

Approved: January 28, 2008

Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on January 24, 2008 in Room 519-S of the Capitol.

All members were present except:

Ron Worley- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department

Ryan Hoffman, Kansas Legislative Research Department

Jason Long, Office of the Revisor of Statutes

Matt Todd, Office of the Revisor of Statutes

Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Stan Ahlerich - Kansas, Inc.

The Chair introduced Stan Ahlerich who offered testimony that highlighted the vision, missions, strategies and recommendations formulated during the Strategic Planning process. (Attachment 1).

He explained that the Plan was a result of a yearlong process, driven by sound, fundamental research and tested with business input throughout the state.

Copies were distributed of the 2007 Kansas Economic Development Strategic Plan. (Attachment 2). Mr. Ahlerich stressed the importance of paying attention of the existing businesses in Kansas, saying that in order to retain these businesses there was a need of giving them the same incentives for remaining in the state as those offered to businesses we are encouraging to come to the state.

A research report of Indicators of the Kansas Economy (IKE) were distributed. (Attachment 3).

Also provided, were copies of and evaluation of the Kansas Department of Commerce prepared for Kansas, Inc. by the Institute for Policy & Social Research of the University of Kansas. (Attachment 4).

Mr. Ahlerich said that the evaluation reached three basic conclusions.

First, they found a preponderance of evidence that Commerce business assistance programs were achieving their stated mission.

Second, was that Commerce's organizational capacity was eroding, which might jeopardize its ability to achieve that mission in the future.

Third, evidence was found of a growing incongruence between the programs and assistance Commerce offers, and the state's economic development needs.

Questions and answers followed.

The meeting was adjourned at 5:00 p.m. The next meeting is scheduled for Monday, January 28, 2008.

Kansas, Inc. Testimony
House Economic Development and Tourism Committee
January 24, 2008
Stan R. Ahlerich, President

Chairperson Gordon, members of the House Economic Development and Tourism Committee, Kansas, Inc. appreciates the opportunity to share with you highlights from the 2007 Kansas Economic Development Strategic Plan, entitled *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance*.

The framework for our testimony will highlight the vision, missions, strategies and recommendations formulated during the Strategic Planning process. This Strategic Plan is the result of a yearlong process, driven by sound, fundamental research and tested with business input throughout the state. Time permitting, we will cover as many aspects of this plan as possible today, and we would be glad to follow up on any part of this plan with your committee during the future.

Following the Strategic Planning process, this plan was designed to be both comprehensive and flexible. The strategies and recommendations outlined in this report identify policy options to build the consensus essential for concerted action on vital economic issues. Kansas, Inc. will continue to promote and educate all interested Kansans regarding the vision, missions, strategies and recommendations set forth in this plan.

This plan may require action in the form of legislation, executive order, agency collaboration, coordination, funding, research, marketing, benchmarking, and various other actions to fulfill the overall vision of the Kansas Economic Development Strategic Plan. As this plan was designed to be both comprehensive and flexible, Kansas, Inc. will provide ongoing benchmarking and analysis to ensure progress towards our overall economic development goals.

Again, thank you for the opportunity and we applaud the common sense approach of your Committee to build prudent policies for our future.

Economic Development & Tourism
Date: 1-24-08
Attachment # 1-

Leveraging our Foundations and Designing the Future:

A Kansas Economic Renaissance

The 2007 Kansas Economic Development Strategic Plan

Co-Chairs

Gene Argo

**Governor
Kathleen Sebelius**

Prepared by



January 2008

Paid for with taxes or public funds

Economic Development & Tourism

Date: 1-24-08

Attachment # 2-1

The Vision

Kansans will notably increase personal and business wealth and improve our quality of life by focusing on our inherent and emerging strengths.

The Missions

Manufacturing – Aerospace and General – Promote the ongoing competitiveness and growth of the manufacturing industry in Kansas.

Rural Development and Agriculture – Enhance the prosperity of rural Kansas by developing innovative solutions that recognize local and regional strengths to ensure the quality of life in rural areas.

Professional, Scientific, and Technical Services – Recognize and support the role of services as a core industry in growing the Kansas economy.

Energy and Natural Resources – Energy – Implement a State Energy Plan that emphasizes growth value to producers and consumers, promotes energy efficiency and conservation, and promotes research and development for alternative energy technology. ***Water*** – Implement a State Water Plan that coordinates the management, conservation and development of water resources by providing recommendations on how the state can best achieve the proper use and control of water resources.

Bioscience – Make Kansas the most desirable state to conduct, facilitate, support, fund and perform bioscience research, development and commercialization, to make Kansas a national leader in bioscience, create new jobs, foster economic growth, advance scientific knowledge and improve the quality of life for the citizens of the State of Kansas.

Business and Tax Climate – Create a tax and regulatory structure that is competitive and conducive for the growth of existing and new businesses of all sizes.

Workforce Development – Create a demand-driven workforce development system that meets the needs of the business community.

Technology and Innovation – Utilize science and technology to leverage and support existing and new economic opportunities.

State Image/Branding – Enhance the marketing/branding of Kansas.

The Strategies

Strategy 1 – Remain competitive in aerospace and general manufacturing through trained talent.

Strategy 2 – Continue commitment to aviation research.

Strategy 3 – Compete for aerospace and general manufacturing expansion projects.

Strategy 4 – Develop incentives for attracting capital investment, job growth, and diversification within the manufacturing sector.

Strategy 5 – Understand the needs and issues of the manufacturing sector in regards to workforce, infrastructure, research and development, and the attraction and retention of manufacturers of all sizes.

Strategy 6 – Create a rural development model that provides a holistic, integrated approach based on four key pillars (capital, access, leadership, and benchmarking). The model should use incentives as the engine that drives integration.

Strategy 7 – Address technology infrastructure needs in rural Kansas, including broadband, Internet access and wireless voice access.

Strategy 8 – Grow existing businesses and encourage the creation of new businesses in rural Kansas.

Strategy 9 – Kansas should remain a leading agricultural state.

Strategy 10 – Ensure all graduates are informed and prepared for professional, scientific, and technical service jobs in Kansas, particularly in STEM (Science, Technology, Engineering, and Math) fields.

Strategy 11 – Differentiate Kansas as an entrepreneurial state and improve capital formation for the service industry.

Strategy 12 – Support and develop tourism in both urban and rural areas.

Strategy 13 – Address the needs of both the military and government services in general.

Strategy 14 – Adopt recommendations specific to economic development brought forth in both the State Energy Plan and the State Water Plan.

Strategy 15 – Kansas will become an energy processor (value-added) in a balanced manner.

Strategy 16 – Recognize the importance of the oil and gas industry to the Kansas economy and continue to support and promote its development.

Strategy 17 – Encourage policies for investment in both traditional and emerging energies that optimize our energy strengths, in the areas of development, conservation, efficiency and renewable energies.

Strategy 18 – Address reservoir and aquifer management and restoration in Kansas.

Strategy 19 – Increase the quantity of high quality bioscience research that has commercial relevance for Kansas.

Strategy 20 – Foster the formation and growth of bioscience startups.

- Strategy 21 – Facilitate bioscience corporate expansion and attract new-to-Kansas bioscience corporate activity that grows and strengthens the function of specific clusters of excellence.**
- Strategy 22 – Develop and enhance partnerships for the growth of biosciences throughout the state.**
- Strategy 23 – Develop and achieve recognizable measures of success in the biosciences.**
- Strategy 24 – Remove barriers and be competitive for capital as it relates to business climate.**
- Strategy 25 – Create the opportunity for more efficient government.**
- Strategy 26 – Reduce state and local regulatory barriers to business.**
- Strategy 27 – Develop a tax structure, incentives, and regulations that are business-friendly and competitive on a local, state, national, and international level.**
- Strategy 28 – Attract and retain national corporate headquarters in Kansas.**
- Strategy 29 – Enhance the structure of the customized training system to meet the immediate specialized needs of businesses.**
- Strategy 30 – Align the education system with the needs of industry through funding incentives and the tangible partnering of state educational institutions with industry opportunities.**
- Strategy 31 – Build capacity by retaining and attracting a skilled and educated workforce.**
- Strategy 32 – Encourage and provide lifelong learning opportunities.**
- Strategy 33 – Address capital formation and access to capital markets on a local, state, and federal level.**
- Strategy 34 – Build a stronger research and development base in Kansas.**
- Strategy 35 – Address technology infrastructure needs throughout the state.**
- Strategy 36 – Establish and maintain a technically-skilled workforce to fulfill the present and future needs of a vital, technology-driven economy.**
- Strategy 37 – Create an enhanced entrepreneurial culture in Kansas.**
- Strategy 38 – Develop a national leadership role in Information Security and Information Assurance.**
- Strategy 39 – Enhance the Kansas Business Center (KBC).**
- Strategy 40 – Support a public/private partnership to brand the State of Kansas incorporating: continuity, measurability, funding, partnerships, and focus.**
- Strategy 41 – Examine the fundamental structure, methodology and level of expenditures spent on economic development from the state level.**
- Strategy 42 – Benchmark economic development information in Kansas.**
- Strategy 43 – Support the core recommendations within Kansas Comprehensive Transportation Plan and their role in economic development efforts.**

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Kansas, Inc. Board of Directors

Created by the Legislature in 1986, Kansas, Inc. is an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing competitiveness for economic growth. To attain our mission, Kansas, Inc. undertakes these primary activities: 1) Identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas; 2) To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies; 3) Through collaboration and outreach with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark development efforts in the State of Kansas.

Co-Chaired by the Governor, Kansas, Inc. is governed by a 17-member Board of Directors. Board members, as mandated by legislation, include four members of Legislative leadership, a representative from the Board of Regents, the Secretary of Commerce, the Commanding General of the Kansas Cavalry, a representative from labor, and eight other members from the private sector representing key Kansas industrial sectors. Private sector members are appointed by the Governor and confirmed by the Kansas Senate.

Through analysis and open dialogue, Kansas, Inc. identifies policy options and builds the consensus essential for concerted action on vital economic issues. Kansas, Inc. is designed to be a public-private partnership with expectations that state investments are leveraged with other funds to maintain a strong research portfolio.

Co-Chairs

Governor Kathleen Sebelius
Topeka

Gene Argo
American Rodeo Company, Hays

Members

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**** Sen. David Wysong**
State Senator, Mission Hills

* denotes members who left the Board during the Strategic Planning process.

** denotes members who were appointed to the Board during the Strategic Planning process.

List of Participants

Strategic Planning Steering Committee

Gene Argo, Owner, Mid-America Rodeo Company, LLC, Hays

John Armbrust, Executive Director, Governor's Military Council, Manhattan

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State Senator, Frontenac

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Dr. Jerry Farley, President, Washburn University, Topeka

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Joe Harkins, Commissioner, Kansas Corporation Commission, Topeka

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John Moore, National Institute
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Joshua Brown	Kaitlin Jones	Elise Short
Chelsea Chaney	Lacey Keller	Thomas Simms
Ashley Cheffen	Tyresha Lee	Nicole Turner
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Victoria Fort	Leslie McConico	Robert Van Trump
Noah Fuyate	Whitney Philippi	Nick Woolery
Tyler Goetz	Alicia Phillips	John Patrick Warren
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Director of Operations

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Executive Summary

K.S.A. 74-8002 – Kansas, Inc. shall oversee the formulation of economic development policy and strategic planning for the state. . .

In accordance with K.S.A. 74-8002, the 2007 Economic Development Strategic Plan, entitled *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance* provides 43 strategies accomplished through 98 recommendations intended to strategically position Kansas for long-term economic growth.¹ The Strategic Plan is the result of a yearlong process, driven by sound, fundamental research and tested with business input throughout the state. The Executive Summary provides an outline of the vision, missions, strategies, and recommendations.

The Vision

Kansans will notably increase personal and business wealth and improve our quality of life by focusing on our inherent and emerging strengths.

Manufacturing – Aerospace and General

Mission – Promote the ongoing competitiveness and growth of the manufacturing industry in Kansas.

Strategy 1 – Remain competitive in aerospace and general manufacturing through trained talent.

- 1-1 Provide funding and resources to support the state-of-the-art training center currently being constructed (Jabara/National Center for Aviation Training) and its training programs for jobs in Kansas. Recommend the state invest at least \$5.5 million per year for the next six years (\$33.0 million total) in infrastructure, equipment, and curriculum support.
- 1-2 Develop and provide funding for original equipment manufacturers (OEM) and their local suppliers training and retraining efforts. Target a portion of economic development dollars for aviation and manufacturing talent development through a streamlined training fund program geared for today's companies and economy. Through business input, develop a program that assists manufacturing companies train workers through quick state approval and responsive systems.

Strategy 2 – Continue commitment to aviation research.

- 2-1 Continue to support advanced research and development through ongoing funding of \$5.0 million per year to further develop the National Institute for Aviation Research (NIAR) at Wichita State University (WSU) and its proven expertise in existing and new products in aviation technology.

Strategy 3 – Compete for aerospace and general manufacturing expansion projects.

- 3-1 Develop a long-term economic development funding strategy for manufacturing projects. Create a competitive state policy to address major state incentives for jobs and/or facilities for aerospace and manufacturers bringing high-wage jobs and infrastructure to Kansas.

¹ Strategies and recommendations are specifically listed by section and number for the reader's convenience. This order does not imply specific priorities within the plan, as all strategies and recommendations must be evaluated on their own merits.

Strategy 4 – Develop incentives for attracting capital investment, job growth, and diversification within the manufacturing sector.

- 4-1 Develop a business and tax climate, workforce development system, and technology infrastructure to address the needs of both small- and broad-based manufacturers throughout the state.

Strategy 5 – Understand the needs and issues of the manufacturing sector in regards to workforce, infrastructure, research and development, and the attraction and retention of manufacturers of all sizes.

- 5-1 Explore the development of an interactive, electronic portal with the Information Network of Kansas (INK) designed to capture and provide access to information pertinent to the manufacturing sector, in particular allowing both small and large manufacturers, as well as the state, to monitor the sector vitality and better anticipate the needs and issues associated with the sector.

Rural Development and Agriculture

Mission – Enhance the prosperity of rural Kansas by developing innovative solutions recognizing local and regional strengths to ensure the quality of life in rural areas.

Strategy 6 – Create a rural development model that provides a holistic, integrated approach based on four key pillars (capital, access, leadership, and benchmarking). The model should use incentives as the engine that drives integration.

- 6-1 The Office of Rural Opportunity should be restructured and positioned at the highest possible level to become the centerpiece of a new integrated rural development structure. The Office will be recognized as the lead agency for rural development in Kansas with a mission to provide an integrated, coordinated and seamless approach for all rural development initiatives. The Office will develop a transparent, clearly understood methodology built around incentives to drive integration of the key pillars (capital, access, leadership, and benchmarking). Enhanced funding should be provided in the state budget for the administrative requirements of the Office.
- 6-2 Create a Division of Leadership within the Kansas Department of Agriculture, as capacity building or leadership must be a key component of rural development. Funding should be provided in the state budget for the administrative requirements of the Division.
- 6-3 Develop a coordinated incentive structure to reward communities, businesses and individuals for using the new integrated structure. The Office of Rural Opportunity would develop the framework surrounding the incentive structure.
- 6-4 Benchmark our efforts and progress in rural Kansas. Through marketing and awareness, rural areas will increase the visibility of successes and increase the awareness of their business atmosphere and lifestyle.
- 6-5 Enhance funding to \$1.0 million per year for the agricultural loan portfolio within the Department of Commerce.
- 6-6 Utilize and support the potential of Rural Opportunity Zones to play a key role in incentives that would help communities invest in their own future with the state as a partner.

Strategy 7 – Address technology infrastructure needs in rural Kansas, including broadband, Internet access and wireless voice access.

- 7-1 Study, map and enhance the broadband infrastructure of the state. Increase broadband Internet access and the capacity to move large amounts of data securely. Urge the private sector to respond to broadband service gaps as they are identified.
- 7-2 Assure through regulator mechanisms such as eligible telecommunications carrier designation and a tax structure that rewards investment, that wireless coverage is available throughout Kansas.

Strategy 8 – Grow existing businesses and encourage the creation of new businesses in rural Kansas.

- 8-1 Encourage the ongoing use and support of Network Kansas to facilitate entrepreneurship, promote rural outsourcing rather than traditional outsourcing, develop value-added industries based on agricultural commodities, utilize regional strengths and cooperation, and develop proactive business succession efforts.

Strategy 9 – Kansas should remain a leading agricultural state.

- 9-1 Policymakers can encourage state officials, agencies, farm organizations, and commodity groups to continue overseas market development and trade promotion programs.
- 9-2 The state can assist local government in the development of bioterrorism contingency plans that strategize around anticipated disruptions by providing guidance, technical assistance, needed financial resources, and overall coordination between the multiple jurisdictions likely to be involved.
- 9-3 Ensure university research is aligned with ongoing and future opportunities in the application of strategic technologies such as genetic engineering, environmental solutions, and conservation technologies, with the intention to apply or commercialize these opportunities.

Professional, Scientific, and Technical Services

Mission – Recognize and support the role of services as a core industry in growing the Kansas economy.

Strategy 10 – Ensure all graduates are informed and prepared for professional, scientific, and technical service jobs in Kansas, particularly in STEM (Science, Technology, Engineering, and Math) fields.

- 10-1 Develop partnerships between businesses and secondary educational institutions to design curriculum that prepares students for jobs in Kansas. Utilize successful career curriculum alignment programs, such as the Olathe 21st Century High Schools program and design a template for statewide application.
- 10-2 Promote the statewide use and business involvement with the Kansas Career Pipeline to encourage student exploration into careers and educational paths in Kansas. Encourage contact with Kansas businesses through internships and job shadowing.
- 10-3 Incorporate entrepreneurship, leadership, innovation and customer service training into our education system.

Strategy 11 – Differentiate Kansas as an entrepreneurial state and improve capital formation for the service industry.

- 11-1 Embrace technology and innovation to develop entrepreneurial and startup business opportunities in the service industry.

Strategy 12 – Support and develop tourism in both urban and rural areas.

- 12-1 Focus tourism initiatives through an aggressive marketing/branding plan based on both destination tourism and business input.
- 12-2 Devise a dedicated funding stream to assist in developing tourism initiatives on a statewide basis through the collaboration of the state, associations and private industry organizations.

Strategy 13 – Address the needs of both the military and government services in general.

- 13-1 Fund the Governor's Military Council within the state budget at a level of \$500,000 per year. The Council is charged with accommodating all military growth in the state and fostering additional military growth.
- 13-2 Align government employment and compensation to be flexible and competitive with private labor markets.

Energy and Natural Resources

Missions – Energy – Implement a State Energy Plan that emphasizes growth value to producers and consumers; promotes energy efficiency and conservation; and promotes research and development for alternative energy technology. Water – Implement a State Water Plan that coordinates the management, conservation, and development of water resources by providing recommendations on how the state can best achieve the proper use and control of water resources.

Strategy 14 – Adopt recommendations specific to economic development brought forth in both the State Energy Plan and the State Water Plan.

- 14-1 Foster coordination between the State Energy Plan and the State Water Plan.

Strategy 15 - Kansas will become an energy processor (value-added) in a balanced manner.

- 15-1 Production, distribution and wholesale/retail sales must be a key component of our energy portfolio.
- 15-2 While conservation is a key component, we must use current energy assets to build a bridge to future energy opportunities.
- 15-3 Kansas must add value in a collaborative manner in the areas of energy generation, refinery, transmission and storage, specifically addressing oil and natural gas, bio-fuels, wind and nuclear energy.

Strategy 16 – Recognize the importance of the oil and gas industry to the Kansas economy and continue to support and promote its development.

- 16-1 Recommend studying and realigning the property tax credit offset on the severance tax with the goal of maintaining and attracting capital into the oil and gas industry, while maintaining or increasing state revenues.

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Strategy 17 – Encourage policies for investment in both traditional and emerging energies that optimize our energy strengths, in the areas of development, conservation, efficiency and renewable energies.

- 17-1 Develop and coordinate an E-85 distribution structure that would attain a presence throughout Kansas.
- 17-2 Design incentives and policies to encourage research and development for energy and enhanced access to capital for energy development.

Strategy 18 – Address reservoir and aquifer management and restoration in Kansas.

- 18-1 Recognize and develop strategies to address the management and restoration of the state's reservoirs.
- 18-2 Recognize and develop strategies to address the management and restoration of the state's aquifers.

Bioscience

Mission – Make Kansas the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research, development and commercialization, to make Kansas a national leader in bioscience, to create new jobs, foster economic growth, advance the scientific knowledge and improve the quality of life for the citizens of the state of Kansas.

Strategy 19 – Increase the quantity of high quality bioscience research that has commercial relevance for Kansas.

- 19-1 A key role for the Kansas Bioscience Authority (KBA) is to bridge the gap in translating innovation between pure bioscience basic research and the more applied and development-focused technology needs of the state's bioscience industry.

Strategy 20 – Foster the formation and growth of bioscience startups.

- 20-1 The KBA will partner with other economic development organizations to provide one-on-one consulting services to high potential early-stage bioscience companies with the goal of preparing them to raise capital and go to market.

Strategy 21 – Facilitate bioscience corporate expansion and attract new-to-Kansas bioscience corporate activity that grows and strengthens the function of specific clusters of excellence.

- 21-1 Working with its state and local partners, the KBA will facilitate the retention and attraction of bioscience companies in the state.

Strategy 22 – Develop and enhance partnerships for the growth of biosciences throughout the state.

- 22-1 The KBA's motto recognizes that its public, private and academic partners are often at the forefront of efforts to expand bioscience research and development, foster the formation and growth of startups, and lead local corporate expansion and attraction efforts.

Strategy 23 – Develop and achieve recognizable measures of success in the biosciences.

- 23-1 The KBA will orient its investments and measure its success based upon achieving a handful of outcome metrics by 2019 that denote national leadership in the biosciences.

Business and Tax Climate

Mission – Create a tax and regulatory structure that is competitive and conducive for the growth of existing and new businesses of all sizes.

Strategy 24 – Remove barriers and be competitive for capital as it relates to business climate.

- 24-1 Consider implementing a form of universal expensing or 100 percent accelerated depreciation of all capital investment in Kansas, similar to the High Performance Incentive Program (HPIP), but applied to all businesses without regulatory barriers.
- 24-2 Study the effect of a reduction or elimination of the corporation income tax and the income taxation of capital gains.
- 24-3 Study the erosion of the property tax base and our property tax valuation methods.

Strategy 25 – Create the opportunity for more efficient government.

- 25-1 Provide incentives and remove barriers to allow for cooperation between local government, state government, and other entities. Examine and apply best practices when addressing the opportunity for more efficient government. Collaboration efforts must be initiated from the local level and not forced upon locals by the state. Hold cities and counties harmless.
- 25-2 Encourage the increased participation with the Information Network of Kansas by all state and local government entities to improve government efficiency and provide access to government information and services at all levels.

Strategy 26 – Reduce state and local regulatory barriers to business.

- 26-1 Develop and promote methods to reduce local and state barriers to a quality business atmosphere, such as reducing multiple licensing within and across communities, cities, counties, and the state.
- 26-2 Develop a statewide network of task forces to improve the business and regulatory climate at the city, county and state levels.
- 26-3 Move towards using technology from the state to provide electronic services to meet local government needs per their request.

Strategy 27 – Develop a tax structure, incentives, and regulations that are business-friendly and competitive on a local, state, national, and international level.

- 27-1 Create a contingency fund of \$40 million to be used at the discretion of the Department of Commerce to provide flexibility and funding above and beyond the current range of incentive programs to compete with other states and countries that provide large incentives for existing and new businesses and projects.
- 27-2 Create a cross-agency team comprised of the Kansas Department of Commerce, Kansas Technology Enterprise Corporation, Kansas, Inc., Kansas Bioscience Authority, and Network Kansas to review existing and proposed regulations to ensure that they are not unnecessarily impeding economic development.
- 27-3 Routinely study and benchmark parameters regarding our tax and regulatory structure and report recommendations to the Governor and Legislature.

Strategy 28 – Attract and retain national corporate headquarters in Kansas.

- 28-1 Formalize what Kansas is doing right by targeting national headquarters and continuing to equalize state incentives.
- 28-2 Prioritize relevant elements of the existing strategic plan, including improving air travel connections, supporting local enterprise development, and assisting local firms in becoming multi-state firms.
- 28-3 Consider new initiatives targeted to headquarters by preparing targeted place marketing materials and outreach campaigns.
- 28-4 Consider new initiatives of broader significance, including strengthening benefit recapture or claw back rules, efforts toward developing a cooperative policy on border competition, and providing for agency disclosure by site selection consultants operating in Kansas.

Workforce Development

Mission – Create a demand-driven workforce development system that meets the needs of the business community.

Strategy 29 – Enhance the structure of the customized training system to meet the immediate specialized needs of businesses.

- 29-1 Use state resources to design and implement customized training programs that deliver skilled employees to qualified requesting companies in a timely and cost effective manner.
- 29-2 Establish an executive management position with administrative and oversight responsibilities to oversee specialized workforce training programs. Employment will be shared between the Department of Commerce and Board of Regents.
- 29-3 Approval for all viable workforce projects will come from the Secretary of Commerce and the President & CEO of the Board of Regents.
- 29-4 Create an executive management position over workforce development at each postsecondary technical education institution that reports directly to the President of the respective institution to design and implement customized workforce training.
- 29-5 Create an infrastructure that establishes a seamless partnership between the Regional Directors of Workforce Services (Commerce) and the executive management positions over workforce development at each postsecondary technical education institution.
- 29-6 Designate \$12-15 million in funding that supports the customized training for this strategy.

Strategy 30 – Align the education system with the needs of industry through funding incentives and the tangible partnering of state educational institutions with industry opportunities.

- 30-1 Support the Postsecondary Technical Education Authority in aligning community and technical college programs with the demands of businesses.
- 30-2 Encourage a structural funding change that provides incentives for colleges to offer high-demand, high-cost courses and special funds allowed for expensive equipment purchases.
- 30-3 Support the Kansas Technical College and Vocational School Commission.

- 30-4 Routinely study and benchmark the alignment of all levels of the educational system with the demands of businesses.

Strategy 31 – Build capacity by retaining and attracting a skilled and educated workforce.

- 31-1 Ensure the state equips primary and secondary students with the skills necessary to pursue education and employment opportunities, with the focus being on STEM (Science, Technology, Engineering, and Math) fields.
- 31-2 Support and facilitate business interaction with postsecondary students through scholarships, internships, and job shadowing. Businesses should be an active partner with educational institutions in regards to career curriculum, guidance, and opportunities and could be awarded with potential tax incentives or credits.
- 31-3 Provide incentives that encourage students to remain in Kansas for postsecondary education and careers.
- 31-4 Design a Leadership Kansas-type program that incorporates entrepreneurial and leadership experience into our educational system.
- 31-5 Market business and career opportunities in Kansas to all prospective individuals.
- 31-6 Market postsecondary technical education opportunities and careers by targeting students, parents, educators and counselors.
- 31-7 Study and develop workforce solutions for the aging population and immigrants.

Strategy 32 – Encourage and provide lifelong learning opportunities.

- 32-1 Provide an educational continuum that allows students of all ages to seamlessly transition through all levels of education and training.

Technology and Innovation

Mission – Utilize science and technology to leverage and support existing and new economic opportunities.

Strategy 33 – Address capital formation and access to capital markets on a local, state, and federal level.

- 33-1 Attract venture capital to Kansas through Heartland BioVentures, a partnership between KBA (Kansas Bioscience Authority) and KTEC (Kansas Technology Enterprise Corporation).
- 33-2 Support regional Angel investor networks by attracting and providing incentives for Angel investors.

Strategy 34 – Build a stronger research and development base in Kansas.

- 34-1 Recruit, support, and retain eminent scholars in key areas of research strategically linked to science and technology-based economic advancement.
- 34-2 Improve competitiveness in pursuit of federal funding to support strategic research and development initiatives, similar to the efforts for the National Bio and Agro-Defense Facility (NBAF) and University of Kansas' cancer center designation.

- 34-3 Enhance and facilitate the commercialization of research by linking business and university systems in a variety of technologies.

Strategy 35 – Address technology infrastructure needs throughout the state.

- 35-1 Develop and maintain maps of strategic technology assets in the state and identify those accessible through regional, national, and global networks.
- 35-2 Identify and address infrastructure gaps through collaborative cross-boundary relationships.
- 35-3 Increase industry access to public research infrastructure by developing an environment conducive to institution-industry interactions and addressing policy impediments.

Strategy 36 – Establish and maintain a technically-skilled workforce to fulfill the present and future needs of a vital, technology-driven economy.

- 36-1 Support policies and initiatives designed to advance the economic impact of research institutions on the state's economy, including a highly qualified workforce to support economic growth.
- 36-2 Engage stakeholders including educational institutions, private sector representatives, subject matter experts and state leaders in forecasting opportunities, needs, and proactively aligning programs.

Strategy 37 – Create an enhanced entrepreneurial culture in Kansas.

- 37-1 Enhance or expand business assistance efforts for growing businesses between the start-up phase and early stage of business evolution.
- 37-2 Support and promote activities and educational initiatives at all levels to improve the understanding of innovation and to stimulate and advance leadership and entrepreneurial values, skills, and accomplishments.

Strategy 38 – Develop a national leadership role in Information Security and Information Assurance.

- 38-1 Support the Kansas National Guard's unique information security mission and the mission the legislature has given Fort Hays State University in Information Assurance.
- 38-2 Use the developing Kansas military and higher education critical mass across the state to spin off businesses and enhance current businesses dependent on information assurance.

Strategy 39 – Enhance the Kansas Business Center (KBC).

- 39-1 Expand cross-agency application development efforts and communication with the Information Network of Kansas to create a single online location for new and existing businesses to utilize for acquiring region-specific state and local resources and contacts; federal, state, and local regulatory compliance; and provide for an online environment designed to enhance the ability for Kansas businesses to thrive.

State Image/Branding

Mission – Enhance the marketing/branding of Kansas.

Strategy 40 – Support a public/private partnership to brand the State of Kansas incorporating: continuity, measurability, funding, partnerships, and focus.

- 40-1 To ensure the continuity of imaging/branding the state, create an Imaging/Branding Advisory Board with a public/private partnership to assist in the branding of the State of Kansas. The Board, comprised of cross-industry representation, would report to the Secretary of Commerce and assist in the development and execution of a targeted, proactive marketing and sales strategy that positions Kansas for aggressive competition in business investment, expansion opportunities and potential tourism opportunities, with appropriate balance and effective segmentation of the specific targets.
- 40-2 Devise a dedicated funding stream in concert with private investment to assist in the development of an aggressive statewide imaging/branding strategy and campaign.
- 40-3 The Secretary of Commerce and Kansas, Inc. President shall provide an annual assessment and review of the state's imaging/branding efforts and deliverables to the Kansas, Inc. Board of Directors.

Economic Development Funding and Benchmarking

Strategy 41 – Examine the fundamental structure, methodology and level of expenditures spent on economic development from the state level.

- 41-1 Conduct a study examining what Kansas and surrounding states spend on economic development efforts.
- 41-2 Examine the level of economic development expenditures and consider increasing expenditures at least by the level of inflation.

Strategy 42 – Benchmark economic development information in Kansas.

- 42-1 Track, compile, and make available information pertaining to economic development efforts on an agency, city, community, county, and statewide basis in Kansas. A master file should be maintained in an electronic format for public use.

Transportation Infrastructure

Strategy 43 – Support the core recommendations within Kansas Comprehensive Transportation Plan and their role in economic development efforts.

- 43-1 Preserve existing transportation infrastructure.
- 43-2 Align transportation to better support the Kansas economy.
- 43-3 Provide leadership and strategic investment for all modes of transportation.
- 43-4 Ensure safety is a priority within the state's long-range transportation plan.

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Introduction to the 2007 Strategic Plan

Preface

Strategic thinking prepares you today for an uncertain tomorrow." Peter Drucker, the father of modern management explains the importance of strategic thinking: "Strategic planning is necessary precisely because we cannot forecast. Strategic planning does not deal with future decisions; it deals with the futurity of present decisions. Decisions exist only in the present, the question that faces the strategic decision maker is not what the organization should do tomorrow, it's what we have to do today to be ready for an uncertain tomorrow. Strategic thinking is the bridge that links where you are to where you want to be, it gives direction and credibility today and increases your potential for success tomorrow.

- John C. Maxwell, *Thinking for a Change: 11 Ways Highly Successful People Approach Life and Work*

The mid-1980's were a period of harsh economic realities, and the state required sound strategy and action to recover and strategically build for the future. In recognition of these significant developments, the 1985 Kansas Legislature appropriated funding for a research study of economic development, which became known as the *Redwood-Krider Report*. Forty-six of 50 recommendations were passed addressing the totality of Kansas' economic development programs, including capital formation, labor force, public infrastructure, arts programs, secondary education, tourism, debt financing, international trade, and a myriad of additional policy modifications intended to reverse downward economic trends. The number of recommendations passed from the report spoke to the importance and urgency of strategically positioning the Kansas economy. The *Redwood-Krider Report* would become the basis for Kansas' current economic development strategic planning efforts.

One of the recommendations from the *Redwood-Krider* report was the creation of Kansas, Inc., an independent, objective, and non-partisan agency designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing strategic competitiveness for economic growth. Essentially, the creation of Kansas, Inc. formalized the economic development strategic planning process. Through strategic planning, research and analysis, and evaluation and assessment, Kansas, Inc. identifies policy options and builds consensus essential for concerted action on vital economic issues. Since its inception, Kansas, Inc. has formulated three statewide economic development strategic plans.

Today, the Kansas economy looks much different than the 1980's, we have seen growth and expansion in several areas, and while there is more diversification, the economy is still vulnerable to the cyclical downturns that we will surely face in the future. Recognizing the importance of strategically addressing potential issues now, during a period of relatively good economic conditions, the Kansas, Inc. Board of Directors recommended once again formulating a strategic plan to better prepare for future economic conditions.

The main elements of this report include:

- 1) An introduction and overview of the strategic planning process in Kansas.
- 2) An overview of our economies of the past, present, and future, as determined by the fundamental research and the business input provided throughout the process.
- 3) An overview and analysis of the vision, missions, strategies and recommendations brought forth during the Strategic Planning process.
- 4) An overview and analysis of trends and issues in the Kansas economy.

In accordance with K.S.A. 74-8002, the 2007 Economic Development Strategic Plan, entitled *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance* provides 43 strategies accomplished through 98 recommendations intended to strategically position Kansas for long-term economic growth. The Strategic Plan is the result of a yearlong process, driven by sound, fundamental research and tested with business input throughout the state.

Kansas, Inc. would like to gratefully acknowledge the many individuals and organizations that participated in the strategic planning process, including members of the Board of Directors, Steering Committee, Statewide Cells, Academic and Policy Resource Team, and the numerous stakeholders and other individuals who provided the input and expertise to build the vision, missions, strategies, and recommendations in this plan.

This is truly a plan built and tested by Kansans, whose insight and expertise will help guide Kansas' economic development efforts into the future.

A Brief History of Strategic Planning in Kansas

The strategic planning process has been an important part of economic development efforts in Kansas over the past several years, beginning in 1986 with the *Redwood-Krider Report*. The process has produced several economic development initiatives during the past 20 years.

The 1986 *Redwood-Krider Report* was seen by many as Kansas' first economic development Strategic Plan. The Kansas economy was in a state of transition, and there was serious concern that Kansas could be losing its competitive edge in attracting economic development. The objective of this plan was to influence the direction of change toward a future economic structure more favorable to Kansans.

The 1993 Strategic Plan, *A Kansas Vision* was designed to guide Kansas into a new economy, one characterized by a steadily increased standard of living and quality of life. While many goals from the *Redwood-Krider Report* had been met, the Kansas, Inc. Board recognized economic challenges were changing. The fundamental objectives of this plan were to enable Kansans to enjoy a higher standard of living and quality of life, and to ensure economic opportunities for all Kansans statewide.

The 1997 Strategic Plan, *A Kansas Vision for the 21st Century* was designed to enable all Kansans to achieve a higher quality of life and standard of living, by fostering economic vitality statewide and by competing in the global economy. This plan maintained the overall mission and goals of its predecessor, with some revisions and greater focus and selectivity.

The 2001 Strategic Plan, *Making the Knowledge Economy Work for All Kansans* was designed to help stimulate a higher level of wage and employment growth in Kansas' rural, small town, suburban and urban areas for the long-run. This plan acknowledged market forces drive the economic growth of any region, and sound public policy play a vital role in supporting entrepreneurship and innovation by encouraging and fostering business development. The mission of the plan was to ensure the highest possible quality of life and standard of living by: fostering innovation and cooperation; creating a healthy economic environment; investing strategically in our people, communities, and business; educating people for high skills jobs, and; competing successfully in the global economy.

The Importance of Strategic Planning

The State of Kansas has made a long-term commitment to the strategic planning process. The creation of Kansas, Inc. essentially institutionalized *Redwood-Krider's* efforts by formalizing the economic development strategic planning process. As an independent, objective, and non-partisan agency Kansas, Inc. is positioned to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing strategic competitiveness for economic growth.

The popularity and use of strategic planning both in the corporate and government sectors is based upon several well grounded principles. First, the discipline of goal-setting requires an analytical approach that identifies strengths and weaknesses while clarifying how various programs and expenditures are linked to the achievement of objectives. Second, it provides an overall perspective that assists policymakers in understanding how individual programs contribute to overall goals. Third, within economic development, a strategy helps define the activities that are included, which initiatives are central, and the clients who will be served.²

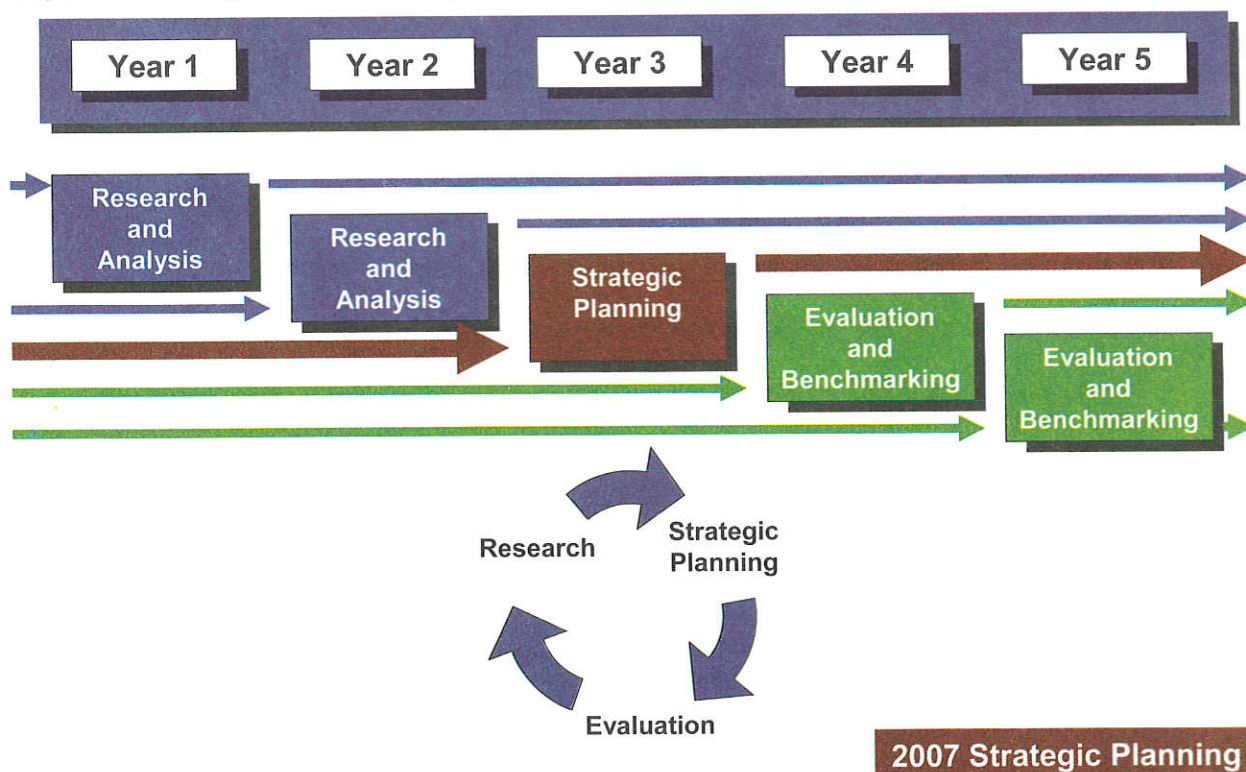
A strategic approach to problem-solving will dictate choices, demand selectivity, and require clear priorities. The state's economic development programs cannot serve all interests and attempt to address every need articulated. Limited state resources for investment in economic development agencies and programs require choices and trade-offs. Leverage, return on investment, maximizing outcomes and targeted expenditures are among the characteristics that must guide funding decisions.³

Finally, a Strategic Plan contributes to the evaluation process by providing the context for measuring performance. This allows policymakers and the public to understand the distinction between the means and ends.⁴

Kansas, Inc. Five-Year Cycle

As depicted in Figure 1, Kansas, Inc. attempts to formulate the Strategic Plan approximately every five years. While Strategic Planning is our core mission, both the research and evaluation roles are equally as important to the process.

Figure 1. Kansas, Inc. Five-Year Cycle



² A Kansas Vision for the 21st Century, The Strategic Plan for Economic Development, Kansas, Inc., January 1997.

³ Ibid.

⁴ Ibid.

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Kansas, Inc. is charged with identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas. To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies. This research provides the foundation for the Strategic Planning process.

Through collaboration and outreach, with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark economic development efforts in Kansas. The evaluation and benchmarking stage usually begins following the completion and implementation of the Strategic Plan.

As illustrated in Figure 1, many circumstances can cause these roles to overlap. Kansas was designed as a public-private instrumentality of state government, and is well-equipped with the flexibility and expertise to adapt to these situations and provide economic development strategic planning, research and analysis, and evaluation and benchmarking at any time during this cycle.

Overview of the 2007 Strategic Planning Process

Recognizing the importance of strategically addressing potential economic issues in the present, during a period of relatively positive economic conditions, during FY 2006, the Kansas, Inc. Board of Directors recommended formulating a Strategic Plan to better prepare the State for future economic conditions. By design, this plan would be a grassroots effort, with creation and ownership by the citizens and leaders of Kansas, grounded in sound, fundamental research, and followed up with effective implementation and objective, unbiased evaluation and benchmarking. This would be the agency's fourth statewide economic development Strategic Plan.

The Board developed the Strategic Planning process with several key principles in mind, realizing:

- The process must be grounded in sound, fundamental research leading into the plan;
- The plan must be guided by sound economic principles and concepts throughout the process;
- The plan must be tested with business input throughout the state;
- The plan must be analyzed by educational and economic policy expertise throughout the state;
- Most importantly, the plan must be brought forth as a collaborative effort by the citizens of the State of Kansas.

The People

During December 2006, the Board kicked off the yearlong Strategic Planning process, an effort highlighted by the leadership and expertise of three primary groups of individuals, including:

- The **Statewide Steering Committee**, a group consisting of business and industry leaders representing a balanced mix of small, intermediate, and large-scale enterprises; legislative members and other policymakers; and other stakeholders representing various statewide organizations. The Steering Committee represented a geographic mix of individuals from throughout the state and was charged with developing the vision and overall focus of the 2007 Strategic Planning process.
- The **Statewide Cell Chairs**, a group consisting of business and industry leaders from 17 predetermined Geographic Cells throughout the state, was charged to organize and lead a group of individuals representing the diversity of their respective areas. The Statewide Cells provided

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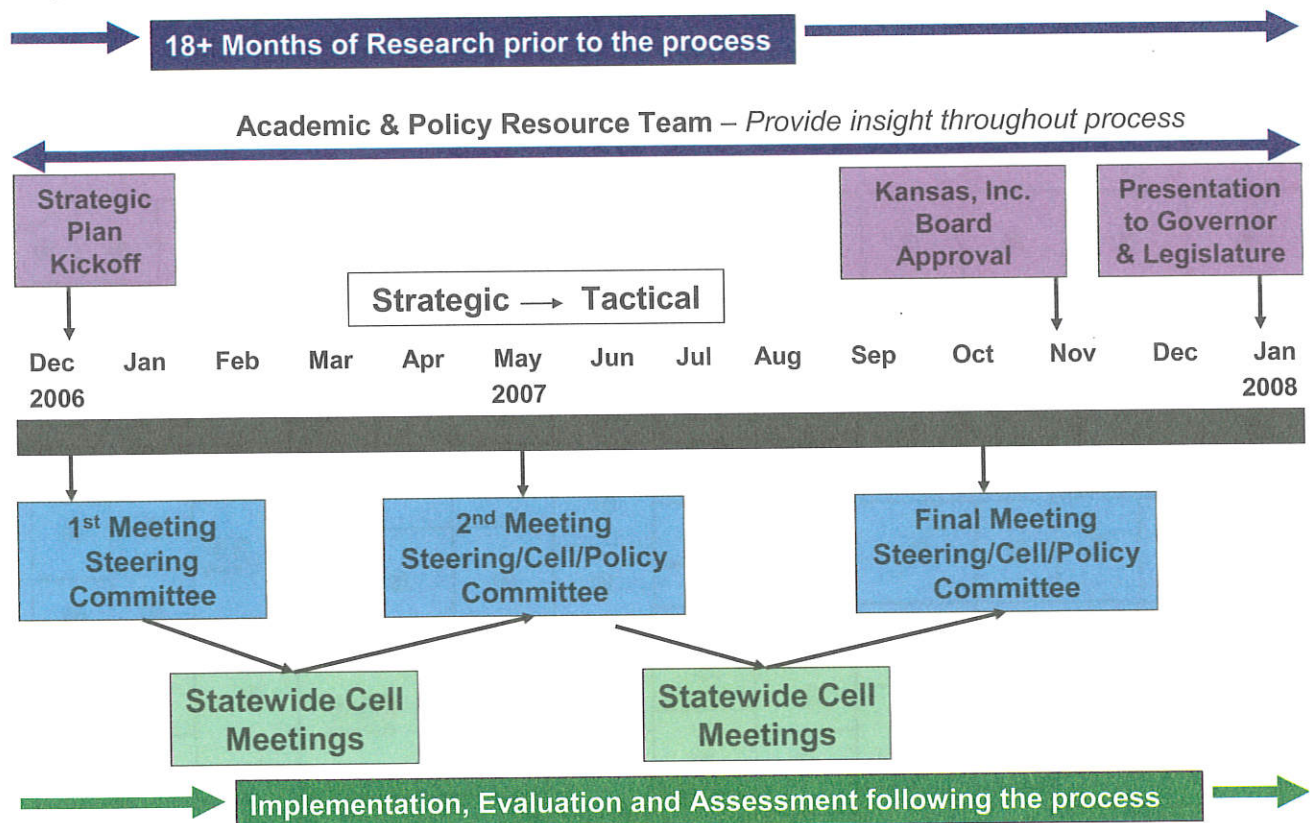
the grassroots business input and expertise throughout the state for the Strategic Planning process.

- The **Academic and Policy Resource Team**, a group consisting of industry experts from various educational institutions and economic policy organizations throughout the state, was charged to provide the intellectual insight and expert analysis regarding the concepts produced from the Strategic Planning process.

The Process

The Strategic Planning process was designed as a yearlong process, highlighted by several meetings consisting of working discussions. Figure 2 outlines the Strategic Planning process.

Figure 2. 2007 Strategic Planning Process



During the initial meeting of the Steering Committee and Academic & Policy Resource Team, the overall direction and framework for the Strategic Planning process was set. Following this meeting, participants were basically given a "blank sheet" at each Statewide Cell meeting, and the discussion centered on their input regarding the Kansas economy, within the initial framework the Steering Committee had provided.

The Statewide Cell meetings provided a means to get business input regarding the initial concepts and overall direction of the Strategic Plan. Twenty-six meetings were held throughout the state, and the insight and expertise provided by participants at these meetings was critical to the development of the Strategic Plan. The business and industry leaders throughout the state provided input and a real-world test regarding the concepts and direction of the Strategic Plan.

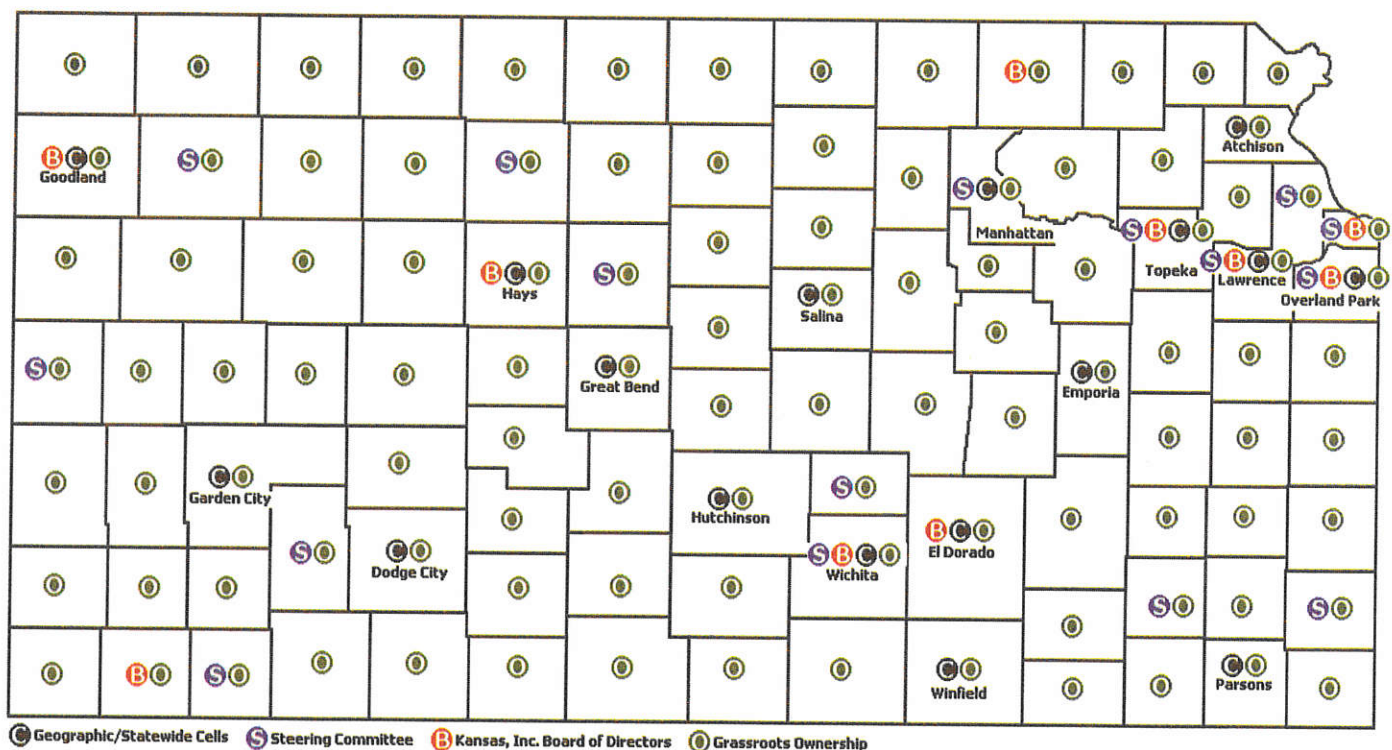
Throughout the Strategic Planning process, the discussion and concepts brought forth during each meeting was continually refined, until the vision, missions, strategies, and recommendations were developed to address several potential economic development factors identified in the process. A year later, the input and expertise of several hundred Kansans have been captured and brought forth with the 2007 Strategic Plan.

The Strategic Plan was approved by the Kansas, Inc. Board of Directors during November 2007 and presented to the Governor and Legislature during January 2008.

The Places

Seventeen individuals were identified from specific Geographic Cells throughout the state to organize and lead a group of individuals representing the diversity of their respective areas. Statewide Cell Chairs sourced individuals from around their area to provide representation from several communities, cities and counties. The Statewide Cells provided the grassroots business input for the Strategic Plan. The long-term vision of the Cells will be to continue growing and providing further input and expertise regarding economic development efforts in Kansas. Figure 3 depicts statewide participation in the Strategic Planning process.

Figure 3. Strategic Planning Participation/Grassroots Ownership



The following locations were selected as Geographic Cells: Atchison, Dodge City, El Dorado, Emporia, Garden City, Goodland, Great Bend, Hays, Hutchinson, Lawrence, Manhattan, Overland Park, Parsons, Salina, Topeka, Wichita, and Winfield.

