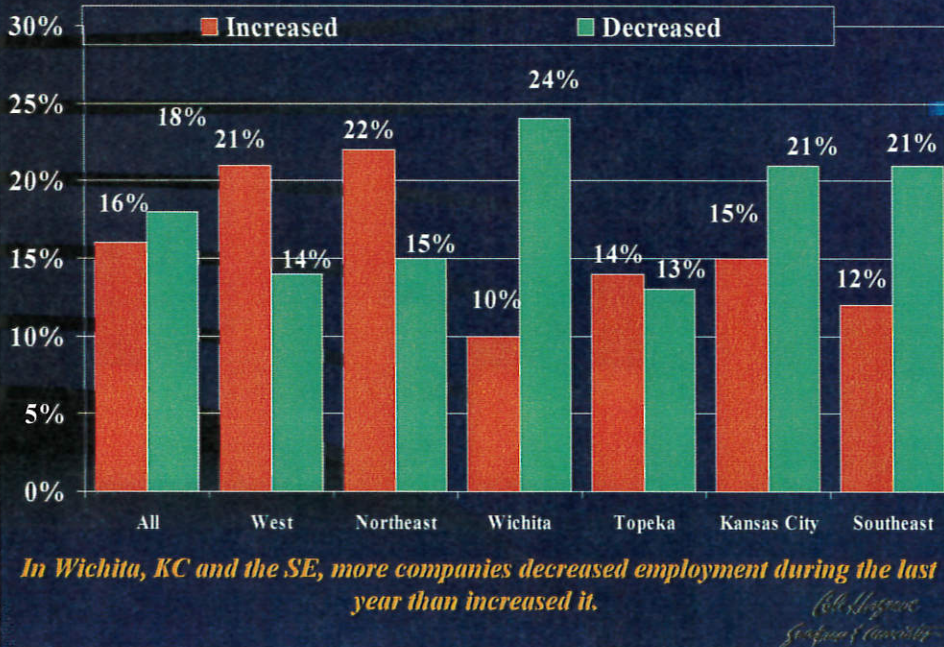
*While the percentage saying they actually increased jobs rose slightly over the past year....*



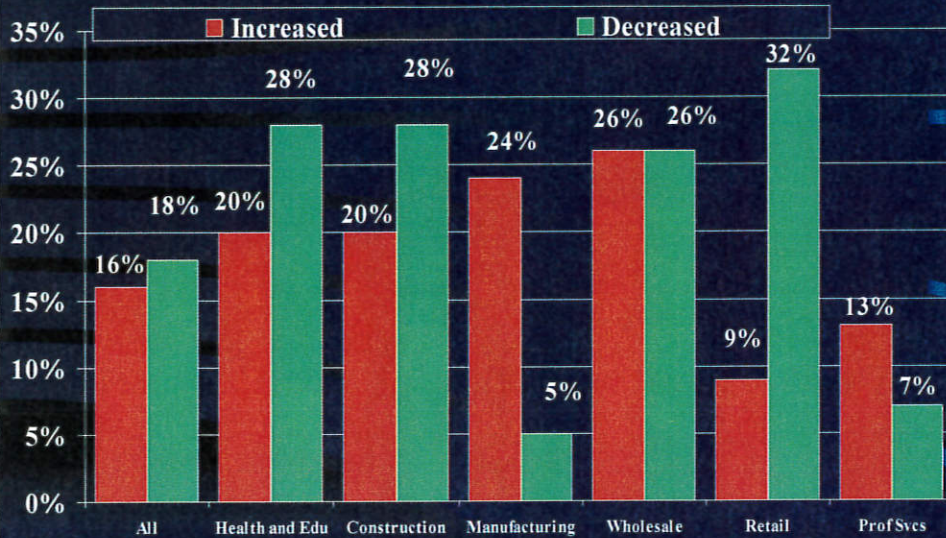
## This Year's Reality Does Not Match Last Year's Expectations



