

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairperson Al Lane at 9:03 a.m. on February 12, 2002 in Room 521-S of the Capitol.

All members were present except: All present

Committee staff present: Jerry Donaldson, Legislative Research
Bob Nugent, Revisor of Statutes
Renaë Jeffries, Revisor of Statutes
Carol Doel, Acting Secretary

Conferees appearing before the committee: Rich Caplan, Northeast Development and Retention Council
Philip Harness, KDHR
Ed O'Malley, Overland Park Chamber of Commerce
Bob Brewer, SPEEA

Others attending:

Representative Grant moved that the minutes of January 16, 22, 23, and 24 be approved. The motion was seconded by Rep. Levinson. Motion carried.

Briefings by Kansas Business and others on the Business/Economic Climate in Kansas

Rich Caplan, Northeast Development and Retention Council, appeared before the committee to update us on how the economy is affecting the work of his council. The number one reason for their success in Johnson County is the school district. It provides a highly educated workforce that is a big help to their economy. Anything the legislature can do to retain the fine educational system is important. One of the things they are worried about is the loss of several million dollars with the possible loss of Waddell and Reed. The company has been located there more than a decade, employs more than 550 people and pays a large amount of corporate income taxes. He brought to the committee a pamphlet, *The Northeast Johnson County Advantage*, that tells about that area of Johnson County. The pamphlet is available from his office at 4720 West 60th Street in Mission, Kansas (66205). He answered many questions about the area and the importance of further development in Johnson County, such as parkland and other development at the Sunflower Ordinance Plant.

Hearing on HB 2729 - Workers compensation; wholly dependent children.

Rep. Lane asked Bob Nugent, Revisor, to change the short title of **HB 2729** to better define the subject of the bill.

Philip Harness, Director of the Division of Workers Compensation, Kansas Department of Human Resources (KDHR), testified as a proponent for **HB 2729**. The bill is a compilation of the items which were passed by the Workers Compensation Advisory Council this year. Mr. Harness explained what the bill accomplishes. (Attachment 1)

Written testimony was passed out to the committee from Terry Humphrey, Executive Director, Kansas Trial Lawyers Association. They have no opposition to the proposed changes. (Attachment 2)

No others were present to testify for or against the bill and Chairman Lane closed the hearing.

Continued briefings by Kansas Businesses and others on the Business/economic Climate in Kansas

Ed O'Malley, Government Relations Manager, Overland Park Chamber of Commerce, brought before the committee an overview of the recent economic trend indicators in Overland Park, the efforts that they are making to help their economy, and the assistance needed by the Kansas Legislature. In Johnson County, their business expansion and relocations are down, their job growth has slightly slowed but their housing market is still strong. (Attachment 3) He concluded his testimony by answering questions from the committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE, at 9:03 a.m. on February 12, 2002 in Room 521-S of the Capitol.

Bob Brewer, Society of Professional Engineering Employees in Aerospace (SPEEA), spoke about the aerospace industry in Wichita and how the lay offs are affecting the employees who have been laid off. He believes that the true picture of the reductions in the workforce is not yet known. In the Wichita area they need more jobs, more money for training, COBRA assistance, and most of all they need the legislature and government/economists to take a realistic look at the problems that they are beginning to encounter in Wichita. (Attachment 4)

Chairman Lane adjourned the meeting at 10:45 a.m.

The next scheduled meeting will be held on February 13, 2002.

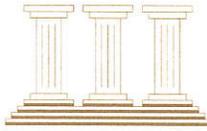
**TESTIMONY BEFORE THE HOUSE BUSINESS,
COMMERCE & LABOR COMMITTEE
ON HOUSE BILL 2729**

By Philip S. Harness
February 12, 2002

House Bill 2729 is a compilation of the items which have passed the Workers Compensation Advisory Council thus far this year.

House Bill 2729 accomplishes four things.