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Research

Nearly two years prior to and throughout the Strategic Planning process, Kansas, Inc. embarked on an aggressive research agenda to provide the groundwork for the Strategic Plan. The Board recognized that we must understand our current economic dynamics before we could begin to position ourselves for the future. Kansas, Inc. completed research on several topics pertinent to the Strategic Planning process, as illustrated in Table 1.

Table 1. Kansas, Inc. Strategic Planning Research

- *Issues and Trends Identification in Kansas*
- *Trends in the Kansas Economy 1985 - 2006*
- *The County-to-County Migration Patterns of Kansas Taxpayers, 1985 - 2004*
- *The Kansas Image: Overview and Analysis*
- *Attracting and Retaining National Corporate Headquarters in Kansas*
- *A Brief History of Workforce Development in Kansas*
- *Property Tax Comparisons Among Kansas Localities and Selected Cities of the U.S.*
- *Kansas Aerospace Industry Forecast*
- *Agricultural Commodities Future: Assess Competitive Threats to the Kansas Economy*
- *Kansas Consumer Sentiment*
- *Executive Summary: A Brief Economic History of Kansas, 1969-2003*
- *Strategic Analysis of Economic Development Expenditures, FY 1989 – FY 2007*
- *Positioning Kansas for Competitive Advantage*
- *Indicators of the Kansas Economy (IKE)*

Evaluation

A major component of Kansas, Inc.'s statutory requirements is periodically assessing the effectiveness of various economic development initiatives and entities throughout Kansas. On both sides of the 2007 Strategic Planning process, Kansas, Inc. will be evaluating and benchmarking economic development efforts in Kansas, including evaluations of the entities listed in Table 2.

Table 2. Kansas, Inc. Evaluations⁵

- *Kansas Department of Commerce*
- *Kansas Technology Enterprise Corporation*
- *Kansas Bioscience Authority*
- *Kansas Center for Entrepreneurship (Network Kansas)*

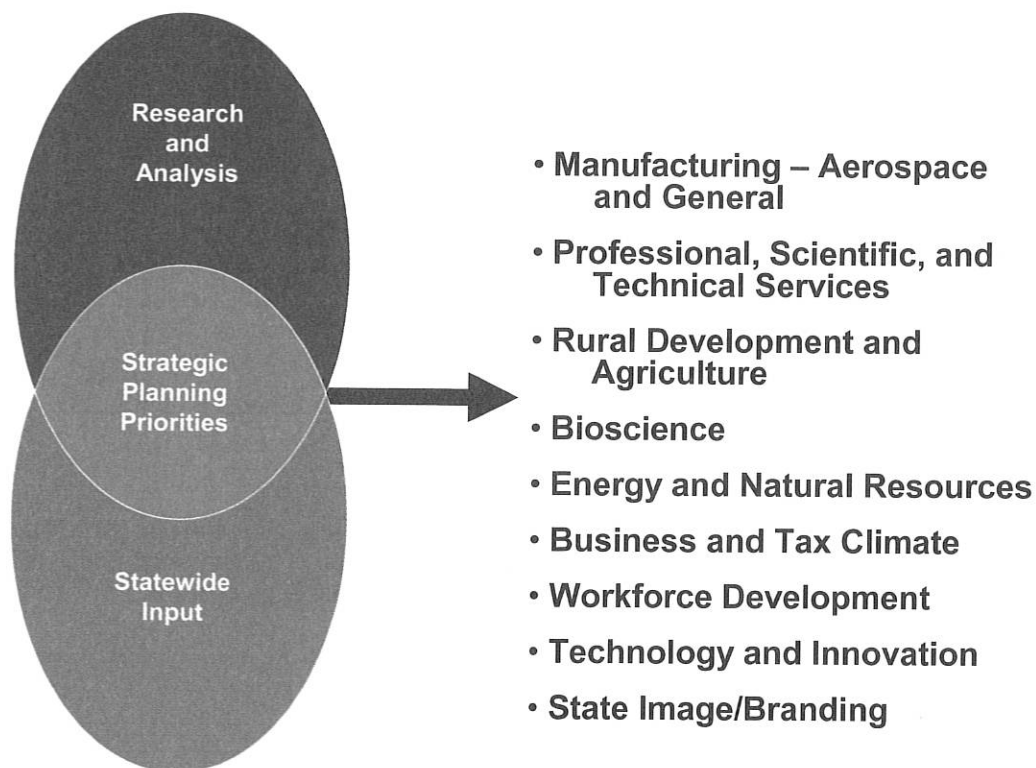
⁵ The Kansas Department of Commerce and Network Kansas evaluations were completed during 2007.

Priorities

The Strategic Planning process was designed in part to bring forth several potential concepts and initiatives, which provided for insightful discussion throughout the process. However, as with any statewide process of this magnitude, priorities must be set. **Priorities were set where research and analysis lined up with the business input that was provided throughout the state.** While many of these priorities are intertwined and inter-related, they generally fall into nine basic categories: Manufacturing; Professional, Scientific, and Technical Services; Rural Development and Agriculture; Bioscience; Energy and Natural Resources; Business and Tax Climate; Workforce Development; Technology and Innovation; and State Image/Branding. Figure 4 illustrates the Strategic Planning priorities.

The Strategies and Recommendations provided in this Strategic Plan primarily address these nine priority areas.

Figure 4. Strategic Planning Priorities



Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance

Introduction

Ren-ais-sance – a renewal of life, vigor, interest; rebirth; revival

True to its definition, a renaissance brings to mind captivating thoughts of renewal, rebirth and revival. These words capture new ideas and opportunities as far as our imaginations can take us. We don't only think about what is, but we think about what could be – where we could go, what could be. . . the possibilities are endless.

Applied to an economic setting, it challenges us to think beyond what we are currently doing, which is the status quo. What could we be doing, how could we do it better. . .

A renaissance in economic terms will challenge the status quo with changes that may be difficult, but they can bring opportunities to the states that embrace them. Making these decisions during harsh economic conditions can be considerably easier than making them during periods of relatively good economic conditions, because during harsh times we are forced to make the difficult decisions.

What if we could strategically position ourselves during a period of relatively good economic conditions to better prepare ourselves for future economic downturns? Why not proactively address the potential economic downturns of tomorrow with the strategic decisions of today?

The economy as a whole is performing relatively well today; however, the future economic downturns of tomorrow are inevitable. We must decide if we want to address the issues brought forth in this Strategic Plan with the strategies of today or the reactions of tomorrow.

Overview

A basic understanding of our economies of the past, present and future, as determined by the fundamental research and business input provided throughout the process can provide perspective on the major trends and issues affecting the economy. This analysis is essential to the Strategic Planning process.

When we refer to how economic trends are affecting the Kansas economy, our main concern is how they are impacting individuals and businesses in Kansas.⁶ Knowing where we have been, where we are, and where we are going will assist our public and private leaders in making decisions that will notably increase business and personal wealth and improve our quality of life by focusing on our inherent and emerging strengths.

The following section illustrates our economies of the past, present and future with Figures 5 through 12.

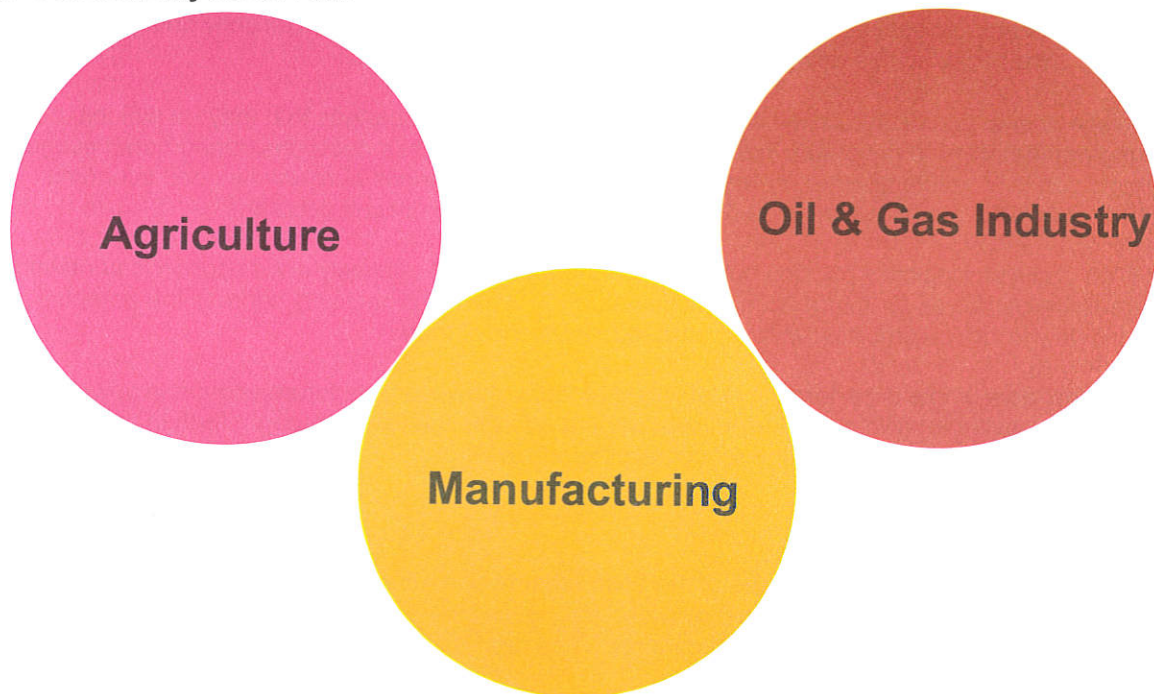
⁶ Krider, Charles, Hurd, Genna, and Dane Hanson. *Trends in the Kansas Economy 1985 – 2006*, Institute for Policy and Social Research, University of Kansas for Kansas, Inc., August 2006.

Economy of our Past

Historically, Kansas was built on three primary industries that drove the state's economy – agriculture, oil and gas, and the aerospace industry, as depicted in Figure 5. These industries built the foundation of the Kansas economy, and while they remain inherent strengths, they are changing as we transition into an integrated global economy. These industries are also market sensitive in nature, and therefore economically cyclical, which means they are vulnerable to the forces of supply and demand.

Throughout the years, these industries provided diversification for the Kansas economy, functioning mostly independent from each other – where a downturn in one industry would not necessarily impact the others, but a downturn of all would be devastating to our economy. In many ways, today's integrated global economy has changed these characteristics.

Figure 5. Economy of our Past



Present Economy

Our present economy has evolved from our three primary industries of the past – agriculture, oil and gas, and manufacturing – into a handful of inherent and emerging strengths that can position the Kansas economy to compete in a global marketplace. These strengths include: rural development and agriculture; energy and natural resources; manufacturing – aerospace and general; professional, scientific, and technical services, and bioscience. Figure 6 depicts our present economy.

Figure 6. Present Economy



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Rural Development and Agriculture – While the agriculture industry has drastically changed over the years, it continues to maintain an important role in the Kansas economy. The application of new technology has increased productivity while eliminating the need for additional laborers. New opportunities continue to arise due to the application of information, technology, biotechnology, alternative energy and other resources. Agricultural policy is primarily set on a federal level, and increased global competition will continue to influence producers to adapt more than ever to changing global conditions.

Realistically, it is unlikely that we going to repopulate and grow rural Kansas with the agriculture industry alone; and state-level efforts must be focused on rural development to help rebuild rural Kansas. Even with these efforts, we will not save every community. Rural areas will continue to deal with a variety of issues, such as capital, access, leadership, workforce shortages, out-migration, and available services and jobs; however, rural areas do have several opportunities in regards to quality of life, community partnerships, and wealth transfer potential.

Energy and Natural Resources – Though global economic forces continue to influence the oil and gas industry, it has maintained an important role in the Kansas economy. In recent years, market forces have increased prices, production and employment in this industry. We must use our current energy assets to build a bridge to future energy opportunities, while factoring in global economic forces, alternative and renewable energies, conservation, environmental concerns, societal factors and other issues that continue to shape our energy needs.

Kansas also possesses several inherent natural resources besides oil and gas. Both surface water in reservoirs and ground water in the Ogallala Aquifer are important resources in the Kansas economy. In many areas the depletion of water resources is becoming an issue, and we must preserve and maintain these important resources.

Manufacturing – Aerospace and General – Global competition and other changing factors continue to influence the manufacturing industry, but it remains an important part of the Kansas economy. Kansas has inherent strengths in aerospace manufacturing throughout the state, including training, research, and industry cluster dynamics. Expertise in composites and avionics are also major strengths for the state. Aerospace is becoming an increasingly global industry and Kansas is well-positioned for these opportunities.

Kansas also has inherent strengths in general manufacturing throughout the state. Small, medium, and large scale manufacturers are located throughout the state in both rural and urban areas. While the U.S. as a whole has seen a decline in manufacturing employment, Kansas has remained relatively stable. Kansas may not be able to compete on a global wage basis, so we must find other ways to compete, such as through technology and higher-skilled occupations.

Professional, Scientific, and Technical Services – The service sector consists of two distinct types of services. Traditional support or rooftop entities provide services such as hospitality, food service, mechanics and health care. While rooftop entities are important to the economy and follow economic growth, they are not in themselves considered a core competency.

Stand-alone entities provide services such as engineering, communications, technology and financial services. These entities in the professional, scientific and technical services are inherent and emerging strengths, and considered one of the primary drivers of the Kansas economy. Large concentrations of service entities are located in metropolitan areas throughout the state and will continue to drive the economy.

Bioscience – Bioscience continues to emerge as an important industry in the Kansas economy. Opportunities in biosciences span several industries with inherent strengths in Kansas. The state has recognized opportunities in the bioscience industry with the creation of the Kansas Bioscience Authority (KBA) to guide the state's investment of over \$580 million in these industries. Several inherent strengths already exist in the biosciences, including: animal health, human health, crop science and bio-fuels.

Industry Integration

Historically, while agriculture, oil and gas, and manufacturing have provided diversification within the Kansas economy, they functioned mostly independent from each other with little integration – where a downturn in one industry would not necessarily impact the others, but a downturn of all would be devastating to our economy.

Current and past Administrations and Legislatures have recognized the potential opportunities that exist if the state begins to integrate its inherent and emerging strengths. Both the state and businesses have taken steps to begin this process to help position the Kansas economy to compete in a global marketplace. The overlap in Figures 7 and 8 illustrates various levels of industry integration.

Figure 7. Industry Integration

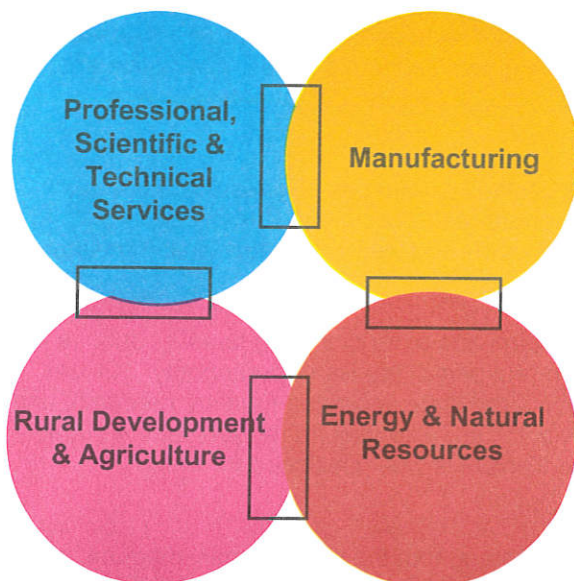
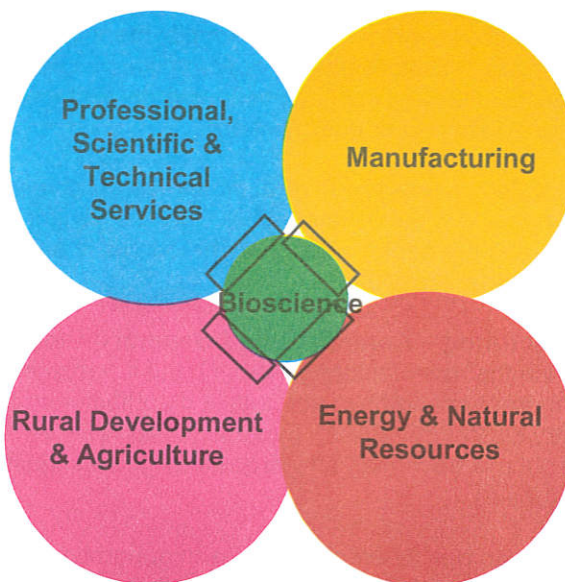


Figure 8. Industry Integration (with Bioscience)



There are many examples where inherent and emerging strengths have been integrated across industries. Professional, Scientific, and Technical Services are integrating with opportunities in Bioscience, Rural Development, and Manufacturing; Bioscience is integrating with opportunities in Agriculture and Energy, and so forth. Areas of potential integration are illustrated in the figures as overlap.

Figure 8 illustrates potential industry integration with the Bioscience industry. This industry is relatively new, and opportunities for integration within the biosciences will continue to grow as the industry becomes more established in Kansas.

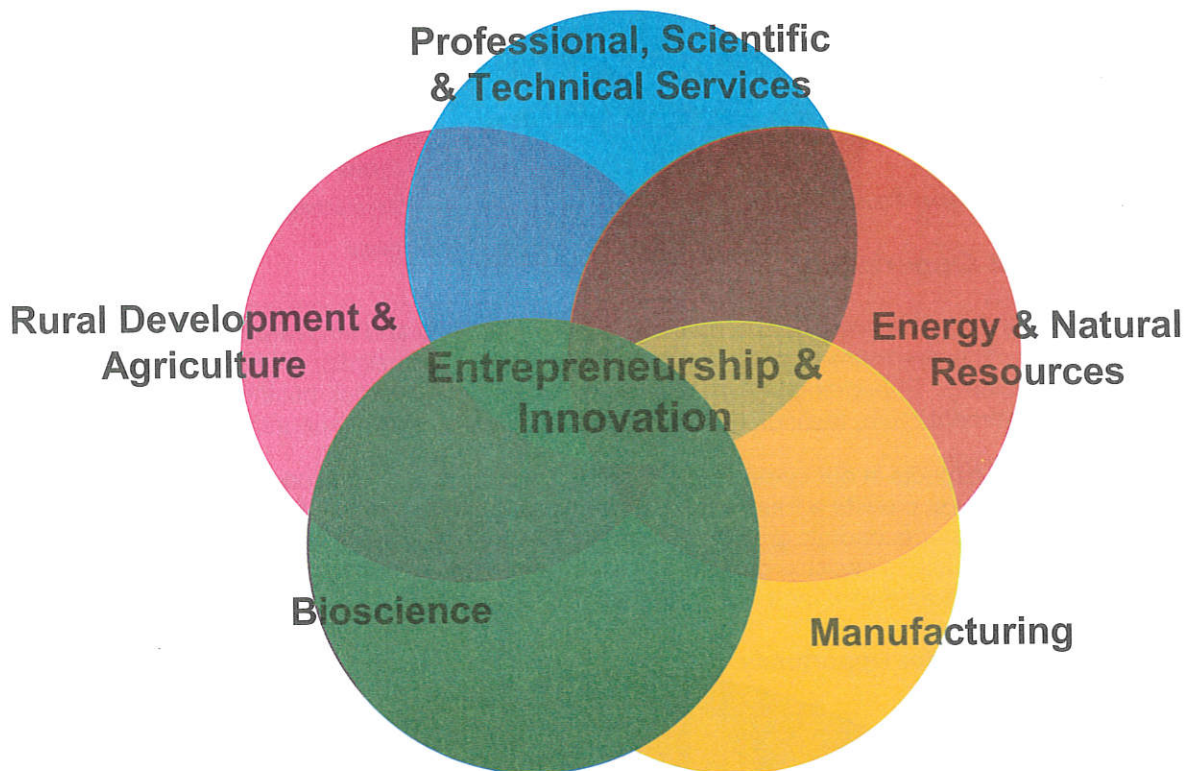
Though not illustrated by these figures, all industries, inherent strengths and opportunities have the potential for integration, depending on the business and application. Ultimately, complete integration will help achieve the transformation into the global economy.

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Transitioning into the Integrated Global Economy – Sustainability

The objective of integrating inherent strengths and industries is **sustainability**. Sustainability allows us to transcend economic cycles. Kansas must strategically position our inherent strengths to achieve complete integration and enhance our diversified economy. Achieving a fully integrated, differentiated economy will position our inherent strengths such that they will leverage each other. Utilizing **entrepreneurship and innovation** will increase productivity and leveraging. These characteristics of businesses and individuals can bring together our inherent strengths and be used to create synergy within the economy. Transitioning into the integrated global economy is illustrated in Figure 9.

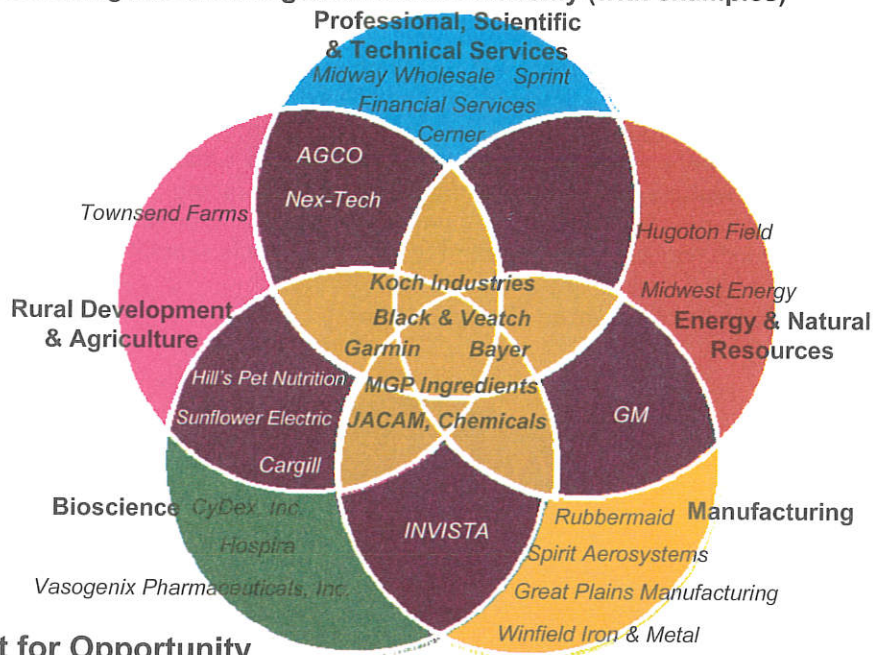
Figure 9. Transitioning into the Integrated Global Economy



One of the objectives of achieving a diversified economy is to have several businesses with various levels of integration across industries to maximize the success of their businesses. This is how the Kansas economy must be strategically positioned.

While some businesses have taken steps to integrate two, three, four, or even five of our inherent strengths, overall Kansas has much work to do as a state to achieve this goal. Figure 10 illustrates various Kansas businesses and where they may fit into the integrated global economy. Companies in the overlapping areas have already integrated some of Kansas' strengths.

Figure 10. Transitioning into the Integrated Global Economy (with examples)

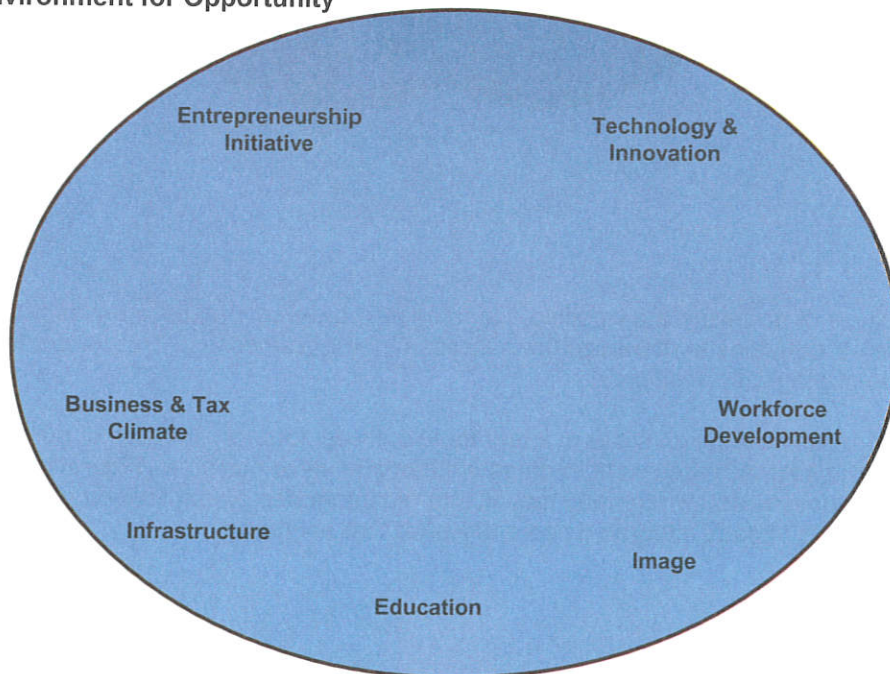


Environment for Opportunity

Kansas must develop an environment to encourage entrepreneurship and innovation to support our inherent strengths. This environment must support all aspects of the business environment and the overall Kansas economy. Supporting factors include workforce development, business and tax climate, image, education, infrastructure, technology and innovation, and the entrepreneurship initiative.

While we have these aspects in our current environment, there lacks a framework to efficiently coordinate these resources. We must provide a framework that **focuses** these supporting fields into a coordinated environment that will foster economic growth. A focused and well-planned framework will provide the environment for opportunity to assist in growing the Kansas economy, particularly with limited resources. Figure 11 illustrates the framework for the Environment for Opportunity.

Figure 11. Environment for Opportunity

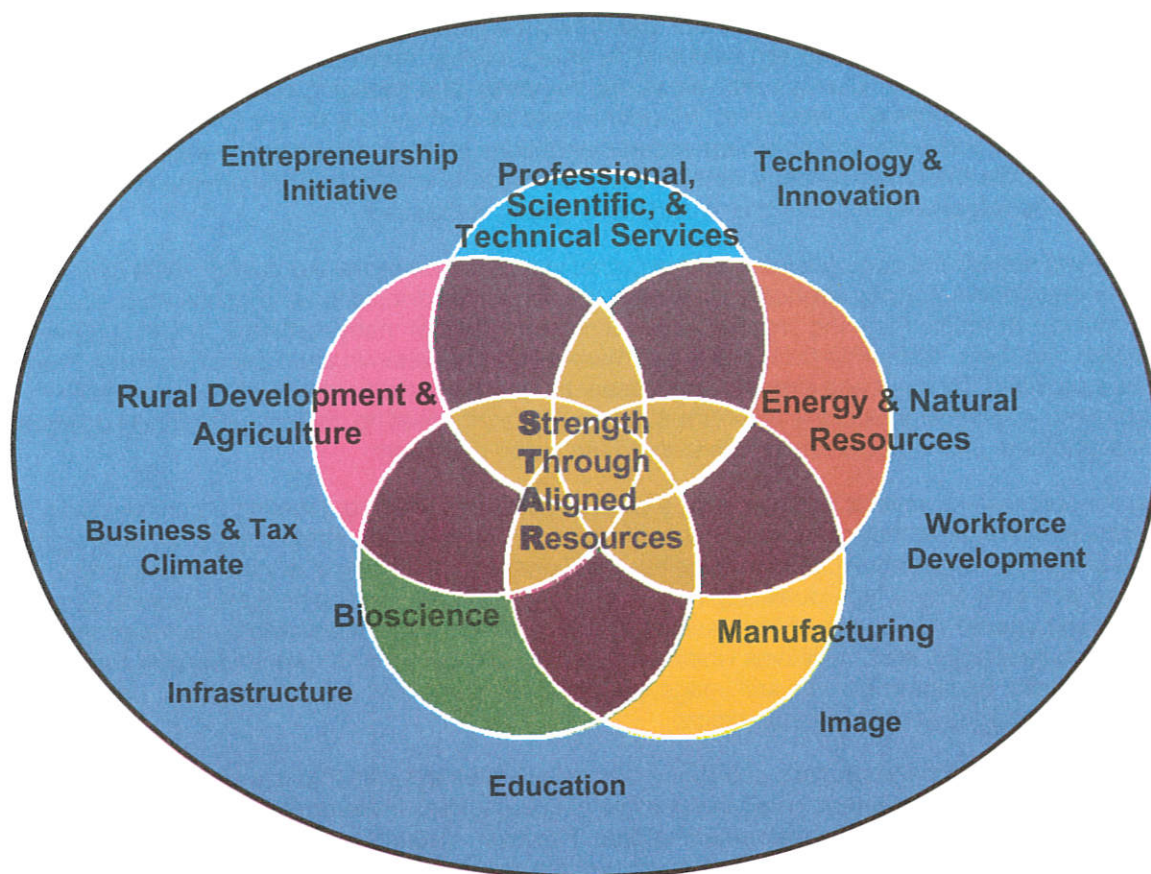


2-36

Strength Through Aligned Resources

To foster economic growth, Kansas must focus its inherent strengths to achieve complete integration of its diversified industries and resources within a well-planned environment for opportunity. This is illustrated in Figure 12. The ultimate goal of this model is to foster and create businesses that integrate several of Kansas' inherent strengths. These businesses would be located in the center of this figure – representing Kansas' **Strength Through Aligned Resources**. When this has been successfully achieved on a broad scale, Kansas will have taken hold of our competitive advantages and truly be positioned to compete for capital and talent while providing a quality of life that all Kansans hold dear.

Figure 12. Strength Through Aligned Resources



Defining the Vision

Kansans will notably increase business and personal wealth and improve our quality of life by focusing on our inherent and emerging strengths.

Every morning in Africa, a gazelle wakes up. It knows it must run faster than the fastest lion or it will be killed. Every morning a lion wakes up. It knows it must outrun the slowest gazelle or it will starve to death. It doesn't matter whether you are a lion or a gazelle. When the sun comes up, you better start running.

- African proverb from Thomas Friedman's *The World is Flat, A Brief History of the 21st Century*

Simple, yet true words relevant to developing the vision for economic development strategy – essentially the only thing that matters is that we start running if we want to survive.

A vision statement establishes the focal point and draws the parameters within an economic development strategy. It must be guided by the aspirations of an area's citizens and leaders, accurately reflecting the community's strengths and weaknesses, values, future needs, and changing economic and social conditions. These elements – considered individually and as a whole, are unique to each community and the state. Consequently the strategies and recommendations must be developed to reflect these fundamentally different characteristics. If this relationship is truly understood and appreciated, the likelihood that appropriate initiatives are developed is greatly enhanced.⁷

"Kansans will notably increase business and personal wealth and improve our quality of life by focusing on our inherent and emerging strengths" was articulated from the discussion and concepts presented throughout the Strategic Planning process. The combined efforts of many Kansans, including Steering Committee members, Statewide Cell Chairs and members and Academic and Policy Resource Team members provided the input and expertise necessary to develop a statewide vision for economic development. Culminating with the mid-term Strategic Planning meeting, the discussion and concepts from stakeholders provided the foundation to mold the vision statement.

During the discussions several pertinent topics were suggested, including: creating a business and educational environment that embraces change through innovation and entrepreneurship; leveraging science and technology to build and enhance our traditional and emerging strengths; developing a diversified economy where individuals aspire to live, work, and learn; maintaining and promoting a viable, energetic and sustainable quality of life; developing a diversified, sustainable, and dynamic economy; focusing and supporting state initiatives which understand and partner with rural and urban stakeholders; business friendly; economic growth; self image; people; entrepreneurial; invest in Kansas; partnerships; don't forget what got us here; and many more.

A key point noted during the process of defining the vision statement was that it is clearly difficult to agree on how to word such a statement, given the number of stakeholders involved in the process and its importance to overall economic development efforts. However, through the discussion, it is also clear that regardless of how the vision statement is worded, the group agreed on the overall focus and direction of the 2007 Strategic Plan – in other words, it doesn't matter whether you are the lion or gazelle, let's start running.

This was a grassroots effort to bring forth an economic development vision for Kansas by its citizens, business and industry leaders, legislative members, policymakers, and stakeholders from state agencies, institutions and organizations for the betterment of all Kansans. The missions, strategies, and recommendations outlined in this plan provide the means to accomplish this vision.

⁷ *A Kansas Vision, The 1993 Kansas Economic Development Strategy*, Kansas, Inc., February 1993.

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Manufacturing – Aerospace and General

Mission – Promote the ongoing competitiveness and growth of the manufacturing industry in Kansas.

Introduction

Kansas has many manufacturers located throughout the state, including small-, medium-, and large-sized firms; these businesses employ from a few to several hundred workers. Many are multi-generational businesses who have been here and want to stay. The state must provide an environment for us to thrive and prosper – every business matters.

- Statewide Cell members, 2007 Strategic Planning process

Manufacturing has historically been one of the dominant sectors of the Kansas economy; however, in the new integrated global economy technological advances are changing the face of many industries. Improvements in transportation and communications are allowing jobs in fields such as manufacturing to be relocated to cut costs, scientific innovations have led to higher productivity in many areas, and industries are becoming more or less important based on consumers' preferences. The rapid productivity gains made in U.S. manufacturing have greatly reduced the need for existing and new manufacturing firms to hire large numbers of additional employees. While manufacturing employment has declined significantly in Kansas since 2000, it saw a net increase from 1990 to 2005. Manufacturing remains an important part of the Kansas economy.⁸

Aerospace is an important part of the manufacturing industry in Kansas. Historically, training and research have been connected through a natural partnership between the research organization and the technical school. They are interdependent of each other, provided the research and/or new technology are applied to the production process. Aerospace is a cyclical industry, and while there is currently a strong world market, the industry's outlook can change quickly. A robust technical training and retraining initiative during a down cycle may provide businesses with the highly-skilled workforce they need when the industry's outlook improves.

Strategy 1 – Remain competitive in aerospace and general manufacturing through trained talent.

- 1-1 Provide funding and resources to support the state-of-the-art training center currently being constructed (Jabara/National Center for Aviation Training) and its training programs for jobs in Kansas. Recommend the state invest at least \$5.5 million per year for the next six years (\$33.0 million total) in infrastructure, equipment, and curriculum support.**
(addressed under 1-2)
- 1-2 Develop and provide funding for original equipment manufacturers (OEM) and their local suppliers training and retraining efforts. Target a portion of economic development dollars for aviation and manufacturing talent development through a streamlined training fund program geared for today's companies and economy. Through business input, develop a program that assists manufacturing companies train workers through quick state approval and responsive systems.**

The training and retraining of the current and future aerospace workforce is an important issue facing Kansas aerospace companies and their suppliers. The Kansas technical education system currently may not be equipped to meet this critical demand. Just as aerospace companies rely on public universities to

⁸ See Krider, p. 25.

provide engineering education, they must rely on public technical colleges to recruit and train their current and future workforce. The competitive national and global landscape of the industry will force aerospace companies to go elsewhere if Kansas cannot provide a technically-trained and highly-skilled workforce.

The National Center for Aviation Training (NCAT) has been nearly 10 years in development and aerospace companies need the Center to provide them with the technologically-skilled workforce they need to remain competitive.

Aerospace payroll in Kansas is forecast to increase 8.9 percent annually.⁹ According to the Final Report of the Commission on the Future of the U.S. Aerospace Industry, published in 2002, the five largest aerospace companies located in Wichita had a combined payroll of \$2.3 billion. Aerospace employment is forecast to generate approximately \$223 million in tax revenues in 2007 as a result of direct employment and \$1 billion in tax revenues in 2007 as a result of total employment.¹⁰

Recruiting and training the workforce of the future is essential. Kansas aerospace companies have projected the need for thousands of new skilled workers in 2008 and beyond, with an additional 1,000 workers needed each year for the next five years. The current aerospace workforce is also rapidly aging, and retirement projections suggest we will need an additional 12,000 workers to replace the retirees.¹¹ To ensure we keep aerospace jobs, the additional jobs each aerospace job generates, and the ensuing tax revenues, Kansas must address the training and retraining of the aerospace workforce.

The time is now to build upon and promote our inherent talents and synergies within the aerospace industry.

Strategy 2 – Continue commitment to aviation research.

2-1 Continue to support advanced research and development through ongoing funding of \$5.0 million per year to further develop the National Institute for Aviation Research (NIAR) at Wichita State University (WSU) and its proven expertise in existing and new products in aviation technology.

A strong aerospace research infrastructure is critical to the short- and long-term competitiveness of the aerospace industry in Kansas. The state has recognized this competitive advantage through prior funding of the National Institute of Aviation Research at Wichita State University since 2002. NIAR's research projects have helped the Kansas aerospace industry reduce cycle time-to-market, reduce costs, enhance quality and safety for improved competitiveness, develop new products and services, and retain and create jobs.

The state's commitment to funding NIAR has also helped leverage federal funding. NIAR is a Federal Aviation Administration (FAA) Center of Excellence for Advanced Materials, A National Aeronautics and Space Administration (NASA) National Center for Advanced Materials Performance, and a Department of Defense Center of Excellence for Aging Aircraft. NIAR is currently providing the FAA with approximately 70 percent of the research in the area of composites and advanced materials.¹²

The aerospace industry cluster in Kansas has the unique opportunity to be a world leader in transferring NIAR's cutting-edge aerospace research into technical training programming for the Kansas aerospace industry. This uniqueness can help Kansas capture the value of the aerospace industry through applied research, commercialization, and workforce training.

⁹ Harrah, Janet, Miller, Steven, and Anne Gallagher. *Kansas Aerospace Industry Forecast*, Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University for Kansas, Inc., May 2006.

¹⁰ These totals include indirect business taxes, and state sales tax and personal income tax generated by employee payroll.

¹¹ Kansas Technical Training Initiative.

¹² National Institute of Aviation Research, Wichita State University.

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Strategy 3 – Compete for aerospace and general manufacturing expansion projects.

3-1 Develop a long-term economic development funding strategy for manufacturing projects. Create a competitive state policy to address major state incentives for jobs and/or facilities for aerospace and manufacturers bringing high-wage jobs and infrastructure to Kansas.

Kansas is at a disadvantage when competing for larger new projects and expansions. Other states, including Alabama, Florida, Georgia, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, and Texas, as well as other countries including Brazil, Canada, China, Japan, Malaysia, Mexico, and United Kingdom are providing large incentives for new manufacturing projects and jobs, specifically in the aerospace industry. Even with a competitive business climate and certain inherent strengths in Kansas, companies are increasingly expecting up front incentives to show quicker facility profit and improved return on investment. The competition is real for these prime jobs, and it is intensifying.¹³

The aerospace industry is an important part of the Kansas economy, and the state must continue to invest as a partner with aerospace companies as their growth continues to put pressure on facilities and infrastructure. While recruiting new businesses to the state is important to growing the Kansas economy, we must not ignore the aerospace industry and other manufacturers currently located in the state. Kansas must have a strategy to compete with other states and countries offering large incentives.

Strategy 4 – Develop incentives for attracting capital investment, job growth, and diversification within the manufacturing sector.

4-1 Develop a business and tax climate, workforce development system, and technology infrastructure to address the needs of both small- and broad-based manufacturers throughout the state.

Beyond specific initiatives for the manufacturing industry, the state must provide an overall business climate that is competitive and conducive for the growth of all businesses, a workforce development system that is responsive to business demands, and a technology infrastructure that supports and leverages economic opportunities.

Retaining and attracting businesses is important for the growth and sustainability of the Kansas economy. State initiatives must address the needs of both small- and broad-based businesses throughout the state.

The state has several incentive programs designed to retain and attract firms, but the primary beneficiaries of these programs tend to be larger companies. Job creation in small businesses likely do not occur if incentives are not available, due to the lack of access to traditional capital markets and the absence of specialized managerial skills necessary to facilitate capital creation. Incentives directed at small businesses would encourage investment and job growth. The Kansas economic development strategy must recognize all types of businesses and their importance to the economy.

¹³ Greater Wichita Economic Development Coalition.

Strategy 5 – Understand the needs and issues of the manufacturing sector in regards to workforce, infrastructure, research and development, and the attraction and retention of manufacturers of all sizes.

- 5-1 Explore the development of an interactive, electronic portal with the Information Network of Kansas (INK)¹⁴ designed to capture and provide access to information pertinent to the manufacturing sector, in particular allowing both small and large manufacturers, as well as the state, to monitor the sector vitality and better anticipate the needs and issues associated with the sector.**

The availability of information is critical to the manufacturing sector as technological advances are quickly changing the landscape of many industries. Since 1990, the U.S. manufacturing sector as a whole has seen a drastic decrease in employment – nearly 2.5 million jobs have disappeared; while Kansas manufacturing employment has actually increased by several thousand during the same time period.¹⁵ Several factors including global competition, trade policies, technology, financing, communication and transportation have made it increasingly difficult for domestic manufacturers to compete in a world economy.

The state partnering with the manufacturing sector could provide a means of better communication, market data, and other information pertinent to the sector. While larger businesses may have access to these types of resources, smaller businesses may benefit from the synergies developed through this partnership. Creating a task force consisting of both public and private sector representatives could explore the potential opportunities within this strategy. The *Indicators of the Kansas Economy (IKE)*¹⁶ may also provide expansion opportunities to address this strategy.

¹⁴ The Information Network of Kansas was created to provide Kansans equal electronic enterprise access to state, county, local, and other public information, as a government service administered for the good of the public, while benefiting from the entrepreneurial spirit and efficiencies found in private industry.

¹⁵ See Krider, p. 25.

¹⁶ The IKE project concept is the result of a perceived need for a single source of objective and consistent information that allows public and private leadership, as well as all interested Kansans to better understand the economy and enhance decision-making capacity. The advancement of IKE has created the potential for an online IKE database, which will provide interactive access to economic tools used to analyze the Kansas economy. Kansas, Inc. is currently pursuing these opportunities.

Rural Development and Agriculture

Mission – Enhance the prosperity of rural Kansas by developing innovative solutions recognizing local and regional strengths to ensure the quality of life in rural areas.

Introduction

Rural development is not a one size fits all solution – some areas are going to be successful and some are not. The attitude and actions of the community members will determine their success – We cannot legislate this.

- Statewide Cell members, 2007 Strategic Planning process

Entrepreneurship is the new focal point for rural development. For much of the past half century, rural development has been driven by twin incentives aimed at business recruitment and retention. This strategy is no longer working so well, however, for one simple reason – globalization.¹⁷

Farmers and ranchers generate revenues of nearly \$10 billion per year from grain production and livestock operations. While this is substantial, as the Kansas economy grows, the portion of gross domestic product by state attributed to agriculture continues to decline in percentage. In rural counties with little other industry, agriculture remains the primary generator of economic activity. The total impact of agriculture on the state's economy depends upon how one defines it. If the term agribusiness is used, encompassing the entire range of related food and fiber industries using input supply, agricultural production, commodity processing, food manufacturing and food distribution, the impact of agriculture on the Kansas economy gains in importance to as much as 20 percent of the state's total annual economy.¹⁸

Over time, the agriculture industry has continued to see increased productivity through the application of new technologies and innovative solutions. Increased productivity has contributed to the out-migration of actual producers, and while there are now fewer producers, the value of farm production has continued to trend upwards. During the past 40 years, the number of farms in Kansas has declined from approximately 95,000 to 64,000. This phenomenon is not specific to Kansas only, it is occurring on a national level. The depopulation of the agriculture sector will continue and to suggest otherwise may be counter to the economic realities faced in this sector.

It is unlikely that we will repopulate and grow rural Kansas with the agriculture industry, and state-level efforts must be focused on rural development to help rebuild rural Kansas. Even with these efforts, we will not save every community. Rural areas will continue to deal with a variety of issues, such as capital, access, leadership, workforce shortages, out-migration, and available services and jobs; however, rural areas do have several opportunities in regards to quality of life, community partnerships, and wealth transfer potential. We must focus our efforts on rural development and entrepreneurship to assist rural areas.

Strategy 6 – Create a rural development model that provides a holistic, integrated approach based on four key pillars (capital, access, leadership, and benchmarking). The model should use incentives as the engine that drives integration.

¹⁷ Mark Drabenstott, Center for the Study of Rural America, Federal Reserve Bank of Kansas City.

¹⁸ Mintert, James, Woolverton, Michael, Kastens, Terry, and John Leatherman. *Agriculture Commodities Future: Assess Competitive Threats to the Kansas Economy*, Department of Agricultural Economics, Kansas State University for Kansas, Inc., January 2006.

Since moving the Agricultural Marketing Division from the Department of Agriculture to the Department of Commerce (Commerce) in the mid-1990's, Kansas has tried several innovative means to enhance both agriculture and rural economies. The basic concept behind the move was designed to capture the inherent strengths and synergies housed at Commerce. This arrangement has worked fairly well at times, and at times the coordination or leveraging effect has not been outwardly visible. Since the move, both the Legislature and ensuing Administrations have worked to identify and provide new initiatives addressing rural development issues. Strategy 6 outlines a rural development model based on capital, access, leadership and benchmarking, using incentives as the engine that drives integration to address rural development issues in Kansas.

6-1 The Office of Rural Opportunity should be restructured and positioned at the highest possible level to become the centerpiece of a new integrated rural development structure. The Office will be recognized as the lead agency for rural development in Kansas with a mission to provide an integrated, coordinated and seamless approach for all rural development initiatives. The Office will develop a transparent, clearly understood methodology built around incentives to drive integration of the key pillars (capital, access, leadership, and benchmarking). Enhanced funding should be provided in the state budget for the administrative requirements of the Office.

The Office of Rural Opportunity would be positioned at the highest possible level to denote the prominence of the Office as the centerpiece of Kansas' rural development structure. This would help facilitate visibility and access to rural development initiatives.

The Office would provide field staff to rural communities, cities, businesses or individuals for the purpose of more efficient and streamlined accessibility to state initiatives, such as community development, business development, housing and capacity building. Field staff would become experts with programs at all levels, including federal programs. The Office would provide continued communication during the start-up and maintenance phase of programs to sustain the communities, cities, businesses or individual momentum and activities. There would be at least one field representative for each of Commerce's seven business development regions.

While certain programs, grants and initiatives would not fall directly under the Office of Rural Opportunity's authority, its charge would be to develop a seamless structure that encourages and demands collaboration between all associated agencies and organizations. They would devise the means and methods for navigating through all rural development opportunities. The Office of Rural Opportunity would be responsible for both follow-up and follow-through on all subsequent rural development initiatives.

6-2 Create a Division of Leadership within the Kansas Department of Agriculture, as capacity building or leadership must be a key component of rural development. Funding should be provided in the state budget for the administrative requirements of the Division.

Any rural development structure that does not address the leadership component is destined to fail.

The Department of Agriculture must also have an inherent role in rural development efforts in Kansas. The Division of Leadership¹⁹ would provide that role. Its mission would be to identify and understand the necessary components of capacity building for local, regional, and state rural development efforts. While it would have the capacity to provide some training, in most cases it would not directly provide training, but rather it would provide assistance and develop a certified menu of training providers that meet their predetermined standards and the needs of communities and businesses looking to enhance their rural development opportunities. The menu of resources would include training such as Kansas

¹⁹ The Georgia Academy for Economic Development is a similar initiative that assists the State of Georgia's leaders in their economic development efforts by providing an understanding of the critical processes, strategies and components involved in improving their local and regional economies and achieving economic success in today's global economy. accessed at: <http://www.georgiaacademy.org>

Communities²⁰, Hometown Competitiveness Training²¹, and others that could be recommended to regions, communities, cities, businesses or individuals. The Division would essentially facilitate interactions between the public and training entities to ensure the leadership and capacity building efforts were being delivered in an integrated, coordinated and seamless approach.

6-3 Develop a coordinated incentive structure to reward communities, businesses and individuals for using the new integrated structure. The Office of Rural Opportunity would develop the framework surrounding the incentive structure.

A coordinated incentive structure developed to capture thresholds and assist in setting priorities for state grants and loans would be a powerful reinforcement for federal grants and loans. For Kansas, during FY 2006, the USDA awarded approximately \$94 million in housing programs, \$9 million in business programs, and \$143 million in utilities programs.²² Given the potential federal funds available for rural development initiatives, any reinforcement from a state-level incentive structure could be beneficial to Kansas applicants. Kansas must become more competitive for federal dollars.

Potential examples within the coordinated incentive structure include: completing a dedicated leadership process or some other capacity building program certified through the leadership component of the Department of Agriculture; completing a designated process with a field representative from the Office of Rural Opportunity; creating a community foundation that has actively worked to capture local wealth transfer; utilizing Network Kansas to measure and benchmark progress; and utilizing Rural Opportunity Zones.

Ultimately, rural areas must be able to help themselves, and this incentive structure helps prioritize rural development efforts and gives rural areas access to the tools they need for revitalization.

6-4 Benchmark our efforts and progress in rural Kansas. Through marketing and awareness, rural areas will increase the visibility of successes and increase the awareness of their business atmosphere and lifestyle.

Measuring the results of rural development efforts will help communities learn about the local and regional impacts of their efforts. Benchmarks provide a means to tell their story – a way to increase the visibility of their successes and the awareness of their business atmosphere and lifestyle. Rural development efforts are a product of those communities, and how they define success in areas such as capacity building, leadership, resources, and overall results provide a direct measure of the type of community the residents want it to become. The Office of Rural Opportunity could devise both the means for navigating through rural development opportunities and design the benchmarks to assist communities in tracking their efforts.

6-5 Enhance funding to \$1.0 million per year for the agricultural loan portfolio within the Department of Commerce.

The agricultural value-added loan portfolio, administered by the Department of Commerce, Agriculture Marketing Division is currently funded at a level of approximately \$500,000 per year to assist agricultural producers and develop and expand agriculture in Kansas. Based on the direct and indirect contributions of Kansas agricultural producers and related agribusinesses, the overall economic impact of agriculture on the state's economy was approximately \$30.5 billion in 2003.²³ While we can debate the overall financial impact of agriculture on the state, there is little doubt regarding its importance to the economy of

²⁰ Founded in 2004 to build and re-build community across Kansas by rebuilding the Public Square, one community at a time. The Public Square is the intersection of four sectors: business, education, health/human service and government. Accessed at: <http://www.kscomm.net>

²¹ HTC is a comprehensive approach to long-term rural community sustainability. This approach goes beyond the traditional tunnel vision of economic development. HTC helps the community to focus on four interrelated strategies that depend on each other for ultimate success – developing leadership; energizing entrepreneurs; engaging youth; and charitable giving. Accessed at: <http://www.htccommunity.org>

²² USDA Rural Development has an \$86 billion dollar portfolio of loans and they will administer nearly \$16 billion in program loans, loan guarantees and grants through their programs. Accessed at: <http://www.rurdev.usda.gov>

²³ See Mintert, p. 37.

Kansas. Therefore we recommend the agricultural loan portfolio be enhanced to \$1.0 million per year to provide further assistance with these efforts.

6-6 Utilize and support the potential of Rural Opportunity Zones to play a key role in incentives that would help communities invest in their own future with the state as a partner.

Rural Opportunity Zones would essentially provide tax incentives to businesses that create jobs in rural communities. The creation of Rural Opportunity Zones would accomplish two primary objectives: 1) The elimination of the previous Enterprise Zone Program; and 2) The creation of Opportunity Zone Tax Credits to provide incentives for job creation and capital investment in rural communities and counties.

Currently, small businesses in rural areas cannot access the High Performance Incentive Program (HPIP) tax incentives because they cannot create enough jobs or capital investment. This is a disincentive for the growth of existing businesses and the recruitment of new businesses to rural Kansas. There are many facets to the concept of Rural Opportunity Zones:

- Providing new tax incentives to communities and businesses to encourage investment in rural areas, instead of just providing incentives to larger communities and businesses.
- Establishing an application process and delivery methodology for the tax credits that allows communities, counties and regions to establish the boundaries of the Rural Opportunity Zones, rather than the prescriptive approach of the state establishing the boundaries.
- Tax incentives that reward businesses and communities who exercised leadership, planning, cooperation, collaboration, and potentially the coordination of services.
- Communities that clearly demonstrate deliberate and purposeful development planning efforts and actions would be eligible for the designation as a Rural Opportunity Zone. These zones could reinforce the need for benchmarking rural development efforts.

Strategy 7 – Address technology infrastructure needs in rural Kansas, including broadband, Internet access and wireless voice access.