## Past Year Workforce Size by Area of State



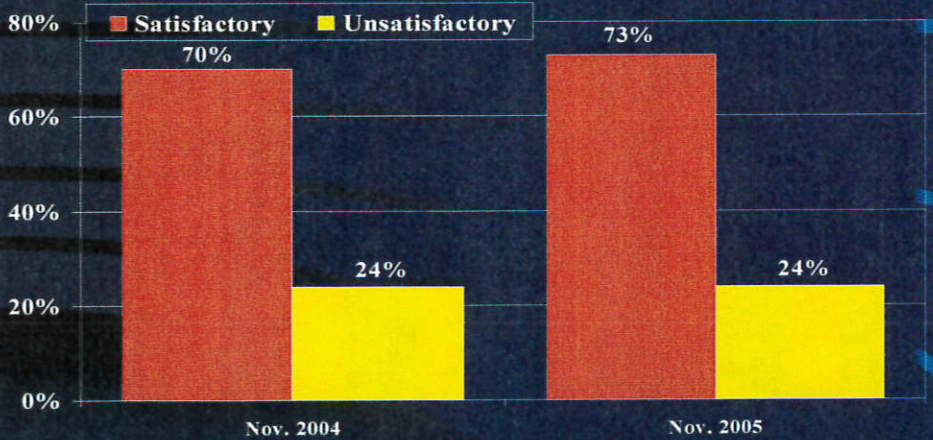
## Past Year Workforce Size by Industry



*Manufacturing bounced back during the past year, and professional services showed modest gains, however, most other areas, especially retail showed substantial decreases.*

## Quality of Kansas Workforce (2004 vs. 2005)

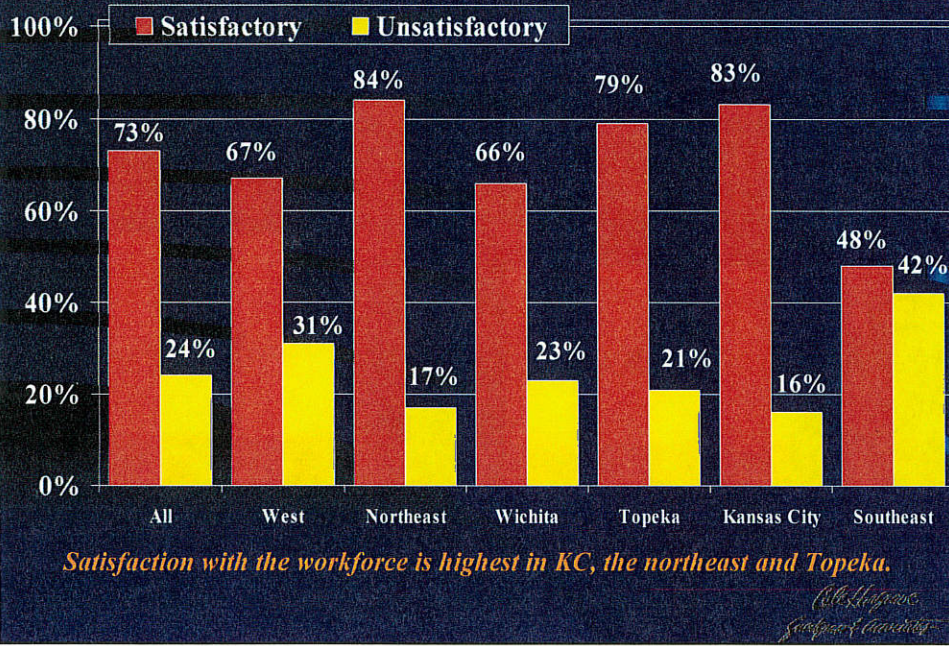
*2005: 24% Very satisfactory vs. 49% Somewhat satisfactory vs. 18% Somewhat unsatisfactory vs. 6% Very unsatisfactory vs. 4% Undecided*