1. **Sections 1 and 3** provide that limited liability company members will be defined the same as individual employers, partners, or self-employed persons, who are not subject to the Workers Compensation Act, but may elect to bring themselves under the act by filing an election to that effect with the Division of Workers Compensation (and purchasing insurance). The limited liability company act formerly contained a provision that limited liability company members would be treated as partners. However, the 1999 revised limited liability company act repealed that provision, leaving nothing in its place. Therefore, a question had arisen as to the appropriate treatment of limited liability company members.
2. **Section 2** provides that persons receiving workers compensation death benefits will continue to be required to file an annual statement with the insurance carrier, self-insured employer, or group-funded workers compensation pool who is paying the death benefits to prove the person's continued eligibility for those benefits. This changes the existing statute wherein the person's annual statement must be filed with both the Director and the payor, and would require the statement to be filed only with the payor. **Section 2** also rewords, but does not change the law of the eligibility for a "wholly dependent child" of the deceased employee to receive compensation.
3. **Section 4** provides that the Division of Workers Compensation records that are open to public inspection will no longer include an individual's social security number unless the requester meets the criteria set forth in subsections (A) through (G). Also the record of requests shall likewise not include social security numbers.
4. **Section 5** provides that the Secretary of Revenue will be required to disclose the Division of Workers Compensation names, addresses, and social security numbers of individual income tax payers for use in verifying information in the Division database.



KANSAS TRIAL LAWYERS ASSOCIATION

Lawyers Representing Consumers

TO: Members of the House Business, Commerce & Labor Committee

FROM: Terry Humphrey, Executive Director
Kansas Trial Lawyers Association

RE: 2002 HB 2729

DATE: Feb. 12, 2002

Chairman Lane and members of the House Business, Commerce & Labor Committee, thank you for the opportunity to submit our written comments regarding HB 2729.

We have reviewed this bill and have no opposition to the proposed changes. We understand that these are primarily technical changes that have been approved by the Workers Compensation Advisory Council.

Again, we appreciate the Committee's consideration of our comments.

House Business, Commerce & Labor Committee
2-12-2002
Attachment 2

Terry Humphrey, Executive Director

Jayhawk Tower • 700 SW Jackson, Suite 706 • Topeka, Kansas 66603-3758 • 785.232.7756 • Fax 785.232.7730

E-Mail: triallaw@ink.org



Testimony for the House Business, Commerce and Labor Committee – Feb. 12, 2002

**Ed O'Malley, Government Relations Manager
Overland Park Chamber of Commerce**

I. Recent Economic Trend Indicators of Overland Park, Johnson County

- Commercial office space vacancy rate increased
- Appraisals on commercial office and industrial property will decline
- Residential appraisals will grow slower
- Tech industry hit hard in early 2001
- Unemployment rate has increased
- Sprint layoffs/impact still to come
- Flat sales tax revenue at local levels
- Small business outlook good
- Housing market strong
- Hotel occupancy rebounds
- Diversified economy

II. Overland Park Chamber/Community Efforts

- Planning for the future/Strategic Goals/Infrastructure Investment
- Small business survival programs
- Major expansion and relocation activity
- External marketing efforts enhanced

III. Assistance Needed by the Kansas Legislature

- K-12 education
- Kansas Economic Action Plan
- 1999 transportation program
- Stability, predictability and fairness
- Kansas tax policy on mutual fund companies

House Business, Commerce & Labor Committee

2-12-2002

Attachment 3

**Testimony for the House Business, Commerce and Labor Committee
January 31, 2002**

**Ed O'Malley
Government Relations Manager
Overland Park Chamber of Commerce**

Mr. Chairman and members of the committee, my name is Ed O'Malley. I am the Government Relations Manager for the Overland Park Chamber of Commerce. I appreciate the opportunity to speak with you about the Overland Park and Johnson County economy. Our chamber is made up of over 1000 businesses, 80% of which have 50 or fewer employees. The city of Overland Park has a nighttime population of just over 150,000 and a daytime population of 400,000 workers and shoppers.

When compared to national economic trends and even state trends, Overland Park and Johnson County have historically seen softer and shorter recession times. With this in mind, Overland Park and Johnson County have survived better than many other communities during this most recent economic downturn. However, we are not without our share of challenges.

Overall, the Johnson County economy is a mixed bag – our business expansion and relocations are down, our job growth has slightly slowed and our housing market is still strong. By way of example, let me highlight some of our recent economic indicators:

- In 2000, 5% of commercial office space was vacant. In 2001 it was 11%. This can be attributed to slight overbuilding during the recent economic boom, downsizing or closure of tech companies, layoffs and the decision to postpone expansions and relocations after September 11th.
- For the first time since we began annual reappraisals in 1989, commercial office and industrial property values will decline.
- Residential appraisals will grow only 4-5%, rather than the more typical 12%.