- Most important in book*
- 7-1 Study, map and enhance the broadband infrastructure of the state. Increase broadband Internet access and the capacity to move large amounts of data securely. Urge the private sector to respond to broadband service gaps as they are identified. (addressed under 7-2)**
 - 7-2 Assure through regulator mechanisms such as eligible telecommunications carrier designation and a tax structure that rewards investment, that wireless coverage is available throughout Kansas.**

Whether rural communities flourish or become increasingly isolated may depend on how they exploit technology infrastructure such as broadband, Internet access, and wireless voice access. Today's business environment demands access to these technologies. Research has shown a link between infrastructure investments and economic growth, such as investments in highways and telecommunications accelerating economic growth, or investments in information technology contributing to increased labor productivity.²⁴

A major obstacle to development in rural communities is distance and connectivity, and technology provides a way to minimize these barriers. Without these amenities, large parts of rural Kansas will lose out on economic development, jobs and population. Technology such as broadband and wireless voice access must be considered as essential as traditional utility services. Through open access, competition

²⁴ Orazem, Peter. *The Impact of High-Speed Internet Access on Local Economic Growth*, The Center for Applied Economics, School of Business, University of Kansas, August 2005.

and innovation at the federal and state level, rural communities and businesses can partner to develop these technologies. Understanding and mapping existing broadband infrastructure will assist both the public and private sectors in addressing the needs of rural Kansas. Regulator mechanisms and tax incentives could reward investment and facilitate further wireless coverage throughout the state.

Strategy 8 – Grow existing businesses and encourage the creation of new businesses in rural Kansas.

8-1 Encourage the ongoing use and support of Network Kansas to facilitate entrepreneurship, promote rural outsourcing rather than traditional outsourcing, develop value-added industries based on agricultural commodities, utilize regional strengths and cooperation, and develop proactive business succession efforts.

The Kansas Center for Entrepreneurship (Network Kansas) was established in the Kansas Economic Growth Act (KEGA)²⁵ of 2004. Network Kansas promotes an entrepreneurial environment throughout Kansas by connecting entrepreneurs and small business owners with resources.

Rural policies built around entrepreneurship offer the greatest chance of helping rural regions. The key to adopting such policies; however, will be a concerted effort to better understand the links between entrepreneurship and regional economies, to inform policymakers of these benefits, and to develop a more systematic approach to supporting the unique needs of rural entrepreneurs.²⁶

As Network Kansas continues to facilitate entrepreneurship throughout Kansas, the Legislature should examine increasing the cap of \$2.0 million per year on the Center for Entrepreneurship tax credit.

Strategy 9 – Kansas should remain a leading agricultural state.

9-1 Policymakers can encourage state officials, agencies, farm organizations, and commodity groups to continue overseas market development and trade promotion programs.

A key to any successful production operation, whether agriculture or otherwise, is effective marketing. Policymakers must assist producers with both the domestic and worldwide promotion and development of markets for agricultural products and services. Within the Department of Commerce, the Agriculture Marketing Division works to provide a range of financial and technical assistance to agricultural businesses, and the Trade Development Division works directly with Kansas companies to increase sales of products and services in international markets. Efforts to increase the profitability of producers and the agricultural goods they produce can be further facilitated through domestic and international sales, coordinated marketing efforts, and professional services. Marketing to strengthen and expand current markets while attempting to create new markets is important to the agriculture industry in Kansas.

9-2 The state can assist local government in the development of bioterrorism contingency plans that strategize around anticipated disruptions by providing guidance, technical assistance, needed financial resources, and overall coordination between the multiple jurisdictions likely to be involved.

The potential seriousness of a bioterrorist attack on agriculture is an eminent threat to the Kansas economy. The dispersed nature of agriculture in Kansas would make total prevention prohibitively expensive and the severity of such an impact would primarily come from the widespread disruption of agricultural systems. State and local government should be strongly encouraged to complete bioterrorist contingency plans that strategize around anticipated disruptions. The state can lead this effort by

²⁵ KEGA was a comprehensive economic development act designed to meet the needs of the changing Kansas economy and introduce bold strategies to strengthen and stimulate the state's economy.

²⁶ Drabenstott, Mark, Novak, Nancy, and Bridget Abraham. *Main Streets of Tomorrow: Growing and Financing Rural Entrepreneurs – A Conference Summary*, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, Economic Review, 3rd Quarter 2003.

providing guidance, technical assistance, financial resources and overall coordination between the multiple jurisdictions likely to be involved. In many cases, local government units are the most likely to be affected – rural communities and low-population counties are the least likely to have the wherewithal to complete this task without considerable state involvement.²⁷

9-3 Ensure university research is aligned with ongoing and future opportunities in the application of strategic technologies such as genetic engineering, environmental solutions, and conservation technologies, with the intention to apply or commercialize these opportunities.

University research and extension contribute to the continual productivity gains that have kept producers competitive while increasing their awareness and education levels. Universities must continue to create value with research and extension educational outreach programs while effectively communicating the benefits received from those activities.

Future opportunities are well beyond production agriculture, as we continually advance in areas such as biotechnology, genetic engineering, environmental solutions and conservation technologies. Our research institutions must be positioned to successfully develop and commercialize these opportunities to adapt to the changing social factors and demographics demanding these new strategic technologies. Examining best practices, aligning research with our state's core competencies, and the application of research through commercialization are all examples that must have economic development in mind as part of the end goal. Best practices include the North Carolina Research Triangle Park, a model of innovation, education and economic development that has been applied throughout the world.²⁸

Our research institutions offer tremendous potential with their inherent strengths and capacity. We must take whatever steps necessary to ensure they can successfully capitalize on these opportunities.

²⁷ See Mintert, p. 37.

²⁸ One of the oldest and largest science parks in North America, The Research Triangle Park (RTP) is a 7,000 acre development that is currently home to 157 companies employing over 39,000 full-time high-tech workers and an estimated 10,000 contract employees. Located at the core of the Raleigh-Durham-Cary CSA (Combined Statistical Area), the Park is a globally prominent high-tech research and development center that serves as an economic driver for the region. Accessed at: <http://www.rtp.org>

Professional, Scientific, and Technical Services

Mission – Recognize and support the role of services as a core industry in growing the Kansas economy.

Introduction

Our metropolitan areas are major economic drivers of this state – professional, scientific and technical services are leading the way in these areas – we must ensure that what they are doing right continues to be done right.

- Statewide Cell Members, 2007 Strategic Planning process

The service sector consists of two distinct types of services. Traditional support or rooftop entities provide services such as hospitality, food service and mechanics. While these entities are important to the economy and follow economic growth, they are not in themselves considered a core competency in the Kansas economy. Stand-alone entities provide services such as engineering, communications, technology and financial services. These entities in the professional, scientific and technical services are inherent and emerging strengths, and considered one of the primary drivers of the Kansas economy. Large concentrations of service entities are located in metropolitan areas throughout the state and will continue to drive the economy.

The relative growth of sectors such as financial activities, health care and social assistance, and business services demonstrates that much of the state's growth in employment will come from service-providing industries.²⁹ Kansas should mold its economic development initiatives around the stand-alone service entities including engineering firms, communications, technology, financial services and others. Traditional rooftop services such as hospitality, food service, mechanics and others will follow economic growth, but are not in and of themselves drivers of economic growth. The term "professional, scientific and technical services" is used to capture the breadth and depth of these services as proven economic drivers.

Kansas has systematically lagged both the United States and the Plains region in key economic performance measures for at least the past quarter century... a few of the Kansas counties that comprise the Kansas City area – particularly Johnson County – are the economic engines helping to keep Kansas competitive with the Plains region.³⁰

The tourism industry is also addressed in this section. The tourism industry is an important sector of the Kansas economy, through both direct and indirect contributions. During 2004, core tourism³¹ directly contributed \$4.2 billion in goods and services to customers, and non-core tourism contributed \$1.4 billion in goods and services to the core tourism providers.³²

The military and government sectors are also important to the Kansas economy and addressed in this section. The military presence in Kansas contributes over \$2 billion per year and several thousand jobs to the Kansas economy.

While this section encompasses a broad range of service-related entities, each area contributes to the Kansas economy and has specific needs that must be addressed.

²⁹ See Krider, p. 25.

³⁰ Hall, Art and Peter Orazem. *A Brief Economic History of Kansas, 1969-2003: An Executive Summary for a Series of Reports*. The Center for Applied Economics, School of Business, University of Kansas, August 2005.

³¹ Core tourism measures the size of the industry directly providing goods and services to the visitor, therefore, all indirect effects are excluded – these are part of other supplier industries such as wholesalers. The impact of capital investment is also excluded.

³² Global Insight. *How important is Tourism in Kansas? The Tourism Satellite Account Perspective, Kansas Tourism in 2004*. For the Kansas Department of Commerce, October 2006.

Strategy 10 – Ensure all graduates are informed and prepared for professional, scientific, and technical service jobs in Kansas, particularly in STEM (Science, Technology, Engineering, and Math) fields.

10-1 Develop partnerships between businesses and secondary educational institutions to design curriculum that prepares students for jobs in Kansas. Utilize successful career curriculum alignment programs, such as the Olathe 21st Century High Schools program and design a template for statewide application.

Partnerships between businesses and secondary educational institutions can ensure students are prepared and informed regarding educational and career opportunities in Kansas. Programs that engrain businesses within the educational process ensure students are better prepared for the workforce. This also provides a connection between students and businesses, creating a relevancy between their educational curriculum and their real-world opportunities.

The Olathe 21st Century High Schools Program³³ was designed to provide educational programs with business involvement and partnerships. Programs are centered around the following criteria: making classroom learning relevant to the outside world, focusing on the global workplace, recognizing the broad-based role of technology, promoting the importance of citizenship and character, and providing flexibility of schedule and interactive instructional methodology. Program examples include: aerospace and engineering, biotechnology/life sciences, computer systems networking, health career sciences, culinary arts, e-communication and many others.

With this program students have opportunities to complete internships with businesses and work with college professors on various projects. These types of programs should be further developed as a template for statewide application.

10-2 Promote the statewide use and business involvement with the Kansas Career Pipeline to encourage student exploration into careers and educational paths in Kansas. Encourage contact with Kansas businesses through internships and job shadowing.

The Kansas Career Pipeline (KCP)³⁴ is an online assessment tool intended to match aptitudes and interests with in-demand careers and postsecondary institutions providing the relevant curriculum. Students can also be matched with businesses through e-mentors, summer jobs, apprenticeships, job training, scholarships and eventual employment. During the 2007 Legislative Session, \$420,120 was appropriated for funding the KCP, contingent on a dollar-for-dollar match from business and industry partners. The sustainability of this program will depend on the long-term commitment of private industry and the state. Businesses must be encouraged to meet the match requirements. There must be widespread involvement from the private sector to highlight career opportunities throughout Kansas and match students with the needs of businesses.

STEM fields are visible in the KCP, as it focuses on careers in healthcare, biotechnology, technology, energy and manufacturing.

Beyond the KCP, businesses should be encouraged to interact with students in Kansas through various other internship and job shadowing programs, orchestrated through educational institutions or other programs. Business interaction with students is critical to building our future workforce.

³³ Olathe 21st Century High Schools Program was developed out of necessity to attract and provide incentives for students to attend the new Olathe High School in early 2000. The program was designed based on community input, national research and student interest. Students began enrolling in the spring of 2003.

³⁴ Accessed at: <http://www.careerpipeline.org>

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10-3 Incorporate entrepreneurship, leadership, innovation and customer service training into our education system.

The service sector is a vital part of the Kansas economy. To be successful in this sector, the workforce must possess specific skills and competencies that are non-disciplinary and important to business opportunities. Entrepreneurship, leadership, innovation and customer service are skills that should be emphasized in our education system. Students must be exposed to their use and relevance in the workplace.

Strategy 11 – Differentiate Kansas as an entrepreneurial state and improve capital formation for the service industry.

11-1 Embrace technology and innovation to develop entrepreneurial and startup business opportunities in the service industry.

Embracing technology and innovation can assist entrepreneurs with startup business opportunities in several ways. The state can embrace technology and innovation to provide services in a more efficient manner, by utilizing tools such as Network Kansas to provide entrepreneurs with the needed resources for the startup and growth of their businesses. This can improve information, minimize overhead costs and contribute to the long-term competitiveness of businesses. Streamlining resources will assist in the growth and creation of entrepreneurial and startup business opportunities in the service sector and other industries.

Strategy 12 – Support and develop tourism in both urban and rural areas.

12-1 Focus tourism initiatives through an aggressive marketing/branding plan based on both destination tourism and business input.

Given our limited resources, tourism initiatives demand focus with an aggressive marketing/branding plan. The Kansas economy, its components, sectors and geographical regions could benefit from the potential of the tourism industry. Education regarding these potential opportunities will assist in gaining support of businesses, elected officials and citizens on the benefits of a successful tourism industry.

While tourism and business initiatives may have different messages and target audiences for their products, the benefit of working together on some level can provide important synergies and cooperation that will provide a better overall marketing/branding plan. Business and tourism must work together to provide leadership and focus for a state marketing/branding plan.

12-2 Devise a dedicated funding stream to assist in developing tourism initiatives on a statewide basis through the collaboration of the state, associations and private industry organizations.

More than \$3 billion³⁵ is spent each year by visitors to Kansas. The Kansas Department of Commerce, Travel and Tourism Division is charged with encouraging the traveling public to visit and travel within Kansas by promoting recreational, historic, and natural advantages of the state and its facilities. The Division's efforts include promotion to the travel media, group tour market, leisure travelers, and the international travel community. Travel and tourism initiatives are important to the Kansas economy. Kansas is not competitive in developing this industry and state spending has not kept pace with other states. Kansas must make this a priority and provide additional funding for marketing Kansas attractions, development of state parks and other attractions, and research on travel and tourism. Funding should be enhanced through a dedicated funding stream based on the collaboration of the state, associations and private industry organizations.

³⁵ Kansas Department of Commerce, Division of Travel and Tourism.

Strategy 13 – Address the needs of both the military and government services in general.

13-1 Fund the Governor's Military Council within the state budget at a level of \$500,000 per year. The Council is charged with accommodating all military growth in the state and fostering additional military growth.

A source of economic development often overlooked is the contribution of the military to the Kansas economy. Several military installations foster growth of the state's economy by increasing private sector jobs and overall economic well being, including: Forbes Field, Fort Leavenworth, Fort Riley, Kansas Army Ammunition Plant, McConnell Air Force Base, and Smokey Hills Weapons Range.

The 2005 Base Realignment and Closure (BRAC)³⁶ decisions, combined with decisions made by the Department of Defense regarding transformation, modularity and the global repositioning of military personnel and missions, the economic contribution of the military to the state is expected to be approximately \$2.5 to \$3.0 billion per year by 2012. While these figures are direct contributions, assuming a factor 2.5 for indirect impact, the total direct and indirect impact by 2012 is expected to be \$8.75 to \$10.5 billion per year.³⁷

The expected growth on Fort Riley by 2012 is an example of how growth of a military installation fosters private sector growth. On-Post growth of nearly 9,000 soldiers and 2,000 civilian positions is expected to generate 6,500 private sector jobs in the Fort Riley region, a 22 percent increase in Gross Regional Product, a 16 percent increase in disposable income in the region, and the requirement for an additional 400,000 square feet of retail space. In addition, the communities around Fort Riley are slated to build nearly 9,000 new housing units in a five-year span, experience an additional 16,000 automobiles on the roads, and increase the region's K-12 enrollment by 3,000 to 4,000 students.³⁸

The military fosters growth of the state's economy by increasing private sector jobs and overall economic well-being. Ongoing funding for the Governor's Military Council must be addressed to accommodate and foster future military growth in the state. Previously, the Council has been funded by the state at a level of \$500,000 per year, and in recent years funding has decreased. The Council has temporarily addressed budget shortfalls through a combination of local, state and federal funds. Given the success of the Council's initiatives and their impact on the state's economy, we must ensure adequate, ongoing state funding for this initiative.

13-2 Align government employment and compensation to be flexible and competitive with private labor markets.

Government employment must be flexible and competitive with private labor markets. The state has acknowledged these issues through the creation of the State Employee Pay Philosophy Task Force and the State Employee Compensation Oversight Commission.³⁹ The Commission will present a new pay plan to the 2008 Legislature. The state must align employment and compensation with the private sector, and maintain funding to remain competitive for capable talent over the long-term. Within the bounds of the current state civil service system, a formal succession planning system should be established to ensure successful hand-off of all Commerce activities, in particular the business assistance function. Economic development is a relationship business, and any attempt to institutionalize Commerce's current relationships will promote its present and future success.

³⁶ Congress established the 2005 BRAC Commission to ensure the integrity of the base closure and realignment process. While giving priority to the criteria of military value, the Commission took into account the human impact of the base closures and considered the possible economic, environmental, and other effects on the surrounding communities.

³⁷ Governor's Military Council.

³⁸ Ibid.

³⁹ The State Employee Pay Philosophy Task Force was created by the 2007 Legislature and charged with the development of a compensation philosophy for the State of Kansas. The Task Force developed the philosophical framework for the State Employee Compensation Oversight Commission as the Commission works toward the development of a new pay plan for State employees. The State Employee Compensation Oversight Commission was created by the 2007 Legislature and charged with the development of a new pay plan for State employees to be presented to the 2008 Legislature.

Energy and Natural Resources

Missions – Energy – Implement a State Energy Plan that emphasizes growth value to producers and consumers; promotes energy efficiency and conservation; and promotes research and development for alternative energy technology. Water – Implement a State Water Plan that coordinates the management, conservation, and development of water resources by providing recommendations on how the state can best achieve the proper use and control of water resources.

Introduction

Kansas is rich with natural resources – we must be responsible stewards of these resources – without water and energy, we won't have economic development.

- Statewide Cell Members, 2007 Strategic Planning process

The economy relies on a sustainable supply of energy and water for economic growth. Global forces continue to influence the oil and gas industry, and it has maintained an important role in the Kansas economy. In recent years, market forces have increased prices, production and employment in this industry. We must use our current energy assets to build a bridge to future energy opportunities, while factoring in global economic forces, alternative and renewable energies, conservation, environmental concerns, societal factors and other issues that continue to shape our energy needs. We also possess several inherent natural resources besides oil and gas – both surface water in reservoirs and ground water in the Ogallala Aquifer are important resources in the Kansas economy. In many areas the depletion of water resources is becoming an issue, and we must preserve and maintain these important resources.

Within the 2007 Strategic Planning process, many individuals provided input regarding energy and natural resources. The State understands the importance of energy and natural resources, and has charged specific entities with the strategic planning process for both energy and water. Several key individuals from those entities were included in the economic development Strategic Planning process, highlighting the importance of these resources to the Kansas economy.

The state has charged the Kansas Energy Council (KEC) with the development of a comprehensive state energy plan that includes information about the state's energy resources and recommendations regarding long-term energy policy to the Governor, Legislature, and the Kansas Corporation Commission.

The state has charged the Kansas Water Office with developing the Kansas Water Plan, and the Kansas Water Authority (KWA) approves the Plan. Implementation may be through legislation, funding or focus of existing agencies' programs. The Kansas Water Plan (KWP) is used by the State of Kansas to coordinate the management, conservation and development of the water resources of the state.

Strategy 14 – Adopt recommendations specific to economic development brought forth in both the State Energy Plan and the State Water Plan.

14-1 Foster coordination between the State Energy Plan and the State Water Plan.

A sustainable supply of energy and water is necessary for economic growth. These resources are inter-related, as we basically need one to produce the other, and sustainability through management, conservation and other efforts will significantly impact our economy. Many parts of Kansas are already dealing with these issues, and they will be an ongoing part of economic development efforts.

The State Energy Plan and State Water Plan must coordinate on some level to address and be aware of issues pertinent to both energy and water. Potential coordination at the Board member level could ensure both energy and water issues were represented through the KEC and KWA. We must have an understanding of the relationship between energy and water, as the sustainability of these resources is critical to our future economic growth.

Strategy 15 - Kansas will become an energy processor (value-added) in a balanced manner.

- 15-1 Production, distribution and wholesale/retail sales must be a key component of our energy portfolio. (addressed under 15-3)**
- 15-2 While conservation is a key component, we must use current energy assets to build a bridge to future energy opportunities. (addressed under 15-3)**
- 15-3 Kansas must add value in a collaborative manner in the areas of energy generation, refinery, transmission and storage, specifically addressing oil and natural gas, bio-fuels, wind and nuclear energy.**

Strategy 15 strategically addresses several aspects of the energy industry as discussed throughout the Strategic Planning process. Economically, there are many challenges associated with an evolving energy industry. We must become a value-added energy processor in a balanced manner. Oil and natural gas, nuclear energy and renewable energies are all changing our energy landscape as we move forward in a global economy. We can use our current energy assets to build a bridge to future energy opportunities, but we must have understanding and perspective regarding how long that bridge actually is.

Regulations, competition and technology have created many opportunities and risks in the energy industry, and we must continue to adapt to these changes to remain competitive. Extensive lessons have been and will continue to be learned within electric, natural gas, oil and coal markets regarding issues related to electric generation, electric and natural gas transmission, electric and natural gas distribution, wholesale trading, retail sales, oil and gas production, crude oil and refined product pipelines, and oil refining and marketing.

How we address and embrace these issues will determine whether Kansas will remain a leader in the energy industry.

Strategy 16 – Recognize the importance of the oil and gas industry to the Kansas economy and continue to support and promote its development.

- 16-1 Recommend studying and realigning the property tax credit offset on the severance tax with the goal of maintaining and attracting capital into the oil and gas industry, while maintaining or increasing state revenues.**

Kansas is one of the only states that impose an excise tax upon the severance and production of oil and gas. This tax totals 8 percent of the gross value; however, Kansas allows a credit of 3.67 percent for the ad valorem taxes, and as a result collects the difference of 4.33 percent.

Throughout the years, cyclical price declines have caused the oil and gas industry to lose infrastructure and human resources. Kansas is ranked in the top ten largest oil and gas producing states in the U.S. and the current structure of these taxes are a disincentive to capital attraction. We must study and realign this part of our tax structure to maintain and attract capital into the oil and gas industry.

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Strategy 17 – Encourage policies for investment in both traditional and emerging energies that optimize our energy strengths, in the areas of development, conservation, efficiency and renewable energies.

17-1 Develop and coordinate an E-85 distribution structure that would attain a presence throughout Kansas.

The demand for alternative fuels such as ethanol is growing, driven by increased use, higher energy prices, and regulations. Ethanol is sold into the gasoline blending market where it competes with other oxygenates, octane components and gasoline. Historically, ethanol prices have been highly correlated with the price of gasoline and gasoline blending components; however, in 2005 the prices of ethanol and gasoline began a significant divergence at the wholesale level, with ethanol selling for much less than gasoline.

Developing a distribution infrastructure for ethanol is important for continued ethanol production in Kansas. On the federal level, the E-85 infrastructure tax credit established in the Energy Policy Act of 2005 created a credit that permits taxpayers to claim a 30 percent credit up to \$30,000 for the cost of installing clean-fuel vehicle refueling properties. Similar initiatives on the state level should be pursued to make E-85 available throughout the state. This would enhance the emerging market for E-85 in the state.

17-2 Design incentives and policies to encourage research and development for energy and enhanced access to capital for energy development.

Energy research and development will impact the cost and reliability of our energy resources in the future. Creating incentives and policies to provide research regarding the state's inherent energy strengths and public interests will contribute to future economic growth. Research and development will lead to new ideas and technology, which will lead to commercialization, new jobs and industries. Energy research and development and efficiency programs provide financial and technical assistance to eligible public and private entities to use or demonstrate energy technologies and reduce their costs. A reliable, cost-effective and environmentally acceptable energy supply for consumers is important.

Analyzing future energy needs stresses the ongoing importance of energy information collection and analysis when identifying the most cost-effective energy options. Public/private partnerships can help support energy-related projects. Kansas should assess, advocate and act through public/private partnerships to improve energy systems that promote a strong economy and a healthy environment.

Strategy 18 – Address reservoir and aquifer management and restoration in Kansas.

18-1 Recognize and develop strategies to address the management and restoration of the state's reservoirs.

Surface water supplies in Kansas must be sufficient to meet anticipated future demands for water supply and other benefits provided by reservoirs. Water is an important issue for all Kansans, as economic growth depends on the availability of water, but cannot come at the expense of water resources. Reservoirs provide flood control, municipal and industrial water supply, irrigation, navigation, water quality and recreation. Watershed protection and restoration are critical to protecting and preserving the federal reservoirs which provide water storage for more than half of the state's population.⁴⁰ Population growth, sedimentation, increased demand for water and funding are all issues that must be addressed to ensure water supplies will be sufficient to meet anticipated future demands for water supply and other benefits provided by reservoirs. Federal reservoirs were built with a specific lifetime and steps must be taken to maximize their useful life. This can be accomplished by securing available storage, developing more sophisticated operations, including all beneficiaries in operations and funding, acquiring better supply and

⁴⁰ *Kansas Water Authority Annual Report to the Governor and Legislature*, Kansas Water Office, 2007.

demand information, identifying storage and restoration opportunities and providing increased funding for surface water issues.

Federal reservoirs are a vital resource for public water suppliers in Kansas, providing regional sources of stored untreated water to surrounding communities and industries. Communities either draw water directly from reservoirs or from rivers where the flow can be supplemented by releases from the reservoirs. The Kansas Water Office works with other federal, state and local agencies to extend the usable life of these reservoirs through the development and implementation of watershed and reservoir restoration and protection strategies.

Over time the transport and deposition of sediment from rivers and streams that drain into a reservoir reduces the amount of storage space available to store water. Pollutants and nutrients carried by these rivers and streams also degrade the quality of the water stored in these reservoirs. The Kansas Water Office administers the State's Water Marketing and Water Assurance Programs, which utilize federal reservoirs to help meet the water supply needs of municipalities and industries in Kansas.

18-2 Recognize and develop strategies to address the management and restoration of the state's aquifers.

We must conserve and extend the life of the Ogallala Aquifer and achieve sustainable yield management in areas outside the Ogallala Aquifer by 2010.⁴¹ Several issues are presented when addressing the management and restoration of the state's aquifers. Reducing water use without unduly harming the economy is difficult through voluntary programs, which are promoted with mixed support. Management and identification of aquifer sub-units can help identify targeted areas.

The Ogallala Aquifer has been intensely managed for several years with the passage of several key acts, namely, the Water Appropriation Act, the Groundwater Management District Act, and the Kansas Water Planning Act. These efforts in combination with other management activities have all worked towards slowing the rate of ground water decline and conserving and extending the usable life of the Ogallala. However, as a whole, the amount of water that has been legally appropriated in the Ogallala is well above the amount of water that is recharged to the aquifer system each year. As such, it can only be expected that the Ogallala Aquifer will continue to be stressed and continue to decline at varying levels. With a continued decline in the amount of water in storage, it can be only assumed there will be some point in time when the aquifer will not be able to support all water demands placed upon it.⁴²

To help address the management and restoration of our state's aquifers, we should maintain a regulatory structure, implement and expand programs aimed at permanent water right retirement, and ensure continued research on these issues.

⁴¹ *Kansas Water Office Presentation*, Kansas Water Authority and Kansas Water Office, 2007.

⁴² *Assessment of Water Level Decline Rates within the Ogallala Aquifer*, Kansas Water Office, 1999.

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Bioscience

Mission – Make Kansas the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research, development and commercialization, to make Kansas a national leader in bioscience, to create new jobs, foster economic growth, advance the scientific knowledge and improve the quality of life for the citizens of the state of Kansas.

Introduction

Out of necessity, bioscience has focused on the northeast corridor of the state – we need to use these efforts as a bridge to bring bioscience opportunities to the rest of the state.

- Statewide Cell Members, 2007 Strategic Planning process

The Kansas Economic Growth Act (KEGA) of 2004 was a comprehensive economic development act designed to meet the needs of the changing Kansas economy. KEGA introduced bold strategies to strengthen and stimulate the state's economy. One of the components of KEGA was the statewide Bioscience Initiative. Legislation created the Kansas Bioscience Authority (KBA) to guide the state in its investment in the biosciences and provided an innovative funding mechanism based on the growth of state income tax withholdings from employees of bioscience-related companies. This mechanism makes it unnecessary to raise taxes or reallocate amounts from other state budgets. Revenues that accrue belong exclusively to the KBA and are not part of the State Treasury. Funding is estimated to reach more than \$580 million generated over the next 15 years.

As defined by the legislation that created the KBA, bioscience means the use of compositions, methods and organisms in cellular and molecular research, development and manufacturing processes for such diverse areas as pharmaceuticals, medical therapeutics, medical diagnostics, medical devices, medical instruments, biochemistry, microbiology, veterinary medicine, plant biology, agriculture and industrial, environmental, and homeland security applications of bioscience, and future developments in the biosciences. Bioscience includes biotechnology and life sciences.⁴³

Within the 2007 Strategic Planning process, many individuals provided input regarding the bioscience industry. Several inherent strengths already exist in the biosciences, including: animal health, human health, crop science and bio-fuels. The State recognizes the importance of the industry, and has charged the KBA with strategically guiding the state in its investment in the biosciences.

Strategy 19 – Increase the quantity of high quality bioscience research that has commercial relevance for Kansas.

19-1 A key role for the Kansas Bioscience Authority (KBA) is to bridge the gap in translating innovation between pure bioscience basic research and the more applied and development-focused technology needs of the state's bioscience industry.

Kansas must focus on matching use-inspired basic research to the product-driven needs of industry to advance market-driven approaches to product development. The KBA will undertake a wide array of activities to strengthen the health and vitality of the state's bioscience research infrastructure, including facilitating academic/industry collaboration, attracting eminent scholars, recognizing and encouraging up-and-coming scholars, and leading the state's efforts to identify and pursue large-scale federal research and development investment such as the National Bio and Agro-Defense Facility.

⁴³ Kansas Bioscience Authority. accessed at <http://www.kansasbioauthority.org>

Strategy 20 – Foster the formation and growth of bioscience startups.

- 20-1 The KBA will partner with other economic development organizations to provide one-on-one consulting services to high potential early-stage bioscience companies with the goal of preparing them to raise capital and go to market.**

The KBA's business assistance must build value by working with technology entrepreneurs to mold concepts, vision, intellectual property, sweat and passion into breakthrough, high-growth technology companies. The KBA's hands-on coaching approach, access to a network of resources, and early-stage capital must give clients a jump start. Additionally, the KBA will help fill the need for seed and early-stage capital through the establishment of professionally managed investment funds.

Strategy 21 – Facilitate bioscience corporate expansion and attract new-to-Kansas bioscience corporate activity that grows and strengthens the function of specific clusters of excellence.

- 21-1 Working with its state and local partners, the KBA will facilitate the retention and attraction of bioscience companies in the state.**

The KBA offers companies direct financial assistance in the form of low-interest loans, grants, bonds, and works through its partners to facilitate state and local tax incentives. From new entrepreneurs starting small businesses to large corporations, the KBA can provide business owners and executives with the information and support they need to make informed decisions on location, infrastructure, training and financial assistance. During 2008, the KBA expects to expand its regional partnerships to develop specialized infrastructure to facilitate the growth and expansion of bioscience companies.

Strategy 22 – Develop and enhance partnerships for the growth of biosciences throughout the state.

- 22-1 The KBA's motto recognizes that its public, private and academic partners are often at the forefront of efforts to expand bioscience research and development, foster the formation and growth of startups, and lead local corporate expansion and attraction efforts.**

The KBA must continue to work with partners statewide to pursue specific bioscience growth opportunities and implement scalable programs developed for use by a broad range of constituents. Two distinct measures of entrepreneurial activity may set critical benchmarks for expanding the bioscience industry and the KBA's efforts throughout the state. First, assessing the quantity, or breadth of activity across a region would reflect the size and variety of businesses in the state, and second, assessing the quality, or depth of activity in a region would represent the value these businesses generate for themselves and the state.

Strategy 23 – Develop and achieve recognizable measures of success in the biosciences.

- 23-1 The KBA will orient its investments and measure its success based upon achieving a handful of outcome metrics by 2019 that denote national leadership in the biosciences.**

The KBA is focused on four areas, success in generating a return on investment; efforts to enhance bioscience research at our academic institutions; fostering the formation and growth of bioscience startups; and commitment to making Kansas a world leader in sectors where we are already strong. The KBA must also provide assistance to smaller businesses within the bioscience industry. While these businesses may not necessarily be the headline/home-run successes, smaller businesses are important to the Kansas economy. Through bold leadership, progressive policymaking and strategic partnerships, Kansas can continue to build this industry.

Business and Tax Climate

Mission – Create a tax and regulatory structure that is competitive and conducive for the growth of existing and new businesses of all sizes.

Introduction

We have to recognize what we can and can't do, and focus on the areas where we can make an impact. Remember who and what got us here – every business matters.

- Statewide Cell members, 2007 Strategic Planning process

From 1990 to 2004, only 3.2 percent of new jobs created in Kansas were created by companies moving into Kansas from outside the state. Expansions of existing Kansas businesses accounted for 39.8 percent of the new jobs, while new start-up businesses accounted for 57.0 percent.⁴⁴

Kansas must have a competitive business and tax climate to nurture Kansas business of all sizes and in all stages. Throughout the state it was heard that every business matters, whether large or small, a start-up or multi-generational operation. Businesses must have a level playing field regarding state incentives. Kansas should not forget the businesses that grew our economy into what it is today. The focus should not be on just attracting companies to locate in Kansas as start-ups and expansions are important to the economy. Kansas must focus its efforts on a few specific issues instead of offering a vast array of complex incentives and other options. A focused business tax climate can provide the foundation for our future business. We need a capital friendly business climate that holds cities and counties harmless.

Strategy 24 – Remove barriers and be competitive for capital as it relates to business climate.

24-1 Consider implementing a form of universal expensing or 100 percent accelerated depreciation of all capital investment in Kansas, similar to the High Performance Incentive Program (HPIP), but applied to all businesses without regulatory barriers.

Expensing would provide an immediate income tax deduction for new capital investments for any business. This would be a pro-investment tax policy with no subsidies, which treats all businesses – small and large, equally. Expensing would complement the recent competitive reforms related to property and franchise taxation and further distinguish Kansas as a destination for capital investment. Expensing would also make taxes more equitable, because it results in equal tax treatment among businesses of all types and sizes. The existence of an income tax makes the Kansas government a de facto silent partner in every Kansas business. Because it operates as an extension of U.S. income tax law, Kansas income tax law does not act as an investment-driven partner, and expensing would reverse the situation and turn the government into an investment-driven partner for the economic benefit of all Kansans. The state would become a true partner with businesses, with the only cost to the state being the time value of money when compared to depreciation. This recommendation would allow every business an election to expense capital investments and research and development investments in Kansas. It would allow unlimited carry-forward of unused expense, replace specific tax credits and allow businesses to keep tax credits already earned.⁴⁵

Expensing is a little used depreciation procedure that removes tax bias and greatly simplifies income tax administration for both the taxpayer and tax authorities.

⁴⁴ The Center for Applied Economics, School of Business, University of Kansas, 2006.

⁴⁵ Hall, Arthur. *Expensing: A Competitive Leap for Kansas Tax Policy*. The Center for Applied Economics, School of Business, University of Kansas, September 2007.

24-2 Study the effect of a reduction or elimination of the corporation income tax and the income taxation of capital gains.

The information for this recommendation is primarily sourced from the Kansas Department of Revenue's *Analysis of Corporate Income Tax*⁴⁶ for the years 2000 – 2003 with historical information regarding the corporate income tax and the four largest business incentive tax credit programs (business and job development, high performance incentive program, research and development, and business machinery and equipment property tax credit). The study also examined where the corporate income tax burden fell by industry sector, and made limited comparisons of the employment performance of corporations claiming the largest amounts of tax credits to the employment performance of similar sectors of the Kansas economy as a whole in recent years.

The updated conclusions for tax year 2003 remained similar to previous tax years: Manufacturers continue to utilize the business tax credit incentive programs heavily and have claimed the largest amounts of the credits; because tax credits are used to lower tax burden, the effective tax rates continue to vary greatly within industry groups of all types; and generally, the manufacturing sector bears a smaller share of the corporate income tax burden than other sectors of the economy, compared to the taxable income generated by those sectors. The tax year 2003 data sample revealed one important change – the retail sector, instead of the manufacturing sector, has now become the most dominant portion of the corporate income tax base, generating the largest amount of Kansas taxable income and contributing the largest portion of the corporate income tax receipts.⁴⁷

These and similar studies must continue to be part of the decision-making process regarding our business and tax climate.

24-3 Study the erosion of the property tax base and our property tax valuation methods.

The information for this recommendation is primarily sourced from the Kansas Department of Revenue's *Erosion of our Property Tax Base*.⁴⁸ Threats to the financing of local governmental services are looming on the horizon throughout the nation. State and local policymakers in Kansas have largely avoided draconian measures concerning the property tax, but the property tax base in Kansas has steadily narrowed over the past century and been reduced substantially in the last twenty years. The property tax began as a simple tax on all wealth. Since it was adopted in Kansas in the mid-1800s, statutory and constitutional changes have transformed it into a tax that is largely a real estate tax supplemented by a tax on utility property and motor vehicles, both of which are declining in relative importance. In view of the importance of the property tax as a source of local government revenue, Kansas faces painful choices. Among the possible policies are the following:

- Continue on the current path. This choice will undoubtedly make financing local government more difficult and will raise the burden on residential property.
- Clean up the property tax laws and develop rational policy for exemptions and then examine all present and proposed exemptions in light of the policy.
- Return towards uniform and equal. Drafting and passing such an amendment would require the agreement of major interest groups and might require a commission or some kind of mini constitutional convention.
- Repeal all taxes on personal property and reconfigure local government and government functions so that local governments finance only property-related services from the property tax.
- Authorize local government broader access to sales and income taxes. This choice might be done by consolidating small governments or by creating more effective taxing districts.

These and similar studies must continue to be part of the decision-making process regarding our business and tax climate.

⁴⁶ *Analysis of Corporate Income Tax 2000-2002 Executive Summary* October 15, 2004, Kansas Department of Revenue, October 2004.

⁴⁷ Update to *Analysis of Kansas Corporate Income Tax To Reflect Tax Year 2003*, Kansas Department of Revenue, February 2006.

⁴⁸ Fisher, Glenn, and Crystal Gile. *Erosion of the Property Tax Base*, Hugo Wall School of Urban and Public Affairs, Wichita State University for the Kansas Department of Revenue, December 2006.

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Strategy 25 – Create the opportunity for more efficient government.

- 25-1 Provide incentives and remove barriers to allow for cooperation between local government, state government, and other entities. Examine and apply best practices when addressing the opportunity for more efficient government. Collaboration efforts must be initiated from the local level and not forced upon locals by the state. Hold cities and counties harmless.**

Technology presents several opportunities for local and state government, as well as businesses to increase their efficiency and expand their services. Whether state officials are improving government performance, recruiting businesses, examining the business climate or regulating industries, they must be aware of the latest technological trends to provide for the opportunity for efficient government interaction and collaboration. These efforts must be initiated from the local level and not forced from the state level.

Given common issues and opportunities that span beyond individual cities, counties, regions and even states, cooperation through formal agreements or informal collaborative mechanisms may provide the means to address economic development, homeland security, environmental protection, natural resources management, health care and other issues from a more regional scale.

Bringing opportunities to the local level on a statewide basis can be accomplished through these efforts, while holding the cities and counties harmless.

- 25-2 Encourage the increased participation with the Information Network of Kansas by all state and local government entities to improve government efficiency and provide access to government information and services at all levels.**

The Information Network of Kansas was created to provide Kansans equal electronic enterprise access to state, county, local, and other public information, as a government service administered for the good of the public, while benefiting from the entrepreneurial spirit and efficiencies found in private industry. Underpinning the overall strategy of INK is a unique partnership model that leverages the enormous wealth of knowledge and resources in all parts of the state sector. This model goes well beyond a simple aggregation approach to add significant value to the users through a rich offering of state and local government informational products and services and access to a committed and dedicated web development community.

The INK Strategic e-Government plan focuses on collaborating with state and local entities to create applications, which are enterprise in scope, highly integrated and transformational. The plan includes the following broad development themes organized around portal perspectives: Kansas Business Center, Legislative (e-Democracy), Transportation, Medical Services, Agriculture, Public Safety, and Education. The success of INK will ultimately depend on the added value that it can offer to its broad array of users. Using a variety of measurement tools, including surveys, customer service communication and feedback channels, site monitoring, focus groups and in-depth interviews involving both end users and partners, INK will generate detailed analysis to measure the value created by its offerings and how to better meet the needs of its users and partners.

Strategy 26 – Reduce state and local regulatory barriers to business.

- 26-1 Develop and promote methods to reduce local and state barriers to a quality business atmosphere, such as reducing multiple licensing within and across communities, cities, counties, and the state. (addressed under 26-3)**
- 26-2 Develop a statewide network of task forces to improve the business and regulatory climate at the city, county and state levels. (addressed under 26-3)**
- 26-3 Move towards using technology from the state to provide electronic services to meet local government needs per their request.**

Many methods could be utilized on a routine basis by the state to access current information regarding state and local barriers to business. This information could be provided as it relates to industry clusters, sectors, regions, businesses and our core strengths.

Developing applications in partnership with INK could provide an online source of statewide information. Creating an ongoing statewide network of task forces, similar to the Kansas, Inc. Strategic Planning process, could provide the state with the necessary information to improve the business and regulatory climate at the city, county and state levels.

Recommending the Secretary of Commerce be appointed to the Information Network of Kansas Board could also provide continuity and insight regarding this strategy. As the State's lead economic agency, the Kansas Department of Commerce (Commerce) has a clear mission: to empower individuals, businesses, and communities to realize prosperity in Kansas. The inherent synergies between the mission of the Kansas Department of Commerce and INK suggest the head of the state's lead economic agency should be appointed by the Governor as one of the two Executive Branch chief executive officers as representatives to the INK Board, based on K.S.A. 74-9303. Currently the Secretary of Transportation and the Secretary of Revenue are on the Board as the Governor's appointments.

Strategy 27 – Develop a tax structure, incentives, and regulations that are business-friendly and competitive on a local, state, national, and international level.

27-1 Create a contingency fund of \$40 million to be used at the discretion of the Department of Commerce to provide flexibility and funding above and beyond the current range of incentive programs to compete with other states and countries that provide large incentives for existing and new businesses and projects.

Retaining existing businesses is important for the Kansas economy. Kansas needs an overall strategy to compete with other states and countries that offer large incentives to attract and retain businesses. This strategy should support the state's overall economic development strategy. While Kansas' current incentives are competitive, in many cases these may not be the most important factor when businesses decide to locate.

Every year states are confronted with hundreds if not thousands of offers and threats by businesses to move in or move out, taking or bringing with them tens of thousands of jobs. Businesses know all the information about the state, but the state doesn't now if the business is bluffing in its decision to move, or what the bottom line figure is that will influence its decision.⁴⁹

We must maintain our current incentive package and look for additional ways to attract and retain businesses in Kansas. A contingency fund would assist the Department of Commerce in achieving its mission to empower individuals, businesses, and communities to realize prosperity in Kansas.

27-2 Create a cross-agency team comprised of the Kansas Department of Commerce, Kansas Technology Enterprise Corporation, Kansas, Inc., Kansas Bioscience Authority, and Network Kansas to review existing and proposed regulations to ensure that they are not unnecessarily impeding economic development.

The impact of state regulatory policies on economic development must be considered when agencies carry out their responsibilities. Individual policies designed to stimulate economic development sometimes work at cross-purposes, suggesting a need for greater coordination in development strategy

⁴⁹ 2002 State New Economy Index, *Economic Development Strategies for the New Economy*, Progressive Policy Institute, 2002.

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and tactics. Studies of the impact of state regulation on economic development are every bit as controversial and difficult to interpret as those evaluating the impact of tax and spending policies.⁵⁰

The impact of regulatory policies on economic development should be explicitly weighed against other priorities by state agencies. Regulations that impose significant costs on business should not be enacted unless the expected benefits more than offset the costs and can be substantiated. Unnecessary regulations can discourage firms from locating or expanding in Kansas and should be eliminated to the extent possible.⁵¹

The cross-agency team should be given an opportunity to provide an evaluation or recommendation on proposed regulations that affect economic development.

27-3 Routinely study and benchmark parameters regarding our tax and regulatory structure and report recommendations to the Governor and Legislature.

The Consensus Revenue Estimating Group is comprised of representatives from the Division of the Budget, Department of Revenue, Legislative Research Department and a consulting economist from the University of Kansas, Kansas State University, and Wichita State University. The group meets in the spring and fall of each year to make initial estimates for the budget year and revise estimates for the current year. The Group was organized to eliminate controversies between the Executive and Legislative branches over general fund revenue estimates and to establish a procedure whereby revised estimates for the current fiscal year would be made available to both the Governor and Legislature in December of each year so estimates could be used for planning purposes. The Executive and Legislative staffs also jointly review estimates periodically to determine whether more recent economic information or revenue trends warrant revisions of the estimates.

Due to the statutory strategic planning and benchmarking missions of Kansas, Inc., the agency should be involved at some capacity with this group. As an outgrowth of the 2007 Strategic Planning process, a group similar to the Academic and Policy Resource Team, consisting of individuals from several Regents institutions and state agencies should meet on a routine basis to discuss the overall economic landscape of Kansas beyond the scope of the Consensus Revenue Estimating Group.

Strategy 28 – Attract and retain national corporate headquarters in Kansas.

Research has shown: national headquarters constitute only a small share of all business establishments; provide a small share of the economic base; are not very likely to move between regions; when they do move, the causes are typically outside the reach of state policy; and when they move for reasons that can be affected by state policy, the appropriate policies typically are ones that should not be targeted to headquarters as such. However, there are good reasons to develop a concrete strategy and policy on headquarters, as from time to time the legislature has considered or taken action to attract or retain establishments in Kansas.⁵²

28-1 Formalize what Kansas is doing right by targeting national headquarters and continuing to equalize state incentives.

Kansas performs well at attracting and retaining national headquarters of medium-sized and multi-state corporations. We should build upon that success by recognizing headquarters as a desirable target in our economic development strategy. Recognizing that most headquarters in Kansas will collocate with operational units, attracting operational units is the key to attracting their attached headquarters. Of the remaining stand-alone headquarters, nearly all will locate in the largest metropolitan areas, and they

⁵⁰ Tannenwald, Robert. *State Regulatory Policy and Economic Development*, New England Economic Review, Federal Reserve Bank of Boston, March/April 1997.

⁵¹ Redwood, Anthony, and Charles Krider. *Kansas Economic Development Study: Findings, Strategy, and Recommendations*, Institute for Public Policy and Business Research, University of Kansas, June 1986.

⁵² Burress, David. *Attracting and Retaining National Corporate Headquarters in Kansas*, Ad Astra Institute of Kansas for Kansas, Inc., November 2006.

require a concentration of professional business services, good airline connections, and a high quality of life. Headquarters will be contributing elements rather than major drivers of the Kansas economy. Particularly important in Kansas is the emphasis on startup support, K-12 education, quality of life, skilled workforce, technology development, and research universities. Kansas should endorse the existing practice of making national headquarters eligible for all relevant state-level incentives.

28-2 Prioritize relevant elements of the existing strategic plan, including improving air travel connections, supporting local enterprise development, and assisting local firms in becoming multi-state firms.

Limited air connections have posed an impediment to some headquarters' location in Wichita and to some extent in Greater Kansas City. Limited air connections affect many other establishments as well. Efforts to subsidize improved air travel have been expensive, but given their broad benefits they may be cost effective. Policymakers should monitor the impact of the 2006 Affordable Airfare Fund⁵³ on airline service in Wichita and consider cooperating with Missouri to secure an airline hub at Kansas City International Airport.

Homegrown startups, including low-tech, may have the potential to expand into national corporations. Enterprise development may be a tool that can assist startups, even though it is mainly targeted for different objectives. Also, some homegrown firms may start out as local to Kansas and expand into multi-state or international firms. Assistance from local and state government could help them with their expansion efforts.

28-3 Consider new initiatives targeted to headquarters by preparing targeted place marketing materials and outreach campaigns.

Many key factors affecting the location of existing corporate headquarters are either outside the control of state government, such as mergers, acquisitions, current location of owners; or else not easily targeted specifically to headquarters, such as airline service, quality of life, and startups. Incentives can be targeted to headquarters, but there is little data supporting narrowly targeted incentive programs. Based on this, we recommend only one fully targeted policy option – preparing targeted “place marketing” materials and outreach campaigns. Kansas must explain succinctly, with clear evidence, why Kansas is an attractive location for national corporate headquarters. It would be helpful if the campaign had a broader target, such as including branch headquarters and back offices as well. Working cooperatively with local governments would also be effective.

28-4 Consider new initiatives of broader significance, including strengthening benefit recapture or claw back rules, efforts toward developing a cooperative policy on border competition, and providing for agency disclosure by site selection consultants operating in Kansas.

Several policy options, while relevant to headquarters, would have much more general impacts. Existing recapture rules differ greatly between programs and in many cases are absent. Economic development contracts could provide for repayment of assistance in all instances where private profits materialize, and yet the intended public benefits to Kansas don't materialize due to relocation or other circumstances. Kansas should review the implications of border competition with Missouri and border cities. There could be real benefits from convening a body of interested governmental units to see if a basis of common interest could be established. Site selection consultants may lobby a city or landholder on behalf of a firm, or may try to sell a city location to a firm. In some cases, it is unclear whose interests the consultant is acting on, and incentives, outside interests, and other factors may send distorted signals likely to cause economically inefficient outcomes. Potential laws requiring full disclosure of agency agreements, similar to those covering real estate agents, could address this issue.

⁵³ 2006 House sub. for Senate Bill 475 created the \$5 million Affordable Airfare Fund to be administered by the Department of Commerce and used to fund the program to provide more air flight options, more competition for air travel and affordable air fares for Kansas, including a regional airport in western Kansas.

Workforce Development

Mission – Create a demand-driven workforce development system that meets the needs of the business community.

Introduction

There is a mismatch between what is coming out of our educational institutions and what is needed by the business community – there is also a systematic problem with individuals being educated in Kansas and then leaving the state. Business and industry will follow the talent – we must communicate with students and parents so they are aware of opportunities in Kansas.

- Statewide Cell Members, 2007 Strategic Planning process

Workforce development issues were heard in nearly every Cell meeting across the state. There appears to be a misalignment between supply and demand of educated workers. Forecasts predict a shortfall of workers in the coming years. Kansas must ensure a skilled pipeline of workers to fulfill employer needs, but people felt as though Kansas was losing its college graduates and educated workforce. It was repeatedly heard that we need to retain what we have and attract people to our state.

Three common themes and areas of focus were identified: training, attraction and retention, and lifelong learning and portability of education.

Training issues encompass the secondary educational system, postsecondary educational system (community colleges, technical colleges, and universities), and customized business training (non-credit training provided by state, federal, or business funded programs). A focus is placed on technical education as the undersupply of workers is more often related to technical occupations requiring less than four years of postsecondary education.⁵⁴

The state funded portion of customized training is specifically addressed in this plan. Though the federally funded Workforce Investment Act brings over \$20 million into the state each year, these programs are compliance driven and lack the flexibility to differentiate our state. Alignment of the postsecondary education system with the demands of businesses is emphasized. Efforts to make seamless transitioning possible between secondary and postsecondary education and from institution to institution are supported.

Nationwide low unemployment indicates Kansas needs to attract and retain college graduates and workers. There should be a focus on potential non-traditional or alternative populations including military, immigrants, the aging population, and disabled citizens. Kansas exports workers, we need to be more creative and have the tools necessary to keep individuals here.

An increased focus on lifelong learning and portability of credits was also emphasized as workers require skills upgrades or pursue continued education or professional and advanced degrees. Students should be able to seamlessly transition through all levels of education to build upon their capacity.

The goal should not be to simply prepare people for the job openings of today and the next four to five years. The goals should be to: ensure everyone has the foundation skills to enable them to engage in lifelong learning; prepare all learners and workers to be agile in the economy; focus on certifying skill and knowledge sets.⁵⁵

⁵⁴ *Positioning Kansas for Competitive Advantage, Aligning Key Industry Clusters and Occupations with Postsecondary Education and Workforce Development*, Corporation for a Skilled Workforce (CSW) for the Kansas Department of Commerce, Kansas, Inc., and the Kansas Board of Regents, September 2007.

⁵⁵ Ibid.

Strategy 29 – Enhance the structure of the customized training system to meet the immediate specialized needs of businesses.