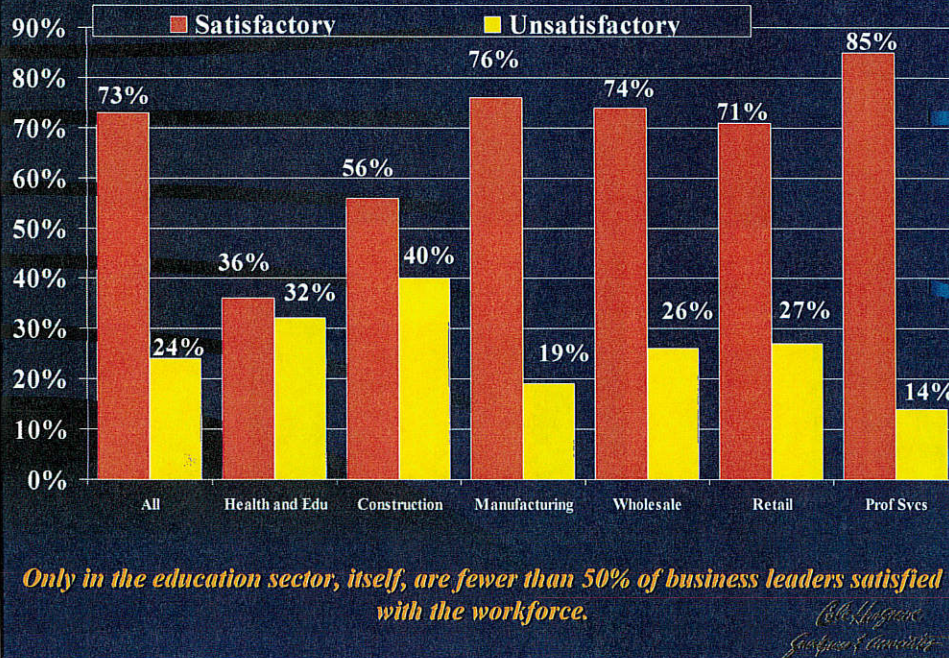
*The vast majority of Kansas business owners have no qualms with the quality of the workforce. In fact, over the past year, their impression has slightly improved.*



## Quality of KS Workforce by Area of State



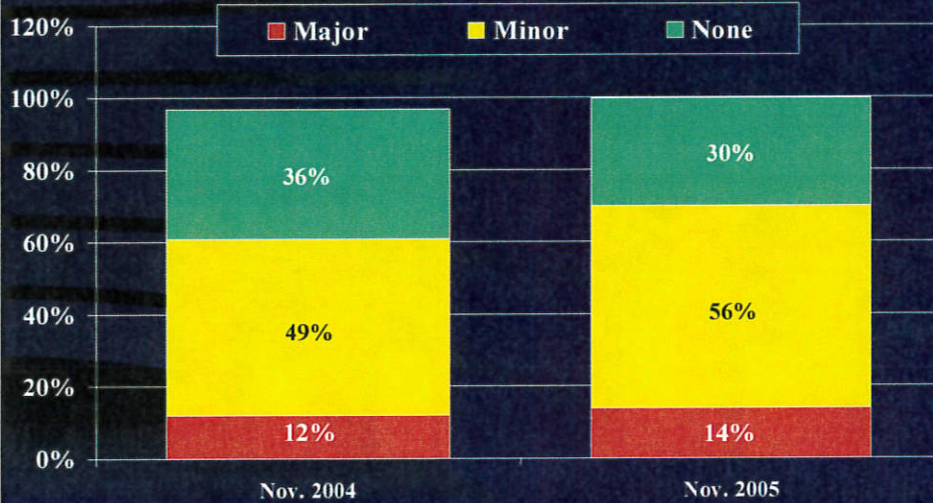
## Quality of Kansas Workforce by Industry