- Early in 2001, nearly 1000 very high wage tech jobs were lost in Overland Park due to the national downturn in that industry that resulted in three major employers going out of business (PVI, I-Travel and Netsales).
- Unemployment has risen from an all time low in 1999 of 1.6% to recent highs of 3.3 % in Overland Park.
- We experienced our first major layoffs, and although they held off longer than most in the telecommunication world, Sprint layoffs totaled 3000 very well paid workers in the KC Metro area, most of those in Johnson County and Overland Park. Economic studies show for every one lost headquarters or high-tech job, three other jobs are lost in the community.
- With fewer shoppers on the streets and in the malls, Overland Park's sales tax revenue has remained flat the last two years at \$3.1 billion. This is attributed to not only the economy but also more retail competition in the Kansas City metro area. Fifty percent of Overland Park sales tax revenue comes from people who live outside of Overland Park. Twenty-two percent of sales tax revenue comes from people who live outside of Kansas.
- Over 150 small businesses surveyed in the last quarter of 2001 indicated significant numbers of small businesses optimistic about the future and their plans for growth.
- The demand for new single and multi-family housing units continues to grow. New single-family building permits saw an increase of 15% in 2001 over 2000, while demand for multi-family housing units has slowed due to the recent completion of several projects.
- Occupancy rates for Johnson County hotels dropped 15% after September 11th. Fortunately, the hotels are beginning to rebound. Unlike many cities, the majority of our two million annual visitors travel by car. Corporate clients make up 60% of all hotel occupancy in Johnson County.

Overall and relative to the nation's economy, the Overland Park and Johnson County economy continues to be healthy. Our housing market is strong. Our office sector and

job growth have taken a small hit. Our high quality of life has helped create and maintain a diversified economy. When one sector suffers, such as technology, our economy is diversified enough to absorb the hit and be relatively healthy.

What are we doing to overcome the economic hurdles facing Overland Park? A few highlights include:

- The needs of our business community have shifted over the last few years from workforce development to job and business creation. Workforce development will always be a priority, but now our members want us to focus on creating jobs and bringing in new business. Everything we are doing is focused on the creation and retention of quality jobs in our community.
- Planning for the future. The chamber and city have recently completed a business horizon scan to help identify opportunities beneficial to our economy. This includes an in-depth look at current strengths and future possibilities, such as Overland Park's contribution to the life science initiative.
- Providing a Small Business Institute for our members. This series of free information and instructional seminars to assist small business survival has been well attended and appreciated by our members.
- Continuing to pursue major expansions and relocations. In 2001, the Overland Park Economic Development Council was heavily involved in expansions and relocations for companies such as Midland Loan, Lathrop and Gage, Carter Petroleum and Nortel Networks, which account for over 700 new jobs. These projects would not have happened without assistance from the Kansas Department of Commerce and Housing and the economic development incentives offered by Kansas.
- Significant increase in external marketing efforts, such as trade shows and relocation consultant meetings, which was not a needed priority during good economic times.

The Overland Park Chamber of Commerce will continue to help our businesses succeed. It is good for Overland Park and it is good for Kansas. However, actions by the Kansas Legislature have a profound impact on the success or failure of our members and our efforts to increase the economic base of our city.

- Over the past 10 years we have aggressively pursued a major shift in economic development from attracting companies to attracting quality labor. That skilled labor force demands a high quality of life. K-12 education is the key component to the high quality of life Johnson County and Overland Park are able to provide.

The most important thing the Kansas Legislature could do for our members and the Johnson County economy as a whole is to significantly increase funding for K-12 education or allow the people of Johnson County to increase their own taxes to fund the level of education they desire for their children.

Over the last year, Overland Park has been recognized as the second best city in America to live, best city to raise children, second smartest city in America, one of the ten best cities to do business and one of the ten best cities for women. These awards are based on several different factors; however, the common denominator is our outstanding K-12 education system.