Several states have repeatedly been recognized for having exceptional workforce development programs. Alabama, Georgia and North Carolina are among the states that have been recognized.⁵⁶

A common component in each of these systems is the practice of taking the burden of sourcing employee training off a business. Though program structures may vary, one commonality is the business simply contacts a central clearinghouse, their training needs are assessed, and customized training is designed and implemented with oversight provided by the state clearinghouse. Trained and capable workers are then delivered to the business without the worry of training details – they know the state system has delivered qualified, quality workers within the desired timeframe.

Based on best practice models seen in other states and utilizing the existing infrastructure and tools in Kansas, the following customized training system outlined in Strategy 29 was designed to enhance the structure of the current workforce training system to better meet the specialized needs of businesses while efficiently and cost effectively achieving the desired outcomes for the Kansas workforce.

29-1 Use state resources to design and implement customized training programs that deliver skilled employees to qualified requesting companies in a timely and cost effective manner.

Simplified, this system would take business input regarding training needs and the number of desired employees and utilize state resources to design and implement a training program. This would save the business from having to utilize valuable resources to investigate training options. The system would deliver the desired number of qualified employees to the business in a timely, cost effective manner.

A highly visible clearinghouse or point of entrance into the customized training system should be established separate from the Department of Commerce Workforce Development Division. A new entity, referred to in this report as the Workforce Aligned with Industry Demands (Workforce AID Office), headed by an Executive Director is recommended. The Workforce AID Office would refer businesses to the Regional Directors of Workforce Services (existing Commerce positions) serving each of the five local areas. The Regional Directors would still be under the direct supervision of the Deputy Secretary of Workforce Development, however, in the new system would work closely with the Executive Director of the Workforce AID Office to administer workforce training programs.

Regional Directors would work in concert with training partners to ensure businesses receive the quality and quantity of workers requested. Training would be provided where available, on the open market with emphasis on partnerships with Kansas postsecondary technical education institutions. Similar to current programs, there would be prerequisites for businesses qualifying to use the programs, but qualifications would be broadened for certain workforce development programs to ensure more companies could be served.

⁵⁶ *Expansion Management*, a monthly business magazine that covers economic development, site selection, business climate, and business relocation and expansion, annually has site location experts rank the states with the best workforce training incentive programs. The magazine has routinely ranked these states in the top ten in the U.S.

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29-2 Establish an executive management position with administrative and oversight responsibilities to oversee specialized workforce training programs. Employment will be shared between the Department of Commerce and Board of Regents.

For coordination of the customized training system there must be an executive management position with administrative and oversight responsibilities regarding specialized workforce training programs. The Executive Director will oversee all Workforce AID Office training programs to ensure businesses workforce demands are being met. The Executive Director will ensure coordination between the existing Regional Directors of Workforce Services (Commerce) and the college liaison (community and technical colleges). The Executive Director will have oversight and authority of programs within the customized training system and will possess the skills necessary to assist in identifying the needs throughout the state.

The system will foster coordination and cooperation between the Department of Commerce and the Board of Regents, aligning business demands with workforce training. The position should be funded jointly and report directly to both agencies. The Executive Director of the Workforce AID Office could be created as a new position between Commerce and Regents or the responsibilities of the current liaison⁵⁷ between the two agencies could be modified to accommodate this position. The Secretary of Commerce and the President & CEO of the Board of Regents will have direct oversight of the Executive Director of the Workforce AID Office.

29-3 Approval for all viable workforce projects will come from the Secretary of Commerce and the President & CEO of the Board of Regents.

Training can be offered through community colleges, technical colleges, in-house company training or third party vendors, so it is imperative both the Department of Commerce and Board of Regents agree regarding the training program design that most efficiently and effectively meets the needs of the business. Once a program has been designed by the Regional Director and college liaison and approved by the Executive Director of the Workforce AID Office, it should then be subject to approval by the Secretary of Commerce and the President & CEO of the Board of Regents.

29-4 Create an executive management position over workforce development at each postsecondary technical education institution that reports directly to the President of the respective institution to design and implement customized workforce training.

This position, referred to as the college liaison position could be created as a new position or could be accommodated by modifying the responsibilities of an existing position.⁵⁸ Regardless, it is paramount this liaison is positioned at the highest possible level to which they report directly to the President of the respective institution.

The college liaison will have two primary responsibilities: 1) work with the Regional Directors of Workforce Services to design and implement workforce training programs for businesses with the assistance of the Workforce AID Office and funds; and 2) ensure local industry training demands are being met.

The college liaison would have knowledge and expertise regarding all programs currently offered by the institution, including the institution's capacity to alter programs to meet the specific needs of businesses. The college liaison would also be familiar with training options outside the institution if private industry offered a better alternative. The college liaison would also work with the Vice President of Workforce Development (Executive Director of the Postsecondary Technical Education Authority) to align each institution to meet the ongoing needs of businesses.

⁵⁷ The Director of Workforce Training and Education Services currently serves as a liaison jointly funded by Commerce and Regents.

⁵⁸ In many institutions there may already exist a senior institutional official whose responsibility is focused on economic/workforce development.

29-5 Create an infrastructure that establishes a seamless partnership between the Regional Directors of Workforce Services (Commerce) and the executive management positions over workforce development at each postsecondary technical education institution.

Once the Regional Director of Workforce Services assesses the training needs of a business, they will determine the appropriate community or technical college that can most effectively provide the training. The Regional Director and subsequent college liaison will then provide a thorough assessment of the business's training needs and design a workforce training program that meets the needs of the business to achieve the desired outcomes. Once the program has been approved by the Executive Director of the Workforce AID Office, the Secretary of Commerce and President & CEO of the Board of Regents, the Regional Director and college liaison will implement the training program and ensure the business receives the quantity and quality of trained workers in a timely, cost effective manner.

29-6 Designate \$12-15 million in funding that supports the customized training for this strategy.

A consistent funding stream must be present to ensure the system's success. A budget of approximately \$12-15 million is recommended, with a portion of funds designated specifically for state-implemented training programs. Administrative costs would be minimal, as several key personnel⁵⁹ already exist in the current structure. A portion of funding would be dedicated to marketing the programs to prospective businesses and potential trainees when the programs were being implemented. Workforce development programs are not new to Kansas. This model is a modification of the service delivery model, and it would be possible to use current workforce development funds.⁶⁰

Strategy 30 – Align the education system with the needs of industry through funding incentives and the tangible partnering of state educational institutions with industry opportunities.

30-1 Support the Postsecondary Technical Education Authority in aligning community and technical college programs with the demands of businesses.

The Postsecondary Technical Education Authority was created by recommendation of the Kansas Technical College and Vocational School Commission by the 2007 Senate sub. for House Bill 2556. The Authority is charged to provide accountability for the postsecondary technical education system and improve alignment between secondary and postsecondary educational institutions.

Comprised of 12 members, the Authority will: coordinate statewide planning for existing and new postsecondary technical education programs and contract training; review existing and proposed postsecondary technical education programs; review requests of state funding for postsecondary technical education and make recommendations to the State Board of Regents for funding amounts and distribution; develop benchmarks and accountability indicators for the program; develop and advocate annually a policy agenda for postsecondary technical education; and conduct studies of ways to maximize resources to best meet the needs of business and industry, making recommendations to the State Board of Regents.

⁵⁹ Including Regional Directors and some college liaisons. The Executive Director of Workforce AID could potentially be created by adding responsibilities to the current liaison position funded jointly by Commerce and Regents.

⁶⁰ Current programs include KIT, KIR and IMPACT; however, not all IMPACT funds are used for training as it is recognized that the MPI (Investments in Major Project) portion is important for business development and a dedicated portion of total IMPACT funds should be available for these purposes.

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30-2 Encourage a structural funding change that provides incentives for colleges to offer high-demand, high-cost courses and special funds allowed for expensive equipment purchases.

Many technical occupations experiencing skill gaps require expensive equipment and small student/instructor ratios. Currently Kansas may provide limited, but not broad-based incentives for high-cost training in high-demand occupations. Adjusting the funding formulas for various programs and coursework, depending on the supply/demand ratios and restricting certain funds and scholarships to training for occupations in high demand occupations may address these shortages.⁶¹

The Kansas Technical College and Vocational School Commission studied this issue and recommended the addition of \$38.5 to \$41.5 million for technical education in FY 2008.⁶² The full amount was not appropriated by the Legislature; however, the 2007 appropriations bill designated \$4.0 million to be used for new technical equipment grants. The Authority will review and make recommendations on grant awards, subject to final approval from the Kansas Board of Regents.

Despite the allocation for equipment funds, there is still a structural funding issue in Kansas for high-cost technical education. The Commission and Authority should continue to pursue these issues and work to develop and implement develop a plan that will provide incentives to institutions to provide high-cost training for high-demand occupations.

30-3 Support the Kansas Technical College and Vocational School Commission.

The Kansas Technical College and Vocational School Commission (Commission) was formed by the 2006 Legislature to study the mission, governance and funding of Kansas technical colleges and vocational education schools.

The Commission recommended the mission for each postsecondary technical education institution should provide opportunities for students to attain their educational goals; provide an educated workforce to meet the demands of the Kansas economy; be responsive to the education and training needs of business and industry; provide quality technical training, customized industry training, and continuing education; and provide a totally integrated educational opportunity for students who matriculate from high school through certificate, associate, and baccalaureate programs. The Commission will serve as an oversight body to the Postsecondary Technical Education Authority.

30-4 Routinely study and benchmark the alignment of all levels of the educational system with the demands of businesses.

To align the education system with the needs of industry, it is necessary to first identify the needs of business and industry. The Kansas Department of Commerce, Kansas, Inc., Kansas Board of Regents, and the State WIA Board commissioned the report *Positioning Kansas for Competitive Advantage: Aligning Key Industry Clusters and Occupations with Postsecondary Education and Workforce Development* during 2007 to identify these needs.

The report identifies possible misalignments between the postsecondary system and business needs. According to the report, states that succeed in aligning supply with demand will be the most competitive in attracting, retaining and growing their competitive advantage nationally and globally. The dynamics of the Kansas job market are fluid and are continually changing, as supply and demand are not static in nature. These dynamics must be routinely studied and benchmarked to ensure the workforce demands of businesses can be met through the supply of workers provided by the Kansas educational system.

⁶¹ See *Positioning Kansas*, p. 59.

⁶² The Commission recommended that \$16.5 million be added to support a new funding methodology to align rates with program delivery costs, \$5.0 to \$8.0 million be added for additional enrollments in technical education, \$8.0 million be added for technology and equipment funding for technical education, \$5.0 million for a start-up pool to create a new mechanism to fund new statewide priorities and initiatives as they emerge, \$3.0 million be added for a business and industry training pool for short-term (non-credit) training, and adding \$1.0 million to strengthen state support for technical education.

Strategy 31 – Build capacity by retaining and attracting a skilled and educated workforce.

31-1 Ensure the state equips primary and secondary students with the skills necessary to pursue education and employment opportunities, with the focus being on STEM (Science, Technology, Engineering, and Math) fields.

To ensure a supply of educated workers in Kansas, our primary and secondary educational institutions must sufficiently prepare students for postsecondary education and career opportunities in Kansas. Educators must begin this process at a younger age. The focus of this process should be on future career opportunities and the best path to attain that goal. Student aptitudes and interests should be matched with business demands to ensure student success.

Potential tools to assist this process include the Kansas Career Pipeline (KCP) and the Olathe 21st Century High Schools Program. STEM (Science, Technology, Engineering and Math) fields are visible in the KCP and Olathe 21st High Schools Century Programs, and are major drivers for the Kansas economy. Another example program is the Kansas Academy of Mathematics and Science (KAMS)⁶³, a new way of preparing students in STEM fields, designed for high school juniors and seniors talented in science and math to enroll in a two-year program of study culminating in both a high school diploma and college credits equivalent to an associate's degree.

31-2 Support and facilitate business interaction with postsecondary students through scholarships, internships, and job shadowing. Businesses should be an active partner with educational institutions in regards to career curriculum, guidance, and opportunities and could be awarded with potential tax incentives or credits.

Interaction between students and businesses must occur at the postsecondary level. To retain Kansas graduates they must have interaction with businesses to inform them of career opportunities. Businesses should partner with postsecondary educational institutions to ensure career curriculum alignment, guidance and opportunities are made available to students. Scholarships, internships and job shadowing are ways for businesses to interact with students. Programs such as the Kansas Career Pipeline can be used to connect postsecondary students with businesses using tools such as e-mentors, summer jobs, apprenticeships, job training, scholarship, and eventual employment.

31-3 Provide incentives that encourage students to remain in Kansas for postsecondary education and careers.

Being an importer of postsecondary students, Kansas has the opportunity to build incentives into its education structure to retain a larger percentage of graduates in the state if we can match them up with the desirable career opportunities.

To build a qualified workforce, Kansas must continue to attract and retain postsecondary graduates. Offering scholarships, loan repayment, in-state tuition, etc. may help retain more graduates. Offering in-state tuition to students from surrounding states or former residents could provide some incentive to come to and potentially stay in Kansas. Research could provide further insight into incentives and other methods of attracting and retaining a larger percentage of Kansas graduates.

⁶³ An RFP was issued to Kansas public postsecondary educational institutions during 2007 and a final decision will be made during 2008. Responding institutions will describe the specifics of the operation of KAMS and provide a detailed budget. The recipient of the award will receive \$100,000 to finalize plans for the Academy. The Board of Regents 2007 legislative agenda includes implementation of the Kansas Academy of Mathematics and Science.

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31-4 Design a Leadership Kansas-type program that incorporates entrepreneurial and leadership experience into our educational system.

Entrepreneurship and leadership are a few of the characteristics our youth should be exposed to at a younger age, and these types of opportunities should be built into our educational system. Programs that serve as catalysts for the continued development of entrepreneurship and leadership should be created to target Kansas youth. Existing program models, such as the Leadership Kansas⁶⁴ Program could be utilized to target students.

31-5 Market business and career opportunities in Kansas to all prospective individuals.

Many opportunities exist to market business and career opportunities in Kansas to specific groups including: graduates, older citizens, military, immigrants, and disabled citizens. Targeted marketing campaigns and programs, such as the Helmets to Hardhats⁶⁵ program may make these populations aware of the opportunities. Kansas should actively encourage participation in these types of programs.

Innovative concepts will help equip our students with the skills they need to succeed during their careers. Kansas exports workers; we need to be more creative and have the tools necessary to keep individuals here.

31-6 Market postsecondary technical education opportunities and careers by targeting students, parents, educators and counselors.

In March of 2007, the Kansas Technical College and Vocational School Commission submitted a report to the state legislature, stating that only 20 percent of current jobs require a four-year degree and there is an increased demand for skilled workers.⁶⁶ There is a shortage of workers for jobs requiring only a technical degree.

The focus of high-school counselors seems to be on enrollment into four-year institutions. Students, parents, educators and counselors must be aware of the potential opportunities that exist with careers requiring technical degrees. We must market and educate these opportunities to help address our workforce shortages by developing a message campaign that highlights the importance of postsecondary technical education and specific skill sets.

31-7 Study and develop workforce solutions for the aging population and immigrants.

Workforce shortages are becoming an issue not only in Kansas, but throughout the U.S. Opportunities for recruiting alternative or non-traditional workers, such as the older population and immigrants may provide a solution to this issue. Workforce solutions must remain flexible enough to accommodate these workers. Further study of these issues may produce innovative ways to recruit and accommodate a non-traditional workforce in Kansas.

⁶⁴ Leadership Kansas is a statewide program designed to enhance and motivate current and future leaders from various communities. Participants engage in educational and informational training sessions in six Kansas communities over the course of a year, with discussion surrounding various topics including business, education, agriculture, public policy, societal health and development, economics, and government.

⁶⁵ Helmets to Hardhats is a national program that connects National Guard, Reserve and transitioning active-duty military members with quality career training and employment opportunities within the construction industry. The program is administered by the Center for Military Recruitment, Assessment, and Veterans Employment and headquartered in Washington, D.C. Direction for management of the center comes from a board of trustees comprised of equal numbers of employer and labor trustees.

⁶⁶ See *Positioning Kansas*, p. 59.

Strategy 32 – Encourage and provide lifelong learning opportunities.

32-1 Provide an educational continuum that allows students of all ages to seamlessly transition through all levels of education and training.

A goal of the education system should be to ensure all individuals have the foundation skills to enable them to engage in lifelong learning. Aligning postsecondary education with K-12 education and workforce development helps address the disconnect among different levels and players to build a learning continuum.⁶⁷ An important talent development strategy for Kansas should be to focus on an educational continuum that promotes seamlessness as an individual enters, transfers through and exits the educational system to encourage lifelong learning for all Kansans.

Individuals should be able to progress through the education system, entering and exiting as desired without substantial penalty, from K-12 to advanced degrees. High school graduates should be able to transition into postsecondary education (technical colleges, community colleges, universities) without the loss of any advanced or training credits earned. Customized training⁶⁸ should transfer into various certificate credits. Certificate credits should easily be transferable into associate's degrees, associate's degrees into four-year institutions, and on to advanced degrees. Credits should be easily transferable from institution to institution, which could be facilitated through a common course numbering system.

⁶⁷ See *Positioning Kansas*, p. 59.

⁶⁸ Customized training is defined as traditionally non-credit short-term training to fulfill a specified need. This would include company training and specific programs offered by the state to companies to fulfill workforce demands.

2.12

Technology and Innovation

Mission – Utilize science and technology to leverage and support existing and new economic opportunities.

Introduction

Technology is no longer an enterprise in and of itself, it is the thread that must be woven through the entire economy with innovation – where is the best place to put technology to make it a driver for the state?

- Statewide Cell Members, 2007 Strategic Planning process

Innovation and technology are crucial to Kansas' economic development. Technological change continues to occur very rapidly, particularly in computing, software, telecommunications, and life sciences and biosciences. This presents Kansas with two challenges: 1) existing firms require access to new technology to remain competitive, and 2) new technology-based industries and businesses present opportunities for the state. Since companies that do not keep pace with technological change will be at a competitive disadvantage, Kansas must invest in new technologies.⁶⁹

Public investments in technology, particularly through the state's research universities remain important. They play a critical role in attracting research-based companies that wish to locate near a university to have access to research and skilled employees. Kansas Technology Enterprise Corporation (KTEC) also has a critical role, along with regional technology centers in adapting technology to Kansas companies and creating new businesses.

Commercialization remains a priority and it is imperative that it reaches all parts of the state and all scales of business endeavors. Research and development is a critical part of the commercialization process.

Access to financial capital also remains critical for Kansas' economic growth. To foster the growth of new firms, the state must support the financial needs of entrepreneurs and existing firms must have access to financial capital to fund expansions.⁷⁰

Strategy 33 – Address capital formation and access to capital markets on a local, state, and federal level.

33-1 Attract venture capital to Kansas through Heartland BioVentures, a partnership between KBA (Kansas Bioscience Authority) and KTEC (Kansas Technology Enterprise Corporation).

Capital formation is critically important to all technology-based companies, particularly for start-ups and early-stage firms working to transform discoveries into consumer goods. There must be an aggressive development of capital programs to ensure companies have the funding they need to stay and expand in Kansas. For example, since the passage of the Kansas Economic Growth Act of 2004, Kansas bioscience companies have raised millions of dollars in capital investment, including \$73 million⁷¹ in 2006 alone, through a variety of private and public funding sources.

Heartland BioVentures was designed as a regional collaboration between the KBA, KTEC and the Kansas City Area Life Sciences Institute to foster the formation and growth of bioscience startups that are commercializing innovations for Kansas and the Kansas City area. Heartland BioVentures will provide assistance and funding to early-stage bioscience firms; help early-stage firms address business,

⁶⁹ See Krider, p. 25.

⁷⁰ Ibid.

⁷¹ Bioscience Kansas, *Capital Formation in the Heartland*, Spring/Summer 2007.

technology, management and strategic issues; and help firms access capital. The success of Heartland BioVentures will be measured by the amount of private capital raised by its client companies. Additional outcomes of success will include: job creation revenue generation, government grant acquisition, wealth creation and the expansion of capital availability.

33-2 Support regional Angel investor networks by attracting and providing incentives for Angel investors.

The Angel Investor Tax Credit facilitates the availability of equity investment in businesses in the early stages of commercial development and assists in the creation and expansion of Kansas businesses that are job and wealth creating enterprises.

Under the Kansas Angel Investor Tax Act, as codified at K.S.A. 74-8131 through K.S.A. 74-8137, effective January 1, 2005 as amended, an accredited investor is allowed a 50% tax credit on their cash investment of up to \$50,000, in a certified Kansas business. Additionally, for each tax year, an Angel Investor shall not be entitled to claim tax credits under this Act for more than \$250,000. The Kansas Angel Tax Credit is limited to a \$4,000,000 Annual Allocation cap in 2007, and a \$6,000,000 Annual Allocation cap each calendar year through 2016.

Supporting regional Angel investor networks will enhance the level of venture capital in Kansas by attracting and providing incentives for investors.

Strategy 34 – Build a stronger research and development base in Kansas.

34-1 Recruit, support, and retain eminent scholars in key areas of research strategically linked to science and technology-based economic advancement.

Through its mission, KTEC is a leader in the state with initiatives such as the KTEC Pipeline, eminent scholars, and entrepreneurs in residence, which are designed to recruit, support and retain science and technology-based expertise in Kansas. Support of strategic research and development, business assistance, and investments in early-stage companies can bring economic growth to Kansas. These types of initiatives should be expanded upon and utilized to build capacity in Kansas.

34-2 Improve competitiveness in pursuit of federal funding to support strategic research and development initiatives, similar to the efforts for the National Bio and Agro-Defense Facility (NBAF) and University of Kansas' cancer center designation.

Kansas must be competitive and coordinated in its pursuit of federal funding to support strategic research and development initiatives. The Kansas NBAF Task Force is an excellent example of a coordinated statewide effort. The Task Force is charged with developing a compelling case for federal officials to locate the facility in Kansas and also charged with educating and coordinating community outreach and advocacy for the project. These efforts should be replicated for future initiatives.

34-3 Enhance and facilitate the commercialization of research by linking business and university systems in a variety of technologies.

Enhancing technology transfer infrastructure supports technology-based economic development and commercialization. Linking business and university systems helps facilitate the transfer of technology-based research to the private sector. Encouraging entrepreneurship within a university setting may also help provide incentives for university systems to facilitate research and development interaction via partnerships with the private sector and overall commercialization will be improved through these partnerships.

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Strategy 35 – Address technology infrastructure needs throughout the state.

35-1 Develop and maintain maps of strategic technology assets in the state and identify those accessible through regional, national, and global networks.
(addressed under 35-3)

35-2 Identify and address infrastructure gaps through collaborative cross-boundary relationships.
(addressed under 35-3)

35-3 Increase industry access to public research infrastructure by developing an environment conducive to institution-industry interactions and addressing policy impediments.

Kansas must study, map and enhance strategic technology assets in the state while identifying and addressing infrastructure gaps through collaborative cross-boundary relationships. Technology infrastructure such as broadband, Internet access and wireless voice access is crucial for today's business environment. Research has shown a link between infrastructure investments and economic growth, such as investments in highways and telecommunications accelerating economic growth, or investments in information technology contributing to increased labor productivity.⁷² Technology such as broadband and wireless voice access must be considered as essential as traditional utility services. Through open access, competition and innovation at the federal and state level, communities and businesses can partner to develop these technologies.

Best practices of state initiatives, such as ConnectKentucky⁷³, should be monitored and potentially modeled if appropriate for Kansas. Understanding and mapping existing technology infrastructure will assist both the public and private sectors in addressing the needs of Kansas.

Strategy 36 – Establish and maintain a technically-skilled workforce to fulfill the present and future needs of a vital, technology-driven economy.

36-1 Support policies and initiatives designed to advance the economic impact of research institutions on the state's economy, including a highly qualified workforce to support economic growth.

Kansas has a strong track record regarding higher education. In 2003, Kansas was ranked third in the nation for the number of science and engineering graduate students in doctorate-granting institutions, per one million population. During 2002, Kansas was ranked 10th in the percent of heads of households with at least four years of college. During 2006, Kansas was 15th in state tax fund appropriations efforts for higher education.⁷⁴

Kansas must continue to educate its population, but ensure it focuses education in a way that will complement and support the Kansas economy and maximize the economic impact of its institutions. Preparing and retaining a highly educated workforce will support continued economic growth. Kansas students must be educated in a way that supports the state's economy, beginning with primary and secondary schools and continuing through the postsecondary level. An area of focus is the STEM (Science, Technology, Engineering and Math) fields, since bioscience, technology and service sector jobs are major drivers for the Kansas economy.

⁷² Orazem, Peter. *The Impact of High-Speed Internet Access on Local Economic Growth*, The Center for Applied Economics, School of Business, University of Kansas, August 2005.

⁷³ The mission of ConnectKentucky is to accelerate the growth of technology in support of community and economic development, improved healthcare, enhanced education, and more effective government. By leveraging the latest in technology and networking, ConnectKentucky helps ensure Kentucky remains the place of choice to live, work, and raise a family.

⁷⁴ See *Positioning Kansas*, p. 59.

Beyond education, retaining graduates ensures a highly qualified workforce to support economic growth. We must provide incentives that encourage students to remain in Kansas for postsecondary education and careers. Students must have interaction with businesses to inform them of career opportunities in Kansas. Scholarships, internships and job shadowing are ways of doing this. Businesses can partner with educational institutions to ensure career curriculum alignment, guidance and opportunities are made available to students.

These initiatives can help our youth align their education and skills with business demands for workers. To optimize the impact of our research institutions on the state's economy, policies and initiatives must be well coordinated and designed to complement and support the Kansas economy.

36-2 Engage stakeholders including educational institutions, private sector representatives, subject matter experts and state leaders in forecasting opportunities, needs, and proactively aligning programs.

The *Positioning Kansas for Competitive Advantage Report* provided key information regarding aligning industry clusters and occupations with postsecondary education and workforce development. This type of research provides information ascertaining the demands of businesses in relation to what the state is providing in regards to workforce development.

States that succeed in aligning supply with demand will be most competitive in attracting, retaining, and growing their competitive advantage nationally and globally. Kansas is already actively pursuing alignment of its postsecondary technical education institutions (including technical colleges and community colleges.) The Kansas Postsecondary Technical Education Authority was formed in 2007 to serve as accountability for the postsecondary technical education and improve alignment between secondary and postsecondary technical education institutions and also to ensure that schools are meeting the demands of the business community.

Strategy 37 – Create an enhanced entrepreneurial culture in Kansas.

37-1 Enhance or expand business assistance efforts for growing businesses between the start-up phase and early stage of business evolution.

Existing and expanding businesses are important to the Kansas economy. There may be a gap between the business assistance available for start-ups and major expansions. Start-ups can receive assistance from several sources, including Kansas Technology Enterprise Corporation, Kansas Bioscience Authority, Network Kansas, and others. Businesses seeking assistance for major expansions also have several sources of assistance from the Department of Commerce programs.

Once businesses have started, they may need additional capital or assistance to take the next step, which may be adding only 4 or 5 jobs. While this is a small step, it may significantly improve the profitability and success of the business. These steps are important for every business and our business assistance efforts must be flexible and address these needs.

37-2 Support and promote activities and educational initiatives at all levels to improve the understanding of innovation and to stimulate and advance leadership and entrepreneurial values, skills, and accomplishments.

Educational institutions must provide graduates with specific skill sets and competencies, including certain intangible skills which are non-disciplinary, but critically important to their career success. Entrepreneurship and leadership are a few of the characteristics students should be exposed to at a younger age, and these opportunities should be built into our educational system. Programs that serve as catalysts for the continued development of entrepreneurship and leadership could be created to target Kansas youth. Existing program models, such as Leadership Kansas could be utilized to target youth. Our youth will determine the future of our state and we must provide them with the necessary experiences that will engage them as change agents.

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Strategy 38 – Develop a national leadership role in Information Security and Information Assurance.

38-1 Support the Kansas National Guard's unique information security mission and the mission the legislature has given Fort Hays State University in Information Assurance.

Kansas businesses, governmental units, hospitals, law enforcement agencies, public safety agencies, the state's growing military sector, the bioscience sector, and even consumers are highly dependent upon secure digital networks and data storage. E-commerce and routine commercial functions such as accounting, sales and banking are conducted electronically by businesses. The 184th Intelligence Wing in Wichita operates the largest Network and Intelligence Center in the Air National Guard which actively serves as a critical node in the War on Terror. Fort Hays State University (FHSU) would like to implement a program on information assurance and security creating a Bachelor's program with an Information Security emphasis and expand the Information Assurance concentration at the Master's level. The program will help FHSU achieve the mission of integration of computer and telecommunications with the environment and the work place. FHSU will seek certification from NSA (National Security Agency) IT standards. The program was developed from an \$821,000 federal grant to purchase hardware. The Legislature appropriated \$500,000 in FY 2008 mostly to be used for faculty salaries to fully implement the program. The FHSU program is the sole program approved by the Federal Bureau of Investigation to offer academic credit for its elite Computer Analysis Response Team (CART) certification program. This program will support many Kansans, businesses and government as it will provide a highly educated workforce for anyone needing expertise in Information Assurance.⁷⁵

38-2 Use the developing Kansas military and higher education critical mass across the state to spin off businesses and enhance current businesses dependent on information assurance.

With the implementation of the Fort Hays State University (FHSU) Information Assurance programs, Kansas will be providing an educated workforce to support the demand for those educated on information security. A technically skilled workforce in the area of information security will be able to develop and address many information assurance issues, thus enhancing businesses dependent upon it. Continued efforts to partner with stakeholders such as the Kansas Bankers Association, Kansas Association of Counties and others are encouraged.

Strategy 39 – Enhance the Kansas Business Center (KBC).

39-1 Expand cross-agency application development efforts and communication with the Information Network of Kansas to create a single online location for new and existing businesses to utilize for acquiring region-specific state and local resources and contacts; federal, state, and local regulatory compliance; and provide for an online environment designed to enhance the ability for Kansas businesses to thrive.

The Kansas Business Center (KBC) was designed to enable Kansas business owners to interact with Kansas government online from the convenience of their homes or offices. This was a multi-agency effort to develop a centralized resource for Kansas businesses. The availability and speed of information continues to be a critical aspect of conducting business, and state-level efforts to enhance and utilize technology to deliver services will improve the overall business climate in Kansas. Enhancing the utilization of the KBC can expand potential business opportunities.

⁷⁵ FHSU Legislative proposal.

State Image/Branding

Mission – Enhance the marketing/branding of Kansas.

Introduction

Kansas is a good place, but perception is everything. We need to market our state better – figure out what needs to be done and do it.

- Statewide Cell Members, 2007 Strategic Planning process

Unless you've lived in a particular state or city, or have good reason to know a lot about it, chances are that you think about it in terms of a handful of qualities or attributes, a promise or a story. Most of the things you think about it are probably well-worn clichés, and many of them may be untrue, unfair, or out of date. Yet, that simple brand narrative can have a major impact on your decision to visit the place, to buy the products or services that originate from there, to do business there, or even to relocate there.⁷⁶

The Kansas image (brand) and how we portray ourselves has been a pertinent topic for several years. Likewise, the impact of branding on Kansas economic development efforts has not been ignored, as time and resources have been spent on initiatives designed to specifically address marketing, tourism, business development, brand image and other related efforts. Historically, the state, specifically the Department of Commerce has taken the lead role in marketing the state for these efforts.

Based on research and business input throughout the state, it has been suggested these initiatives have not met their potential expectations for a variety of reasons.

From the research, five basic overarching and intertwined tenets regarding brand initiatives seem to be present throughout several successful initiatives, including: measurability, funding, continuity, partnerships, and focus.⁷⁷ While general tenets don't provide the specific means to implement and carry out a successful brand initiative, an understanding of them can provide the framework for building and implementing specific recommendations to achieve our long-term vision.

Strategy 40 – Support a public/private partnership to brand the State of Kansas incorporating: continuity, measurability, funding, partnerships, and focus.

40-1 To ensure the continuity of imaging/branding the state, create an Imaging/Branding Advisory Board with a public/private partnership to assist in the branding of the State of Kansas. The Board, comprised of cross-industry representation, would report to the Secretary of Commerce and assist in the development and execution of a targeted, proactive marketing and sales strategy that positions Kansas for aggressive competition in business investment, expansion opportunities and potential tourism opportunities, with appropriate balance and effective segmentation of the specific targets.

The board would represent various stakeholders of government, business, and travel and tourism sectors. Potential board representation might include (but not limited to): Governor, Legislature, manufacturing, service, energy and natural resources, rural development and agriculture, bioscience, destination tourism, event tourism, hotel and convention, professional marketing, fine arts, county, city, etc. The size of the board should not be too large so as to remain functional and relevant, perhaps 15-17 members.

⁷⁶ Anholt, Simon. *The Anholt State Brands Index Executive Summary, How the world sees The States*, 2006. accessed at: <http://www.statebrandsindex.com>.

⁷⁷ *The Kansas Image: Overview and Analysis*, Kansas, Inc., June 2007. accessed at: <http://www.kansasinc.org>.

The board would assist with developing a coherent, well-planned marketing/branding program, grounded in our state's inherent and emerging strengths and reflective of our vision for the future. This program would be inclusive, in that it would convey a broad state brand while providing the latitude and flexibility to market our state's key business clusters, as well as from a travel and tourism perspective. In short, it would assist in guiding the marketing for our state.

40-2 Devise a dedicated funding stream in concert with private investment to assist in the development of an aggressive statewide imaging/branding strategy and campaign.

During the 2004 Legislative Session \$700,000 was appropriated to develop and introduce a state brand image that could be used for both business recruitment and tourism marketing. In addition, Commerce contributed \$700,000 of its own marketing budget and \$300,000 from the Kansas Department of Transportation's Blue-Sign project, for a total of \$1.7 million. Since the expenditure of the one-time funding, no enhanced resources have been provided by the Legislature for implementation.

Based on research, if marketing and state image is a priority, then funding issues regarding these types of initiatives should be addressed on an ongoing, long-term basis through a combination of state, local and private industry partnerships. Currently, the state, through the Department of Commerce has taken the lead in regards to state branding/image, and given this approach, the state should be committed to providing an ongoing source of funding for these initiatives to enhance their effectiveness and potentially attract private industry interest and investments.

40-3 The Secretary of Commerce and Kansas, Inc. President shall provide an annual assessment and review of the state's imaging/branding efforts and deliverables to the Kansas, Inc. Board of Directors.

While an image may be abstract and intangible, it can be a crucial part of marketing our state for fostering business recruitment and retention, travel and tourism, population growth, and a host of other initiatives that are important to the development and growth of the Kansas economy. The better we understand, monitor and work to improve our image, the more benefits we could see from its presence. Given the relative importance of imaging/branding on economic development efforts in Kansas, the Secretary of Commerce and Kansas, Inc. President must be aware of its status and provide an annual assessment and review of the state's imaging/branding efforts and deliverables to the Kansas, Inc. Board of Directors, including potential recommendations.

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Economic Development Funding and Benchmarking

Introduction

Value can be created and measured in several ways – tell us how to measure it and we will tell you how to perform. We must recognize and identify what Kansas needs to be successful.

- Statewide Cell Members, 2007 Strategic Planning process

The State of Kansas spends millions of dollars each year on economic development efforts. Beyond the state's spending, counties, cities and communities also spend millions of dollars through their local economic development agencies and organizations to support local efforts. There is demand for information regarding economic development expenditures, for items such as dollars spent, results, individuals served and total economic impact.

Historically, there have been three primary state agencies charged with economic development efforts – Kansas Department of Commerce, Kansas Technology Enterprise Corporation and Kansas, Inc. Numerous other agencies, organizations and groups at the state, county, city and community levels also provide economic development services. With the number of agencies, organizations and programs involved with economic development in the state, it is necessary to compile and understand the aggregate funding amounts and results.

Strategy 41 – Examine the fundamental structure, methodology and level of expenditures spent on economic development from the state level.

41-1 Conduct a study examining what Kansas and surrounding states spend on economic development efforts.

According to the study *Strategic Analysis of Economic Development Expenditures by Kansas State Government and Five Surrounding State Governments: FY 1989 – FY 2007*, economic development funding averaged \$128.3 million during FY 2007 for the six state region. Kansas was below average with funding at \$98.7 million.⁷⁸ All states in the study have developed comprehensive plans for economic development, indicating the significance of the strategic planning process in policy formation. Generally, states in the study have shifted away from business attraction and business retention policies toward developing a state industrial policy. States have also tended to shift away from direct subsidies toward foregone tax revenues or tax expenditures as a means of funding economic development. The following concepts should be kept in mind:

- Expenditures are a necessary, but not sufficient condition of economic development. Funding does not provide a direct measure of the success or failure of an economic development program.
- Tracking expenditures may provide an indication of the relative priorities of the various strategic foundations.
- The lack of consistent reporting and budgeting makes it very difficult to assess the actual performance of economic development programs.
- Large fluctuations in funding may be an indication that economic development expenditures are not necessarily deemed by the legislature as being essential. As such, expenditures may be

⁷⁸ States included in the study were: Kansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma.

subject to changes in the business cycle, the evolving global economy, and the ever-changing political landscape.

However, further study of the legislative histories and performance assessments of the respective states is needed to establish the linkage between economic development expenditures and economic growth.

The assumption underlying state funding of economic development programs is that government programs can be used to change the nature of the marketplace. Because government cannot do it alone, the best economic development strategy involves a partnership between the public sectors and the private sector and requires a dynamic process.

41-2 Examine the level of economic development expenditures and consider increasing expenditures at least by the level of inflation.

State-level economic development efforts are funded by three primary sources, including the State General Fund (SGF), Economic Development Initiatives Fund (EDIF), and Federal funds. The EDIF fund is designed to support the economic, technical, and workforce development needs of the state. The EDIF is capitalized through transfers from the State Gaming Revenues Fund. Currently, 85 percent of the receipts deposited in the State Gaming Revenues Fund, after the statutory transfer of \$80,000 is made to the Problem Gambling Grant Fund, are transferred to the EDIF. The Gaming Revenues Fund is limited to \$50.0 million each year, and transfers to the EDIF can reach \$42.4 million in a fiscal year. For the most part, revenues to the EDIF fund are stable; its share of gaming revenues is predictable and facilitates planning for expenditures in the affected agencies.

For several years, the maximum amount allowable has been transferred to the EDIF fund. Inflation and other uses for EDIF funds has decreased the purchasing power of the fund, and the cap on EDIF funds does not allow adjustments to be made for changing economic conditions. When using the Consumer Price Index (CPI) to calculate inflation, the \$50.0 million in 1987 would have the same buying power as approximately \$92.0 million in 2007. Removing or adjusting the cap for inflation and other measures should be reviewed to help make economic development expenditures in Kansas competitive with other states.

Strategy 42 – Benchmark economic development information in Kansas.

42-1 Track, compile, and make available information pertaining to economic development efforts on an agency, city, community, county, and statewide basis in Kansas. A master file should be maintained in an electronic format for public use.

The long-term success of a strategic plan depends on two elements: 1) Decision-makers must be able to make objective judgments on the success or failure of the strategies, and if necessary, appropriate adjustments, and 2) Broad public consensus on the economic development priorities and targets must be developed.⁷⁹

Benchmarking is a critical role that Kansas, Inc. must fulfill to complement its central mission of strategic planning. This will provide insight regarding the progress towards our overall economic vision. Compiling basic information on economic development efforts, as well as initiatives such as the *Indicators of the Kansas Economy (IKE)* project can be used to benchmark the Kansas economy and economic development efforts.

⁷⁹ See *A Kansas Vision*, p. 19.

Transportation Infrastructure

Introduction

Kansas has beachfront property as it relates to transportation and distribution.

- Kansas Long Range Transportation Planning Process, 2007

Information in this section is primarily sourced from the Kansas Department of Transportation (KDOT) Annual Report.⁸⁰ Transportation is a key factor in generating and sustaining economic growth. A good transportation system encourages private investment in the economy and provides efficient access to materials, labor, equipment and markets. Kansas is at the hub of a network of interstate highways that cross the nation, and the state is close to major markets so travel times and shipping rates are competitive with the rest of the nation. Projects that enhance the transportation system also create economic benefits in several ways.

Since 1990, truck travel in Kansas has increased 76 percent and is expected to reach 12.5 million miles of daily travel by 2020. KDOT and its local partners have made important infrastructure improvements under the Comprehensive Transportation Plan (CTP) to improve the efficiency and flow of commercial traffic through the state. Kansas' complex transportation needs require more than just good highways. The state depends on the integration of other modes – rail, aviation, public transit, and bicycle/pedestrian trails – into the transportation system to meet the health, economic and recreational needs of Kansans.

Kansas airports carried 1.5 million passengers and more than 150,000 tons of freight in 2005. Kansas ranks in the top 10 of all states in railroad mileage with 4,917 miles of track, more than 2 percent of all U.S. miles. Public transit is a vital lifeline, especially in rural areas, providing access to health care, employment, education, shopping, and other services.

The Kansas Comprehensive Transportation Program comes to an end in 2009, and KDOT is working to establish an effective, successful vision for our transportation future. KDOT will update the state's long range transportation plan with the intent of improving the Kansas transportation network and strengthening the economic future of the state.

Strategy 43 – Support the core recommendations within Kansas Comprehensive Transportation Plan and their role in economic development efforts.

43-1 Preserve existing transportation infrastructure.

Keeping roads, transit, rail and aviation infrastructure in good shape throughout the state is a top priority for Kansas. The strong condition of today's transportation infrastructure is a product of many years of prudent transportation investments and it must be preserved. The challenge to protect these investments is growing, and a dollar spent on preserving transportation infrastructure doesn't go as far as it once did.

43-2 Align transportation to better support the Kansas economy.

Throughout Kansas, economic opportunities are emerging. The state may need a more flexible approach for quickly guiding transportation dollars where they can most effectively support statewide economic prosperity. Recommendations to establish a category of opportunities projects expressly focused on meeting the state's economic needs have been made. Recommendations include: expanding the Local Consult process so communities have a greater voice in addressing transportation needs; and creating a Kansas Transportation Advisory Panel (K-TAP), which can help KDOT better incorporate regional,

⁸⁰ *Kansas Making Progress: Our Transportation Performance 2007 Annual Report*, Kansas Department of Transportation, 2007.

multimodal and economic development perspectives into its decision-making processes while providing broad-based input to the Secretary of Transportation.

43-3 Provide leadership and strategic investment for all modes of transportation.

Kansas businesses and residents benefit from investments in all modes of transportation, including state highways, local roads and other modes of transportation such as aviation, bicycle and pedestrian facilities, rail and transit. While more funds are needed to realize the potential of multimodal transportation in Kansas, there will never be enough funds to meet all of our transportation needs. Therefore recommendations have been made that the state become very intentional in the way transportation investments are made and KDOT provide better statewide, strategic leadership to make the most of limited funds.

43-4 Ensure safety is a priority within the state's long-range transportation plan.

Safety is an integral part of every activity KDOT undertakes, from how roadways are designed, built and maintained to efforts to educate the public on the importance of wearing seat belts and the dangers of drinking and driving. While much of the attention given to traffic crashes centers on the number of fatalities, the number of motorists injured in vehicle crashes is also of epidemic proportions. These crashes have an emotional cost as well as an economic cost. Each year, vehicle crashes cost Kansans more than \$2 billion, and the share borne by taxpayers is huge. National averages indicate the public pays 13 percent of the cost of crash injuries treated in an emergency department; 26 percent of the cost of injuries requiring hospitalization; and 48 percent of the cost of injuries treated in a rehabilitation hospital.

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Conclusion

Kansans will notably increase business and personal wealth and improve our quality of life by focusing on our inherent and emerging strengths

During the Strategic Planning process, six guiding principles were articulated by individuals throughout the state regarding economic development efforts:

- Pay attention to existing businesses, as they are already here and will continue to be an important part of the current and future Kansas economy.
- From a local perspective, hold the cities and counties harmless in regards to state economic development initiatives. State initiatives must not unwillingly shift the burden to local government, unless this shift has been requested.
- The state must be business and capital friendly to encourage growth and investment in Kansas.
- Every business matters in Kansas, whether small or large, the economic development strategy must recognize and assist all types of businesses.
- Limited economic development resources require focused efforts with measurable results.
- With limited resources, focus on the high-value targets through prioritization and addressing the most important issues first.

Kansas has five core industries that currently provide both inherent and emerging economic strengths within today's integrated global economy. However, as identified through this process, we must continue moving forward. These strengths, set in a focused environment, can contribute to the sustainability of our economy and allow us to transcend economic cycles. Transitioning into the integrated global economy with our inherent and emerging strengths aligned in a focused environment for opportunity will result in strength through aligned resources. The vision of this plan seeks to move us toward this concept; however, we must continue to benchmark and revisit economic development strategy on a periodic basis to address future economic goals and challenges.

This plan suggests an overall strategy to take us in that direction. It doesn't matter whether we are the lion or gazelle, let's just start running.

Appendix A. Economic Overview

Trends in the Kansas Economy 1985 – 2006

An understanding of the major trends that are affecting the economy is essential to the Strategic Planning efforts undertaken by Kansas, Inc. While economic changes and challenges disturb the status quo, they can bring opportunities to states that embrace them, and when we refer to how economic trends are affecting the Kansas economy, our real concern is how the trends are impacting Kansas individuals and businesses. From the *Trends in the Kansas Economy Report*⁸¹, several major economic trends are changing the way businesses operate, and how we address these trends will be important for future economic development efforts.

Today, we are operating in a global economy, involving more than simply importing and exporting. The new integrated global economy is allowing firms to increasingly integrate their operations across national boundaries, resulting in increased competition, outsourcing, new markets, and potential sources for new capital investment. There is enormous potential for Kansas in the integrated global economy.

Innovation and technology continue to be crucial to Kansas' economic development. Existing firms require access to new technology and new technology-based industries and businesses present unique opportunities for the state. Kansas must invest in new technologies to remain competitive.

Access to financial capital remains critical for Kansas' economic growth. To foster the growth of new firms, the state must support the financial needs of entrepreneurs and existing firms must have access to financial capital to fund expansions.

Three demographic trends affecting Kansas include: 1) population growth in urban areas versus population decline in most rural areas; 2) over two-thirds of the state's population growth coming from Hispanics and Latinos; and 3) the aging of the state's population.

Manufacturing, agriculture, and the oil and gas industry have historically been the cornerstones of the Kansas economy, and these industries may change as we transition into a new integrated global economy. Among others, jobs, workforce, productivity, regulations, resources, and cyclical markets are all issues that will continue to influence these industries.

The relative growth of the service sector demonstrates that much of the state's future employment growth will come from service-providing industries, such as financial activities, health care, social assistance, and other businesses services.

The growing importance of a well-educated and skilled workforce is crucial, as a major trend is for firms to move lower-skilled work to places such as China, Mexico, and India, where wages are lower. In the long-run, it will be difficult for Kansas to compete for low-skill jobs, and as a result the state must focus on developing a workforce that can compete for higher-skilled, higher-wage jobs. Kansas workers will only be attractive to employers if they have the education and skill training to justify their higher wages.

⁸¹ See Krider, p. 25.

Issues and Trends Identification in Kansas

In preparation for the Strategic Planning process, the Center for Economic Development and Business Research (CEDBR) at Wichita State University identified major issues and trends that could affect the Kansas economy over the next decade. Several of these trends and issues are ongoing, such as aging population, shortage of workers, and continuing environmental issues, and several have occurred in recent years, such as terrorist attacks and the continuing depletion of natural resources. The following trends are outlined from the *Issues and Trends Identification Report*⁸²

Four trends emerge from the examination of Kansas demographic data:

A declining labor force: The labor force age group, ages 16-64, is expected to grow by 6.3 percent through 2010, then decline by 5 percent through 2030.

Fewer school-aged children: Although there will be fewer children aged 5-17 in 2030 than there were in 2000, educational costs for those children will more than double. Fewer children and growing educational costs could result in further school consolidation in rural areas.

More people aged 65 and older: From 2005 through 2030, the number of people aged 65 and older is expected to increase by 235,022, bringing the total number of seniors to 593,091, representing 20.2 percent of the total expected population in Kansas in 2030. The additional elderly population, over and above the 2003 population level, could conservatively cost the state an additional \$258.1 million in Medicaid payments over the 25-year period from 2006 through 2030.

A larger Hispanic population: The Hispanic population comprises a larger percentage of the total population (8.4 percent), than any other minority group. In addition, those of Hispanic or Latino origin comprise a larger percentage of foreign born in Kansas and have a higher proportion of people living below the poverty level. Because it costs more to educate students living in poverty, in the year 2030 it could cost \$134.1 million more to bring the Hispanic children in poverty up to performance standards, than it would if those same children did not live in poverty.

From the work force and industry data and information gathered, these trends emerge:

A slower job growth rate than the nation: The Kansas Department of Labor and the Bureau of Labor Statistics projected an annual growth rate of 1.5 percent for Kansas from 2002-2012, while the growth rate for the United States is expected to be 1.6 percent for that same time period.

An expected shortfall of workers through 2012: The Center for Economic Development and Business Research forecasts a shortage of 124,301 to 194,935 workers by 2012.

- A reduced labor force participation rate: As the baby boomers age and drop out of the labor force, the labor force participation rate will drop due to the size of this cohort group.
- A need for skilled workers for high-paying jobs: "In Kansas, projected job growth lags the nation in all but the lowest paying quintile of jobs (less than \$20,730 annually). The largest shortfall in growth is for the highest paying jobs (more than \$47,610 annually)."
- A need to reverse net outflow of workers to other states and increase inflow of foreign-born workers: The state continues to have a net out-migration of workers even though net losses of workers to other states are declining. This is due to the decline of international migration into the state.

⁸² Harrah, Janet, Gallagher, Anne, Franklin, Debra, and Mary Jane Townsend. *Issues and Trends Identification in Kansas*. Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University for Kansas, Inc. December 2006.

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A current industry structure unlikely to maximize employment growth through 2012: Compared to the nation as a whole, Kansas has a large presence of aerospace product and parts manufacturing, agricultural products and telecommunications, except cable, all of which are expected to reduce jobs or add jobs slowly; and a small presence of employment and private educational services, which are expected to add jobs rapidly.

Continuing unequal pay and employment opportunities for women: Women who were full-time wage and salary workers in 2005 had median weekly earnings of \$585, or 81 percent of the \$722 median for men.

Below are the trends and issues surrounding Kansas trade and globalization:

Kansas exports are growing: Kansas exports totaled \$6.72 billion in 2005, an increase of 36 percent over 2004, and Kansas is on track to break export records again in 2006. The value of aircraft industry exports reached an all-time high in 2005, increasing 87 percent from the most recent low in 2003.

The U.S. trade deficit is growing: The U.S. trade deficit nearly doubled from 2001 to 2005, reaching \$717 billion and indicating that America continues to be attractive to international investors.

Outsourcing is expected to grow: As Kansas companies are forced to become globally integrated, they may use outsourcing as a means to remain more competitive and profitable. Yet, research has shown that through 2015, outsourcing will probably affect only 0.2 percent of employed Americans annually.

More international education is needed: Besides the specific skills and knowledge that are necessary to manage the mechanics of trade, there also needs to be a global mindset and understanding. More education of the general public could help create a more positive, less fearful attitude toward world trade and globalization.

The following trends emerge regarding technology infrastructure in Kansas:

The Farm Security and Rural Investment Act of 2002: This act focuses on rural development and authorizes \$100 million for grants, loans, and loan guarantees for the purpose of improving access to broadband telecommunications services in rural areas.

Technology infrastructure and economic growth: The correlation coefficient between income growth, 1993-2003, and infrastructure is 0.22. Similarly, the correlation between employment growth, 1993-2003, and infrastructure is 0.19 per BEA-REIS. These correlations are low, but significant.

Increasing Internet use: Purchasing, selling and information gathering over the Internet are increasing for all business sectors, placing greater demands on existing services and offering opportunities for expansion. Farmers and ranchers are increasingly adopting the Internet as a business tool.

Legislative issues: Kansas needs to assure that its regulation, taxing and fee policies regarding Internet and other technology development and usage support economic development throughout the state. If not currently available, a comparative study of Kansas and other state regulations and fees would clarify opportunities for improvement or for promotion of the state as a favorable location for technology-based businesses.

Technology security: Security practices are still immature and potentially risky. Security tools are available, but not widely used.

Five trends emerged in the discussion of the environment:

Declining water supply: The amount of water being used from the Ogallala Aquifer is not being replenished and will some day be unable to support the demands put upon it.

Polluted streams and lakes: Thirty-nine percent of the state's assessed stream mileage is impaired for one or more uses, and 76 percent of assessed lake acreage is impaired for one or more designated uses.