## Size of Capital Investment Next Year (2004 vs. 2005)

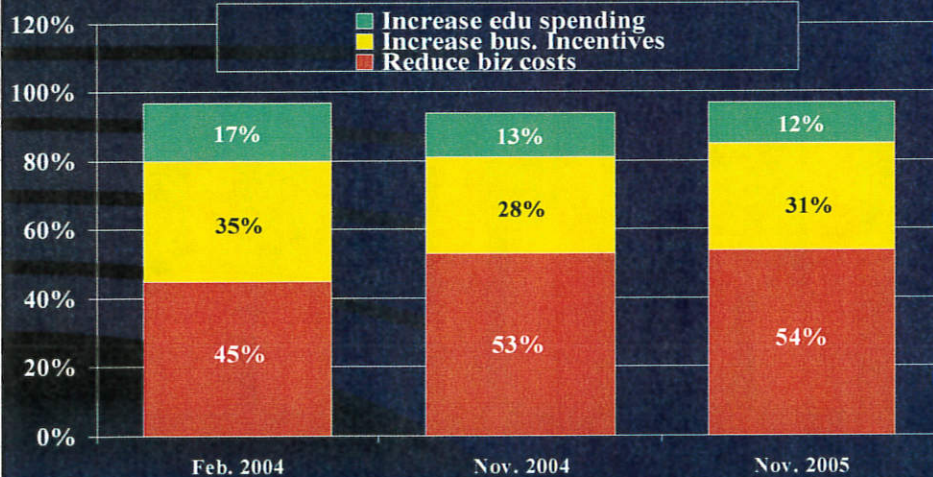
2005: 14% Major investment vs. 56% Minor investments vs. 30% None



There is only slight movement when it comes to the capital investment companies in Kansas plan to make over the next year.

## Best Economic Strategy Over Time

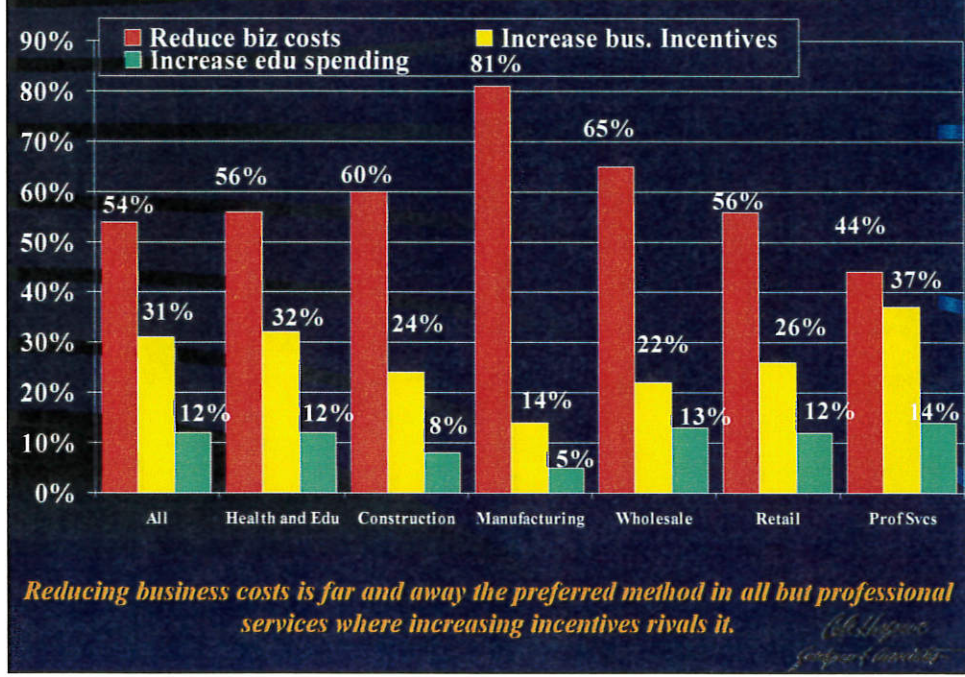
2005: 54% Reducing biz costs vs. 31% Increased incentives for business vs. 12% Increasing public school spending vs. 3% Undecided



A majority of Kansans still believe that reducing the cost of government is the best economic strategy.