Right now, the largest detriment to our economy is the lack of sufficient funds for K-12 education. Other pieces of our economic development puzzle might be reduced or changed and our members believe Overland Park and Johnson County would continue to excel in creating quality jobs and a healthy economy. However, if the quality of our K-12 education, or even the perceived quality, decreases, our members fear our community will no longer be as economically competitive. This would have a major impact on Johnson County and the entire state of Kansas.

- Many aspects of the Kansas Economic Action Plan, recommended in the Governor's State of the State Address, would help our business community. Specifically, doubling for one year the Enterprise Zone and High Performance Incentive Program tax credits would have a profound impact on economic development, and would be revenue neutral to the state general fund. This economic stimulus package is short, immediate, could allow significant rehiring and is beneficial to small and large businesses. This package is good for Kansas, good for business and good for many people who are looking for a job.
- As with education, transportation is a vital infrastructure need for business to grow. In Overland Park, companies have been making location decisions based on anticipated projects from the 1999 transportation plan. These companies, along with the entire Johnson County business community, hope the Legislature will find a way to follow through on these promised projects.
- To thrive, our business community must be able to plan. Actions by the legislature – such as last session's reduction of the premium tax credit given to the insurance companies just a few years after the initial legislation was passed – can have a profound impact on a business' ability to plan for the future. What may be viewed by some as minor changes to workers' compensation, unemployment compensation insurance, health care insurance or an "inexpensive" mandate can become major challenges to the business community's ability to plan for future growth and opportunity. In other words, in these uncertain economic times, the business community needs stability, predictability, fairness and no surprises.
- During a time when quality job creation and retention is seen as the key to economic recovery, Overland Park is struggling with the Kansas tax policy on mutual fund companies. In short, mutual fund companies headquartered in Kansas must pay income tax on all income, not just income generated in Kansas. This is contrary to the tax policy in many other states, including our neighbor Missouri. Waddell & Reed has publicly stated it is looking to relocate outside of Kansas because of this policy. Waddell & Reed currently employs 600 people in Overland Park with an average salary of \$100,000. Another mutual fund

company would like to move to Overland Park, but will only do so if the tax policy is changed. This company would bring 400 jobs with an average salary of \$100,000.

Mr. Chairman, the Overland Park Chamber of Commerce appreciates being asked to describe the Overland Park and Johnson County economy. As you may suspect, we will be carefully watching these issues for our businesses. We thank you for this opportunity to address the committee.

CERI QuickStat

A Weekly Update of Regional Economic Statistics

County Economic Research Institute, Inc.

11111 W. 95th Street, Suite 210 Overland Park, Kansas 66214

Phone: (913) 599-1616 Fax: (913) 599-0423

Wednesday, February 6, 2002

What 100 New Jobs Mean To The KC Metro Area Economy

One of the most frequently asked questions we receive at CERI relates to the spillover or multiplier effect of new business activity on the local, regional or state economies. With the help of multiplier coefficients created by the U.S. Bureau of Economic Analysis we have developed models that enable us to estimate the induced impacts of new economic activity on the Johnson County, Kansas City and Kansas economies. The following table is an example of the output of these models. It shows the impact of the creation of 100 new jobs in Johnson County in each of the industries listed below on employment throughout the Kansas City Metropolitan Area.

100 New Jobs Created In Following Industry:	Induced Impact In Other Industries (New Jobs)	Total Impact To Metro Economy (New Jobs)
Agricultural Services	125	225
Oil and Gas Extraction	67	167
Construction	140	240
Printing and Publishing	147	247
Manufacturing of Fabricated Metal Products	167	267
Manufacturing of Electronic and Electric Equipment	142	242
Manufacturing of Motor Vehicles and Equipment	389	489
Manufacturing of Instruments and Related Products	152	252
Transportation	145	245
Communications	278	378
Wholesale Trade	140	240
Retail Trade	55	155
Finance	163	263
Insurance	194	294
Real Estate	214	314
Hotels and Other Lodging Places	76	176
Recreation Services and Motion Pictures	76	176
Business Services	95	195
Health Services	99	199
Eating and Drinking Places	47	147

Sprint units still taking it on chin
Stocks drop further after earnings
news

Sprint chief discusses layoffs, program cuts and the future

**For sale:
Internet
company
NetSales**

Overland Park firm
was trailblazer
in area e-commerce

**6,000 folks: That's a lot of
adjusting**

Micro Center
will close
OP office

**Lucent lays off
35 employees
in Merriam**

La Petite jobs toddling to
Chicago

Yellow Freight's earnings
and revenue drop

Investment bank office closes

**Local contracting
companies feeling pain
of Sprint layoffs**

W&R good-bye?