Loss of wetlands: From the 1780s to 1980, Kansas lost more than 40 percent of its wetlands. Of the publicly owned acres of wetlands, 84 percent are impaired for one or more uses.

Continuing issues regarding solid waste: In 2005, the average Kansan land filled 6.1 pounds of municipal solid waste per day, yet we recycle only about 20 percent of this waste, compared to the national average of 30 percent. There are currently gas energy projects at four Kansas landfills, but much more could be done to turn landfill gases into renewable energy.

Increasing development of alternative sources of energy: Kansas continued to be a net energy importer in 2005, consuming 432 trillion BTUs (British Thermal Units) more than it produced. However, wind energy has the potential to meet roughly 10 percent of Kansas electric power needs in the next decade, and ethanol production is increasing in the state.

Five trends emerge from the rural development data:

Depopulation in rural areas: The Kansas rural population as a percentage of total population decreased from 77.6 percent in 1900 to 28.6 percent in 2000.

Continuing environmental issues: Urban expansion into the watersheds is a major concern due to problems that come from human activities that increase the amount of nutrients (phosphorus and nitrogen) in reservoirs. Environmental restoration of real property to remove hazardous substance increases the efficient use of urban and rural land.

Rural health care needs: Access to local pharmacies may be at risk in rural communities if prescription drug plans rely too heavily on mail-order companies to distribute drugs. Immediate planning and adoption of health information technology is required due to limited infrastructure and availability of capital in rural areas. Support for family caregivers and long-term care services are deficient in rural areas.

Changing rural economics: Home-shoring or rural-sourcing, a new trend, is dependent on the rural employee possessing the correct combination of occupational skills that are demanded by the global economy. Economic development strategies must be driven by a region's distinct economic assets and its unique market opportunities or indigenous strengths.

Agricultural prosperity that could be dampened by lowered productivity: The rural economy appears positioned to reap another year of prosperity. Soil conservation needs to be a priority to maintain the productivity level of existing farmland.

The issues below emerged in the discussion of agriculture and homeland security:

Threat of foot-and-mouth disease: FMD is the single greatest threat to our agricultural economy, in part because Kansas was ranked second in the nation for its total cattle inventory in 2004.

Crop vulnerabilities related to terrorism: Obtaining plant pathogens and exposing them to crops would be relatively easy and would require little expertise. Because crops are openly exposed, they are quite vulnerable to attack.

A water supply dependent on the vigilance of day-to-day management: The Kansas Department of Health and Environment believes that terrorist attacks on our water systems could occur, but because of past experience, there is not a high probability of that happening. The safety of local water systems is dependent upon accurate vulnerability assessments, appropriate deterrents and vigilant system operators.

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Indicators of the Kansas Economy (IKE)

The following section, based on information from the *Indicators of the Kansas Economy Report*, provides a brief overview of several economic indicators, compared on a one-, five-, and ten-year basis to capture trends over each specific period. Kansas is compared to both the U.S. and the 6-State Region surrounding Kansas, consisting of: Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma. A brief comparison depicts that Kansas trends similar to both the 6-State Region and the U.S. in several indicators; however, there are slight differences in percent growth, which over the long-term, can have a substantial effect on the Kansas economy.

Population

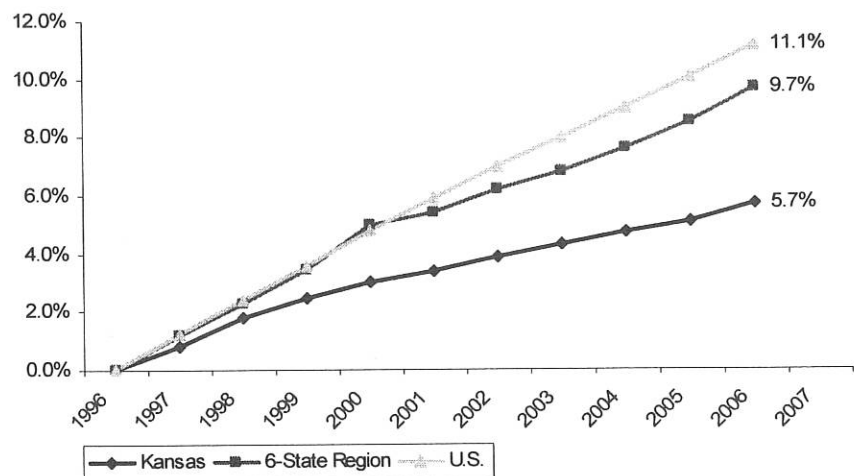
Table 3. Population, 1996 – 2006

	Jul-06	Jul-05	Jul-01	Jul-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	2,764,075	2,748,172	2,702,446	2,614,554	0.6%	2.3%	5.7%
6-State Region	21,736,590	21,503,835	20,881,612	19,817,503	1.1%	4.1%	9.7%
U.S.	299,398,484	296,507,061	285,226,284	269,394,284	1.0%	5.0%	11.1%

During 2006 the U.S. Census Bureau estimated the Kansas population to be 2,764,075, an increase of 0.6 percent over 2005 and an increase of 5.7 percent over 1996. During the ten-year period, Kansas has lagged both the 6-State Region and the U.S. in population growth.

While the population of Kansas has increased overall since 1996, several rural counties have experienced a population decrease while more urban counties have experienced a population increase. During 2006 there were 34 counties that gained population when compared to 2005. Of these counties, 12 were Metropolitan, 11 were Micropolitan, and 11 were Rural.

Figure 13. Population Growth, 1996 – 2006



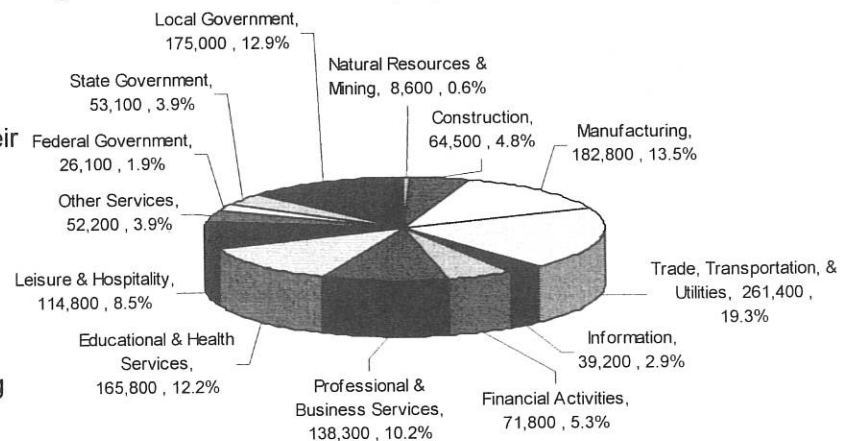
Source: U.S. Census Bureau – www.census.gov

Industry Composition

Total nonfarm employment represents 13 major nonfarm sectors measured by the Bureau of Labor Statistics. This section provides an overview of those sectors and their share of total employment within the Kansas economy.

During 2006, the largest sector was Trade, Transportation, and Utilities, comprising 19.3 percent of the total. Other major sectors comprising more than 10 percent of total nonfarm employment included: Manufacturing (13.5 percent), Local Government (12.9 percent), Educational and Health Services (12.2 percent), and Professional and Business Services (10.2 percent).

Figure 14. Total Nonfarm Employment (by sector), 2006

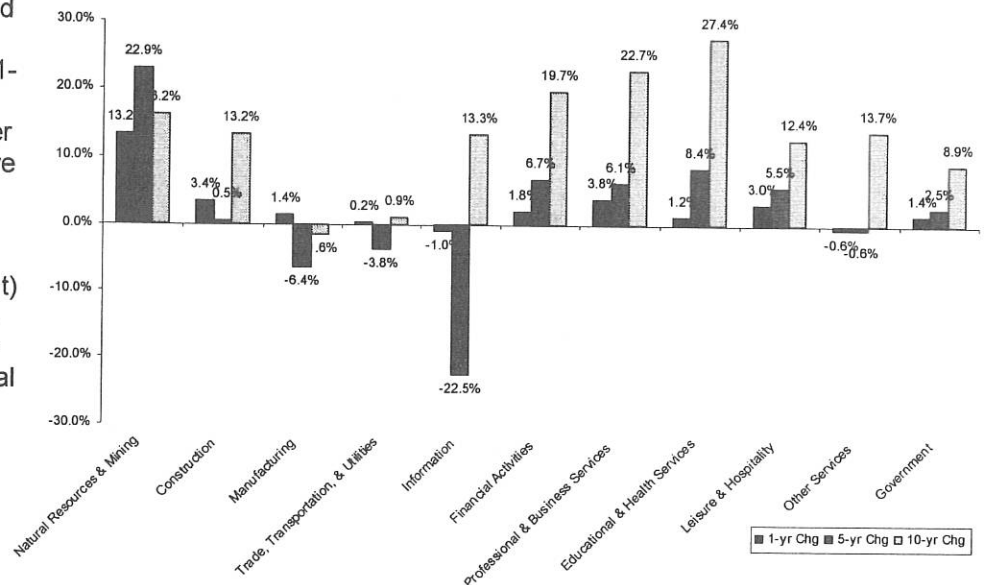


Source: Bureau of Labor Statistics – www.bls.gov

Within total nonfarm employment, several sectors within Kansas have experienced growth over a 1-year period, with Natural Resources and Mining experiencing the highest increase at 13.2 percent. Over a 1-year period, only the Information Sector (-1.0 percent) and the Other Services Sector (-0.6 percent) have experienced a decline in growth.

Over a 10-year period, all sectors except Manufacturing (-1.6 percent) have experienced growth. Over a 10-year period, the highest growth has occurred within the Educational & Health Services Sector (27.4 percent)

Figure 15. Employment Growth by Sector in Kansas, 1996 – 2006



Source: Bureau of Labor Statistics – www.bls.gov

Employment

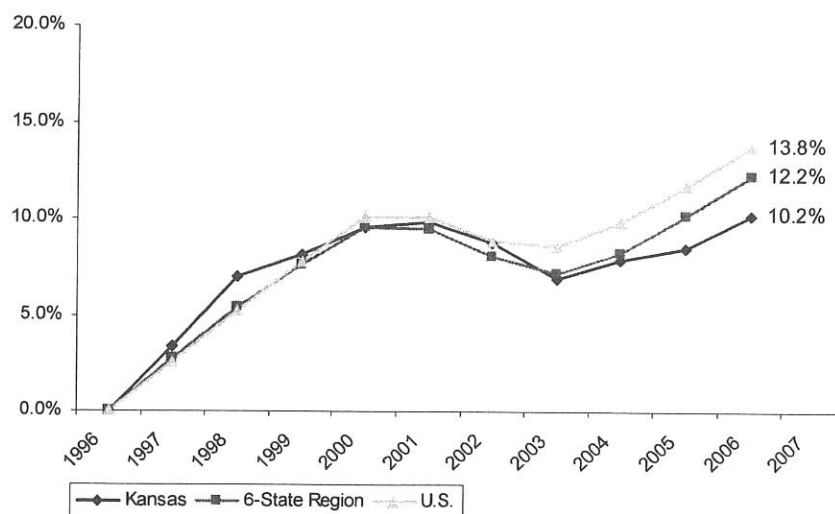
Table 4. Total Nonfarm Employment (all employees, thousands), 1996 – 2006

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	1,353.6	1,333.1	1,348.8	1,228.3	1.5%	0.4%	10.2%
6-State Region	10,254.4	10,067.1	10,003.1	9,135.8	1.9%	2.5%	12.2%
U.S.	136,174.0	133,703.0	131,826.0	119,708.0	1.8%	3.3%	13.8%

Total nonfarm employment represents thirteen major nonfarm sectors measured by the Bureau of Labor Statistics. These sectors include: Natural Resources & Mining; Construction; Manufacturing; Trade, Transportation & Utilities; Information; Financial Activities; Professional & Business Services; Educational & Health Services; Leisure & Hospitality; Other Services; and Federal, State, & Local Government.

During 2006 Kansas reported total nonfarm employment at 1,353.6 thousand, an increase of 1.5 percent compared to 2005 and a 10.2 percent increase compared to 1996. Over a 10-year period, Kansas total nonfarm employment has trended similar to both the 6-State Region and the U.S.; however, since the 2001 recession Kansas has lagged both the 6-State Region and the U.S. in total nonfarm employment growth.

Figure 16. Total Nonfarm Employment Growth, 1996 – 2006



Source: Bureau of Labor Statistics – www.bls.gov

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Unemployment

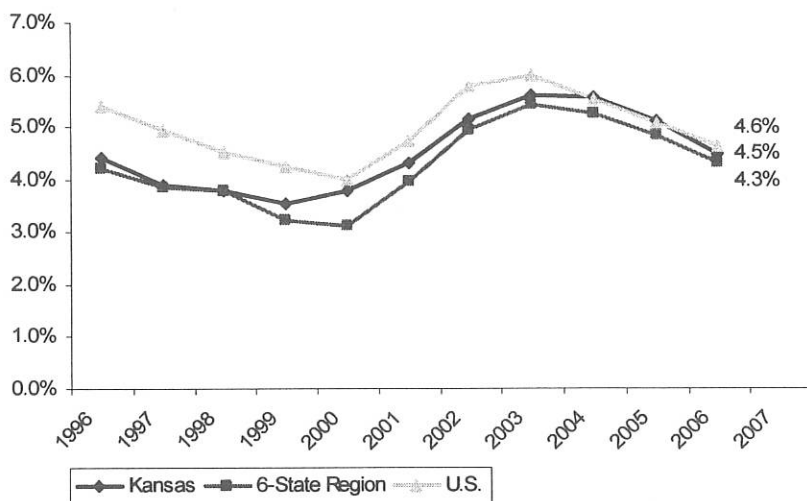
Table 5. Unemployment Rate (%), 1996 – 2006

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	4.5%	5.1%	4.3%	4.4%	-0.6%	0.2%	0.1%
6-State Region	4.3%	4.8%	3.9%	4.2%	-0.5%	0.4%	0.1%
U.S.	4.6%	5.1%	4.7%	5.4%	-0.5%	-0.1%	-0.8%

The unemployment rate represents the number of unemployed individuals as a percent of the labor force. The three factors that determine the unemployment rate are: the number of individuals employed, unemployed, and the size of the labor force. Therefore, a shift in any of these factors may influence the unemployment rate.

During 2006 Kansas reported an annual unemployment rate of 4.5 percent, a decrease of 0.6 percent compared to 2005 and an increase of 0.1 percent compared to 1996. Over a 10-year period, Kansas unemployment levels have trended similar to both the 6-State Region and the U.S., however, Kansas levels have been slightly higher than the 6-State Region average.

Figure 17. Unemployment Rate, 1996 – 2006



Source: Bureau of Labor Statistics – www.bls.gov

Wages

The average level of wages within major industry sectors may illustrate the impact industries can have on the economy. The level of employment and wages can also provide insight into how each sector is performing within the overall economy.

During 2006 the average annual wage for all industries was \$35,699

Table 6. Average Annual Wages (by industry), 2005 – 2006

Industry	2006 Average Wages	2005 Average Wages	Percent Change
Agriculture, Forestry, Fishing, Hunting	\$ 29,690	\$ 28,432	4.4%
Mining	\$ 47,486	\$ 44,219	7.4%
Utilities	\$ 66,709	\$ 64,721	3.1%
Construction	\$ 39,216	\$ 37,187	5.5%
Manufacturing	\$ 47,504	\$ 44,085	7.8%
Wholesale Trade	\$ 50,969	\$ 48,565	5.0%
Retail Trade	\$ 22,310	\$ 21,277	4.9%
Transportation and Warehousing	\$ 35,900	\$ 35,015	2.5%
Information	\$ 60,282	\$ 56,627	6.5%
Finance and Insurance	\$ 50,345	\$ 48,568	3.7%
Real Estate and Rental and Leasing	\$ 30,512	\$ 29,143	4.7%
Professional and Technical Services	\$ 50,029	\$ 47,992	4.2%
Management of Companies and Enterprises	\$ 73,472	\$ 64,395	14.1%
Administrative and Waste Services	\$ 28,984	\$ 26,531	9.2%
Educational Services	\$ 28,219	\$ 27,099	4.1%
Health Care and Social Assistance	\$ 33,745	\$ 32,504	3.8%
Arts, Entertainment and Recreation	\$ 13,605	\$ 13,736	-1.0%
Accommodation and Food Services	\$ 12,230	\$ 11,805	3.6%
Other Services, except Public Administration	\$ 23,856	\$ 22,688	5.1%
Government	\$ 33,409	\$ 32,067	4.2%
State Average	\$ 35,699	\$ 33,844	5.5%

Source: Kansas Labor Market Information – www.dol.ks.gov

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Gross Domestic Product by State (GSP)

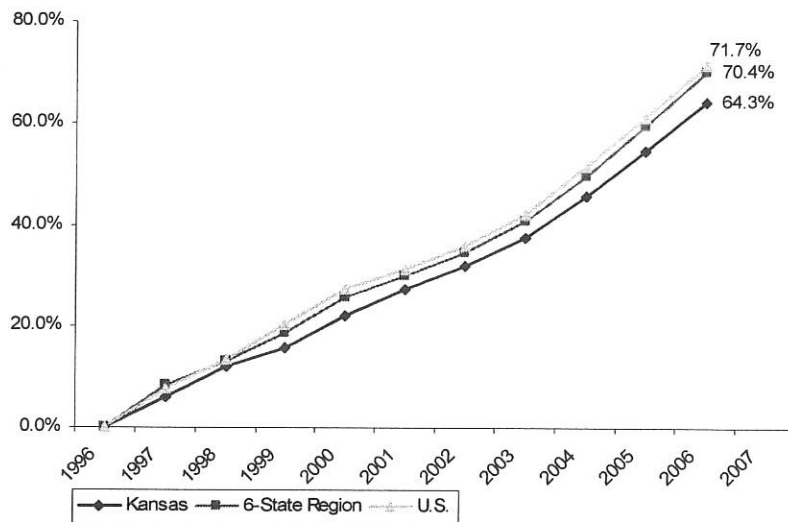
Table 7. Gross Domestic Product by State (millions of current dollars), 1996 – 2006

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	111,699	105,228	86,430	67,965	6.1%	29.2%	64.3%
6-State Region	882,512	827,849	673,054	518,041	6.6%	31.1%	70.4%
U.S.	13,149,033	12,372,850	10,058,168	7,659,651	6.3%	30.7%	71.7%

GSP captures state economic growth, providing an overall analysis of the performance of the economy. GSP is the value added in production by the labor and property located in the state. All GSP data is displayed in current dollars and are not adjusted for inflation.

During 2006 Kansas reported GSP at \$111,699 million, an increase of 6.1 percent over 2005 and an increase of 64.3 percent over 1996. Over a 1- and 10-year period, Kansas has lagged both the 6-State Region and the U.S. in GSP growth.

Figure 18. Growth in Gross Domestic Product by State, 1996 – 2006



Source: Bureau of Economic Analysis – www.bea.gov

Per Capita Personal Income (PCPI)

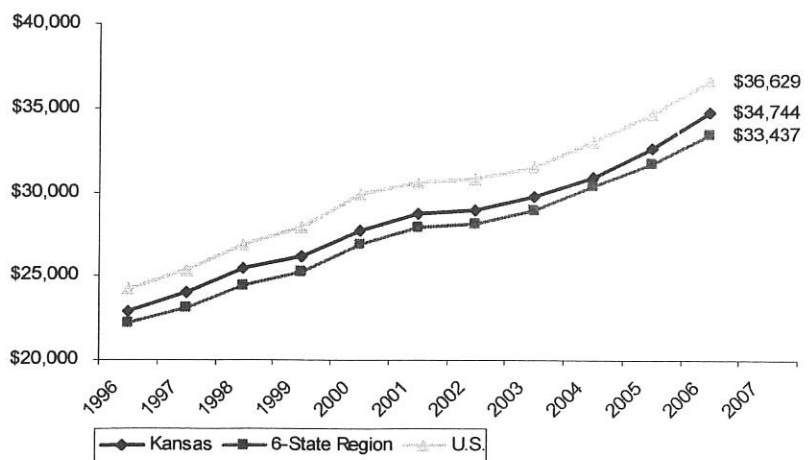
Table 8. Per Capita Personal Income (PCPI), 1996 – 2006

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	34,744	32,666	28,701	22,845	6.4%	21.1%	52.1%
6-State Region	33,437	31,734	27,849	22,140	5.4%	20.1%	51.0%
U.S.	36,629	34,685	30,562	24,175	5.6%	19.9%	51.5%

The income received by all persons from all sources, divided by the population. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts. Personal income is measured before the deduction of personal income taxes and other personal taxes. Personal income is reported in current dollars.

During 2006 Kansas reported PCPI at \$34,744, an increase of 6.4 percent over 2005 and an increase of 52.1 percent over 1996. Over a 1- and 10-year period, Kansas has outpaced both the 6-State Region and the U.S. in PCPI growth. When comparing actual levels of PCPI, Kansas has lagged the U.S. and outpaced the 6-State Region.

Figure 19. Per Capita Personal Income (dollars), 1996 – 2006



Source: Bureau of Economic Analysis – www.bea.gov

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Appendix B. Executive Summary of Statewide Cell Information

Overview

This Executive Summary highlights several main points brought forth during the discussions at the Strategic Planning Cell meetings. These and several other concepts were discussed in-depth during the Cell meetings.

Manufacturing – Aerospace and General

- Kansas has a strong manufacturing industry consisting of small-, medium-, and large-sized firms
- The manufacturing industry needs more workers
- The aviation industry is important to Kansas
- New technology and manufacturing techniques may help spur growth in rural areas
- Need the raw materials, markets, and human resources to survive
- Need incentives to produce something different or something that can't be outsourced
- Difficult to compete against foreign labor costs
- Incentives leveraged towards manufacturing are important
- Industrialization has not always been a popular issue

Rural Development and Agriculture

- Rural development issues are not unique to Kansas, other states are dealing with these issues also
- Rural communities need access to medical facilities
- Employee-owned businesses may be an opportunity in rural areas
- The biggest complaint is there is nothing to do
- Must continue the entrepreneurial spirit
- Local control of business is critical to economic development
- Recognize what we can and can't do
- Address asset transfer to the next generation
- State guidance on succession planning for businesses
- Wealth transfer from aging population could be a source of investment
- Transfer of local business assets out of the area is a big issue
- Some young, talented individuals are starting to look to the area for quality of life
- Some small communities have tuition forgiveness if you move there
- The opportunity to prosper, quality of life must be known
- Need better jobs to lure young people
- Mobile population, there is no longer a "hometown"
- As the population ages, they move closer to services
- Rural growth has been slow
- Use economic development to stabilize communities
- Idea of attracting telecommuters has some potential
- Immigration is an opportunity in rural areas
- Promote community involvement with immigrants
- Individuals move to where the jobs are
- The state needs comprehensive training program to take to the field
- Rural areas are missing skilled development professionals at leadership levels
- Identify needs and build from within
- Need a long-term rural development state plan that doesn't change
- Communities need to communicate better
- Community and regional collaboration
- Smaller communities cannot afford economic development specialists
- Community foundations could keep wealth in rural areas
- Extension agents know what is going on in the area
- Need a vehicle for aging population to invest in their communities
- Connectivity would help rural hubs grow
- Rural development is difficult unless you are a regional node
- There is little focus on a long-term entrepreneurship planning
- We need coordination on a state level
- Community strategic planning is important
- Different perceptions/strategies could be used from eastern/western Kansas regarding rural development
- USDA grants difficult because of definitions and population requirements
- The state could provide ways to reinvest in our communities
- Neighborhood revitalization, Main Street program have worked well
- Why should we fix older buildings when property taxes will increase
- Rural communities rely on their schools
- Individuals like local control and use
- Consolidation at the administrative level
- Take pride in your community
- Decisions for western Kansas made from eastern Kansas
- Urban areas don't understand agriculture
- Perception that northeast Kansas growing at the expense of rural communities
- Rural development is not one size fits all
- Important that agriculture survives
- Separate agriculture from rural development issues

Service Industry

- The service industry drives the economy, must ensure what that what they are doing right continues to be done right
- Information services is a new industry
- It may be less costly to move individuals to areas where services such as healthcare are already provided
- The northeast area doesn't depend on oil and gas, agriculture or aviation, but is the economic engine of the state
- Trying to build a cluster around the KU Medical Center (Wichita) has been difficult
- Agri-tourism is an opportunity through I-70 corridor
- Tourism opportunities in the Flint Hills
- The military is important to the Kansas economy

Energy and Natural Resources

- Continue support for energy research and development
- More state support for competing in industry
- Concern about losing oil and gas revenues to outside interests
- Funding the community energy complex was challenging
- State energy plan and state water plan must work together
- Incentives through tax credits
- Regulations are an obstacle
- Incentives for recycling water
- Water quality is an asset
- Water conservation must be addressed – must preserve our water supply
- Water is a major issue, could be a limiting factor for economic growth
- Electric utility infrastructure needs to expand/upgrade
- Additional power plants could stimulate economic growth
- Cheap utilities help communities develop and grow
- Alternative energy potential with wind energy and bio-fuels
- Provide incentives for additional alternative energies
- Seed dollars are hardest part of ethanol industry
- Sustainability of ethanol subsidies
- Wind energy opportunities
- Ethanol and bio-fuels may help rural areas
- Wind energy, nuclear power, diversifying our energy portfolio is important
- Alternative energy such as wind may be an opportunity
- Eliminate roadblocks and encourage positive behavior
- Educate and alter mindsets on conservation and proper use
- Conservation, green buildings, mass transit are opportunities
- Promote energy and water conservation, provide incentives
- Conservation, education, pollution control, incentives part of the package
- Green building technology will probably require government mandating

Bioscience

- Focus on agriculture with an bio-terrorism program
- Bioscience could be a means to break into the new economy
- Need to attract more bioscience endeavors
- Expand bioscience initiative across the state
- Kansas is doing well in biotechnology
- Emerging needs include bioscience opportunities
- Connection between animal health and food safety needs to be linked with agriculture
- Need to import individuals for these jobs

Business and Tax Climate

- Limits our competitiveness in attracting new business, retaining existing
- Must learn to adapt to international business trends
- Deficit spending getting worse
- Friendly competition is needed, but focus on the big picture
- Many immigrants don't file returns, sales tax must be more prominent
- Some legislative actions (gambling) may have negative long-term impact on business
- Determine what we value the most in eastern/western Kansas and clear away obstacles
- Tax changes may shift the burden, hold cities and counties harmless
- Small victories in tax law help small businesses
- We need an effective way of comparing tax burdens
- Kansas is a good place to start a business, but not to continue it
- As individuals get older, tax structure becomes more important
- Can make many decisions or use one vision to get to a strategy
- Create a stronger economic engine out of Kansas
- Tax what we don't want
- Legislature missed the point on condemnation, eminent domain
- Many individuals don't know about all of the programs that are available
- Marketing tax credits could be an opportunity
- Simplify and customize our current programs
- Kansas in the middle regarding taxes
- High number of local taxing entities
- Tax issues at the local level
- Haven't done a good job of marketing business climate compared to other states
- High property taxes discourage prospective businesses
- Between healthcare and tax environment, many businesses unable to survive
- Entrepreneurial programs are good ways to start new businesses
- There is emphasis on growing existing businesses here
- Organize locally and focus on tax issues
- Commitment, resources, and cooperation for starting businesses seems to be there
- State doesn't do much to help or assist existing businesses, they focus on new businesses
- State could play a role in emerging markets
- When core competencies change, businesses may need state assistance
- May not be possible to get businesses into rural areas, unless incentives like cheap power or a workforce
- State purchases many things outside Kansas, address with sliding scale preferential treatment
- Cut spending to deal with taxes
- Workers compensation and injury laws are an issue
- Border state tax structure differences make it hard to compete
- The tax structure in Kansas should be more conducive to business
- Need business incentives to stay in Kansas
- Property tax is an issue compared to other states
- More flexibility in workers compensation program
- Current tax level burdensome, excessive
- Reducing taxes overall would help
- Lower the marginal tax rate and let entrepreneurs figure it out
- Need fair and balanced tax structure to support businesses
- There is an imbalance in current tax system
- An indifferent tax code would do enough to keep individuals here
- We need a more favorable tax code
- High number of taxing units throughout the state
- Recent tax exemptions (M&E, franchise) not enough
- Industrial revenue bonds have worked

- M & E exemption will help businesses and possibly increase tax base, still room for improvement
- Corporate income tax an issue
- Government must provide incentives or assistance when businesses bring in employees
- Government should encourage positive behavior through incentives and credits
- We do a lot of tweaking to our tax system, maybe focus on 3 or 4 specific issues instead
- New and existing businesses utilize different programs, and this line needs to be clear
- Commerce programs are friendly, but time consuming and inefficient
- Some states aggressive with incentives, need to be able to finance incentives
- Tax incentives may provide opportunities
- State could possibly take an equity position in projects
- We need to evaluate our current incentives
- Tax credits are confusing, deal with both Commerce and Revenue
- Guarantee incentives on the front end
- State incentives focus on new businesses, not existing businesses
- Health insurance a huge issue

- Taxes are an issue and not an incentive for business
- Commercial property taxes are an issue
- Need cap on property valuation
- Incubators can grow businesses, state matches for local funds
- Not much seed money available, banking is not venture capital
- Need sources of business investment
- Support local businesses
- Cheaper places than Kansas to start a business
- Current regulatory environment and processes discourage businesses
- Need more education of all stakeholders, including business and government
- Kansas must be more business friendly, remove barriers
- Mentor youth and small business
- Grow business from within
- Business friendly state, better than the coasts, but not a major business decision factor
- Passing business ownership to future generations an issue
- Remember who and what got us here – every business matters

Workforce Development

- New plants aren't built because of incentives, but because of a qualified workforce
- Need to be thinking and positioning our state for the next 25 years
- Creating jobs and finding a dependable workforce needs to be addressed proactively
- Competing with neighboring states is just rearranging the chairs
- Individuals come back 2-3 years before retirement because of living costs elsewhere
- NIAR a good example of what can be done when we are focused
- Industries and businesses will follow the talent
- Competition between industry sectors is an issue
- Unemployment too low, shortage of workers
- Concern about aging workforce and decline in pool of qualified workers
- Low unemployment and an aging population an issue
- Aging workforce is an issue
- Global workforce shortage is coming
- We need all levels of the workforce
- Streamline education and meet business needs
- Mismatch between supply and demand
- Education must be business driven
- Finding employees is a short- and long-term issue
- Business has a vested interest in filling jobs, could subsidize education
- Need trained talent with a good work ethic
- Workforce development must be demand driven
- System should identify and match workforce with opportunities and react to business cycles
- Need demand driven workforce development, restructure the system for the best education
- Businesses need qualified individuals to get the job done
- Technical education needs equitable funding
- More emphasis on technical training at younger ages, helps retain young people
- Technical education is a high priority for rural areas
- Educate youth on technical careers
- Increase leadership and training
- Technical colleges are a lifeline for businesses, we need to target technical colleges
- Funding issues with educational institutions
- Need to address education system failures
- Best teachers leaving education
- Education must prepare students for the workplace
- Challenge Federal rules and regulations that are detrimental to high quality public education
- Effective communication with post secondary institutions
- Education must guide individuals to careers
- Is there a way to shift the responsibility and risk to the universities
- Open jobs but individuals don't have the necessary skills
- Develop a delivery system for retraining
- Institutions don't accept each other's credit hours
- KDOE and Commerce need to work together at a state level
- Promote an attitude of lifelong learning
- Combine community colleges and technical schools
- Entrepreneurial education laws at the K-12 and post-secondary level
- Workforce needs training, but maybe not a 4-year degree
- We spend substantial dollars on education, why not try to keep the employees here
- K-12 based on college preparation, not business/workforce preparation
- Some improvements have been made locally by working with the technical school
- Make K-12 more interactive with business
- Partnership between business and educational resources
- Fundamentals must be learned in school, not at work, training starts in elementary school
- Kansas doesn't have the ability to respond to what is needed in the workforce
- Need all skill levels of workers
- Allow local areas to put together a model for technical education
- School counselors recommend 4-year schools, not technical schools
- Get youth thinking about opportunities sooner
- We need to graduate more engineers, emphasize math and science
- There is a generation of technical workers retiring and no pipeline
- No Child Left Behind has been detrimental

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- Business and education need to partner
- Tie K-12 to the needs of the business community
- Should be a way to partner business and educational institutions
- In primary and secondary schools youth don't have ownership of their education
- Missing a huge opportunity with smaller schools
- Parents/students need understanding of existing opportunities
- Market vocational education and opportunities
- 10 to 15 years ago decided a better way to make a living than working with hands, now see effects
- Character issues/values, quality of workforce
- Worker character, values, basic skills issues
- Younger workers have a different mentality, need to understand younger workers
- Soft skills are equally as important as educational competence
- Need critical examination of how much is going into essential education
- Younger generation is mobile
- Youth have the technical skills, but don't want to work
- Worker attitude and soft skills are an issue
- Younger generation possesses different skill sets, mind sets, work ethic
- Workers for the most part have a good work ethic
- Exporting graduates, retain what we have
- Our workforce is aging and demographics are changing
- Target workers at a younger age
- Guest worker problems
- Make it the employers responsibility to retain workers
- Workforce shortages may require "grow your own"

- Rural Kansas wages may not be high enough
- Advertising to employees at a local level helps
- Rural Kansas doesn't have attractions for youth, cost of living is not enough
- Immigrants are under-trained but hungry for work
- Attracting white collar workers is an issue
- Difficult to recruit nationally
- Military retirees are looking for opportunities
- Provide immigrants with a package of what they will get if they locate and work here
- Work study programs help capture Kansas talent
- Immigrants can address some workforce issues, but there are language barriers
- For worker longevity need to recruit from within and the surrounding area
- Cost of hiring is high, must retain what we have, provide incentives
- State is losing its more highly qualified individuals
- Some businesses transport in workers from other states
- Need to tune into potential workers at a younger age
- Immigration may address some workforce issues
- Educate immigrants
- If you provide training, employees leave for better opportunities
- Sign-on bonuses may be needed
- Working remotely may be a solution
- Challenge to bring highly-skilled individuals into this area
- Department of Commerce has some good programs, but excessive paperwork
- KIT/KIR programs have limitations and timing issues
- Consider programs that link education to a job commitment

Technology and Innovation

- We need to think in the 21st Century, embrace technology
- We need to be looking ahead to see what will work in the future
- A means that must be utilized to achieve our desired ends
- Expand KTEC across the state
- Technology will be a key part of helping Kansas pursue opportunities in a global economy
- Provide an incentive to pursue technology
- Determine best place to put technology to make it a driver for the state
- Today's careers require more high-tech training
- Financial capital is available, but high interest rates are detrimental
- Attract venture capital to energize entrepreneurial spirit, successes will bring venture capital
- Kansas doesn't attract significant amounts of venture capital
- Clustering around universities would help with commercialization of technology and innovation
- Need to improve the commercialization of our research, the state must partner
- Better Internet infrastructure needed, poor connectivity is an issue
- Distance learning may be improved as technology becomes more cost efficient
- Internet provides opportunity to attract professionals to Kansas
- Technology is part of infrastructure, must fund
- Communication technology doesn't seem to be a limiting factor
- Much of rural Kansas doesn't have high speed Internet access
- Need better communication throughout the state, fiber optics, broadband, Wi-Fi

Image

- Kansas has a self-image issue
- Issues are more image than reality
- Problems in Kansas are not unique
- Difficult to change the Kansas image
- Find a theme and stick with it, each administration changes it
- A campaign that promotes Kansas in a more positive light, market trust and values, create perception of opportunity
- Need more mileage on image from major businesses
- Need to figure out what our brand is
- Attracting significant businesses would help
- Need to market Kansas to youth also
- We are not marketing our good climate to grow businesses
- Utilize community involvement as a way conveying a positive image
- On an international level, the Midwest is not differentiated
- Live here and vacation elsewhere, Kansas is about work, your halfway there
- Kansas was a model when work ethic was referenced
- Enhanced quality of life and recreational opportunities will assist Kansas
- We have a strong work ethic
- Quality of life, limited commuting time, communities are all assets
- Kansas is a good place to retire
- Kansas has clean air, open space, and other things that are appealing
- Lack of arts, entertainment, and cultural growth
- Figure out what needs to be done and do it

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Indicators of the Kansas Economy (IKE)

Prepared by



December 2007



Indicators of the Kansas Economy Data Book

3-2
Dec-07

About IKE

Beginning July 2004, the Kansas, Inc. Board of Directors initiated a project with the goal of identifying critical variables that would explain the current condition of the Kansas economy relative to its surrounding states and the U.S. The *Indicators of the Kansas Economy (IKE)* project concept was the result of a perceived need for a single source of objective and consistent information that allows public and private leadership, as well as all interested Kansans to better understand the economy and enhance decision-making capacity.

Working with a broad range of professionals, including researchers, university professors, state program staff, and the Kansas, Inc. Board of Directors, a set of 25 variables has been identified and reviewed for their comprehensiveness and ability to depict key elements of the Kansas economy. Whenever possible, regional and national data is included to illustrate how Kansas compares to both the 6-State Region and the U.S. The 6-State Region includes: Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma. Data for most of the variables in this version of IKE was collected for 1-, 5-, and 10-year periods, enabling the data to include trends from the most recent national recession during 2001. When identifying variables, efforts centered on data that are mostly:

- Electronically accessible;
- Can be captured for all states and the U.S.; and,
- Released at least annually with preference to monthly data.

This version of the IKE report includes 22 variables, with an additional three variables to be included in future releases.

During 2005, Kansas, Inc. received a grant from the Information Network of Kansas to significantly advance the sophistication, outreach, and quality of the IKE project. Through this grant, Kansas, Inc. partnered with the University of Kansas, Policy Research Institute to develop the framework for several variables to be displayed interactively, on a county, state, regional, and national level. A portion of the project provided the model for a future IKE website where all data will be displayed and archived in a user-friendly format. Along with the framework, this project also allowed an advisory committee to provide comments and suggestions regarding the direction of the IKE project. Individuals from several organizations and backgrounds participated in this portion of the project to significantly add value to the final product. Included in the project were several suggestions and prototypes for additional variables still in the developmental stage, including a Kansas stock index, Kansas agricultural commodity index, "Biz-Trakker", and several other variables of interest.

As the IKE project evolves, many portions remain in the developmental and experimentation stage, however, several suggestions and ideas from both the INK grant project and end-users have been incorporated into this updated version of IKE to enhance the value and usability of this report. Besides the U.S., state, and local variable analysis, a planned component of IKE is quarterly bulletins to highlight key aspects of the Kansas economy and provide a more in-depth understanding of the variables and economic issues impacting the state.

This updated release is another step in IKE becoming the one-stop resource of economic data for policymakers, university researchers and the general public. As the Kansas economy changes, Kansas, Inc. recognizes that the IKE project will continue to evolve to meet the needs of all individuals. Kansas, Inc. welcomes feedback to prove the value of future IKE releases.

For further information regarding the IKE project or any other Kansas, Inc. projects, feel free to contact us.

Paid for with taxes or public funds

Employment and Unemployment

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Total Nonfarm Employment - (all employees, thousands)							
Kansas	1,406.5	1,384.3	1,341.7	1,296.2	1.6%	4.8%	8.5%
Private Sector Employment - (all employees, thousands)							
Kansas	1,137.4	1,119.7	1,085.3	1,053.9	1.6%	4.8%	7.9%
Manufacturing Employment - (all employees, thousands)							
Kansas	187.2	184.8	180.0	202.8	1.3%	4.0%	-7.7%
Service Employment - (all employees, thousands)							
Kansas	874.1	860.1	835.4	783.6	1.6%	4.6%	11.5%
Public Sector Employment - (all employees, thousands)							
Kansas	269.1	264.6	256.4	242.3	1.7%	5.0%	11.1%
Unemployment Rate - (%)							
Kansas	3.7%	4.3%	5.1%	3.5%	-0.6%	-1.4%	0.2%
Initial Claims for Unemployment - (all employees)							
Kansas	9,635	11,242	15,044	6,769	-14.3%	-36.0%	42.3%

Entrepreneurship/Wages

Private Establishment Data - (total private establishments, all employee sizes)

	2007 (p)	2006	2002	1-yr Chg	5-yr Chg
Kansas	79,896	78,818	75,844	1.4%	5.3%

Private Industry Wage Levels - (average annual wages, all employees, all private establishments)

	2006	2005	2001	1-yr Chg	5-yr Chg
Kansas \$	36,201	34,265	30,468	5.7%	18.8%

Kansas Firm Birth and Termination - (# of firms)

	2006	2005	2001	1996	1-yr Chg	4-yr Chg	9-yr Chg
Firm Births	6,973	7,095	7,026	6,693	-1.7%	-0.8%	4.2%
Firm Terminations	7,000	7,330	8,055	7,860	-4.5%	-13.1%	-10.9%
Firm Bankruptcies	158	410	220	420	-61.5%	-28.2%	-62.4%

Agriculture

KFMA Average Net Farm Income by Region

Region	NW	NC	NE	SW	SC	SE	Avg. All Assn.
2005 \$	66,930	42,065	68,325	23,779	36,535	76,283	56,982
2006 \$	58,517	40,742	52,259	21,779	57,960	40,026	46,593
5-yr avg \$	46,084	40,300	49,338	23,287	43,510	60,205	47,267
10-yr avg \$	44,459	37,183	39,792	31,404	38,634	51,223	42,215

Energy

Oil Production and Price - (most recent month of production and price)

	Aug-07	Aug-06	Aug-02	Aug-97	1-yr Chg	5-yr Chg	10-yr Chg
Production (bbl)	3,371,508	3,073,860	2,842,498	3,409,238	9.7%	18.6%	-1.1%
Price (\$/bbl)	72.36	73.04	28.39	19.95	-0.9%	154.9%	262.7%

Natural Gas Production and Price - (most recent month of production and price)

Production (mcf)	29,239,066	32,471,396	39,266,768	57,043,474	-10.0%	-25.5%	-48.7%
Price (\$/mcf)	5.90	6.51	2.76	2.08	-9.4%	113.8%	183.7%

Other Economic Data

Gross State Product - (millions of current dollars)

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	111,699	105,228	86,430	67,965	6.1%	29.2%	64.3%
6-State Region	882,512	827,849	673,054	518,041	6.6%	31.1%	70.4%
U.S.	13,149,033	12,372,850	10,058,168	7,659,651	6.3%	30.7%	71.7%

Personal Income Quarterly Estimates - (millions of dollars)

	2007-Q3	2006-Q3	2002-Q3	1997-Q3	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	103,705	96,246	78,686	63,800	7.7%	31.8%	62.5%
6-State Region	787,208	738,599	601,066	469,888	6.6%	31.0%	67.5%
U.S.	11,727,099	11,016,422	8,888,413	6,948,918	6.5%	31.9%	68.8%

Per Capita Personal Income Annual Estimates - (\$)

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	34,744	32,666	28,701	22,845	6.4%	21.1%	52.1%
6-State Region	33,437	31,734	27,849	22,140	5.4%	20.1%	51.0%
U.S.	36,629	34,685	30,562	24,175	5.6%	19.9%	51.5%

CFNAI

	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	Nov-06
CFNAI	(0.27)	(0.89)	(0.42)	(0.77)	0.18	(0.11)	(0.59)

Consumer Price Index

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Midwest Urban	200.8	192.8	176.1	157.7	4.1%	14.0%	27.3%
U.S. City Average	210.2	201.5	181.3	161.5	4.3%	15.9%	30.1%

Kansas Consumer Sentiment

1st Quarter 2006	82.1
2nd Quarter 2006	75.4
3rd Quarter 2006	80.7
4th Quarter 2006	88.0

Building Permits - (new privately owned housing units authorized)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	953	1,037	986	869	-8.1%	-3.3%	9.7%

Sales Tax Collections - (\$)

	Aug-07	Aug-06	Aug-02	Aug-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	164,883,893	155,967,252	137,731,250	111,218,918	5.7%	19.7%	48.3%

Population

	Jul-07	Jul-06	Jul-02	Jul-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	2,775,997	2,755,817	2,712,383	2,635,292	0.7%	2.3%	5.3%



Indicators of the Kansas Economy Variables

3-4
Dec-07

IKE - Variables

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* Available in Future IKE Reports



Indicators of the Kansas Economy Total Nonfarm Employment

Dec-07

Short-Term - 2006 to 2007

- Kansas total nonfarm employment up 22,200 (1.6%)
- 6-State Region total nonfarm employment up 118,400 (1.1%)
- U.S. total nonfarm employment up 1,441,000 (1.0%)

Long-Term - 1997 to 2007

- Kansas total nonfarm employment up 110,300 (8.5%)
- 6-State Region total nonfarm employment up 934,800 (9.8%)
- U.S. total nonfarm employment up 14,430,000 (11.5%)

November 2007 Total Nonfarm Employment Levels

(all employees, thousands)

State	Employment
Kansas	1,406.5
Arkansas	1,215.0
Colorado	2,345.7
Iowa	1,548.0
Missouri	2,819.8
Nebraska	972.1
Oklahoma	1,596.4

About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors. The data series chosen for IKE are adjusted for seasonal variation.

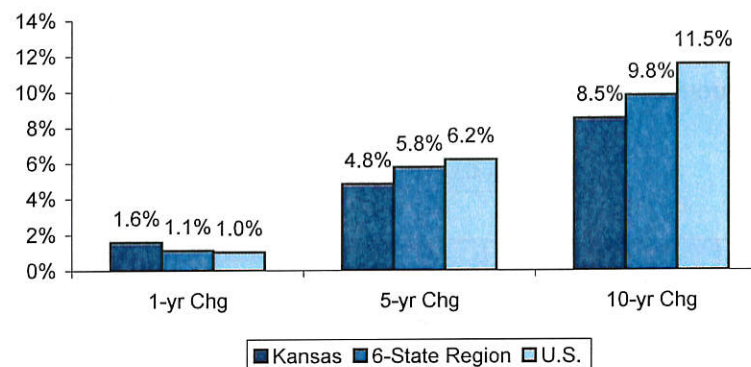
BLS total nonfarm employment calculations does not include non-civilian employment.

Total Nonfarm Employment

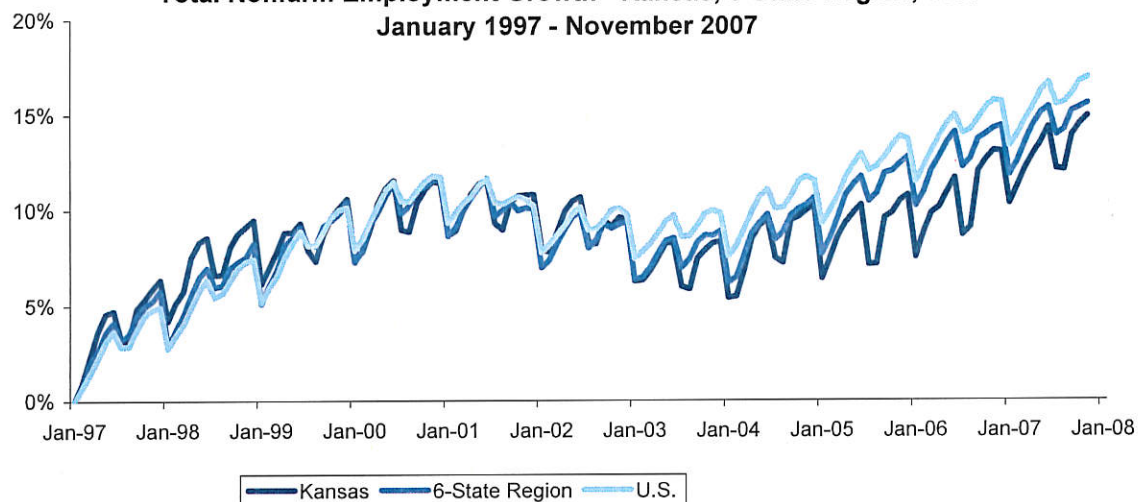
(all employees, thousands)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	1,406.5	1,384.3	1,341.7	1,296.2	1.6%	4.8%	8.5%
6-State Region	10,497.0	10,378.6	9,924.7	9,562.2	1.1%	5.8%	9.8%
U.S.	139,493.0	138,052.0	131,346.0	125,063.0	1.0%	6.2%	11.5%

Percent Change in Total Nonfarm Employment 1yr, 5yr, 10yr



Total Nonfarm Employment Growth - Kansas, 6-State Region, U.S. January 1997 - November 2007



Source: 2007 monthly data

U.S. Department of Labor - Bureau of Labor Statistics -

Kansas Department of Labor - Labor Market Information -

<http://www.bls.gov/bls/employment.htm>

<http://laborstats.dol.ks.gov/>

Short-Term - 2006 to 2007

- Kansas private sector employment up 17,700 (1.6%)
- 6-State Region private sector employment up 102,000 (1.2%)
- U.S. private sector employment up 1,216,000 (1.1%)

Long-Term - 1997 to 2007

- Kansas private sector employment up 83,500 (7.9%)
- 6-State Region private sector employment up 750,700 (9.4%)
- U.S. private sector employment up 11,794,000 (11.2%)

November 2007 Private Sector Employment Levels

(all employees, thousands)

State	Employment
Kansas	1,137.4
Arkansas	998.1
Colorado	1,962.4
Iowa	1,290.2
Missouri	2,373.3
Nebraska	807.1
Oklahoma	1,263.9

About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors. The data series chosen for IKE are not adjusted for seasonal variation.

BLS private sector calculations include all nonfarm sectors, excluding Federal, State, and Local government sectors.