## Best Economic Strategy by Industry



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

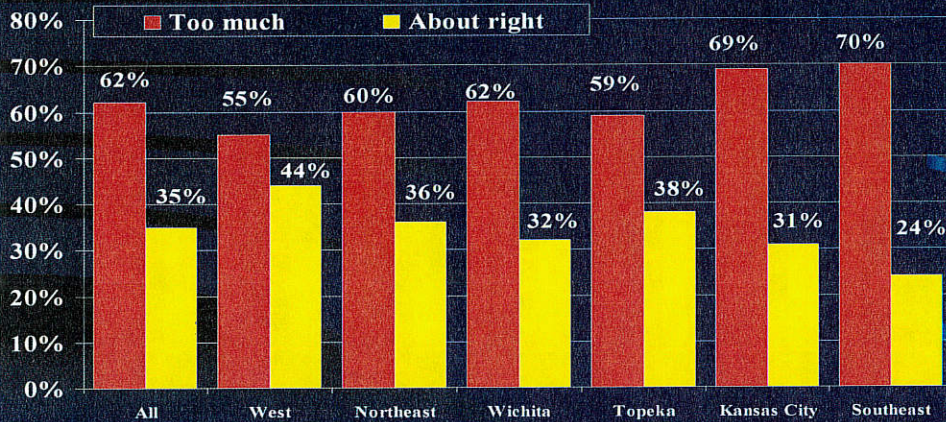
	<u>Today</u>	<u>Nov. 04</u>	<u>Feb. 04</u>
Managing health care costs	46%	42%	61%
Lower taxes on business	39%	38%	40%
Stop frivolous lawsuits/Tort reform	21%	21%	20%
Economic incentives for business	20%	15%	10%
Decrease regulation/mandates	14%	13%	19%
Workers' Compensation	14%	11%	21%
Funding education	NA	11%	NA
Limit growth of state government	10%	8%	6%
Unemployment Compensation	9%	5%	7%

*Col. Higgins  
Georgia Institute of Technology*



## Amount of State / Local Taxes Paid by Area of State

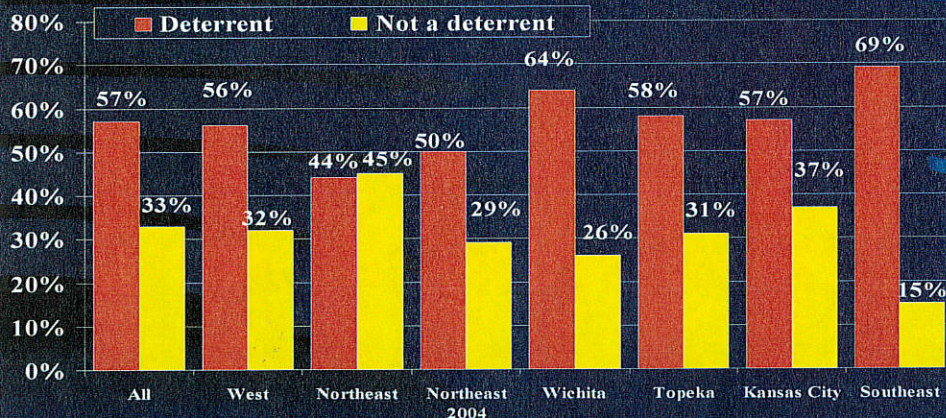
*62% Too much vs. 0% Not enough vs. 35% About the right amount vs. 3% Undecided*



*All areas of the state believe they simply pay too much in taxes.*

## Is the Tax Structure a Deterrent to Growth? by Area of State

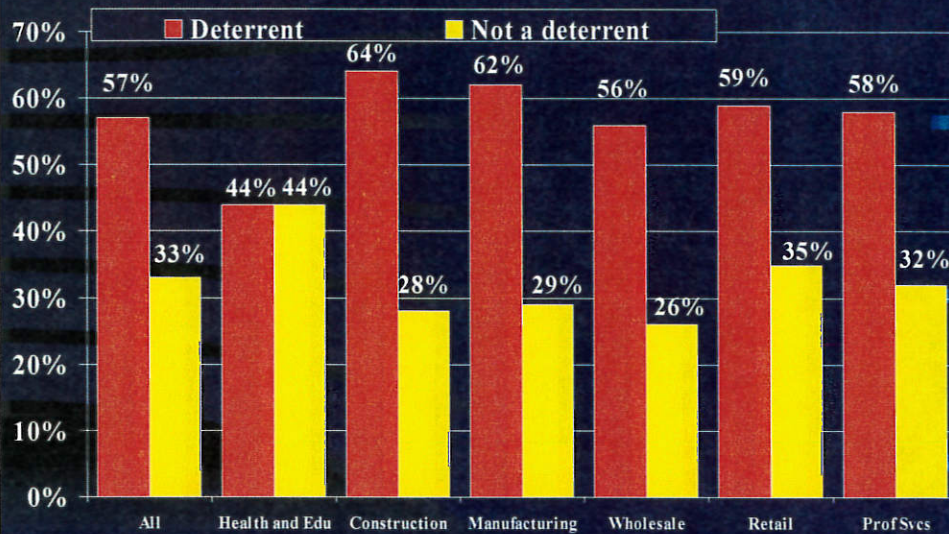
*30% Major deterrent vs. 27% Minor deterrent vs. 33% Not a deterrent vs. 10% Undecided*