W&R may say so-long to Kansas

**Blackwell Sanders
consolidation may open up
Corporate Woods space**

February 12, 2002

Subject: Kansas Economic Issues

I am here today to express my concerns over some of the testimony that has been presented to Congress regarding the economic issues in Sedgwick County. It is my understanding that certain testimony has been given as to how the current downsizing activity by several companies in the Wichita area is very positive for the unemployment market. I do not believe that anyone who is providing these statements has a full understanding of the impact and the overall conditions that will be in place when the surplus activity is completed. According to the Wichita Eagle Sunday's edition from February 10, 2002, the four major aerospace companies in Wichita have announced job cuts to total approximately 8,000. Additional data shows us that roughly 1.7, almost two jobs are lost in the community for each person laid-off from our aerospace companies. This could equate to almost 22,000 jobs being lost in the Wichita area by the end of 2002. Many people outside the Boeing Company believe that the reductions in workforce are a direct result of the September 11th tragedy, however I know for a fact that 15%-20% reductions were already scheduled before the tragedy occurred.

Many of the 8,000 aerospace employees being laid-off will have rights to a severance package, along with unemployment insurance. Because of this, I believe it will be the fourth quarter of 2002 before the local economy sees the full impact of the unemployment problems that are hitting the Wichita area. This will not be a period long enough to see the aerospace companies in a hiring mode. The Boeing Company has projected that it will be at least two to three years before their commercial sales will recover, and still there is no way to guarantee that any of these laid-off workers will ever return to the Boeing Company. Boeing has taken a firm stance on globalization, and in an ever-increasing globalization effort, the company is outsourcing many jobs to foreign companies. Boeing eliminated the BAS organization in Wichita, which employed roughly 1500 people. The modification work on the 747's was off-loaded to four other countries. A portion of our work is being sent to foreign countries where the future sales of aircraft are expected. At present there are no obligations by the Company to involve the workforce in any of these partnering decisions. As our community goes to the unemployment lines, our jobs are going to foreign countries.

Does this indicate that the unemployment market will be full of technical and skilled workers as result of these lay offs? Absolutely, however if I were to form an opinion of a healthy unemployed workforce, I would not rely solely on this data. Based on this data alone, it would be easy to interpret this as a positive sign for our local communities. I believe there are many larger issues to consider. For instance, how many of the existing jobs available in the Wichita area are related to the aerospace industry? How many of the existing jobs would take a small amount of training to transition into, and how many would take a considerable amount of training to transition into? How many of the jobs

will offer the compensation and benefit packages that these residents of our community have become accustomed to?

The questions I have just laid before you raise serious concerns for our communities. In going through the Wichita Eagle on Sunday, I made some rather alarming realizations. Outside of sales or medical jobs, the eagle had approximately 440 employment opportunities listed. Out of the 440 jobs, only 26 were directly related to manufacturing, production, aircraft, engineering or industrial type jobs that most people will be leaving this year. The majority of the jobs available in this area, listed in Sunday's Eagle were for truck drivers, receptionists, social workers, accountants, auto mechanics, computer technicians retail, construction and restaurant jobs. If all 440 jobs listed were to be filled, what are our plans for the thousands of workers that will still be without employment?

Another alarming fact the Eagle enlightened me on is that the available jobs in the Wichita area have a starting salary anywhere in the range of \$7.00 to \$12.00 per hour. Based on my experience and knowledge of the aerospace industry, the average person being laid off will come from an income of between \$40,000 to \$60,000 per year, and now these people are going to be forced into jobs or \$12.00 per hour or less. The available jobs in Wichita may be paying market related pay to the current market in Wichita, but the families being laid off will not be able to maintain their current living standards with an income in these ranges. If these laid off workers want to continue with their current way of life, they will have to leave the area. I am involved with many of these laid off workers on a daily basis, and they have made it very clear to me, they will be forced to leave the Wichita area in order to find a job that they are qualified for and within the same salary range. What are we going to do to keep these people in the Wichita area? Many of these people are Wichita natives and they do not want to leave this area. Sadly, we are leaving them with no other choice at this point, and furthermore, they will be taking their skill, education, training and experience with them.