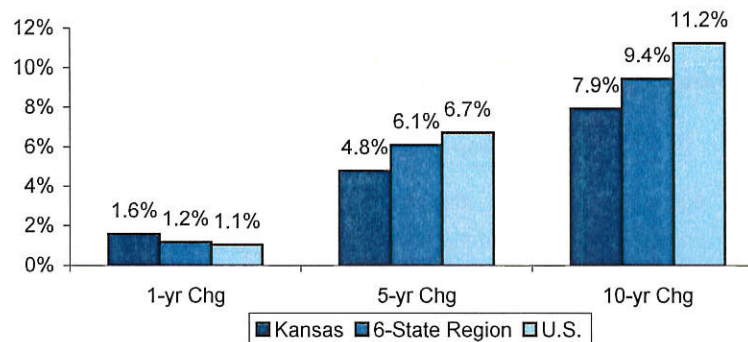
Source: 2007 monthly data
U.S. Department of Labor - Bureau of Labor Statistics -
Kansas Department of Labor - Labor Market Information -

Private Sector Employment

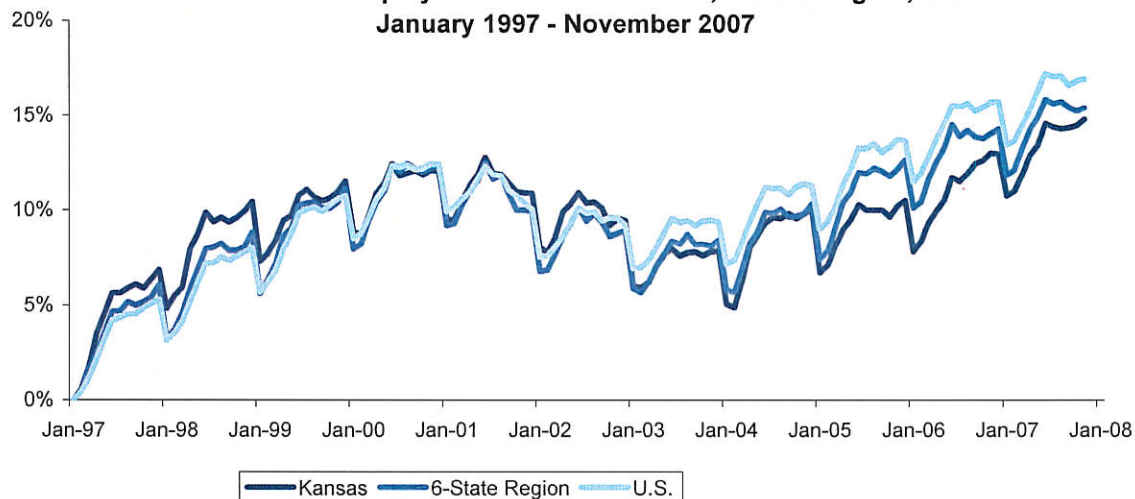
(all employees, thousands)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	1,137.4	1,119.7	1,085.3	1,053.9	1.6%	4.8%	7.9%
6-State Region	8,695.0	8,593.0	8,195.3	7,944.3	1.2%	6.1%	9.4%
U.S.	116,675.0	115,459.0	109,330.0	104,881.0	1.1%	6.7%	11.2%

Percent Change in Private Sector Employment
1yr, 5yr, 10yr



Private Sector Employment Growth - Kansas, 6-State Region, U.S.
January 1997 - November 2007





Indicators of the Kansas Economy Manufacturing Employment

Dec-07

Short-Term - 2006 to 2007

- Kansas manufacturing employment up 2,400 (1.3%)
- 6-State Region manufacturing employment down 23,300 (-2.1%)
- U.S. manufacturing employment down 191,000 (-1.3%)

Long-Term - 1997 to 2007

- Kansas manufacturing employment down 15,600 (-7.7%)
- 6-State Region manufacturing employment down 226,700 (-17.0%)
- U.S. manufacturing employment down 3,636,000 (-20.7%)

November 2007 Manufacturing Employment Levels

(all employees, thousands)

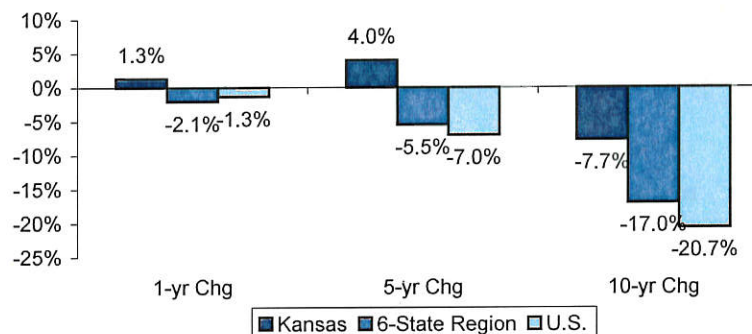
State	Employment
Kansas	187.2
Arkansas	187.5
Colorado	143.0
Iowa	231.1
Missouri	295.6
Nebraska	101.4
Oklahoma	150.4

Manufacturing Employment

(all employees, thousands)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	187.2	184.8	180.0	202.8	1.3%	4.0%	-7.7%
6-State Region	1,109.0	1,132.3	1,173.7	1,335.7	-2.1%	-5.5%	-17.0%
U.S.	13,961.0	14,152.0	15,010.0	17,597.0	-1.3%	-7.0%	-20.7%

Percent Change in Manufacturing Employment
1yr, 5yr, 10yr

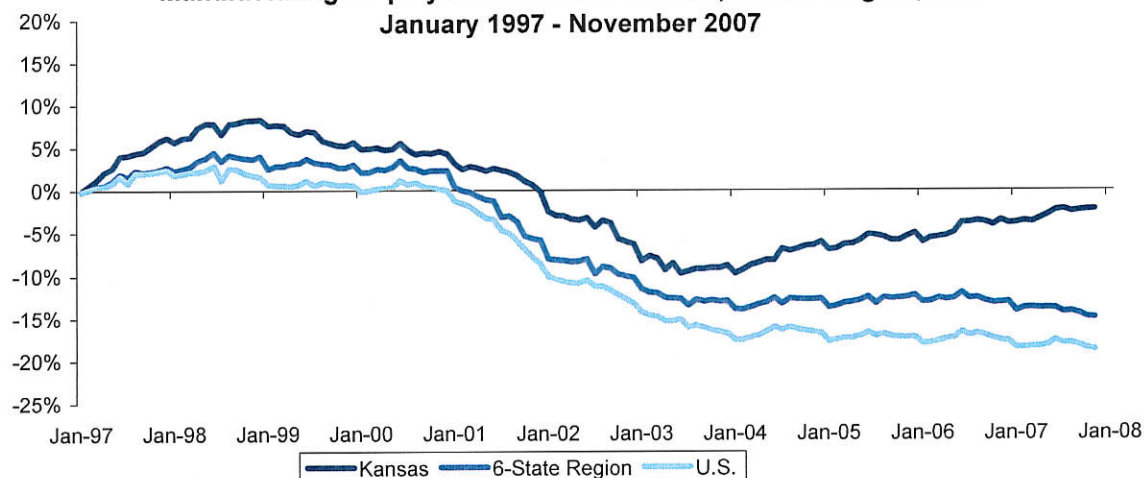


About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors. The data series chosen for IKE are adjusted for seasonal variation.

The manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products.

Manufacturing Employment Growth - Kansas, 6-State Region, U.S.
January 1997 - November 2007





Indicators of the Kansas Economy Service Employment

Dec-07

Short-Term - 2006 to 2007

- Kansas service employment up 14,000 (1.6%)
- 6-State Region service employment up 110,000 (1.6%)
- U.S. service employment up 1,510,000 (1.6%)

Long-Term - 1997 to 2007

- Kansas service employment up 90,500 (11.5%)
- 6-State Region service employment up 824,200 (13.5%)
- U.S. service employment up 13,738,000 (17.0%)

November 2007 Service Employment Levels

(all employees, thousands)

State	Employment
Kansas	874.1
Arkansas	744.9
Colorado	1,626.4
Iowa	976.0
Missouri	1,920.6
Nebraska	655.2
Oklahoma	992.9

About the data and graphs

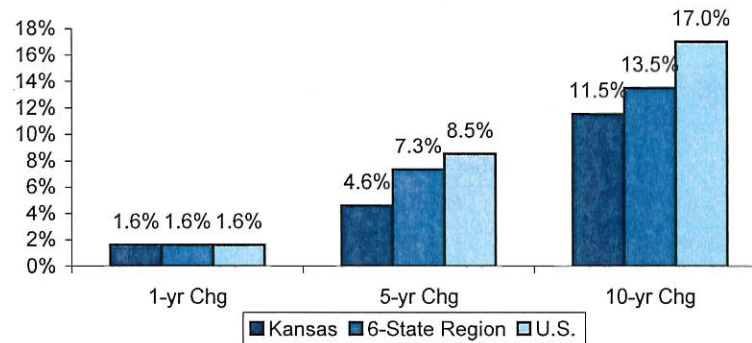
The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors. The data series chosen for IKE are not adjusted for seasonal variation. While BLS service sector calculations include government, *Kansas, Inc.*, has defined the overall service sector to include the following BLS sectors: trade, transportation, and information; finance; professional and business; education and health; leisure and hospitality; and other services.

Service Employment

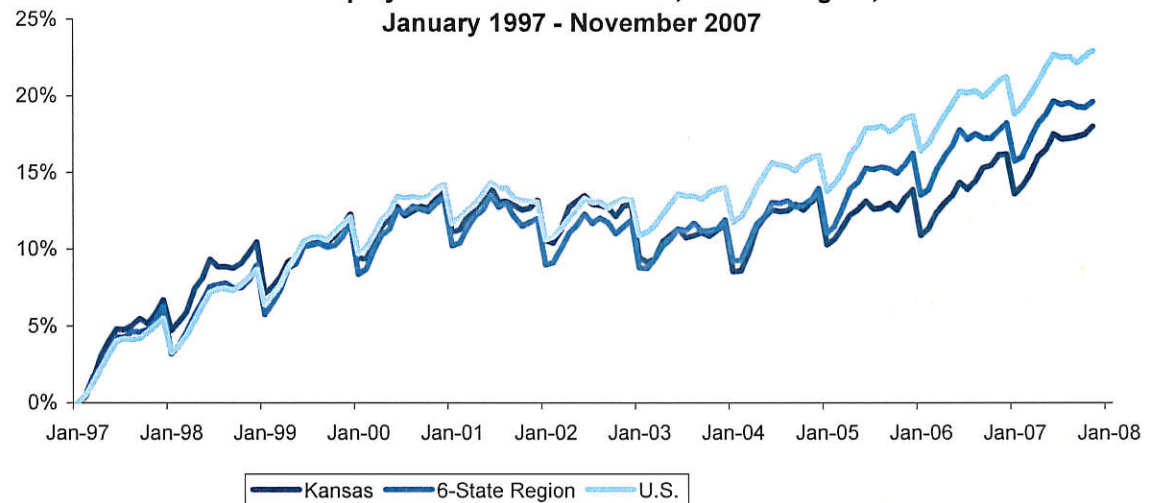
(all employees, thousands)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	874.1	860.1	835.4	783.6	1.6%	4.6%	11.5%
6-State Region	6,916.0	6,806.0	6,443.6	6,091.8	1.6%	7.3%	13.5%
U.S.	94,346.0	92,836.0	86,928.0	80,608.0	1.6%	8.5%	17.0%

Percent Change in Service Employment
1yr, 5yr, 10yr



Service Employment Growth - Kansas, 6-State Region, U.S.
January 1997 - November 2007



Source: 2007 monthly data

U.S. Department of Labor - Bureau of Labor Statistics -

Kansas Department of Labor - Labor Market Information -

<http://www.bls.gov/bls/employment.htm>

<http://laborstats.dol.ks.gov/>



Indicators of the Kansas Economy Public Employment

Dec-07

Short-Term - 2006 to 2007

- Kansas public sector employment up 4,500 (1.7%)
- 6-State Region public sector employment up 16,400 (0.9%)
- U.S. public sector employment up 225,000 (1.0%)

Long-Term - 1997 to 2007

- Kansas public sector employment up 26,800 (11.1%)
- 6-State Region public sector employment up 184,100 (11.4%)
- U.S. public sector employment up 2,636,000 (13.1%)

November 2007 Public Sector Employment Levels

(all employees, thousands)

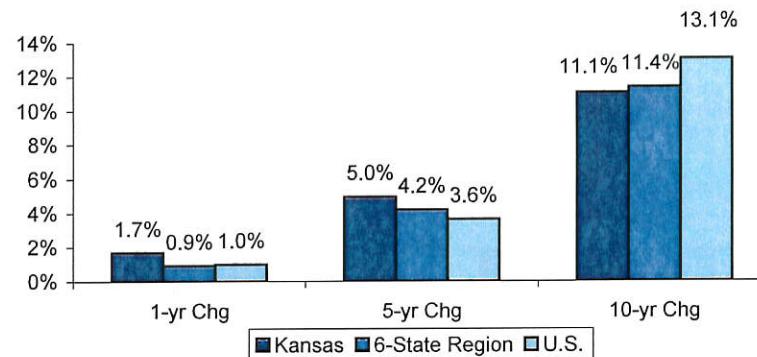
State	Employment
Kansas	269.1
Arkansas	216.9
Colorado	383.3
Iowa	257.8
Missouri	446.5
Nebraska	165.0
Oklahoma	332.5

Public Sector Employment

(all employees, thousands)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	269.1	264.6	256.4	242.3	1.7%	5.0%	11.1%
6-State Region	1,802.0	1,785.6	1,729.4	1,617.9	0.9%	4.2%	11.4%
U.S.	22,818.0	22,593.0	22,016.0	20,182.0	1.0%	3.6%	13.1%

Percent Change in Public Sector Employment
1yr, 5yr, 10yr

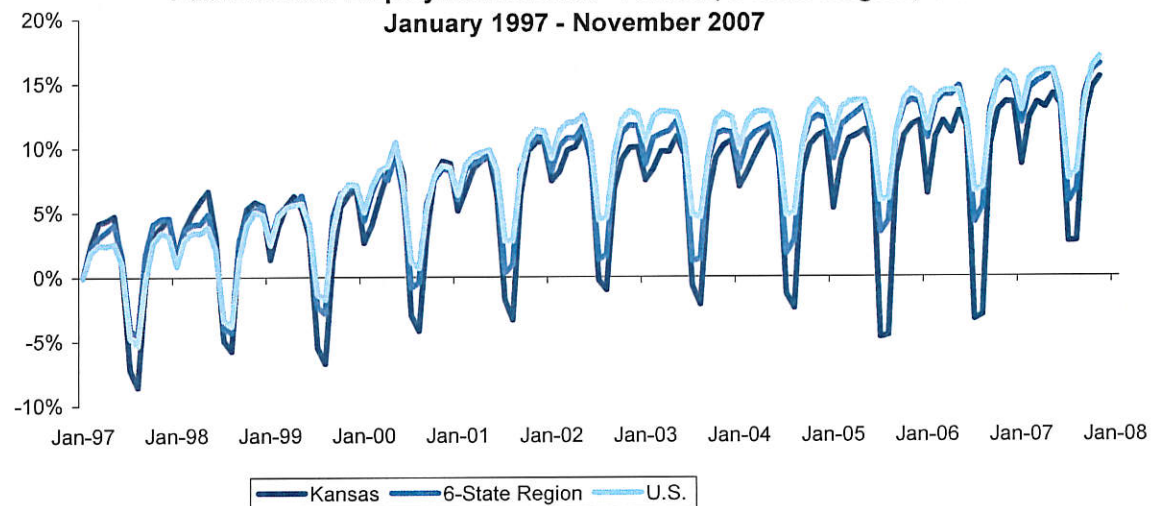


About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for series come from a monthly survey of employers. The data are subject to major and minor revisions. The series count the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the public sector and one in retail, would be counted in both sectors.

The data series chosen for IKE are not adjusted for seasonal variation; hence the short term employment graph shows substantial decreases in July and August when many public school personnel are off the job. *Kansas, Inc. has included Federal, State, and Local Government*

Public Sector Employment Growth - Kansas, 6-State Region, U.S.
January 1997 - November 2007



Source: 2007 monthly data
U.S. Department of Labor - Bureau of Labor Statistics -
Kansas Department of Labor - Labor Market Information -

<http://www.bls.gov/bls/employment.htm>
<http://laborstats.dol.ks.gov/>

Indicators of the Kansas Economy Private Industry Wage Levels

Dec-07

3-10

Short-Term - 2005 to 2006

- Kansas private industry wage level up \$1,936 (5.7%)
- 6-State Region private industry wage level up \$1,586 (4.6%)
- U.S. private industry wage level up \$1,909 (4.7%)

Mid-Term - 2001 to 2006

- Kansas private industry wage level up \$5,733 (18.8%)
- 6-State Region private industry wage level up \$5,418 (17.9%)
- U.S. private industry wage level up \$6,257 (17.3%)

2006 Private Industry Wage Levels

(average annual wages, all employees, all private establishments)

State	Annual Wage
Kansas	\$ 36,201
Arkansas	\$ 31,835
Colorado	\$ 43,664
Iowa	\$ 33,880
Missouri	\$ 37,382
Nebraska	\$ 33,411
Oklahoma	\$ 34,136

About the data and graphs

The Quarterly Census of Employment and Wages Program is a cooperative program involving the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor and the State Employment Security Agencies (SESAs). The QCEW program produces a comprehensive tabulation of employment and wage information for workers covered by State unemployment insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program.

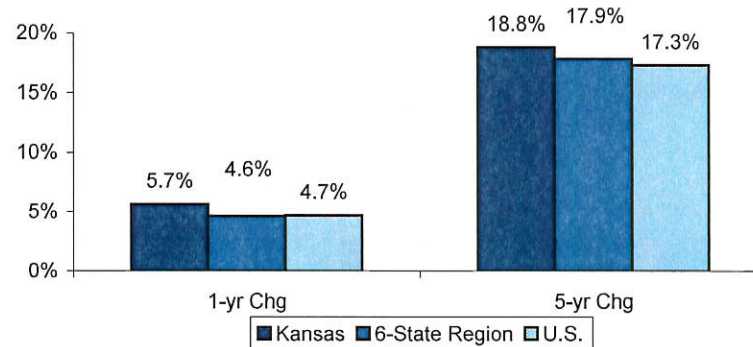
Private Industry wage levels were calculated using QCEW program data. Wage levels were calculated as an average of all private industries and establishments.

Private Industry Wage Levels

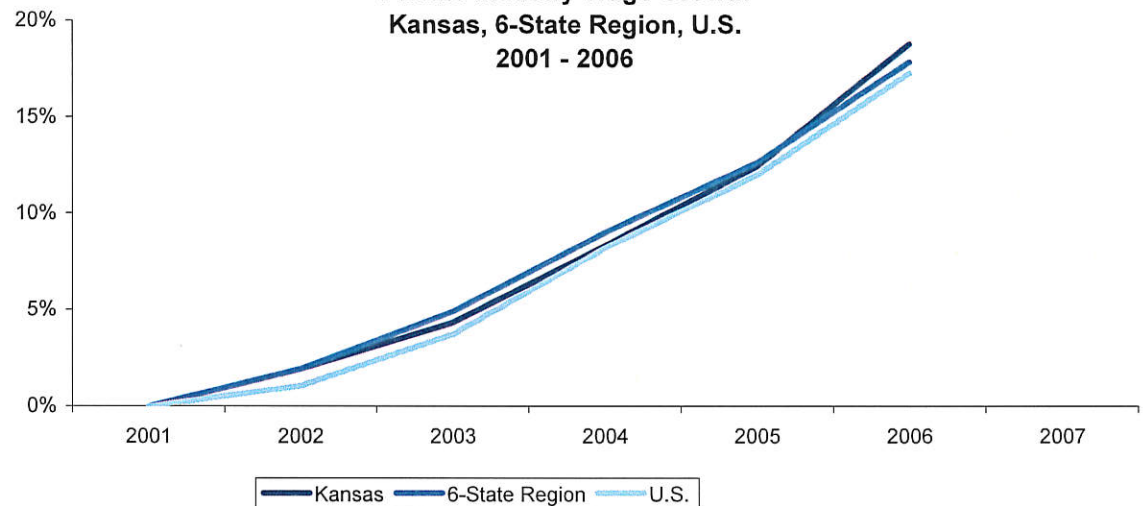
(average annual wages, all employees, all private establishments)

	2006	2005	2001	1-yr Chg	5-yr Chg
Kansas	\$ 36,201	\$ 34,265	\$ 30,468	5.7%	18.8%
6-State Region	\$ 35,718	\$ 34,132	\$ 30,300	4.6%	17.9%
U.S.	\$ 42,414	\$ 40,505	\$ 36,157	4.7%	17.3%

Percent Change in Private Industry Wages
1yr, 5yr, 10yr



Private Industry Wage Growth
Kansas, 6-State Region, U.S.
2001 - 2006



Source: 2006 annual data
U.S. Department of Labor - Bureau of Labor Statistics -

<http://www.bls.gov/bls/employment.htm>



Indicators of the Kansas Economy Unemployment and Unemployment Rate

Dec-07

Short-Term - 2006 to 2007

- Kansas unemployment down 8,449 (-13.2%)
- 6-State Region unemployment up 36,163 (8.0%)
- U.S. unemployment up 341,000 (5.2%)
- Kansas unemployment rate down (-0.6%)
- 6-State Region unemployment rate up (0.2%)
- U.S. unemployment rate up (0.2%)

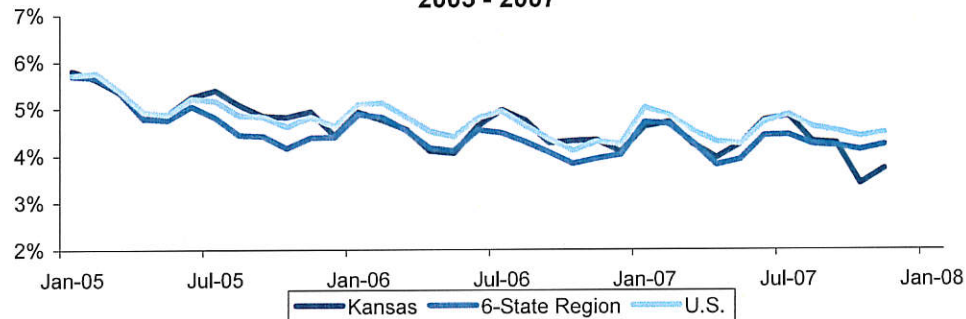
Long-Term - 1997 to 2007

- Kansas unemployment up 6,891 (14.2%)
- 6-State Region unemployment up 143,992 (41.6%)
- U.S. unemployment up 1,003,000 (17.0%)
- Kansas unemployment rate up (0.2%)
- 6-State Region unemployment rate up (0.9%)
- U.S. unemployment rate up (0.2%)

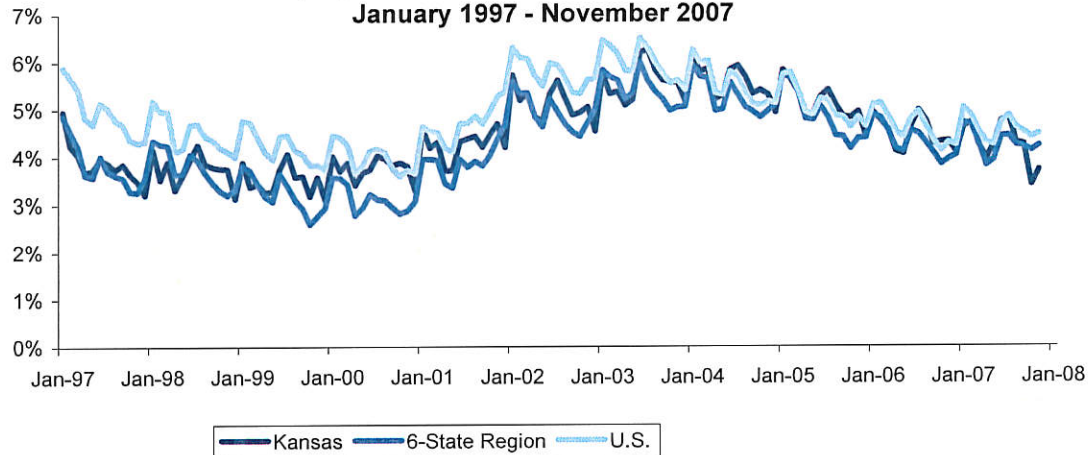
Unemployment and Unemployment Rate (all employees)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	55,504	63,953	72,357	48,613	-13.2%	-23.3%	14.2%
6-State Region	490,280	454,117	518,393	346,288	8.0%	-5.4%	41.6%
U.S.	6,917,000	6,576,000	8,170,000	5,914,000	5.2%	-15.3%	17.0%
Kansas (%)	3.7%	4.3%	5.1%	3.5%	-0.6%	-1.4%	0.2%
6-State Region (%)	4.2%	4.0%	4.7%	3.3%	0.2%	-0.5%	0.9%
U.S. (%)	4.5%	4.3%	5.6%	4.3%	0.2%	-1.1%	0.2%

Unemployment Rate - Kansas, 6-State Region, U.S.
2005 - 2007



Unemployment Rate - Kansas, 6-State Region, U.S.
January 1997 - November 2007



About the data and graphs

The unemployment rate represents the number unemployed as a percent of the labor force. As defined in the Current Population Survey, unemployed persons are persons aged 16 years and older who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed.

The unemployment rate contains a seasonal component, it rises during summer as new high school and college graduates enter the civilian labor force and in January, when retailers lay off holiday employees. The unemployment rate also contains a business cycle component, rising during recessionary periods

when people currently in the labor force lose jobs.

Source: 2007 monthly data

U.S. Department of Labor - Bureau of Labor Statistics -
Kansas Department of Labor - Labor Market Information -

<http://www.bls.gov/bls/employment.htm>
<http://laborstats.dol.ks.gov/>

Short-Term - 2006 to 2007

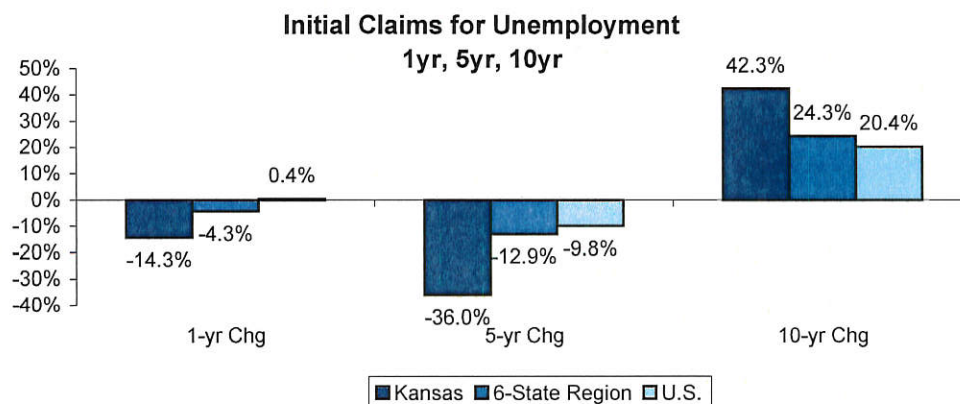
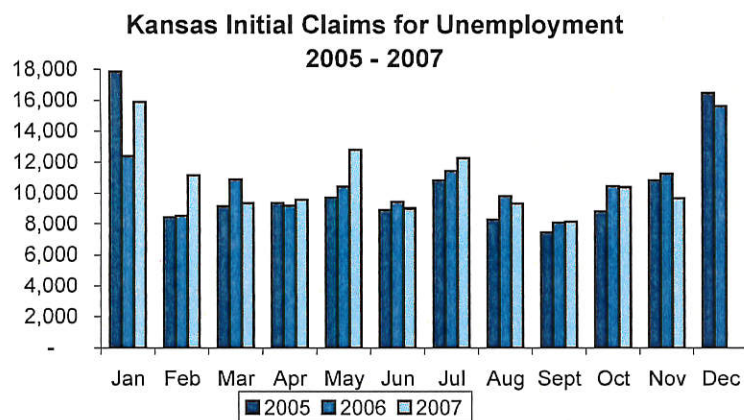
- Kansas initial claims down 1,607 (-14.3%)
- 6-State Region initial claims down 4,276 (-4.3%)
- U.S. initial claims up 6,238 (0.4%)

Long-Term - 1997 to 2007

- Kansas initial claims up 2,866 (42.3%)
- 6-State Region initial claims up 18,710 (24.3%)
- U.S. initial claims up 258,114 (20.4%)

Initial Claims for Unemployment (all employees)

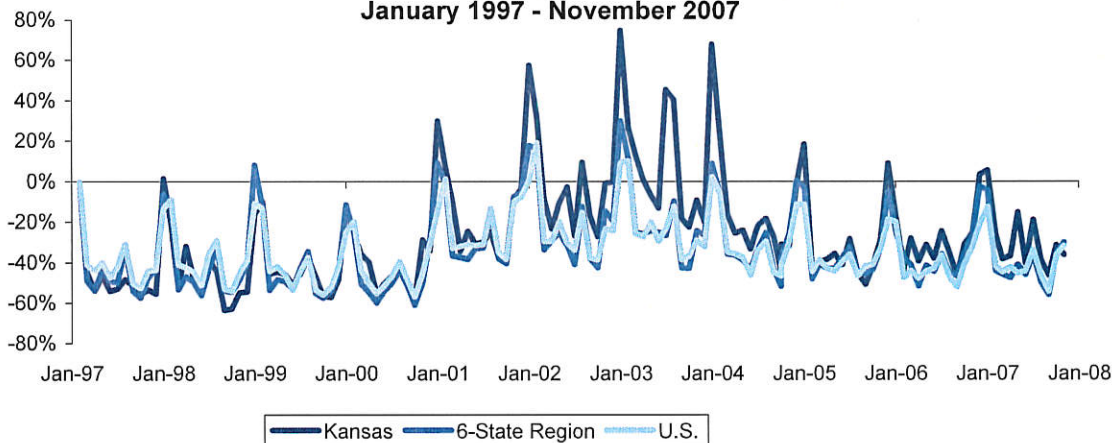
	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	9,635	11,242	15,044	6,769	-14.3%	-36.0%	42.3%
6-State Region	95,810	100,086	110,047	77,100	-4.3%	-12.9%	24.3%
U.S.	1,524,886	1,518,648	1,691,064	1,266,772	0.4%	-9.8%	20.4%



About the data and graphs

Initial claims for unemployment count the number of applications of workers who separated from their jobs and who wish to begin unemployment compensation or to extend the period of eligibility. The data are collected by the U.S. Department of Labor, Employment and Training Administration. The data produced by this agency are not seasonally adjusted. Initial claims for unemployment typically rise as the economy moves into recession and fall as the economy recovers. Initial claims for unemployment traditionally peak in the winter months of November, December, and January.

Initial Claims For Unemployment - Kansas, 6-State Region, U.S. January 1997 - November 2007





Indicators of the Kansas Economy Private Establishment Data

Dec-07

Short-Term - 2006 to 2007

- Kansas total establishments up 1,078 (1.4%)
- 6-State Region total establishments up 14,093 (2.2%)
- U.S. total establishments up 254,331 (3.0%)

Mid-Term - 2002 to 2007

- Kansas total establishments up 4,052 (5.3%)
- 6-State Region total establishments up 54,695 (9.2%)
- U.S. total establishments of 886,036 (11.4%)

Kansas Private Establishment Data

(total private establishments, by employee size)

Year	1-9	10-49	50-99	100+
2002	57,010	15,269	1,974	1,591
2003	57,922	15,236	1,955	1,563
2004	56,780	15,216	1,995	1,578
2005	57,852	15,206	2,029	1,599
2006	59,890	15,209	2,057	1,662
2007 (p)	60,579	15,512	2,116	1,689
1-yr Chg	1.2%	2.0%	2.9%	1.6%
5-yr Chg	6.3%	1.6%	7.2%	6.2%

(p) - preliminary

About the data and graphs

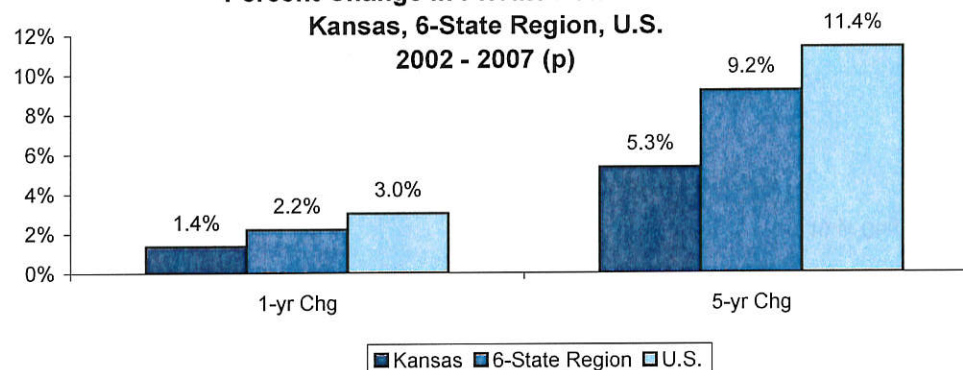
According to the U.S. Small Business Administration, small businesses provide approximately 75 percent of the net new jobs added to the economy and employ 50.1 percent of the private work force. This data tracks the number of business establishments by employee size to help understand what size businesses are growing. The Quarterly Census of Employment and Wages (QCEW) program includes data on the number of establishments, monthly employment, and quarterly wages, by NAICS industry, by county, by ownership sector, for the entire United States. This variable includes private establishments only, as determined by the QCEW program.

Private Establishment Data

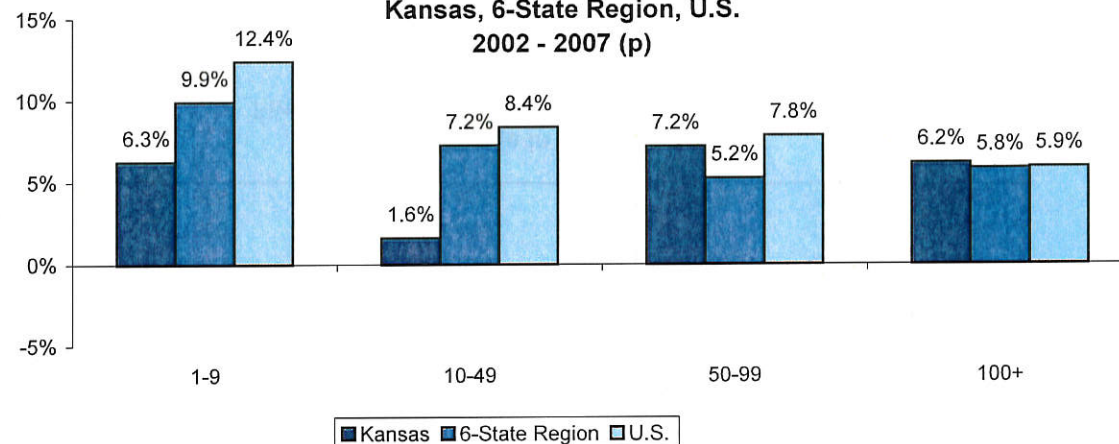
(total private establishments, all employee sizes)

	2007 (p)	2006	2002	1-yr Chg	5-yr Chg
Kansas	79,896	78,818	75,844	1.4%	5.3%
6-State Region	649,929	635,836	595,234	2.2%	9.2%
U.S.	8,667,456	8,413,125	7,781,420	3.0%	11.4%

Percent Change in Private Establishments
Kansas, 6-State Region, U.S.
2002 - 2007 (p)



Growth in Private Establishments by Employee Size
Kansas, 6-State Region, U.S.
2002 - 2007 (p)





Indicators of the Kansas Economy Kansas Firm Birth and Termination

Dec-07

Short-Term - 2005 to 2006

- Firm Births down 122 (-1.7%)
- Firm Terminations down 330 (-4.5%)
- Firm Bankruptcies down 252 (-61.5%)

Long-Term - 1996 to 2006

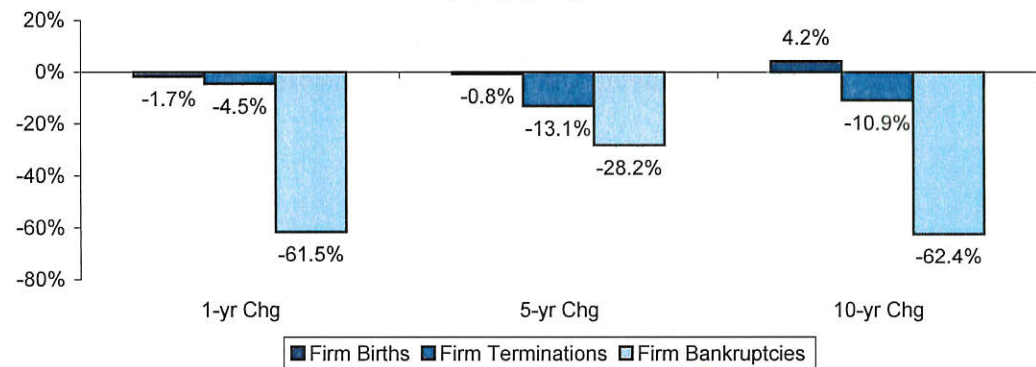
- Firm Births up 280 (4.2%)
- Firm Terminations down 860 (-10.9%)
- Firm Bankruptcies down 262 (-62.4%)

Kansas Firm Birth and Termination

(# of firms)

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Firm Births	6,973	7,095	7,026	6,693	-1.7%	-0.8%	4.2%
Firm Terminations	7,000	7,330	8,055	7,860	-4.5%	-13.1%	-10.9%
Firm Bankruptcies	158	410	220	420	-61.5%	-28.2%	-62.4%

Percent Change in Kansas
Firm Birth, Termination, Bankruptcies
1yr, 5yr, 10yr



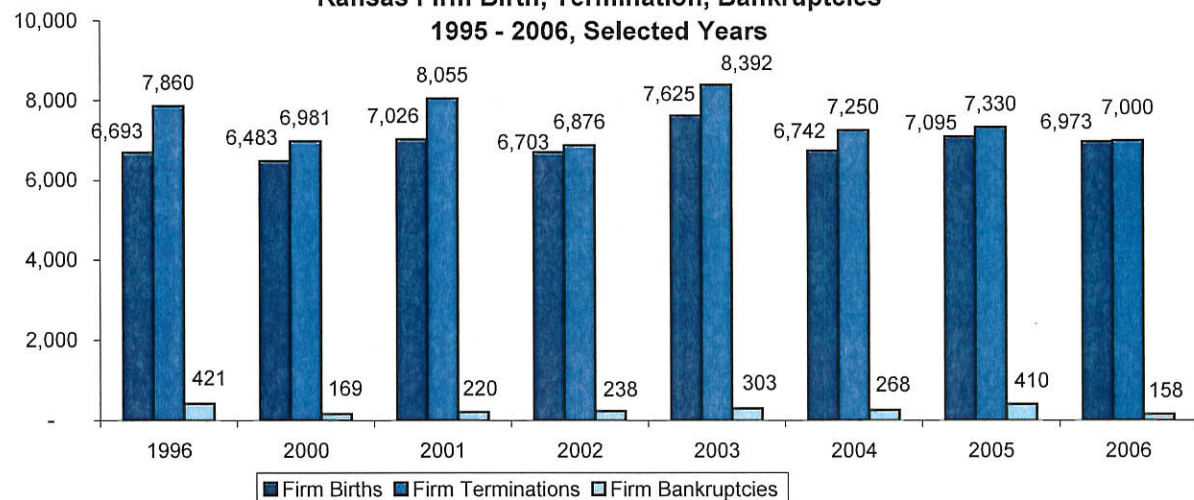
About the data and graphs

Tracking the number of employer firm births, terminations, and bankruptcies may help understand the environment for new firm development.

Firms terminate operations for a variety of reasons, not all of which have a negative impact on the economy. For example, an owner of a profitable small business may choose to cease operations to become an employee of another firm or a new business opportunity replaces an outmoded operation. Firm termination rates are nearly always higher than firm formations, as some firm terminations result in a successor firm (firms that are acquired by a new owner) which is not listed as a new firm.

bankruptcies are included in the count of firm terminations.

Kansas Firm Birth, Termination, Bankruptcies
1995 - 2006, Selected Years



Source: 2006 annual data

U.S. Small Business Administration - Office of Advocacy -

<http://www.sba.gov/advo/research/profiles>



Indicators of the Kansas Economy Kansas Farm Management Association Data

Dec-07

Short-Term - 2006

- 1,554 farms reported farm operation data to KFMA
- KFMA farms averaged \$298,754 in value of farm production
- \$252,161 in total farm expense
- KFMA average net farm income was \$46,593
- NW region had the highest net farm income at \$58,517
- SW region had the lowest net farm income at \$21,779

KFMA Average Net Farm Income by Region

Region	NW	NC	NE	SW	SC	SE	Avg. All Assn.
2005	\$ 66,930	\$ 42,065	\$ 68,325	\$ 23,779	\$ 36,535	\$ 76,283	\$ 56,982
2006	\$ 58,517	\$ 40,742	\$ 52,259	\$ 21,779	\$ 57,960	\$ 40,026	\$ 46,593
5-yr avg	\$ 46,084	\$ 40,300	\$ 49,338	\$ 23,287	\$ 43,510	\$ 60,205	\$ 47,267
10-yr avg	\$ 44,459	\$ 37,183	\$ 39,792	\$ 31,404	\$ 38,634	\$ 51,223	\$ 42,215

Long-Term - 1996 to 2006

- KFMA average net farm income varies widely from year to year
- From 2001 to 2006, average net farm income was \$47,267
- From 1996 to 2006, average net farm income was \$42,215

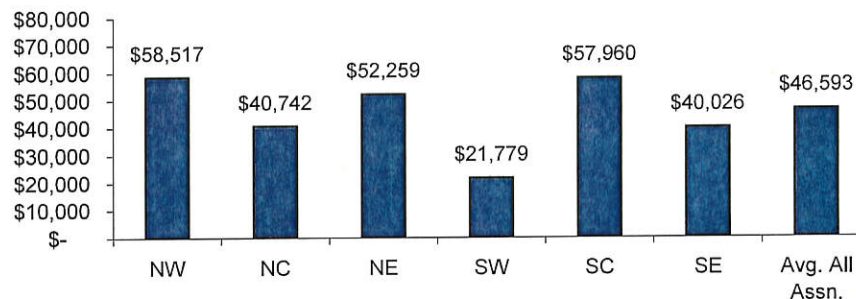
About the data and graphs

The Kansas Farm Management Association (KFMA) program is one of the largest publicly funded farm management programs in the U.S. Membership in the KFMA program includes over 2,500 farms and over 3,200 families.

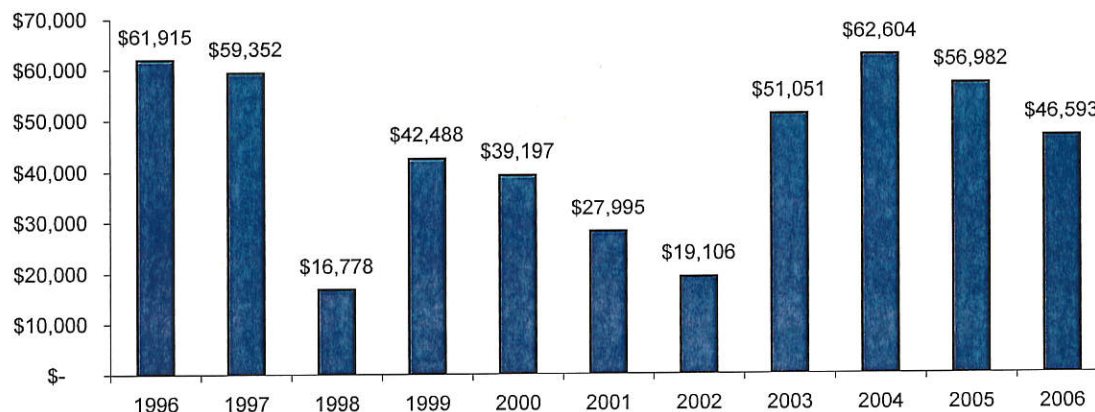
The goals of the KFMA program are to provide each member with information about business and family costs to improve farm business organization, farm business decisions, and farm profitability; and minimize risk. Through on-farm visits, whole-farm analysis, and other educational programs, Association Economists assist producers in developing sound farm accounting systems; improving decision making; comparing performance with similar farms; and integrating tax planning, marketing, and asset investment strategies.

The KFMA program is organized into six regional associations.

2006 Kansas Farm Management Association Average Net Farm Income by Region



Kansas Farm Management Association Average Net Farm Income 1996 - 2006



Source: 2006 annual data
Kansas State University - Kansas Farm Management Association -

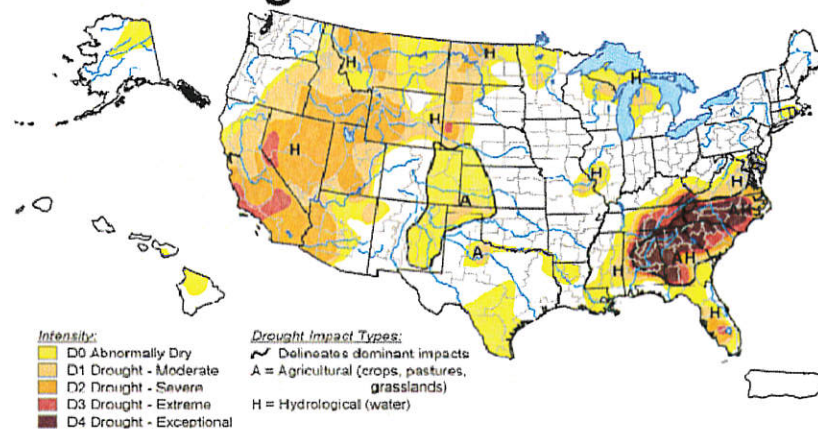
www.agecon.ksu.edu/kfma

(12/3/2007 USDA Agricultural Prices) **KANSAS:** The November **All Farm Products Index** of Prices Received by Kansas farmers, at 147 percent of the 1990-92 base, was up 3 points from October and up 20 points from November 2006. The **All Crops Index** in November, at 186 percent of the 1990-92 base, was up 9 points from October and up 36 points from 2006. **Meat Animals Index**, at 121 percent of the 1990-92 base, was down 1 point from October but 7 points above last year.

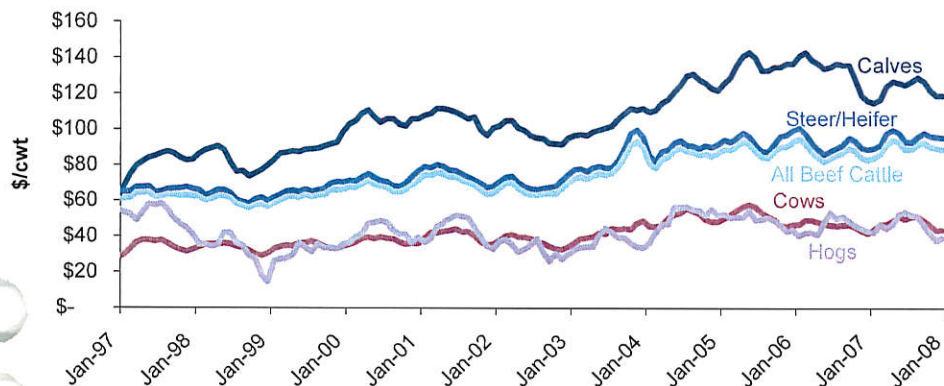
Wheat prices in mid-November, at \$7.18 per bushel, were down 48 cents from October but up \$2.12 from last November. **Corn** prices in mid-November, at \$3.59 per bushel, were up 6 cents from October and 44 cents above last November. Farmers received an average of \$6.14 per cwt. for **sorghum grain** in mid-November, up 16 cents from October and 28 cents above last November. **Soybean** prices, at \$9.62 per bushel in mid-November, were up \$1.01 from October and \$3.56 above last November. **All hay** prices averaged \$99.00 per ton in mid-November, down \$4.00 from October and \$1.00 lower than last year. **Alfalfa** hay averaged \$112.00 per ton, unchanged from October but \$3.00 lower than last November. **Other hay**, at \$80.00 per ton, was down \$5.00 from October but \$2.00 above last November.

All beef cattle were bringing an average of \$94.30 per cwt. in mid-November, down 50 cents from October but \$6.40 above the price from last November. **Cow** prices, at \$45.00 per cwt., were down \$3.00 from October but \$1.00 above the price from last November. **Steers and heifers** averaged \$95.80 per cwt., down 40 cents from October but \$6.50 above November 2006. **Calf** prices in mid-November were \$126.00 per cwt., down \$1.00 from October but up \$2.00 from November 2006. The **all hog price** of \$32.50 per cwt. for mid-November was down \$3.30 from October and down \$8.60 from last November. **Sow** prices averaged \$25.60, down \$1.90 from October and \$10.30 lower than November 2006. **Barrow and gilt** prices averaged \$33.50 per cwt. in mid-November, down \$3.50 from October and \$8.40 below last November.

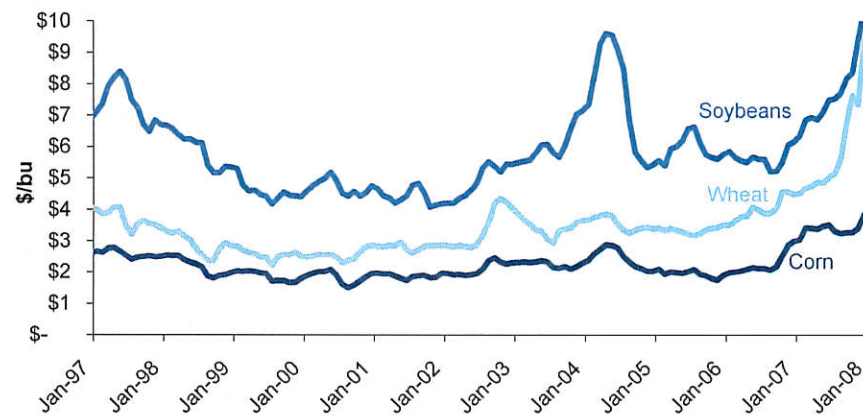
U.S. Drought Monitor December 25, 2007 Valid 7 a.m. EST



U.S. Livestock Prices



U.S. Crop Prices





Indicators of the Kansas Economy Kansas Oil Production and Price

Dec-07

Short-Term - 2006 to 2007

- Kansas oil production up 297,648 bbl (9.7%)
- Kansas oil price down \$0.7 (-0.9%)

Long-Term - 1997 to 2007

- Kansas oil production down 37,730 bbl (-1.1%)
- Kansas oil price up \$52.4 (262.7%)

2007 Oil Production/Price

Month	Production*	Price	Month	Production*	Price
January	2,707,549	\$ 54.51	July	3,154,572	\$ 74.12
February	2,630,658	\$ 59.28	August	3,371,508	\$ 72.36
March	3,055,027	\$ 60.44	September		\$ 79.91
April	3,079,601	\$ 63.98	October		\$ 85.80
May	3,198,462	\$ 63.45	November		\$ 94.77
June	3,014,411	\$ 67.49	December		

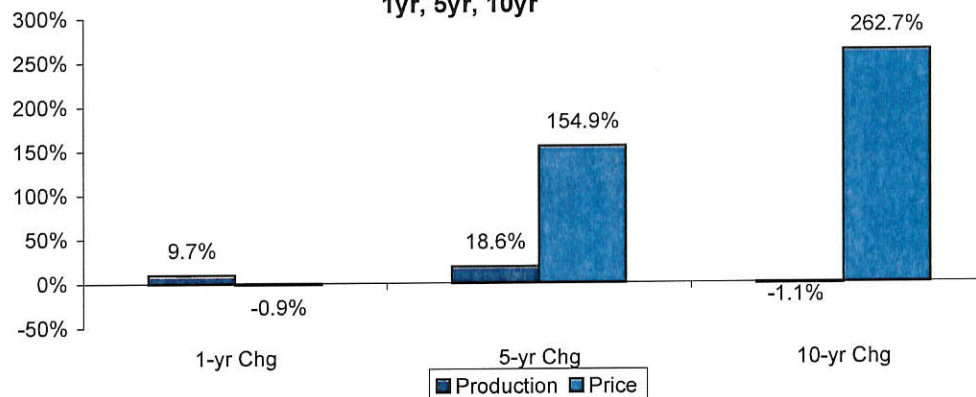
* Recent months production usually incomplete and revised upwards.

Oil Production* and Price

(most recent month of both production and price information)

	Aug-07	Aug-06	Aug-02	Aug-97	1-yr Chg	5-yr Chg	10-yr Chg
Production (bbl)	3,371,508	3,073,860	2,842,498	3,409,238	9.7%	18.6%	-1.1%
Price (\$/bbl)	\$ 72.36	\$ 73.04	\$ 28.39	\$ 19.95	-0.9%	154.9%	262.7%

Percent Change in Production and Price 1yr, 5yr, 10yr

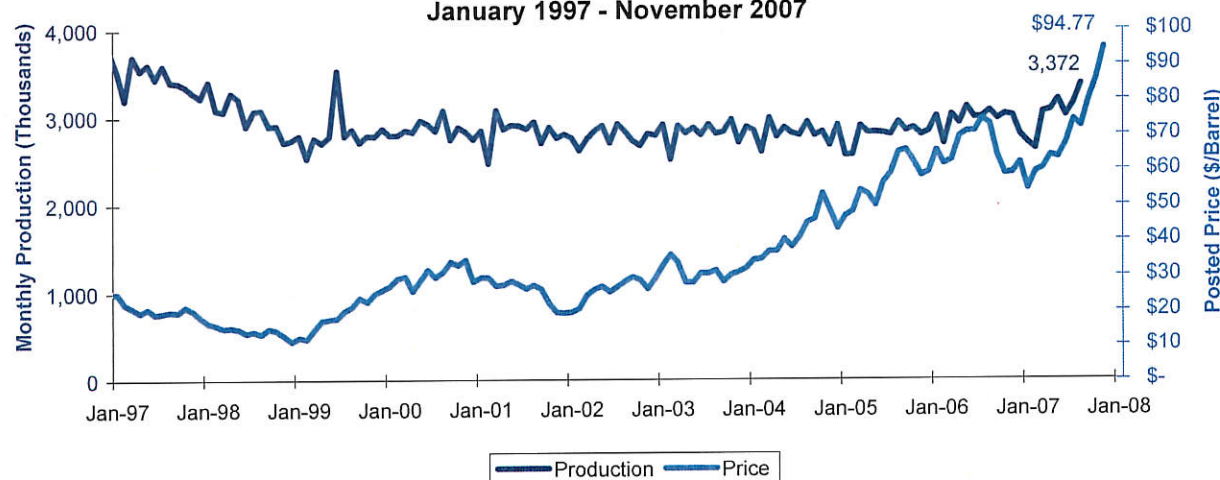


About the data and graphs

Since the 1990's, monthly production of oil has steadily declined in Kansas. Kansas has experienced a natural decline in oil production as it becomes increasingly difficult to extract oil over time. CO₂ sequestration and other oil recovery techniques show great promise in recovering a larger share of the know oil reserves in Kansas. The higher prices received for oil along with new technology developments have helped to stabilize oil production levels since 1999.