*In all but the northeast, a majority of business owners believe that the current tax policy is a deterrent to economic growth.*

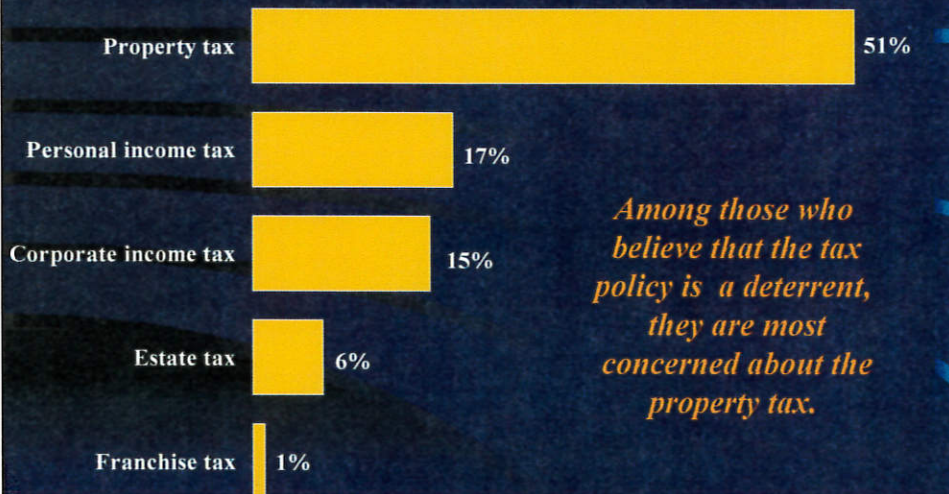


## Taxes Deterrent to Growth by Industry



*Every industry cluster, aside from those in health and education, has a majority of its members believing that believe the current tax policies are a hindrance to job growth.*

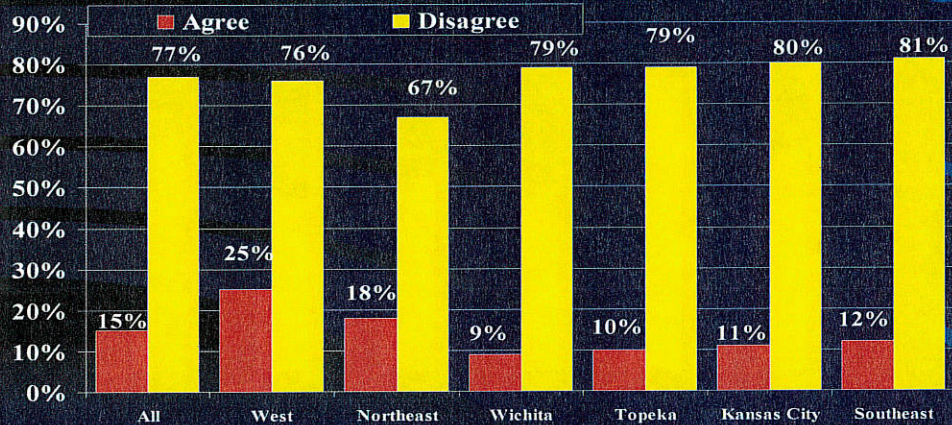
## Which Tax is the Most Punitive to Growth?



*Among those who believe that the tax policy is a deterrent, they are most concerned about the property tax.*

## Agree Kansas is Best Business Climate in America by Area of State

*4% Strongly agree vs. 11% Somewhat agree vs. 38% Somewhat disagree vs. 39% Strongly disagree vs. 8% Undecided*



*Very few business leaders believe this claim.*

*Bill Johnson  
Governor of Kansas*