In addition to Wichita losing hundreds, possibly even thousands of residents, we need to look at how the loss of 8,000 plus jobs will affect Wichita and the entire economy of Kansas. The state of Kansas is going to lose thousands of dollars in state income tax when people take a vast reduction in wages, and when the people who do not want to take that large reduction in wages move out of the area, they take those tax dollars with them. Additionally, we need to take a look at the impact this is going to have on other jobs in the area. Locally; car sales, home sales and many other retail sales will be greatly impacted due to the lack of dollars available to our community. These aircraft jobs alone generate millions of dollars into our local communities, so the effects of one losing their job does not stop with just them and their family.

Many of the jobs held by people in the aircraft industry have a better than average benefit package, with the understanding that COBRA continuation for employees is offered in the event of a lay off. Many of these newly unemployed people will be looking at COBRA rates of no less than \$650 per month just to keep their families covered by insurance. I think it is very clear to see the problem with this, salaries go down and medical and dental cost jump by hundreds of dollars per month. Not only will medical

costs be going up, but other costs do not disappear in the event of a layoff. Mortgage payments, auto loans, non-medical insurance, all of these must be continued. There will be very little decrease in food, gas and utility costs for these families. Retirement funds will suffer tremendously. How will these people be able to continue to build their retirement funds that many of them have been working their entire career for? Many of our residents may be forced into early withdrawal of their pension funds. Can we really expect these families to stay in Wichita with trends like this? I believe that it is up to each of us to stand up, be accountable, and make a strong statement to these individuals who are going to be facing extreme hardships, not only now, but in the next few years to come.

I have had discussions with Representative Tiarht's office, Senator Brownback's office and Senator Robert's office regarding these issues. We are all in high hopes that the unemployment extension will be passed. Another concern we share, is how do we come up with training dollars that will be needed to re-train these people in other job type markets? At this point there is no money specifically designated to re-training programs in the Wichita area. Also, there are absolutely no plans by our government to monitor and or limit the number of American jobs that are sent overseas. We do not need a "band-aid" fix for these problems, they are real problems and we need real solutions.

In a brief summary, it should be noted that many of the statements made today by myself reflect conversations with many employees that have been laid-off or are at risk of being laid-off. For us to sit here and in n anyway believe that the current and future economic conditions in the Wichita area are being positively affected by the loss of jobs is absolutely ludicrous. It needs to be made clear that we are in a time of desperate needs for the people in our communities. We need more jobs, we need more money for training, we need COBRA assistance and most of all we need you and the government /economists to take a realistic look at the problems that we are just beginning to encounter in Wichita.

Bob Brewer
Contract Administrator
SPEEA

Attached is a statement submitted by Laura Dykstra, current Boeing employee which will address issues she had in a previous lay off from the Boeing Company.

I received my layoff notice around September 10, 1993 and went out the door November 10, 1993. This was at the end of 2 years of people getting laid off at Boeing. When you go out the door at the end of a huge layoff period, it is twice as difficult to get a job. The people that got laid off at the beginning have taken almost all of the jobs that one can make enough money to support oneself on. Most of us, after earning a certain amount for a long time, have bills based on our income. When you go from earning a certain amount to earning 50% of what you were making, it is impossible to even come close to paying the bills. One of the problems that Boeing people face when they get laid off, is that employers do not even want to look at your resume if you have worked at Boeing. They figure that they will train you, Boeing will call you back, and then their training will be for nothing. Co-workers looking for jobs have had the employer tell them that if a manager sees Boeing on your resume, they will not even look at it. I remember saying several times, "even if Boeing were to call me back, it doesn't mean that I would go back." I went to several interviews every week and would hear nothing back. Luckily I did eventually get hired, but making several dollars below what I was making. I did eventually get called back, and did go back to Boeing. As the business I was working at went out of business 2 months later, it was a good decision. However, if I am laid off again, I am sure that will be noted that I was laid off, went to work somewhere else, and then went back to Boeing again. This will make it twice as hard as it was last time to look for a job in case I get laid off again.

Laura Dykstra