These prices represent the Cushing, OK WTI Spot Price FOB (\$/Barrel). The amount of oil produced is measured in bbl (barrels of oil).

Kansas Oil Production and Price January 1997 - November 2007



Source: 2007 monthly data
Kansas Geological Survey -
Energy Information Administration -

<http://www.kgs.ku.edu/PRS/petro/interactive.html>
<http://www.eia.doe.gov/>

Short-Term - 2006 to 2007

- Kansas natural gas production down 3,232,330 mcf (-10.0%)
- Kansas natural gas price down \$0.6 (-9.4%)

Long-Term - 1997 to 2007

- Kansas natural gas production down 27,804,408 mcf (-48.7%)
- Kansas natural gas price up \$3.8 (183.7%)

2007 Natural Gas Production/Price

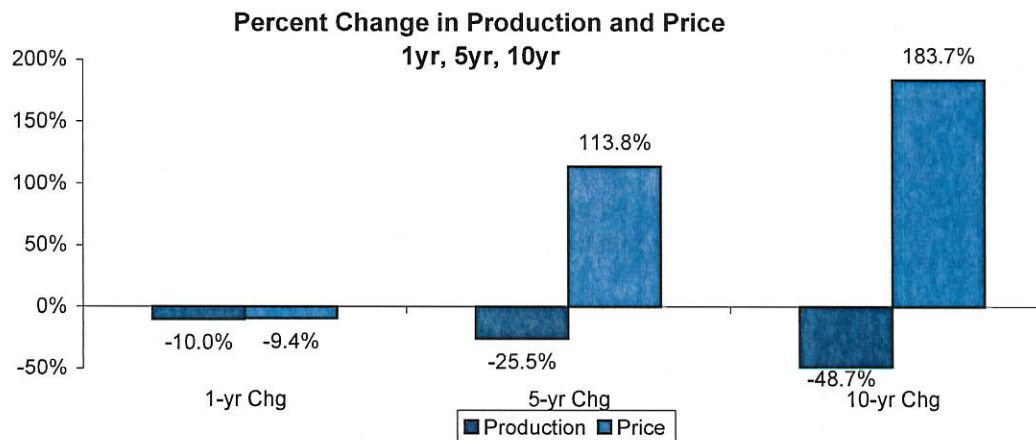
Month	Production*	Price	Month	Production*	Price
January	27,688,615	\$ 5.92	July	31,574,561	\$ 6.19
February	28,029,531	\$ 6.66	August	29,239,066	\$ 5.90
March	32,231,671	\$ 6.56	September		\$ 5.61
April	31,160,410	\$ 6.56	October		\$ 6.25
May	32,212,923	\$ 6.98	November		
June	29,567,729	\$ 6.86	December		

* Recent months production usually incomplete and revised upwards.

Natural Gas Production* and Price

(most recent month of both production and price information)

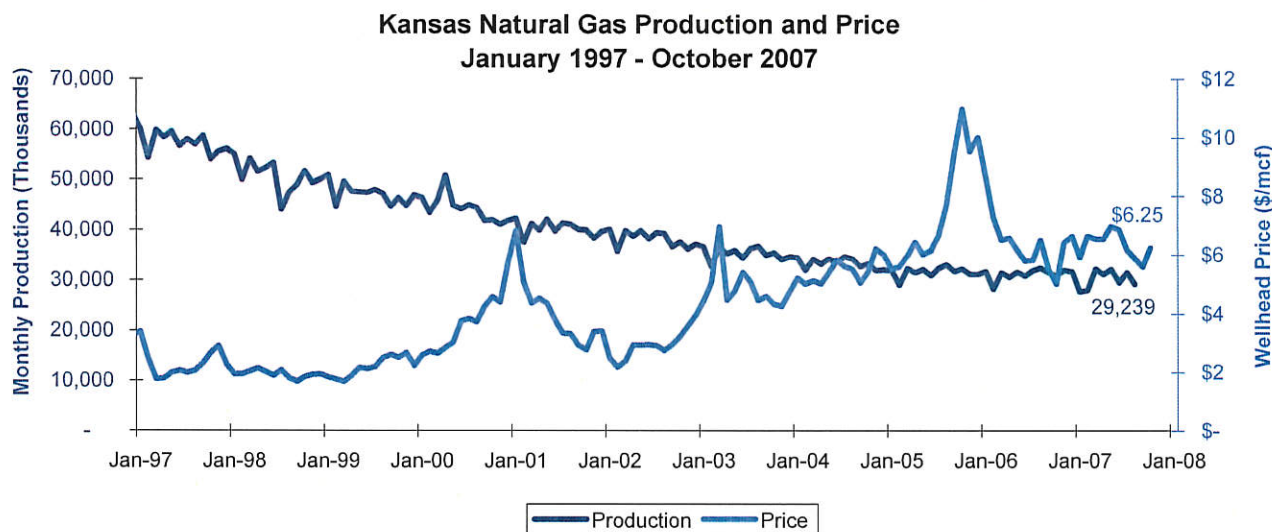
	Aug-07	Aug-06	Aug-02	Aug-97	1-yr Chg	5-yr Chg	10-yr Chg
Production (mcf)	29,239,066	32,471,396	39,266,768	57,043,474	-10.0%	-25.5%	-48.7%
Price (\$/mcf)	\$ 5.90	\$ 6.51	\$ 2.76	\$ 2.08	-9.4%	113.8%	183.7%



About the data and graphs

Since the 1990's, the monthly production of natural gas has declined in Kansas, as the Hugoton natural gas field has decreased in production. The Hugoton natural gas field is the state's largest natural gas field and extends into Oklahoma and Texas. As with Kansas oil production, natural gas production is experiencing a natural decline in production. Price for natural gas has remained fairly constant in the 1990's, and since March 1999 prices have rose considerably.

These prices represent wellhead price, the value at the mouth of the well. The amount of natural gas produced is measured in Mcf's (thousand cubic feet).





Indicators of the Kansas Economy Gross State Product

Dec-07

Short-Term - 2005 to 2006

- Kansas GSP up \$6,471 million (6.1%)
- 6-State Region GSP up \$54,663 million (6.6%)
- U.S. GSP up \$776,183 million (6.3%)

Long-Term - 1996 to 2006

- Kansas GSP up \$43,734 million (64.3%)
- 6-State Region GSP up \$364,471 million (70.4%)
- U.S. GSP up \$5,489,382 million (71.7%)

2006 Gross State Product

(millions of current dollars)

Region	Gross State Product
Kansas	\$ 111,699
Arkansas	\$ 91,837
Colorado	\$ 230,478
Iowa	\$ 123,970
Missouri	\$ 225,876
Nebraska	\$ 75,700
Oklahoma	\$ 134,651
6-State Region	\$ 882,512
U.S.	\$ 13,149,033

About the data and graphs

GSP captures state economic growth, providing an overall analysis of the performance of the economy. GSP is the value added in production by the labor and property located in the state.

In concept, an industry's GSP, referred to as its "value added," is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported.)

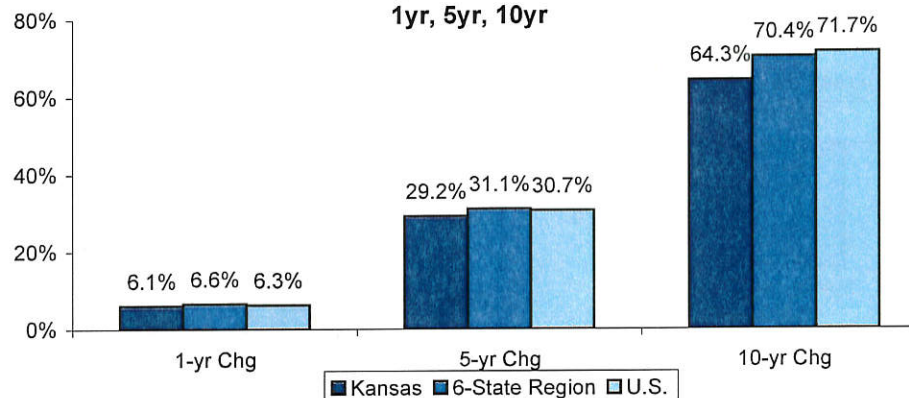
All GSP data is displayed in current dollars and are not adjusted for inflation.

Gross State Product

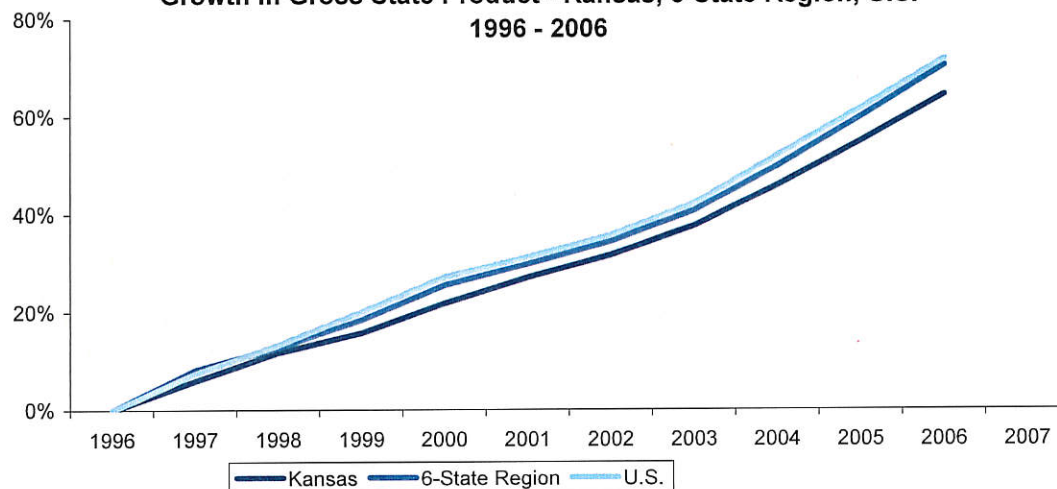
(millions of current dollars)

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	111,699	105,228	86,430	67,965	6.1%	29.2%	64.3%
6-State Region	882,512	827,849	673,054	518,041	6.6%	31.1%	70.4%
U.S.	13,149,033	12,372,850	10,058,168	7,659,651	6.3%	30.7%	71.7%

Percent Change in Gross State Product
1yr, 5yr, 10yr



Growth in Gross State Product - Kansas, 6-State Region, U.S.
1996 - 2006



Source: 2006 annual data

U.S. Department of Commerce - Bureau of Economic Analysis -

<http://www.bea.gov/regional/>

Short-Term - 2005 to 2007

- Kansas PI up \$7,459 million (7.7%)
- 6-State Region PI up \$48,609 million (6.6%)
- U.S. PI up \$710,677 million (6.5%)
- Kansas PCPI up \$2,078 (6.4%)
- 6-State Region PCPI up \$1,703 (5.4%)
- U.S. PCPI up \$1,944 (5.6%)

Long-Term - 1996 to 2007

- Kansas PI up \$39,905 million (62.5%)
- 6-State Region PI up \$317,320 million (67.5%)
- U.S. PI up \$4,778,181 million (68.8%)
- Kansas PCPI up \$11,899 (52.1%)
- 6-State Region PCPI up \$11,297 (51.0%)
- U.S. PCPI up \$12,454 (51.5%)

About the data and graphs

Personal income is the income that is received by all persons from all sources and is reported quarterly and is seasonally adjusted at annual rates. Per capita personal income is the annual personal income divided by the population.

Personal income is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. The personal income of an area is the income that is received by, or on behalf of, all of the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients. All state estimates are in current dollars (not adjusted for inflation).

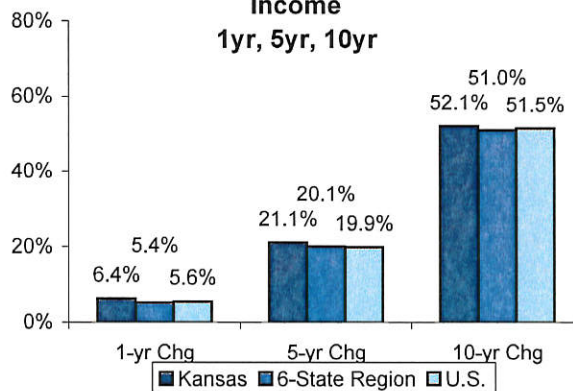
Personal Income Quarterly Estimates (PI) - (millions of dollars)

	2007-Q3	2006-Q3	2002-Q3	1997-Q3	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	103,705	96,246	78,686	63,800	7.7%	31.8%	62.5%
6-State Region	787,208	738,599	601,066	469,888	6.6%	31.0%	67.5%
U.S.	11,727,099	11,016,422	8,888,413	6,948,918	6.5%	31.9%	68.8%

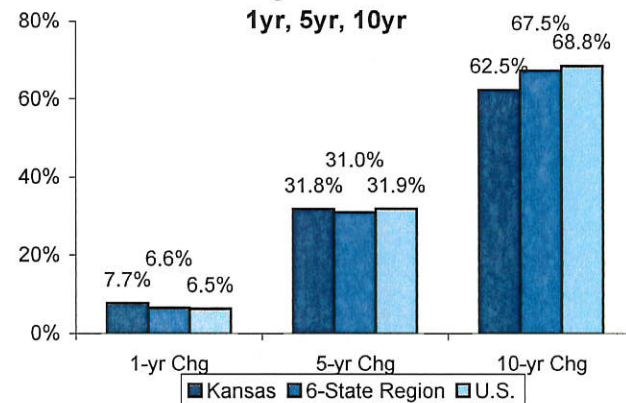
Per Capita Personal Income Annual Estimates (PCPI) - (\$)

	2006	2005	2001	1996	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	34,744	32,666	28,701	22,845	6.4%	21.1%	52.1%
6-State Region	33,437	31,734	27,849	22,140	5.4%	20.1%	51.0%
U.S.	36,629	34,685	30,562	24,175	5.6%	19.9%	51.5%

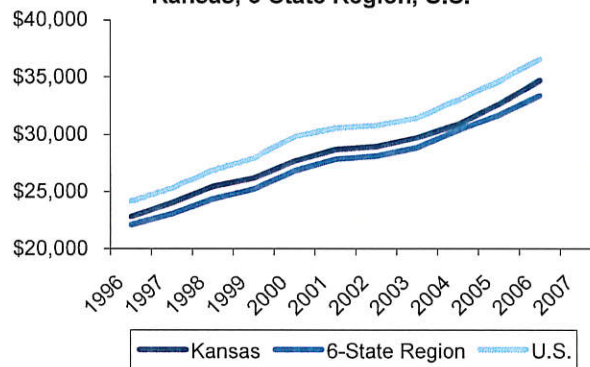
Percent Change in Per Capita Personal Income
1yr, 5yr, 10yr



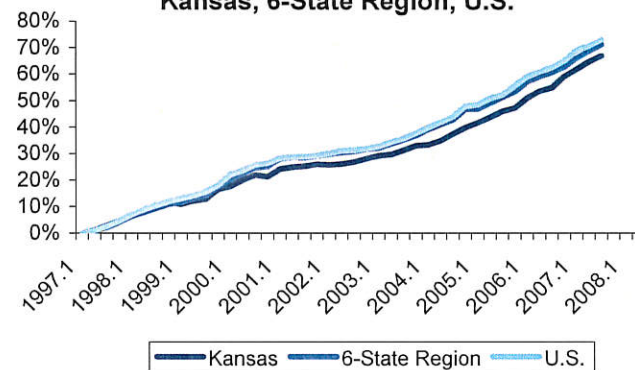
Percent Change in Personal Income
1yr, 5yr, 10yr



Growth in Per Capita Personal Income -
Kansas, 6-State Region, U.S.



Growth in Personal Income -
Kansas, 6-State Region, U.S.





Indicators of the Kansas Economy Chicago Fed National Activity Index (CFNAI)

12-5
Dec-07

Short-Term - 2007

During November 2007, the CFNAI was -0.27, up from -0.89 in October. Three of the four broad categories of indicators - employment, consumption and housing, and sales, orders and inventories made negative contributions to the index, while the production and income category made a slight positive contribution in November. Production-related indicators made a small positive contribution of +0.02 in November; employment-related indicators made a contribution of -0.10 in November; consumption and housing indicators contributed -0.16 in November; and the sales, orders and inventories category made a negative contribution of -0.04 in November. Thirty-five of the 85 individual indicators made positive contributions to the index in November, while 50 made negative contributions.

Long-Term - 1990 to 2007

Since January 1990 the CFNAI has demonstrated excellent predictive power as CFNAI values have fallen substantially prior to each of the two most recent recessions, from July 1990 to March 1991, and from March 2001 to November 2001.

About the data and graphs

The performance of the U.S. economy has a major impact on the performance of the Kansas economy.

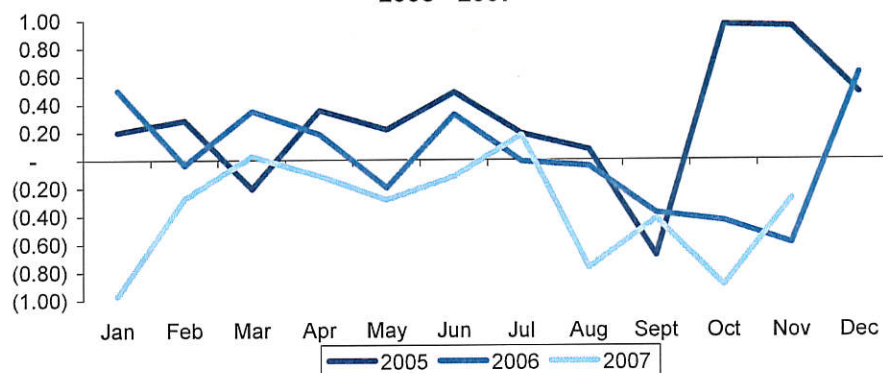
The Chicago Fed National Activity Index (CFNAI) is a monthly U.S. index designed to better gauge overall economic activity and inflationary pressure.

The index uses 85 economic indicators from four broad categories of data: production and income; employment, unemployment and hours; personal consumption and housing; and sales, orders and inventories. **A positive number indicates above average growth while a negative number indicates below average growth. Sustained CFNAI readings above zero suggest increased inflationary pressures over the coming year.**

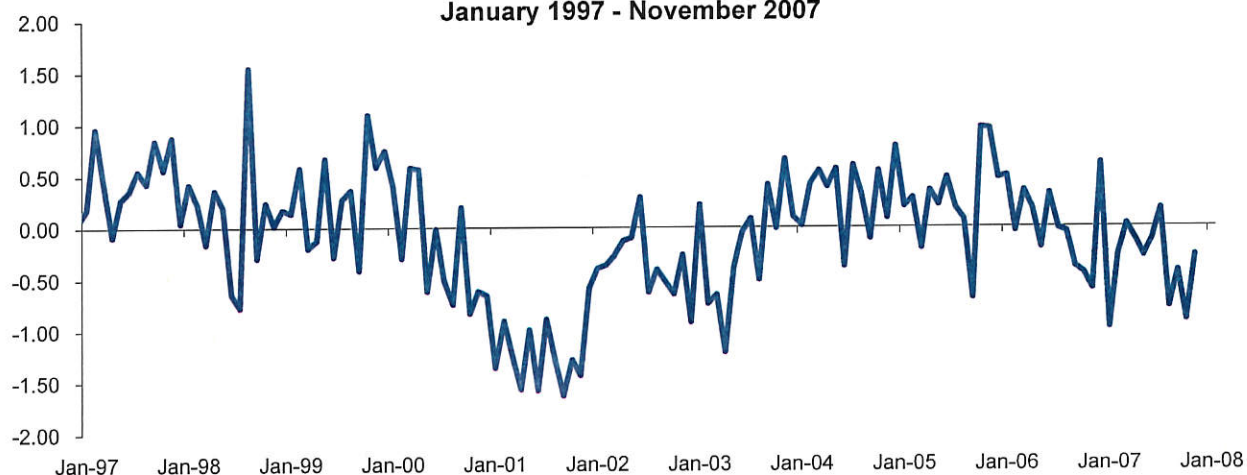
CFNAI

	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	Nov-06
CFNAI	-0.27	-0.89	-0.42	-0.77	0.18	-0.11	-0.59

Chicago Federal Reserve National Activity Index
2005 - 2007



Chicago Federal Reserve National Activity Index
January 1997 - November 2007





Indicators of the Kansas Economy Consumer Price Index

Dec-07

Short-Term - 2006 to 2007

- Midwest Urban CPI up 8.0 (4.1%)
- U.S. City Average CPI up 8.7 (4.3%)

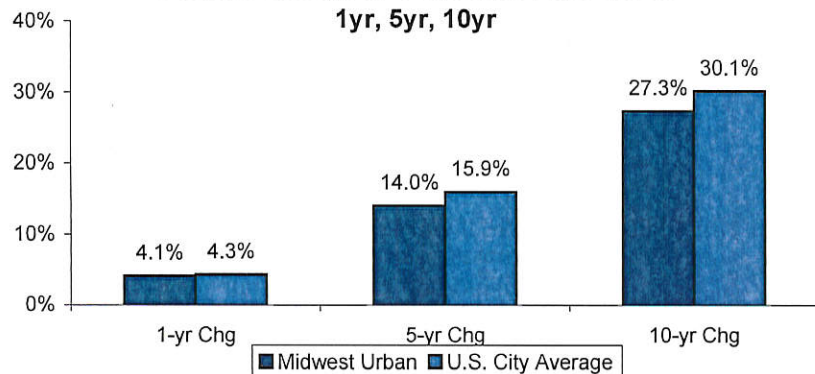
Long-Term - 1997 to 2007

- Midwest Urban CPI up 43.1 (27.3%)
- U.S. City Average CPI up 48.7 (30.1%)

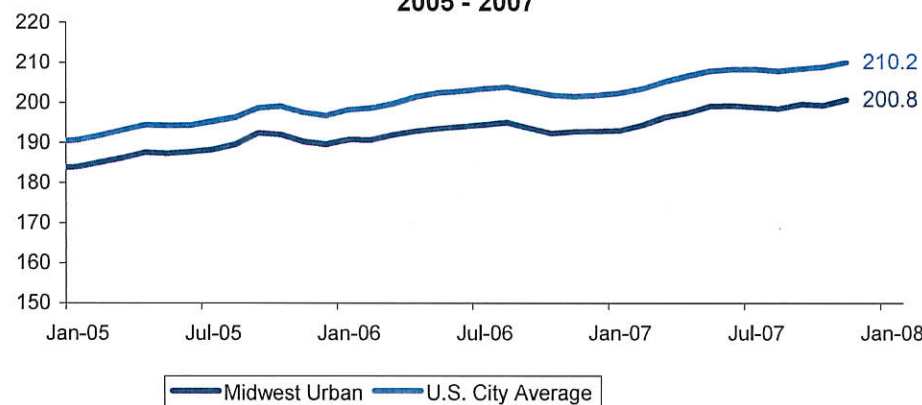
Consumer Price Index (CPI)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Midwest Urban	200.8	192.8	176.1	157.7	4.1%	14.0%	27.3%
U.S. City Average	210.2	201.5	181.3	161.5	4.3%	15.9%	30.1%

Percent Change in Consumer Price Index
1yr, 5yr, 10yr



Consumer Price Index
Midwest Urban & U.S. City Average
2005 - 2007



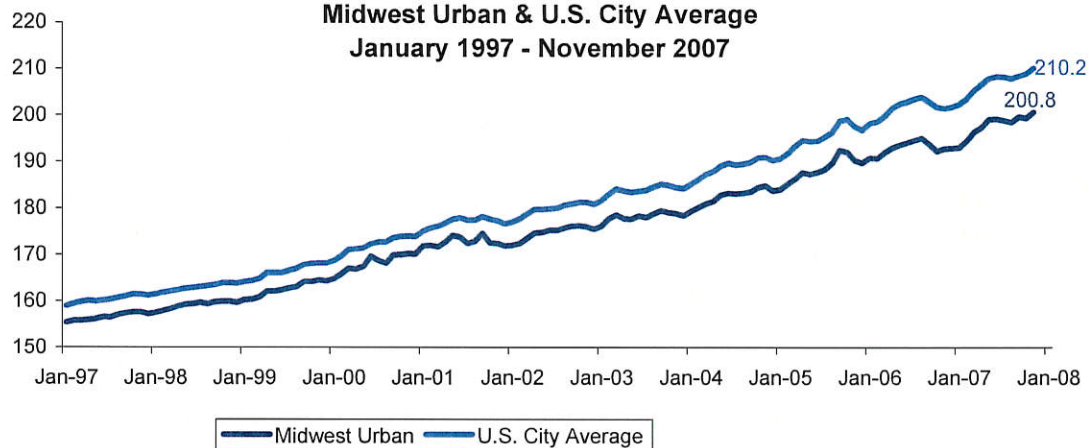
About the data and graphs

The CPI program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. It is the most widely used measure of inflation.

The U.S. City Average is a measure of the average change over time in the prices paid by urban consumers throughout the United States for a market basket of consumer goods and services. It is adjusted to equal 100 during the base period of 1982-1984. The U.S. City Average CPI reflects spending patterns for all urban consumers, who represent about 87 percent of the total U.S. population.

The Midwest Urban Consumer Price Index is calculated in the same way as the U.S. City Average CPI, however, the Midwest CPI is limited to urban consumers within the Midwest Census region.

Consumer Price Index
Midwest Urban & U.S. City Average
January 1997 - November 2007





Indicators of the Kansas Economy Kansas Consumer Sentiment - 4th Quarter 2006

Dec-07

3-2-3

Methods

- A random telephone survey of a representative sample of adult Kansans from October 1 to December 10, 2006 yielded 309 4th quarter 2006 responses.
- During 2006, there were a total of 1,118 completions; at a 95% confidence level, the margin of error for the full 2006 sample was 3.0%.

Kansas Consumer Sentiment

4th Quarter 2005	68.2
1st Quarter 2006	82.1
2nd Quarter 2006	75.4
3rd Quarter 2006	80.7
4th Quarter 2006	88.0
2006 Statewide Average	83.8

About the data

Kansas, Inc. has contracted with the Docking Institute of Public Affairs at Fort Hays State University to conduct a statewide telephone survey on a quarterly basis. The general objectives of the study were to: determine consumer sentiment in Kansas, analyze sentiment by a number of socio-demographic indicators, determine attitudes toward state levels of spending in particular economic development areas, analyze attitudes toward state spending by a number of socio-demographic indicators, examine the rating of the state government's performance at helping the state economy, and analyze the rating of state government performance by a number of socio-demographic factors.

$$2006 \text{ 4th Quarter Kansas ICS} = (((Q1 + Q2 + Q3 + Q4 + Q5) / 6.7558) + 2.0)$$

ICS by Region, Ethnicity, Income, Political Affiliation, Household Income, Gender, and Rating of State Government's at Helping the Economy: 2005 and 2006

		2005 ICS Value*	2006 ICS Value
Statewide Annual		68.2	83.8
Region	Northwest	47.2	70.6
	Southwest	65.3	82.3
	North Central	64.5	81.2
	South Central	66.3	82.0
	Northeast	64.4	82.2
	East Central	80.1	84.4
	Southeast	54.4	71.6
Hispanic/Non-Hispanic	Hispanic origin	60.1	76.8
	Non-Hispanic	68.5	71.2
Political Party Affiliation	Democrats	47.6	60.3
	Republican	85.8	102.0
	Independent	65.5	75.2
Total Family Income Level	Less than \$30,000	53.3	59.8
	\$30,000 – 60,000	59.4	79.0
	\$60,000 and above	84.7	96.7
Gender	Female	60.4	71.5
	Male	76.1	96.4
Overall State Government's Performance at Helping State Economy	Excellent	89.8	86.7
	Good	83.9	92.4
	Fair	64.7	80.7
	Poor	53.5	60.4

*Unlike the 2006 data, the 2005 data were collected from September 21 to November 9, and thus, should not be interpreted as an annual composite for 2005.

Short-Term - 2006 to 2007

- Kansas building permits down 84 (-8.1%)
- 6-State Region building permits down 1,253 (-18.3%)
- U.S. building permits down 24,260 (-22.0%)

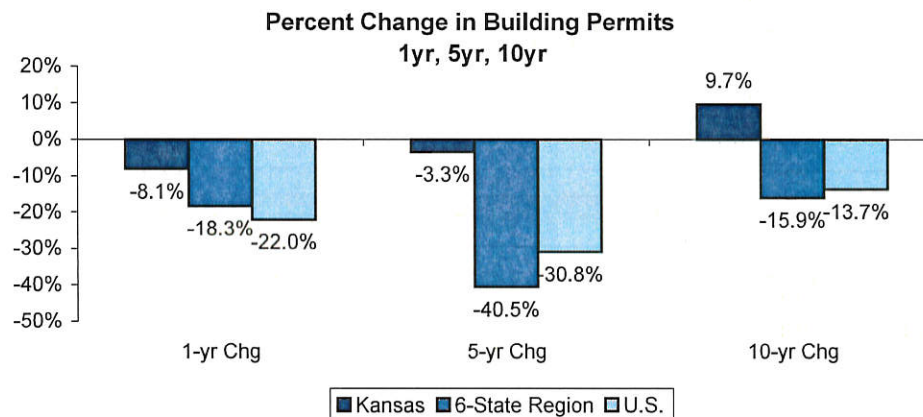
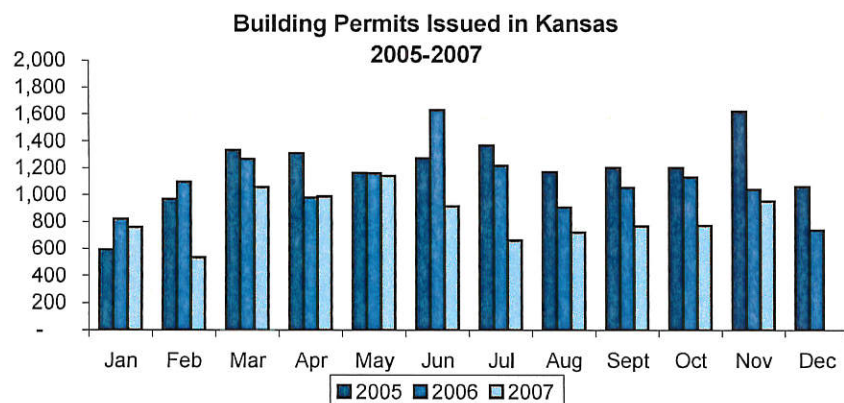
Long-Term - 1997 to 2007

- Kansas building permits up 84 (9.7%)
- 6-State Region building permits down 1,057 (-15.9%)
- U.S. building permits down 13,648 (-13.7%)

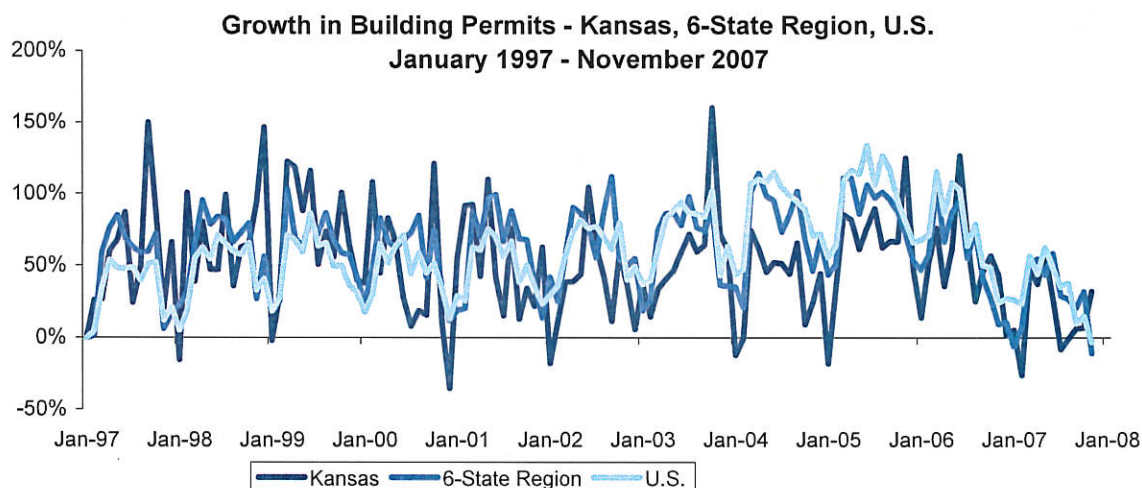
Building Permits

(new privately owned housing units authorized)

	Nov-07	Nov-06	Nov-02	Nov-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	953	1,037	986	869	-8.1%	-3.3%	9.7%
6-State Region	5,587	6,840	9,386	6,644	-18.3%	-40.5%	-15.9%
U.S.	86,110	110,370	124,513	99,758	-22.0%	-30.8%	-13.7%



Regarding building permits, a housing unit is a house, an apartment, a group of rooms or a single room intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants live separately from any other individuals in the building and which have a direct access from the outside of the building or through a common hall.





Indicators of the Kansas Economy Kansas Sales Tax Collections

Dec-07

Short-Term - 2006 to 2007

- Kansas sales tax collections up \$4,006,766 (2.5%)
- \$1,406,479,796 collected ytd during September 2007
- \$1,851,694,747 collected total during 2006

Sales Tax Collections

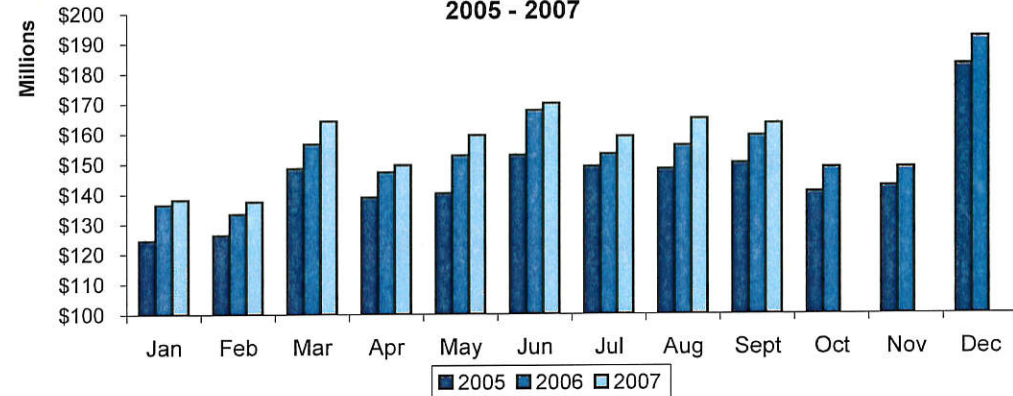
	Sep-07	Sep-06	Sep-02	Sep-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas \$	163,299,281	\$ 159,292,515	\$ 136,063,646	\$ 125,214,515	2.5%	20.0%	30.4%

Long-Term - 1997 to 2007

- Kansas sales tax collections up \$38,084,766 (30.4%)
- \$1,354,385,699 collected total during 1997

Monthly sales tax collections have trended higher as the economy has grown and two sales tax rate increases have been enacted. Annually, December typically collects the highest sales tax revenue, with January and February collecting the least. Consumers tend to delay purchases during a downturn in the economy, which can be reflected in lower sales tax collections in months proceeding and during a recession. Monthly sales tax collections tend to increase as the economy improves and consumer spending increases.

Monthly Kansas Sales Tax Collections
2005 - 2007

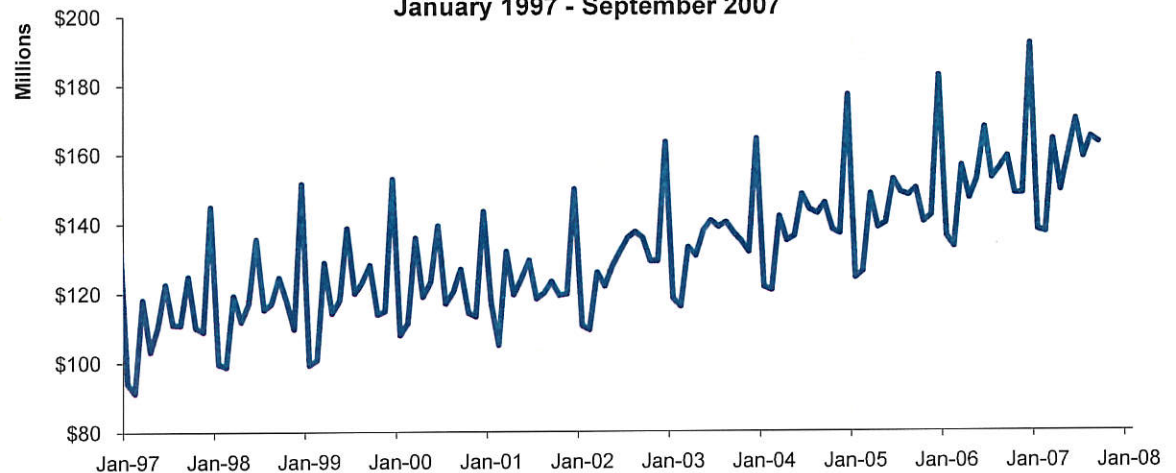


About the data and graphs

Tracking sales tax collections in Kansas gives insight into consumer behavior and demand. Sales tax collections can fluctuate widely from month to month. Since January 1990, state sales tax rates have increased on two occasions. In June 1992, the state sales tax rate increased from 4.25% to 4.90% and in July 2002 the state sales tax rate increased to 5.30%.

Various cities and counties in Kansas have an additional local tax. The entire listing of local sales tax rates is available at <http://www.ksrevenue.org/salesrates changes.htm>

Monthly Kansas Sales Tax Revenue
January 1997 - September 2007





Indicators of the Kansas Economy Population

Dec-07

Short-Term - 2006 to 2007

- Kansas population up 20,180 (0.7%)
- 6-State Region population up 227,795 (1.0%)
- U.S. population up 2,866,338 (1.0%)

Long-Term - 1997 to 2007

- Kansas population up 140,705 (5.3%)
- 6-State Region population up 1,903,630 (9.5%)
- U.S. Population up 28,974,232 (10.6%)

July 1, 2007 Population Estimates

Region	Population
Kansas	2,775,997
Arkansas	2,834,797
Colorado	4,861,515
Iowa	2,988,046
Missouri	5,878,415
Nebraska	1,774,571
Oklahoma	3,617,316
6-State Region	21,954,660
U.S.	301,621,157

About the data and graphs

The U.S. Census Bureau publishes total resident population estimates and demographic components of change (births, deaths, and migration) each year. The reference date for estimates is July 1. Estimates usually are for the present and the past, while projections are estimates of the population for future dates. These estimates are developed with the assistance of the Federal State Cooperative Program for Population Estimates (FSCPE). These estimates are used in federal funding allocations, as denominators for vital rates and per capita time series, as survey controls, and in monitoring current demographic changes. With each new issue of July 1 estimates, the estimates are revised for years back to the last census.

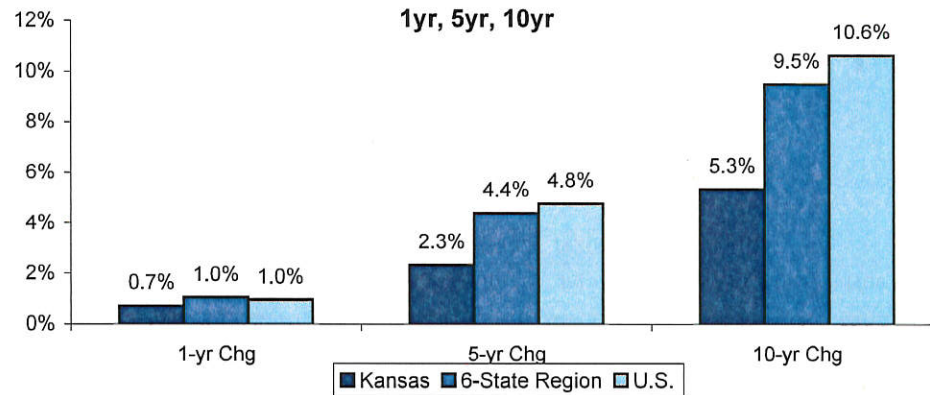
Source: 2007 annual data
U.S. Census Bureau -

<http://www.census.gov/popest/estimates.php>

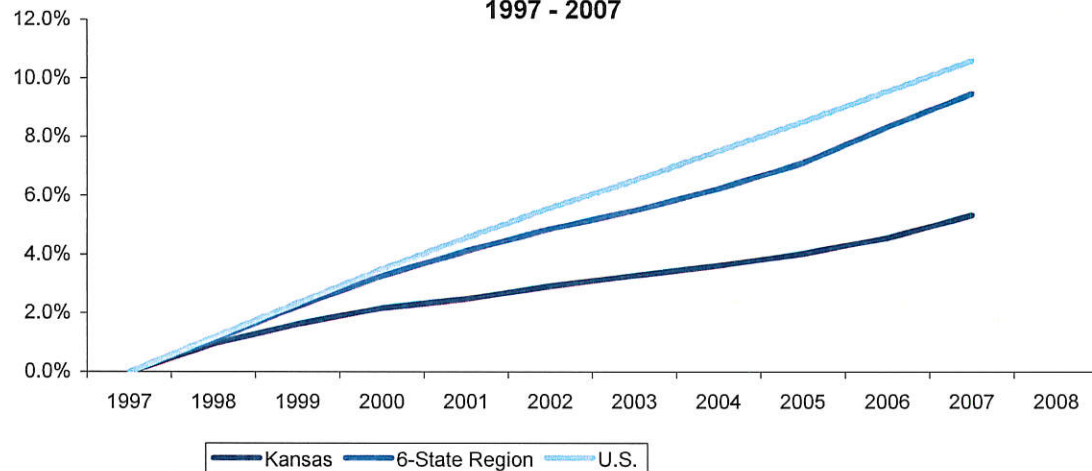
Population

	Jul-07	Jul-06	Jul-02	Jul-97	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	2,775,997	2,755,817	2,712,383	2,635,292	0.7%	2.3%	5.3%
6-State Region	21,954,660	21,726,865	21,029,425	20,051,030	1.0%	4.4%	9.5%
U.S.	301,621,157	298,754,819	287,888,021	272,646,925	1.0%	4.8%	10.6%

Percent Change in Population
1yr, 5yr, 10yr



Population Growth - Kansas, 6-State Region, U.S.
1997 - 2007



KANSAS, INC.

Created by the Legislature in 1986, Kansas, Inc. is an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing competitiveness for economic growth. To attain our mission, Kansas, Inc. undertakes these primary activities: 1) Identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas; 2) To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies; 3) Through collaboration and outreach with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark development efforts in the State of Kansas.

Co-Chaired by the Governor, Kansas, Inc. is governed by a 17-member Board of Directors. Board members, as mandated by legislation, include four members of Legislative leadership, a representative from the Board of Regents, the Secretary of Commerce, the Commanding General of the Kansas Cavalry, a representative from labor, and eight other members from the private sector representing key Kansas industrial sectors. Private sector members are appointed by the Governor and confirmed by the Kansas Senate.

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Executive Summary

This report presents the findings from a comprehensive evaluation of the Kansas Department of Commerce (hereafter "Commerce") business assistance activities. The evaluation was designed to answer the overall question of whether Commerce business assistance activities are achieving their stated mission of "advancing prosperity for all Kansans." To answer this question we spent 12 months – from October 2006 through September 2007 – collecting a variety of information about Commerce programs. We reviewed thousands of pages of Commerce documents; interviewed 52 Commerce staff across the six divisions that deliver the majority of the agency's traditional business assistance services; spoke with other personnel across state governments who coordinate with Commerce; reviewed business assistance programs in five other states; surveyed nearly 1,200 Kansas businesses to gather their perceptions of Commerce; held focus groups with local business and community leaders in five different communities across the state; and interviewed more than two dozen executives in the business and site location communities.

Our evaluation reached three basic conclusions. First, we found a preponderance of evidence that Commerce business assistance programs are achieving their stated mission. Virtually all of its key stakeholders, both inside and outside of Kansas, are positively impressed by Commerce's programs and staff. The vast majority of businesses that receive Commerce assistance were satisfied with the experience of working with Commerce, and virtually all businesses that have interacted with Commerce said its assistance enabled them to hire new employees, increase profits, or expand other opportunities. Most of the evidence we collected suggests Commerce programs are generally well-run and make accountable, effective use of public dollars. Executives in both the business and site location communities consistently called Commerce staff some of the best, most professional economic development personnel in the country.

Our second conclusion is that Commerce's organizational capacity is eroding, which might jeopardize its ability to achieve that mission in the future. By capacity we mean three things. The first is human capital, which as mentioned, is clearly one of Commerce's most valuable assets. Business assistance is a "relationship business," and current Commerce staff have well-established relationships throughout the business community. But those relationships are more closely tied to individuals than to positions or institutions, and the agency stands to lose that advantage absent an effective transition of new individuals into those same relationships. A second concern is leadership. We found much evidence that changes in executive-level leadership, regular modifications to the agency's structure and organization, and a slow but steady increase in responsibilities have harmed perceptions of Commerce throughout Kansas. Those changes, along with the recent shift of the Workforce Development function to Commerce from the former Department of Labor, have contributed to a sense of "mission drift" and disconnect among some of the agency's key stakeholders. A third aspect of capacity is information technology. We found little evidence of effective communication across divisions within Commerce, and stakeholders consistently said they do not feel as though they are well-informed about the agency's people and programs. We suggest policy options for addressing these concerns in our conclusions.

And third, we found evidence of a growing incongruence between the programs and assistance Commerce offers, and the state's economic development needs. Across the state, and in developing areas in particular, stakeholders envision Commerce providing a broader palette of more flexible economic development tools designed to have "real time" influence on business decisions. In rural areas this incongruence has to do with scope; Commerce stakeholders envision a much broader role for the agency, including expanding its programs to assist existing businesses and broader involvement in economic development-related needs like housing and workforce training. We also make recommendations that might help to mitigate this concern.

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Paid for with taxes or public funds

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Background and Evaluation Methodology

This report outlines findings from an evaluation of the Kansas Department of Commerce (hereafter “Commerce”) business assistance activities.¹ This evaluation was conducted from October 2006 – September 2007 by staff from the Institute for Policy & Social Research (IPSR) at the University of Kansas (KU).² Dr. Justin Marlowe of the Department of Public Administration at KU served as Principal Investigator, and Pat Oslund of IPSR served as co-investigator. Dr. Joshua Rosenbloom of IPSR and the KU Department of Economics also participated in the project. Genna Hurd, Susan Mercer, and Dane Hanson from IPSR provided key staff support. Doug Norsby, a doctoral student in the Department of Public Administration at KU served as the principal research assistant. Rob Nye, also a doctoral student in the Department of Public Administration at KU, also made important contributions. John Arnold served as an independent consultant on the project. He is a former city manager and currently President of the John E. Arnold Company, an independent consulting firm with expertise in economic development and human capital issues. Xanthippe Wedel of the IPSR staff developed the website for the Commerce client survey.

Our evaluation was designed to address four basic questions:

- 1) How is business assistance delivered across the state in terms of population, geography, industry codes, and business size/market share?
- 2) How do Commerce activities affect the lifecycle of a Kansas business?
- 3) Do stakeholders perceive Commerce services as integrated and effective?
- 4) Do Commerce business assistance activities place the state in a strong position to compete for economic development activities, relative to other states that define and carry out business assistance in similar ways?

This chapter describes the evaluation process and methodology, including how previous evaluations of these same business assistance activities shaped our assumptions and analytical methods. It presents: 1) a brief history of business assistance in Kansas; 2) the challenges to evaluating business assistance in general, and Kansas business assistance in particular; 3) how those challenges shaped our evaluation questions and research methods, and 4) the research methods we used to address those questions. Discussion of our findings begins in the next chapter.

¹ This is pursuant to KSA 74-8010, which outlines Kansas, Inc.’s statutory charge to periodically evaluate Commerce.

² Prior to the actual evaluation work we conducted an “evaluability assessment.” An evaluability assessment is a systematic examination of a program to determine whether a full evaluation of its outcomes is warranted. For that assessment we interviewed 24 division and sub-division level staff in all eight Commerce divisions. We also interviewed the current and immediate past presidents of Kansas, Inc, reviewed the most recent Commerce annual reports, analyzed trends and policies outlined in the *Governor’s Budget Report* for the previous five years, and reviewed all evaluations of Kansas business assistance activities carried out within the past 20 years. From that assessment we concluded a full review of Commerce business assistance activities was necessary and possible. Insights gained from that assessment also informed the assumptions, structure, work plan, and other important aspects of this evaluation. The evaluability assessment was especially helpful in identifying some of the key challenges to identifying the outcomes associated with Commerce’s efforts, and in turn evaluating whether those outcomes are evidence of effectiveness.

A Brief History of Commerce Business Assistance

The state of Kansas has provided formal business assistance services since the founding of the Kansas Industrial Development Commission (IDC) in 1939. That Commission, which can be considered the forerunner to the current Department of Commerce, was charged with recruiting new industry to the state. The state's economic development strategy has since expanded far beyond recruiting new business to include:

- promoting development of existing Kansas businesses,
- workforce development programs to meet Kansas businesses' labor needs,
- community development and tourism promotion programs designed to leverage commercial activity into improved quality of life for Kansas communities,
- venture capital programs designed to develop new businesses in targeted sectors,
- value-added agriculture programs that promote non-food uses for key Kansas crops,
- an international trade initiative designed to promote exports of Kansas products and to promote international investment in Kansas,
- and a multitude of other initiatives designed to advance the present day Department of Commerce's formal mission of "helping Kansans achieve prosperity."

As the state's menu of economic development initiatives has changed, so too have the state-level economic development agencies. The former IDC became the Department of Economic Development (DED) during the mid-1950's. This change reflected the state's new emphasis on aggressively recruiting manufacturing and other heavy industry. DED was later selected to administer the community development and public housing programs created as part of the federal government's Great Society initiatives of the 1960's and 1970's. The agency's name was changed to the Department of Commerce, and eventually to the Department of Commerce and Housing, to reflect these changes. But despite those changes, business assistance has been and will likely remain one the agency's core activities.

The recessions of the late 1970's and early 1980's forced a fundamental reconsideration of the state's economic development philosophy. The state experienced severe unemployment and other recession-related problems during this period, and those problems were attributed in large part to the lack of a strong, diversified industrial base. The Kansas legislature responded by commissioning a comprehensive review of the state's economic development apparatus. That review was conducted by the Institute for Public Policy and Business Research (IPPBR)³ at the University of Kansas, and culminated in a document titled the *Kansas Economic Development Strategy*.

That study, commonly known as the Redwood-Krider report after its principal authors Professors Anthony Redwood and Charles Krider of the School of Business at KU, laid the foundation for the state's current economic development strategy. It proposed, and the legislature and governor eventually adopted, a strategy that emphasized a balanced approach to economic development. The state would allocate its efforts equally across attracting, retaining, and developing Kansas businesses, across different sectors of the economy, and across the state's various geographic

³ IPPBR was the forerunner to the Institute for Policy and Social Research. Pat Oslund, Co-Investigator on this evaluation, also participated in the 1986 IPPBR evaluation.

regions. That emphasis on balance was reflected in its prescribed “three-legged” organizational structure. Two new agencies were created as public-private partnerships. The first – Kansas, Inc. – was charged with providing strategy and analysis on economic development policy, and to occasionally evaluate the other economic development agencies and programs. The second – the Kansas Technology Enterprise Corporation (KTEC) – was designed to promote start-ups and expansions of high-technology business. The Department of Commerce would continue to provide its slate of business assistance programs, and would coordinate the other agencies’ efforts. Successful coordination of the state’s entire economic development apparatus remains one of Commerce’s most important and challenging tasks. For that reason coordination has received explicit attention in every previous evaluation of business assistance activities. We continue this practice in the analysis presented here.

This new economic development structure was made possible in large part by the establishment of the Kansas Lottery. Since 1986, more than three-quarters of the Lottery proceeds have been diverted from the State Gaming Revenues Fund (SGRF) to the Kansas Economic Development Initiatives Fund (EDIF), which in turn funds most of Commerce’s traditional business assistance activities. This use of lottery proceeds was and remains one of the most innovative aspects of the Kansas Economic Development strategy. Of the 41 states that have lotteries, only Arizona, Iowa, Oregon, and Washington use lottery funds for explicitly economic development purposes, and none divert nearly as large a portion of the lottery proceeds to economic development activities as Kansas.⁴

The late 1980’s and early 1990’s also marked the first major expansion of the state’s workforce development programs. Industry-identified labor needs motivated the creation of the Kansas Industrial Training/Retraining programs, which quickly became a key component of the state’s business development strategy. A few years later, Kansas, Inc.’s first statewide economic development strategic planning process produced a series of recommendations also related to workforce development. Principal among them was the desire to attract high-paying employers in cutting-edge industries, which led to the creation of the High Performance Firms Incentive Program in 1993. The tax credits outlined in that program, most notably the High Performance Incentive Program (HPIP), are among Commerce’s most widely known business assistance tools.

The business assistance mission expanded into other areas as well, and the agency was reorganized to reflect that expansion. These division-level changes are illustrated in Table 1.⁵ The former Industrial Development division was renamed Business Development to reflect a new, more inclusive focus on businesses outside of manufacturing and other traditional industries. In 1992 the Housing division, which had been removed from Commerce in the late 1980’s, was brought back. The agency’s name reverted back to the Department of Commerce and Housing to reflect this change. Concerns about deficiencies in local public infrastructure to support business relocation and expansion led to the creation of the Kansas Partnership Fund,

⁴ See National Association of State and Provincial Lotteries (2007). *Cumulative Lottery Contributions to Beneficiaries from Start-up to June 30, 2006*.

http://www.naspl.org/UploadedFiles/File/Cumulative_Lottery_Contributions06.pdf - accessed June 2, 2007.

⁵ Several divisions appear for less than two years, including Liability Concerns, Research and Publications, Small Business Development. Also not noted here is the Legal Services Division, which was added in 2006.

which provides loans to local governments to improve business-related infrastructure. The agency also expanded its emphasis on non-traditional agricultural enterprise. These programs, which were formerly part of several different divisions, were consolidated into the new Agricultural Products division, the centerpiece of which was the newly created Kansas Value Added Center. A new focus on promoting exports, imports, and other international trade opportunities for Kansas businesses brought about establishment of the new Trade Development division. The Travel and Tourism division, long part of the basic Commerce structure, was also identified as a potential driver of economic development. This basic structure allocating key business assistance duties across four Commerce divisions – Business Development, Travel and Tourism, Community Development, and Agricultural Products Development – has remained relatively stable since then.

In 1992, in accord with its statutory mandate, Kansas, Inc. conducted its first comprehensive evaluation of the Department of Commerce programs. That evaluation concluded those programs were working, and that no extensive changes were needed. Its principal recommendations were that Commerce expand its data collection and analysis capacities, and that all divisions within Commerce institute formalized strategic planning to improve their overall effectiveness. But by and large, there was consensus that the state's first comprehensive economic development strategy was a success. That claim was further evidenced by the fact that the Kansas Economic Development Strategy had been recognized by numerous business and trade associations as a model of strategic, prudent, and innovative economic development policy.

Kansas, Inc. completed its second comprehensive evaluation of business assistance programs in 1996. That analysis covered all business assistance programs including those outside Commerce's administrative purview. It echoed the basic finding from previous evaluations that business assistance programs were generally effective and accountable. It did, however, identify two emerging problems. Most important, there was evidence of substantial fragmentation and insularity across each of the system's individual agencies and programs. Kansas, Inc. recommended correcting this problem by developing a comprehensive, integrated economic development budgeting process to mitigate a potential "zero-sum game" across agencies and programs, and to facilitate creation of "return on investment" indicators for the entire economic development system. Second, there was also little evidence, in spite of the recommendations from the 1992 study, of comprehensive data collection and analysis on program performance. The report concluded with a series of organizational and procedural changes designed to address these issues. In our evaluation we revisit the basic question of whether resource allocation and performance measurement have improved in the 11 years since the 1996 report was issued.

Table 1: Divisions Within the Kansas Department of Commerce or Its Equivalent, 1983-2006

	General Administration	Industrial Development	Trade Development	Business Development	Housing	Travel and Tourism	Minority Business Development	Planning and Community Development	Community Development	Existing Industry	Agricultural Products	Office of Advanced Technology
1983	X	X			X	X	X	X				
1984	X	X			X	X	X	X				
1985	X	X			X	X	X	X				
1986	X	X			X	X	X		X			X
1987	X	X				X	X		X			X
1988	X	X				X			X	X		X
1989	X	X	X			X			X	X		
1990	X	X	X			X			X	X		
1991	X	X	X			X			X	X		
1992	X	X	X		X	X			X	X		
1993	X	X	X		X	X			X	X		
1994	X		X	X	X	X			X			
1995	X		X	X	X	X			X			
1996	X		X	X	X	X			X			
1997	X		X	X	X	X			X		X	
1998	X		X	X	X	X			X		X	
1999	X		X	X	X	X			X		X	
2000	X		X	X	X	X			X		X	
2001	X		X	X	X	X			X		X	
2002	X		X	X	X	X			X		X	
2003	X		X	X	X	X			X		X	
2004	X		X	X	X	X			X		X	
2005	X		X	X	X	X			X		X	
2006	X		X	X		X			X		X	

Source: Kansas Governor's Budget Report for Years Identified

The late 1990's and early 2000's brought several small but significant changes to the state's comprehensive economic development policies and organization. They are presented in Table 2, which lists all statutory changes affecting Commerce since the state established the present economic development structure in 1986. Changes with "Administrative" implications resulted in a direct expansion of Commerce's workload by expanding clients eligible for a program or service, requiring additional certification for new or existing clients, or establishing new programs or services. Changes with "regulatory" implications produced an indirect change in Commerce's business assistance-related workload by expanding its oversight obligations, requiring additional staffing for boards and commissions under its purview, or imposing other new requirements. As the table indicates, since 2000 most of the agency's most popular programs have been expanded to include a broader array of potential clients (Table 2).

Table 2: Statutory Changes Affecting Commerce, 1986-2006

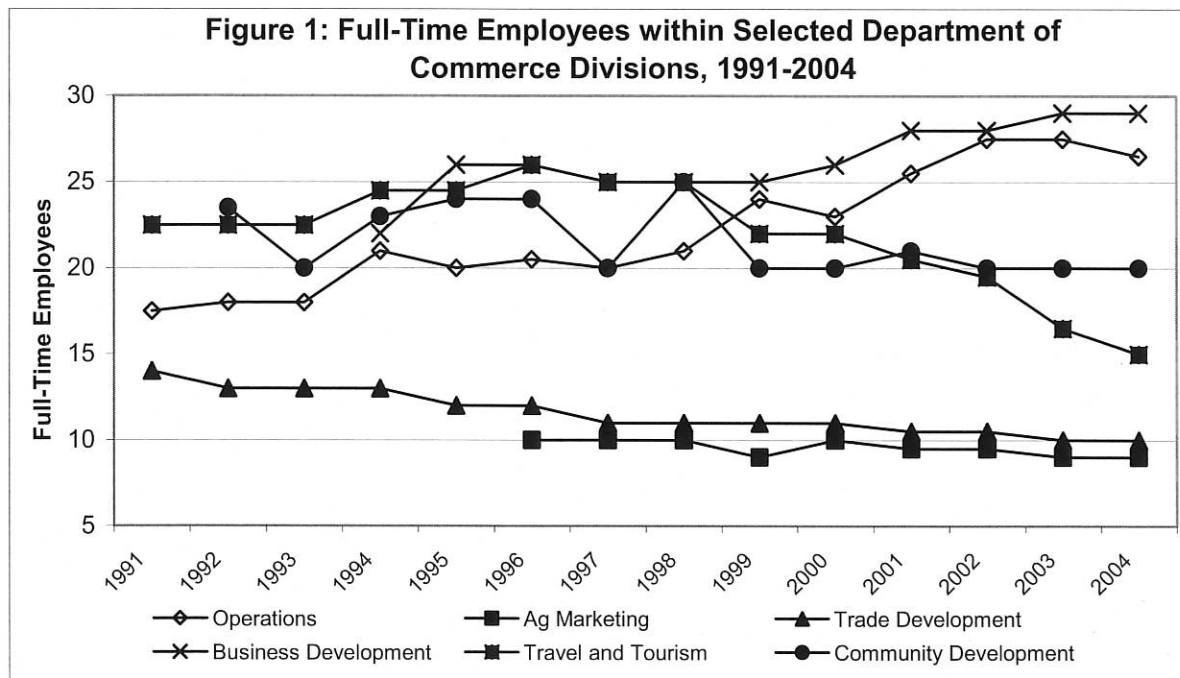
Year	Description	Implication
2006	STAR Bond Authority expanded	Regulatory
2006	Rural Business Development Tax Credit expanded	Regulatory
2006	Affordable Airfare Fund established	Regulatory
2005	Film Services Commission expanded	Regulatory
2005	Tax Confidentiality/Coordination with Dept. of Revenue	Regulatory
2005	IMPACT program expanded	Administrative
2005	Angel Investor Tax Credit established	Regulatory
2005	KDFA bonding authority expanded	Regulatory
2005	Downtown Redevelopment Act expanded	Administrative
2005	STAR Bond Authority expanded	Regulatory
2004	Kansas Athletic Commission amended	Regulatory
2004	Kansas Center for Entrepreneurship established	Administrative
2004	Agri-Tourism Promotion Act	Regulatory
2004	Tax Increment Financing Act amended	Regulatory
2004	IMPACT program expanded	Administrative
2004	Rural Development Tax Credit established	Administrative
2004	Kansas Downtown Redevelopment Act	Administrative
2003	STAR Bond authority expanded	Regulatory
2003	Income Tax Withholding Bonds created	Regulatory
2003	Council on Travel and Tourism reorganized	Regulatory
2002	Authorized Loan to Kansas Sports Hall of Fame	Regulatory
2002	Workforce Development Loan Program created	Administrative
2002	IMPACT program expanded	Administrative
2000	Enterprise Zone eligibility expanded	Administrative
2000	HPIP expanded	Administrative
2000	KEIOF expanded	Administrative
1999	HPIP expanded	Administrative
1999	Kansas Community Service Program Act amended	Administrative
1999	KIT/KIR eligibility expanded	Administrative
1999	STAR Bond authority expanded (NASCAR track)	Regulatory
1998	TIF authority expanded (Oz Theme Park)	Regulatory
1998	HPIP expanded	Administrative
1998	Lake Resort Development authorization	Regulatory
1998	Economic Development Investment Incentives expanded	Administrative

1998	KIT/KIR eligibility restricted	Administrative
1997	State Tourism Fund	Administrative
1997	TIF authority expanded	Administrative
1997	Enterprise Zone eligibility expanded	Administrative
1997	HPIP eligibility modified	Administrative
1996	Agriculture Products Development Division created	Administrative
1996	Enterprise Zone Act amended	Administrative
1996	Vocational Education Instructional Equipment Aid	Administrative
1996	Service priorities for former state employees	Administrative
1996	Consolidation of agency reports	Administrative
1995	HPIP eligibility expanded	Administrative
1995	Main Street Development Grants created	Administrative
1994	Enterprise zone eligibility expanded	Administrative
1994	HPIP eligibility expanded	Administrative
1994	Community Strategic Planning Grants amended	Administrative
1994	Agency's mission expanded to include coordination	Administrative
1994	KEIOF created	Administrative
1994	Kansas Community Services Program Act	Administrative
1993	High Performance Incentives Program (HPIP) created	Administrative
1992	Enterprise Zone Act expanded	Administrative
1990	Kansas Film commission established	Regulatory
1989	Targeted Industries program created	Administrative
1989	Enterprise Zone authority expanded	Regulatory
1989	Export Loan Guarantee Review Committee created	Regulatory
1989	International Trade Show Assistance Program created	Administrative
1988	Kansas Partnership Fund established	Administrative
1988	KIT/KIR established	Administrative

Source: *Economic Development Legislation in Kansas: A Chronological History* (Topeka, KS: Kansas, Inc., 2004); also see the FY 2005 and FY 2006 updates to this same publication.

Note: Does not include changes affecting the former Commerce Division of Housing, which was transferred to the Kansas Development Finance Authority in 2003

Contrast this expansion with Figure 1, which was developed from *Governor's Budget Report* for selected years, which presents the full-time equivalent employees allocated to the six divisions within Commerce with primary responsibility for delivering business assistance programs between 1991 and 2004. The trend suggested here, which was confirmed in interviews with Commerce staff, is that expansions of the agency's regulatory and programmatic requirements created a demand for new personnel in the operations and business assistance division. But in most cases those personnel were not new FTE allocations, but rather FTEs shifted from other divisions whose programs had not experienced a similar statutory expansion.



A series of recent executive actions and statutory changes have ushered in a new era at Commerce. The agency's basic mission and core business assistance activities have remained the same, but much of the organizational structure and funding for those activities have undergone substantial changes. Principal among those changes was passage in 2004 of the Kansas Economic Growth Act. This legislation crystallized Kansas' commitment to the 21st Century economy by establishing a state-run biosciences initiative and mechanisms for the existing economic development organizations to coordinate with the Kansas public education system to meet that future economy's labor needs. It also created capacity to promote business growth within the state through the Center for Entrepreneurship (now called NetWork Kansas) the Entrepreneurship Fund (now called StartUp Kansas), and the Kansas Small Business Development Centers, which are conducted through state-university partnerships.

Governor Sebelius further pursued this goal with Executive Reorganization Order 31, which shifted the workforce development programs administered by the former Department of Human Resources (now the Department of Labor, following this change) into the Department of Commerce. Prior to this shift workforce development programs were largely designed to mitigate the effects of shifts in the economy that had left or would soon leave workers unemployed or underemployed. Moving these programs to Commerce followed the argument that workforce development programs should be proactive and strategic. Rather than assist workers whose jobs had been changed or eliminated, the logic suggests workforce development resources should facilitate partnerships between employers that need or anticipate needing skilled employees, employees seeking those skills, and schools that can provide those skills. That philosophy was further advanced with the Kansas 1st Initiative, an additional legislative change designed to fund workforce training partnerships with vocational, community, and four-year colleges designed to meet the needs of new industries.

The net effect of these changes is effectively illustrated in the Commerce organization chart (as of 2005) presented in Appendix G. It shows the current six division structure with a large number of programs falling within the Business Development division. Consider that prior to the addition of the workforce development function, large categories of Business Development programs – namely the Kansas 1st Assessment & Labor Exchange Services and all programs under the Kansas 1st heading – were administered outside of Commerce.

These recent legislative changes – the Economic Growth Act, ERO 31, and the Kansas 1st initiative – are consistent with the state's tradition of forward-looking economic development strategy and organization. Our research shows that only the state of Idaho has done a restructuring of its business assistance function on this same scale, but many states have already begun looking to Kansas as a model for a 21st century business development strategy that includes an effective workforce development component. That said, the impact of these changes on Commerce's structure, funding, and organizational culture cannot be understated. These new programs roughly doubled the resources attributed to Commerce, and have required the merging of two organizations, each with very different missions and largely foreign to each other. Whether the agency can effectively pilot that merger is perhaps the most important question with respect to its future competitiveness.

Challenges to Evaluating Business Assistance

Decades of experience and academic research have shown that evaluating economic development programs is complex and challenging work. Throughout this report we have tried to make these challenges clear, and to identify the assumptions and analytical tools we used to overcome those challenges.

Defining Effectiveness

There are several ways to think about the effectiveness of state business assistance activities. Some view evidence that economic development outcomes – usually private sector capital investment, job creation, or job retention – that would not have happened without business assistance activities as evidence of effectiveness. This “but for” concept is central to most contemporary thinking on economic development policy.⁶ Others equate effectiveness with outputs. If, for instance, business assistance programs can document positive growth over time in job creation, capital investment, and other indicators, the assistance should be considered a success. Still others equate effectiveness with a particular form of accountability. They assume business assistance programs follow from well-crafted policies that if properly implemented will ensure successful economic development outcomes. The challenge is ensuring compliance with program requirements, which will ultimately ensure success of the overarching policy/policies.

⁶ For a good summary of this perspective see Timothy J. Bartik (2002). *Evaluating Local Economic and Employment Development: How to Assess What Works among Programs and Policies* (Paris: Organization for Economic Cooperation and Development).

Effectiveness, according to this philosophy, is evidenced by participants meeting program requirements, including stated job creation, capital investment, and other output targets.⁷ Each of these perspectives has advantages and disadvantages. The “but for” style of analysis is advantageous because it most directly answers the key question in economic development policy. But it is problematic for several reasons. Arguably the most important concern is that it rarely accounts for the quality of assistance. The analysis simply identifies whether a firm participated in an assistance program or not, and then evaluates its subsequent performance. Variations in the quality and delivery of state and local public services like public safety, education, and basic infrastructure also call this assumption into question.⁸ This approach is also limited by the fact that it demands sophisticated tools from statistics and economics to properly implement, and many of those tools require assumptions about individual and firm behavior that many consider unrealistic. It also tends to require highly detailed, firm-specific data that are difficult to collect and maintain.⁹

Outputs are much easier to collect, maintain, and analyze over time, but they often neglect a program’s broader impact. For instance, new jobs attributable to a particular business assistance grant are a useful metric, but say nothing about whether those jobs remain in a community over time, whether the jobs would have been created without state assistance, whether those jobs pay higher than prevailing market wages, whether those jobs represent a net increase in quality of life for the workers who take them, and many other issues.¹⁰ It is further complicated by the fact that many business assistance programs are designed to prevent or mitigate certain outcomes. An example is enterprise facilitation programs, which provide technical and other assistance to individuals considering starting a business. At some level these programs are successful if they prevent individuals who lack the capital, expertise, or other assets from starting a business without adequate preparation and support. These sorts of non-outcomes are difficult to capture with this style of analysis.

In Kansas, analysis of outputs is further complicated by the fact that Commerce receives the majority of its annual funding in an annual operations block grant from the EDIF. Both Commerce staff and analysts from both the legislative and executive sides of state government said this block grant tends to shift policy-level discussions about Commerce resources away from individual programs and initiatives and toward agency-wide service levels and outcomes. As described later in this report, this promotes bundling of individual programs into packages of

⁷ Some have suggested the targeted nature of many economic development policies renders them impossible to compare, and thus impossible to systematically evaluate in terms of relative effectiveness. But as we show later, many of Kansas’ primary economic development tools are more alike than unlike tools found in other states. For that reason, we consider this perspective valuable but not necessarily applicable in this context. For a broader discussion of comparability and its implications for evaluating economic development policies see Timothy J. Bartik and Richard D. Bingham (1997). “Can Economic Development Programs Really be Evaluated?” In Richard D. Bingham and Peter Maier (eds.) *Dilemmas of Urban Economic Development* (Thousand Oaks, CA: Sage).

⁸ Ronald C. Fisher (1997). “The Effects of State and Local Public Services on Economic Development.” *New England Economic Review* (March/April): 53-82.

⁹ As Bartik (2002) notes, “The ideal – but impossible – study of a government program would borrow a time machine...go back in time, and eliminate the program but make no other direct intervention, and then compare the outcomes of this induced alternative world without the program to the outcomes in the original world with the program” (8).

¹⁰ See, for instance, Timothy Bartik Laura A. Reese and David Fassenfest (1997). “What Works Best? Values and the Evaluation of Local Economic Development Policy.” *Economic Development Quarterly* 11(3): 195-207.

assistance offered to individual businesses. These bundled arrangements allow Commerce to more effectively leverage its resources to meet client needs, but inhibit our ability to attribute outputs to particular programs. For a concise illustration of this practice of bundling, see the case study of Company A in Appendix C. It also clouds any attempt to determine an allocation of resources across the entire economic development structure that optimizes its overall return on investment.

The compliance perspective assumes the policies that drive programs are the best possible strategy for achieving the state's economic development goals, and that each program plays a unique role in advancing those policies. In fact, stakeholders often disagree with the state's current economic development policies, and consider effectively implementing those policies counterproductive to the state's future economic well-being. Moreover, if an emphasis on compliance is viewed by businesses as an unnecessary reporting burden, a compliance focus might in fact harm economic development prospects.

As mentioned below, we attempt to address this problem of different definitions of effectiveness by collecting evidence pursuant to each definition, and then integrating that evidence into a pragmatic, holistic perspective on Commerce's effectiveness.

Commerce as Broker

Methods for delivering business assistance in Kansas, and indeed across the United States, have shifted dramatically in the past several years. Traditionally, business assistance was delivered through discrete state and local government programs designed to create a pro-business climate. Businesses interacted directly with state and local government employees who helped to identify and train new workers, find new markets for existing businesses, develop new products, and provide other assistance.

In Kansas, like many states, most business assistance is now delivered through a variety of formal and informal partnerships among local governments, county and regional economic development associations, site location consultants, secondary and post-secondary schools, other state agencies like the Departments of Revenue or Health and Environment, local non-profit organizations, and other stakeholders.¹¹ The success of any business assistance activity is often determined by the trust and cooperation within these complex "networked" arrangements. Commerce staff are most often in the center of these networks. Their unique vantage point affords them great influence over how other network members define their goals and objectives, how the network members communicate, the resources available to the network, and other critical considerations.

¹¹ There is a growing literature that attempts to describe these networks, and to outline effective strategies for managing within them. See, for instance, Michael McGuire (2006). "Collaborative Public Management: Assessing What we Know and How we Know It." *Public Administration Review* 66(1): 33-44; Robert Agranoff (2003). *Leveraging Networks: A Guide for Public Managers Working Across Organizations* (Washington, DC: IBM Endowment for the Business of Government); Eugene Bardach (1998). *Getting Agencies to Work Together: The Practice and Theory of Managerial Craftsmanship* (Washington, DC: Brookings Institution Press); Stephen Goldsmith and William D. Eggers (2004). *Governing by Network: The New Shape of the Public Sector* (Washington, DC: Georgetown University Press); Brinton H. Milward and Keith G. Provan (2003). "Managing the Hollow State: Collaboration and Contracting." *Public Management Review* 5(1): 1-18.

These networks present a unique management challenge. Because Kansas is so diverse with respect to labor pools, geography, infrastructure, and other economic development concerns, business assistance networks in different parts of the state often have similar structures but function in different ways. Commerce staff must respond by playing different roles in each network depending on its location and the types of assistance required. For instance, our research indicates that in the state's metropolitan regions Commerce staff play a basic advisory role. Networks in these regions are comprised of highly professionalized local economic development personnel who have clearly formulated goals, substantial resources, and a wealth of industry-specific knowledge. They expect Commerce staff to remain largely uninvolved in the process of recruiting and siting new businesses, or in expansions of existing businesses. Instead, they expect Commerce staff to keep them informed of recent statutory, policy, and regulatory changes, to communicate their concerns to Commerce leadership and/or state legislators, and to facilitate access to business assistance programs relevant to a particular project.

But in other regions, particularly those with part-time local economic development staff, Commerce staff play an almost entirely different role. They are often heavily involved in the day-to-day administration of these exact same assistance activities. They provide technical assistance and market analysis to individual businesses, assist local governments on permitting and regulatory issues for new businesses, help regional economic development organizations to identify federal grants and other outside resources, and become involved in the direct administration of business assistance in a variety of ways. But regardless of their level of involvement, Commerce staff attribute all credit for positive outcomes to the other network members. As one site location consultant put it – “Commerce staff make it known that they are the escorts, and the local folks are the VIPs.”

In reality, Commerce staff spends dozens of hours “setting the stage” for a potential business location. They provide the business or its agent information about industrial sites, environmental permitting processes, applicable tax credits and incentives, the labor pool in the prospective community, capacity of local utilities, and other factors essential to any business location decision. They also provide information about the prospective business to the local economic development staff, city/county administration, and elected officials in the prospective community. If the location is successful, these “throughput” activities are connected to an output, and vice versa. A similar dynamic is noted for international trade promotion, where business assistance staff often spend substantial amounts of time preparing Kansas businesses to participate in international trade shows, and planning international trade missions to showcase Kansas businesses in other markets. In some cases these efforts result in new exports or foreign investment in Kansas businesses, but in other cases they do not. Defining the connection between throughputs and outputs becomes even more complex when, as we noted several times in our review, location or investment prospects are often unsuccessful, but set the stage for future success by providing a business or investor the chance to become familiar with the Kansas business climate.

In short, from an evaluation standpoint, this variation in the relationship between Commerce staff inputs and business assistance outcomes presents a substantial challenge.

Emphasis on Entrepreneurship

Entrepreneurship is one of the most popular trends in contemporary state and local economic development policy. Most states, including Kansas, have bolstered their efforts to promote small new businesses by adding entrepreneurship education, small business development centers, microloans, and other programs to their palette of business assistance tools. In Kansas most of this assistance is provided by the eight Kansas Small Business Development Centers, which are state-university-federal-private sector partnerships designed to provide established and prospective businesses with basic tools in marketing, finance, hiring practices, and other essential business skills, and through NetWork Kansas (formerly the Kansas Center for Entrepreneurship) which is principally responsible for helping businesses navigate the business assistance programs available through Commerce, the federal government, and other sources. Both are considered part of the state's economic development apparatus, and thus part of Commerce's coordination responsibilities.

Start-up business growth, while clearly one of the state's key economic development policy goals, is difficult to evaluate for two principal reasons. First, start-ups often take months or years to reach the point where they engage in the two behaviors – job creation/retention and capital investment – most widely associated with Commerce effectiveness. Until a business grows to the point of needing new employees or investment, it is essentially not included in the data that allow us to determine whether the Commerce assistance had any effect on those outcomes. Second, the Kansas Small Business Development Centers and NetWork Kansas are the organizations with primary responsibility for small business assistance. Since the small business assistance programs are designed to serve a different population than the broader Commerce business assistance programs, most clients will have no basis for comparison between the two. In short, there is no need for us to directly evaluate the effectiveness of Commerce's current efforts to promote entrepreneurship.

That said, we do attempt to address arguably the more important question of how well the small business assistance network coordinates with the broader Commerce organization. For that reason we interviewed staff from the Small Business Development Centers and staff within Commerce who coordinate with those agencies on small business assistance issues.

Organization Change

The staff and mission of the Commerce business assistance function has been relatively stable throughout the past approximately 15 years. However, the organization around that function has been in a state of nearly perpetual change during that same time. The most widely noted change is the previously mentioned ERO 31, which brought to Commerce the Workforce Development programs previously housed in the Department of Labor. That change increased the agency's budget by approximately 70 percent (from \$60 million to over \$100 million, mostly from new federal dollars) and increased its full-time equivalent employees from just over 100 to just over 400. Since that merger the number of employees in the Business and Workforce Development Division has been reduced. Approximately 15 positions were eliminated in the 18 months following the merger, mostly through restructuring of several positions and non-replacement of

employees lost through attrition.¹² Approximately 60 positions were then lost when the agencies' federal Workforce Investment Act funding was reduced in early 2007.

Structural changes and personnel losses aside, the Business-Workforce Development merger was problematic because it forced into close proximity two sharply different organizational cultures.¹³ While a full discussion of those cultures is outside the scope of this evaluation, the basic problem is simple. The culture of the traditional business development division emphasized close, pro-active relationships with businesses for the purpose of making Kansas as business-friendly as possible. At the risk of oversimplifying, workforce development staff have roughly the opposite view. Many of them view their work through the lens of market failure; they help workers cope with business' inability or unwillingness to effectively address structural or cyclical economic changes that lead to layoffs, downsizing, and other employment reductions. Workforce staff are averse to the idea of partnering with business to more effectively meet its labor needs. Business development staff are averse to the idea of workforce development policies that do not actively involve the business community. Almost without exception, Commerce staff said this "culture clash" was the definitive issue in Commerce today.

Commerce has also experienced higher than average turnover at the Secretary and Deputy Secretary levels. Commerce staff regularly made comments to the effect that "three Secretaries in the past 20 months has made things difficult," particularly in the context of the previously mentioned structural and personnel changes.

We found evidence that these changes have damaged Commerce's relationship with some of its key stakeholders. Moreover, we also found these changes have obfuscated those same stakeholders' understanding of Commerce's interworkings, and which economic development functions for which Commerce is responsible. The following focus group comments illustrates these concerns:

It's just been kind of odd. I just don't know who's in charge.

Are they advertising for those jobs or are they just having a difficult time – or have they decided what to do with those positions?

If you're going to get a top leader to take your economic development to the next level, then you're going to have to say, 'first let me go out and find who I want, and then within reason, I'm going to pay them'. ...If you want a true business leader to run that, you're going to have to pay a lot more than ninety to a hundred thousand.

Similar focus group comments indicate personnel turnover and vacancies have been a problem for several years, particularly in some of the state's rural areas.

¹² These changes were documented and discussed in a 2007 KS Legislative Post-Audit report titled *Department of Commerce: Personnel Practices Related to Employees in the Divisions of Business and Workforce Development*.

¹³ For a broader perspective on the concept of organizational culture see Edgar H. Schein (1992). *Organizational Culture and Leadership* (San Francisco: Jossey Bass)

A written city manager comment captures one key element of the confusion about roles and responsibilities across the statewide economic development apparatus.

I think that with the emphasis in bioscience, there is a bit of confusion with the roles of Commerce versus the Kansas Bioscience Authority. Also, I believe that state institutions, such as state universities, should be part of the state's package to a prospect and not left to navigate or be leveraged by the local jurisdictions. This coordination has become very important with the bioscience prospects.

These perceptions illustrate the core problem in attempting to gather stakeholder perceptions of Commerce in this recent change environment – stakeholders' uncertainty about how Commerce works and whether to attribute economic development outcomes to it or some other agency diminishes the reliability of their perceptions.

Evaluation Methods and Assumptions

We attempted to address these challenges several different ways.

Multiple Perspectives on Effectiveness

First, we cataloged evidence consistent with multiple perspectives on effectiveness. We took account of the “but for” concept in several ways. We include a statistical analysis that allows us to directly compare trends in two key indicators – job creation and wage growth – for a sample of Kansas businesses that have and have not received Commerce assistance. Our discussion of that analysis in Appendix D makes clear the requisite assumptions and inherent limitations of that analysis. Confidential interviews were conducted with leaders of fourteen businesses – seven based in Kansas and seven based outside of Kansas but with some portion of their business activity in Kansas – to determine how Commerce assistance has affected their business. Those interviews illuminated how the “but for” question was addressed within particular businesses. We also interviewed city managers/administrators and local economic development staff to gather their perceptions on whether recent economic development projects in their communities that would have occurred “but for” the assistance Commerce provided. And finally, we interviewed representatives from seven site location consulting firms. Some of these firms had recently located businesses in Kansas, and others had considered Kansas for recent projects that were ultimately sited in other states. Those interviews helped clarify what role Commerce assistance played in these location decisions. Although these techniques do not completely address the “but for” issue, they substantially reduce the possibility of false claims about program effectiveness.

We took account of the outputs perspective by gathering and presenting Commerce's self-reported output measures. Trends in those outputs over time are analyzed. But perhaps more important, we included in the previously mentioned survey a group of questions asking businesses to evaluate Commerce's degree of follow-up and oversight during and after the provision of assistance. Those questions specifically probed whether Commerce staff had requested documentation on jobs created, capital investment, and other promised outcomes. This

approach follows from previous findings¹⁴ and from our own initial assessment that Commerce's practice of relying on businesses' self-reported output figures is not inherently problematic, so long as staff periodically verifies that businesses had met their intended job creation targets.

We took account of the compliance perspective by asking businesses, in the previously mentioned survey, to assess the level of "red tape" present in key programs to determine whether they consider those regulatory requirements burdensome. Similar questions about the regulatory burden were asked in the interviews of business leaders, site location consultants, and in the focus groups.

Exclusion of the Workforce Development Programs

Commerce's future success will be defined in large part by its ability to effectively integrate the workforce development programs into the agency's prevailing business development function. The agency's management of that transition has been subjected to broad scrutiny, in particular a Kansas Legislative Post Audit Report released in February 2007 titled *Department of Commerce: Personnel Practices Related to Employees in the Divisions of Business and Workforce Development* that was critical of how Commerce had managed the transition of the former workforce development employees into the new Commerce. Losses of federal Workforce Investment Act funds have also forced the agency to cut back approximately 65 employees in the workforce function. These actions have been met with similar criticism.

There is some evidence that the merger has hindered the agency's long-term ability to provide effective business assistance. The previously mentioned LPA audit speaks directly to a variety of morale issues arising from the merger, and our conversations with both Commerce staff and stakeholders echoed those concerns. Nonetheless, we believe it is simply too soon to determine how this merger will affect Commerce's long-term effectiveness. That conclusion is based on two main pieces of evidence.

First, to our knowledge, this sort of integration of workforce development staff and programs into a business assistance strategy is unprecedented, and thus we are without a reasonable benchmark against which to compare Commerce's piloting of this merge. Nonetheless, the limited available evidence indicates the Kansas experience is not unique. For instance, a few states have consolidated programs funded by the federal Workforce Investment Act into a single agency. Conversations with former workforce development staff in Utah, which has been

¹⁴ The previously mentioned 1992 Kansas, Inc./IPPBR study recommended Commerce begin tracking performance and output measures. The 1996 Kansas Inc. evaluation noted performance information was being collected, but was not effectively stored, monitored, and analyzed in ways that informed key programmatic decisions. A 2004 KS Legislative Post-Audit review titled *Job Expansion Programs: Determining Whether State Agencies are Collecting the Information Needed to Know Whether These Programs are Successful* reviewed the Kansas Existing Industry Expansion Program (KEIEP), Kansas Economic Opportunities Initiatives Fund (KEIOF), Kansas Industrial Training (KIT) and Investments in Major Projects and Comprehensive Training (IMPACT) programs. It concluded that Commerce's practice of relying on job creation figures reported from businesses was not inherently problematic, but that potential problems could be mitigated by more frequently verifying that businesses had met their intended job creation targets.

developing an integrated “one-stop” workforce development model since the mid-1990’s,¹⁵ revealed that it had experienced substantial coordination and other problems that took several years to fully resolve. Idaho appears to be the only state that has attempted a workforce development-business development merger similar to that attempted in Kansas. Informal conversations with staff involved in that initiative - known as IdahoWorks – revealed it had encountered similar challenges and did not expect to fully resolve those challenges for some time. Therefore, although ERO 31 was enacted more than three years ago, it is premature to consider its long-term organizational impact on Commerce.

That said, in the course of our evaluation we did encounter clear evidence of success for the new combined workforce development-business assistance strategy. One of those instances is highlighted in case study E in Appendix C, which documents how Workforce Investment Act resources facilitated new partnerships among industry, Kansas community colleges, and state government to provide skilled labor for targeted industry needs. Participants in these networks considered this model highly successful, and said they looked forward to its application in other industries. But in the absence of additional evidence on its application elsewhere, it is simply too soon to consider this hybrid perspective a success or a failure. Therefore, throughout our evaluation “business assistance” programs refers to assistance programs and incentives in place before ERO 31.

We did choose to make one important exception to this strategy of excluding workforce development programs. That exception is the Kansas Industrial Training/Retraining (KIT/KIR) grants, which did receive explicit attention in our analysis. KIT/KIR funds are direct programmatic business assistance offered by the Workforce Development area of Commerce. They are often packaged with other business assistance incentives. For that reason, we surveyed businesses that received KIT/KIR funding from 2002-2006 to gather their perceptions about the program’s effectiveness and its impact on their business. We also identify case studies where KIT/KIR funding play in achieving key outcomes, and we discussed the impact and effectiveness of KIT/KIR in the business leaders and site location consultant interviews.¹⁶

Coordination Effectiveness

Finally, we attempted to directly assess the effectiveness with which Commerce coordinates with other stakeholders in business assistance services and programs. This was accomplished with three different techniques. First, we conducted five focus groups in Kansas communities including representatives from the local chambers of commerce, municipal government, convention and visitor bureaus, community development experts, and other key stakeholders.

¹⁵ The Utah Department of Workforce Services began developing this model with state funding approximately five years before the federal Workforce Investment Act was created in 1998. For more on Utah’s efforts in this area see Christopher King and Dan O’Shea (2004), “Utah Case Study” *The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation* (Washington, D.C.: U.S. Department of Labor).

¹⁶ The largest business assistance program in terms of dollars of assistance is the IMPACT program, which is described in more detail in the next section. Despite its size, we do not examine IMPACT here for two reasons. First and foremost, even though it is related to business assistance activities broadly construed, the IMPACT program is fundamentally a Workforce Development initiative and therefore outside the scope of our review. And second, despite the amount of dollars spent on it, only a small number of firms actually receive IMPACT dollars in a given year. It is therefore more of a targeted assistance initiative rather than a broad programmatic effort.

These focus groups facilitated gathering a community-wide perspective on how well Commerce coordinates across each of its respective stakeholders. Second, questions about coordination effectiveness were also included in the survey of business assistance recipients. And third, those same questions were asked during the interviews of business leaders and site location consultants. Evaluating coordination effectiveness is more possible now than ever before because of a burgeoning literature on the determinants of success in “networked” or “collaborative” arrangements like economic development. That literature provided clear criteria against which to evaluate Commerce’s ability to coordinate with its stakeholders.

Thus, our data collection effort was both qualitative and quantitative, attempted to speak to multiple notions of effectiveness, and incorporated perspectives from virtually every stakeholder with whom Commerce regularly interacts. We believe it provides as comprehensive as possible an assessment of the agency’s current and future effectiveness.

Evaluation Methods

Given the questions, challenges, and constraints mentioned above, our data collection effort included several components.

Review of Agency Materials. We reviewed approximately 3,000 pages of Commerce documents, the previous ten years of Commerce annual reports, and twenty years of the Department of Commerce (or its predecessor) sections of the *Governor’s Budget Report*.

Review of Existing Findings. We reviewed all previous evaluations of Commerce. We also reviewed the scholarly journal articles, books, and reports on various aspects of economic development including tax incentive effectiveness and implementation, agriculture value added programming, lottery funding of state economic development, economic development networks, and other areas relevant to our evaluation work.

Commerce Staff Interviews. We spoke with 52 Commerce staff across the six divisions that deliver the majority of the agency’s traditional business assistance services. This figure includes staff at the in-state regional field offices, out-of-state field offices, and international contract representatives.

Partner Agency Interviews. We interviewed staff at the Department of Revenue that coordinate with Commerce to deliver the High Performance Incentive Program (HPIP), and with staff at the Department of Transportation who work with Commerce on specific projects’ infrastructure needs. We also spoke with staff at the Small Business Development Centers, which coordinate with Commerce to assist start-up and small businesses.

Trends in Business Assistance. Comprehensive data were collected from businesses that have participated in several key agency programs including the High Performance Incentive Program, the Kansas Economic Initiative Opportunity Fund, the Kansas Partnership Fund, and the Kansas International Trade Show Assistance Program.

Comparative State Analysis. We reviewed the organization, funding, and types of business assistance activities in five states – Arizona, California, Colorado, Missouri, and Idaho. Each of these states defines its business assistance function in ways similar to Kansas. California was selected because while it defines its mission similar to Kansas, it has taken recent steps to restrict the use of certain kinds of economic development incentives for in-state business relocations. Arizona was chosen because in addition to sharing function role definition like Kansas, it funds some of its economic development activities through lottery funds. The comparison to Idaho was important because, similar to Kansas, Idaho is a small, largely rural state with a strong and aggressive commitment to economic development. Furthermore as Kansas has done, it has attempted to incorporate its workforce development programs into a broader business development policy framework. Colorado and Missouri were selected because they are border states often identified as key Kansas competitors on economic development opportunities.

Survey of Kansas Businesses. A survey of 1,600 Kansas businesses was administered through the Institute for Policy & Social Research's website.¹⁷ Roughly half these businesses received some form of Commerce assistance between 2001 and 2006, and the other half, which were similar to those businesses with respect to number of employees and industry classification, did not receive business assistance. A total of 87 businesses completed the survey. Of those 87 respondents, 74 (or 85 percent) received some form of Commerce assistance.

Focus Groups. Evaluation team members conducted on-site focus groups in five Kansas communities. These communities were chosen to represent Kansas communities broadly construed. Their populations ranged from less than 2,000 to regional population centers. More than 40 business leaders, local economic development professionals, local government staff, and community leaders participated in these structured conversations about Commerce activities. The focus groups allowed us to develop insights into the many different roles Commerce staff play in economic development networks across the state, and to better understand how different stakeholders in different parts of the state and in different types of communities evaluate Commerce's effectiveness.

Executive Interviews. We interviewed leaders from 14 businesses selected to reflect the overall make-up of the Kansas economy. In most cases the chief financial officer and/or chief operations officer gave the interview. These interviews revealed important insights and trends into Commerce's current and future effectiveness. Many of the firms interviewed also have established or have considered establishing operations in other states, thus providing a valuable comparative state perspective. All businesses employed at least five employees, had been in business at least five years, and had received some form of program-based Commerce assistance in the past five years. Roughly one-third are publicly traded. They include:

- Two food processing companies - one national and one international - both based outside of Kansas

¹⁷ This survey process began by collecting data on participants in key Commerce programs including the KEIOF, HPIP, KPF, CDBG, KIT, KIR, and Main Street programs. Commerce staff provided contact information on those recipients. We then used the Dun & Bradstreet Global Database to identify all non-retail Kansas businesses with more than 9 employees, and a random sample of non-retail businesses with 9 or fewer employees. This search procedure produced a sample of firms comparable in size and industry to the group of businesses that received Commerce assistance during the sample period.

- An international biosciences research and manufacturing company based in Kansas
- An international heavy construction company based outside of Kansas
- An international health care products manufacturer based in Kansas
- An international specialty retail provider based in Kansas
- An international specialty manufacturing company based in Kansas.
- A national specialty manufacturing company based in Kansas
- A national light manufacturing company based outside of Kansas
- A national light manufacturing company based in Kansas
- A national telecommunications provider based outside Kansas
- A national telecommunications provider based in Kansas
- A national information technology services company based outside of Kansas
- A national logistics company based outside of Kansas
- A regional specialty food products company based in Kansas

City Manager/Administrator Survey. We surveyed and/or interviewed 16 city/county managers/administrators throughout Kansas. Responses were broadly representative of Kansas communities with respect to geography, population, and relationships with Commerce. These survey responses provided an important local perspective on Commerce's current and future effectiveness. Many administrators have also worked in other communities in Kansas or in other states, which affords them an important comparative perspective on Kansas business assistance.

Site Location Consultant Interviews. We interviewed representatives – most often the President or head associate – from eight site location consulting firms. These consultants provide a variety of services to businesses seeking to expand or relocate their operations including researching and identifying potential sites, analyzing the impact of tax incentives and other assistance on the cost of doing business in a particular location, and in most cases recommending the most cost-effective site for an expansion/relocation. They are a critical stakeholder in state and local economic development. The information they do or do not provide clients has noteworthy effects on Kansas' ability to succeed in business recruitment and retention. Moreover, the fact that most consultants conduct regional or national site selection searches provides them with a unique perspective on the comparative effectiveness of Commerce staff and programs. We attempted to speak to a variety of consultants currently doing location work for businesses consistent with Kansas' stated economic development objectives. All but one of these firms had considered Kansas for at least one site location within the past five years. Three site consultants had located multiple projects in Kansas in the past five years; two contractors were involved in projects where a Kansas site was a finalist but the location occurred in another state, two agencies considered but ultimately recommended against Kansas for a particular project; and two companies claimed familiarity with Kansas business assistance but have had no recent interactions with Commerce staff. Those firms included:

- An international firm specializing in locations of corporate professional services companies
- An international firm specializing in locations of life sciences manufacturing, chemical manufacturing, and other specialized manufacturing companies
- A national firm that provides specialized location management services for biosciences firms

- A national firm specializing in locations of corporate headquarters and call centers
- A national firm specializing in locations for logistics and transportation facilities
- A national firm specializing in location work for traditional manufacturing, aircraft manufacturing, and food processing
- A regional firm specializing in heavy manufacturing locations
- The local office of an international location firm that represents the majority of the Fortune 500 companies

Case Studies. We developed case studies of seven businesses to demonstrate the role of Commerce assistance in various stages of business development. Those case studies are presented in Appendix C.

Statistical Analysis. We analyzed trends in the performance of businesses that recently received Commerce assistance compared to those that had not recently received assistance. A detailed discussion of the methodology for that analysis is presented in Appendix D.

Major Findings

In this chapter we present our findings organized in terms of the original four evaluation questions.

Our basic conclusion is simple: Commerce business assistance activities generally achieve their stated mission of “advancing prosperity for all Kansans.” Almost all the evidence we collected suggests Commerce makes effective, accountable use of public resources, and that its activities closely associate with a variety of highly desirable economic development outcomes. That said, we also note several threats to its current and future effectiveness.

A few general themes bear mention at the outset:

- The array of business assistance programs, services, and incentives that Kansas offers is generally perceived as neither highly competitive nor highly uncompetitive relative to other states.
- Although it offers an “average” palette of business assistance programs and incentives, Kansas has three main sources of competitive advantage relative to business assistance offered by other states: 1) the effectiveness with which its assistance is administered, 2) an economic development strategy that, in the opinions of key external stakeholders, effectively capitalizes on the state’s location attributes, and 3) strong working relationships among state business assistance staff and local/regional economic development networks.
- Kansas assistance programs and incentives are viewed as particularly well-suited for projects with stable and predictable business plans such as regional distribution hubs, call centers, and corporate headquarters. Businesses considering projects with a higher degree of risk or uncertainty are less likely to access this assistance because they consider themselves less likely to meet job creation, capital investment, and other targets.
- Many observers have argued that Kansas has two economies – Northeast Kansas, which has and will likely continue to experience robust growth, and the rest of the state, which by many definitions is economically depressed.¹⁸ This phenomenon is fully reflected in how stakeholders perceive the effectiveness of business assistance programs. Perhaps more important, it is also evident in how stakeholders in each region think about what Commerce ought to do.
- Communities view Commerce as a valuable resource and an important partner in their economic development efforts. In most cases, they would like to see more involvement from Commerce, but recognize its resources are limited.
- Communities expect Commerce leadership to set the agenda for the state’s economic development direction. Recent changes in organizational structure and top-level leadership at Commerce have caused substantial “mission drift,” and have left many stakeholders unclear on the state’s strategic direction.

¹⁸ For more on this phenomenon see Arthur P. Hall and Peter F. Orazem (2005). *A Brief Economic History of Kansas, 1969-2003* (Topeka, KS: Kansas, Inc.)

1) How is business assistance delivered across the state in terms of population, geography, industry codes, and business size?

This section describes recent trends in the delivery of particular types of Commerce business assistance. We present those trends by year, geography, and firm characteristics. We also describe how key assistance programs are often bundled into larger assistance packages. Tables 3 through 10 summarize individual records of assistance provided by Commerce. The raw data are not included because of concerns about confidentiality.

Commerce offers firms and communities a wide array of assistance. Some of that assistance takes the form of grants, loans, or tax credits: examples include Kansas Industrial Training, the Kansas Partnership fund, the Investments in Major Projects and Comprehensive Training (IMPACT) program, and the High Performance Incentive Program. Firms that qualify for and receive such assistance are recorded by program staff in numerous spreadsheets and databases. Other types of assistance such as education on trade opportunities or identification of potential building sites do not often involve a monetary exchange. These interactions may be recorded and tracked by program staff; however, there are no uniform and easily summarized data on the extent of these transactions. Therefore, this chapter confines itself to a discussion of the use of formal Commerce programs. Other “non-monetary” interactions with Commerce are covered in the discussion of our survey results and in the case studies.

Commerce provided us with data from 2002-2006 for all major monetary assistance programs. In a very few cases, Commerce was not able to provide us with data for a specific program for a specific year. For example, FY 2006 data for HPIP are incomplete and cover only about half of the year. We were unable to obtain updated information. In most cases, Commerce provided a Federal Employee Identification Number (FEIN) so that we could track whether the same firm benefited from multiple programs. The FEIN also allowed us to identify firms assisted by Commerce in a micro-level database maintained by Professor John Leatherman at Kansas State University. The Leatherman data provided us with the size and industry code of assisted firms.

During the time period examined by this study, Commerce recorded well over 1000 instances of assistance to Kansas firms (Table 3). In dollar terms, assistance totaled over \$112 million, of which about \$84 million was distributed through the IMPACT program (Table 4). In some cases (such as the Kansas Partnership Fund) assistance actually is provided to a community or to an economic development agency: however, the intention of the assistance is to attract or increase business employment, sales, and investment.¹⁹

It should be pointed out that the IMPACT program provided the majority of distributed funds during the 2002-2006 period. IMPACT is designed to assist both new and established firms that expand or retain significant numbers of employees in the state. IMPACT funds are used primarily for training, but sometimes for recruitment and equipment. The assisted firms are large, and funds distributed to a single firm may exceed \$10,000,000.

¹⁹ In these tables a blank cell indicates that program provided no assistance for that year. Cells identified as “missing” indicate Commerce staff were not able to provide data for that year.

An examination of the data shows no clear time trends in assistance during the 2002-2006 time period for programs other than IMPACT. However, IMPACT has grown dramatically over the study period, topping \$48 million in 2006. IMPACT is directed towards large firms; hence an increasing proportion is flowing to large businesses.

Table 3
Business Assistance by Program and Year (Number of Grants, Credits, Loans) 2002-2006

Program Name	FY2002	FY2003	FY2004	FY2005	FY2006	Total by Program
Community Capacity Building Program	15	12	7			34
From the Land of Kansas		1	3	5	13	22
High Performance Incentive Program	22	27	27	97	14	187
Incentives Without Walls	16	28	26	34	24	128
Kansas Economic Opportunity Initiative Fund	13	17	10	18	14	72
Kansas Existing Industry Expansion Program	6	4	3	5	2	20
Kansas International Trade Show Assistance	47	36	39	n/a	6	128
Kansas Industrial Retraining	60	68	56	40	52	276
Kansas Industrial Training	43	48	41	52	37	221
Metropolitan Community Capacity Building		1		18		19
Kansas Partnership Fund			1	2	2	5
Subtotal without IMPACT	222	242	213	271	164	1,112
IMPACT	6	9	6	9	11	41
Total By Year	228	251	219	280	175	1,153

Source: Data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Data were summarized by the report authors. Individual firm-level data have not been included due to confidentiality concerns. Note: High Performance Incentive Program data are incomplete for 2006.

Table 4
Business Assistance by Program and Year (Dollars of Assistance) 2002-2006

Program Name	FY2002	FY2003	FY2004	FY2005	FY2006	Total by Program
Community Capacity Building Program	179,500	156,748	108,500			444,748
From the Land of Kansas		250	1,231	840	4,554	6,875
High Performance Incentive Program (tax credits: no precise monetary payment)						0
Incentives Without Walls	190,975	265,640	264,978	349,499	196,727	1,267,819
Kansas Economic Opportunity Initiative Fund	1,885,000	2,073,000	1,489,500	1,639,000	1,136,500	8,223,000
Kansas Existing Industry Expansion Program	265,000	100,000	80,000	136,500	325,000	906,500
Kansas International Trade Show Assistance	89,840	66,834	78,485	missing	16,923	252,082
Kansas Industrial Retraining	1,843,471	1,696,546	1,590,000	1,061,681	1,699,709	7,891,407
Kansas Industrial Training	1,660,069	1,974,632	1,425,141	1,874,072	1,034,693	7,968,607
Metropolitan Community Capacity Building		15,000		677,180		692,180
Kansas Partnership Fund			343,000	335,745	213,694	892,438
Subtotal without IMPACT	6,113,855	6,348,650	5,380,835	6,074,517	4,627,800	28,545,657
IMPACT	3,263,018	5,206,785	8,825,000	17,390,000	48,937,384	83,622,187
Total By Year	9,376,873	11,555,435	14,205,835	23,464,517	53,565,184	112,167,844

Source: Data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Data were summarized by the report authors. Individual firm-level data have not been included due to confidentiality concerns. Note: High Performance Incentive Program data are incomplete for 2006.

Often the assistance received by a firm is bundled into a package that includes funding from several different programs (see for example case studies C and H in Appendix C.) During the 2002-2006 time span, 1003 unique firms received assistance. Of these, 722 received assistance only once, 180 received assistance twice (generally from two separate programs), 55 firms received assistance three times (generally from three separate programs), and 46 firms received assistance four or more times. Most commonly, a firm receiving multiple incentives qualified for a combination of HPIP, KEOIF, and KIT or KIR or for a combination of HPIP, KEOIF, and IMPACT. Clearly the Commerce programs work together to provide for the multiple needs of Kansas businesses.

An important question is whether all areas of the state receive their “fair share” of Commerce assistance. Commerce serves a state-wide mission. For the most part, assistance is provided to qualified firms regardless of their geographic location. As a result, the bulk of Commerce assistance flows to the densely populated areas of East Central Kansas (including Johnson County), North Central Kansas (including Topeka) and South Central Kansas (including the Wichita area).

The distribution of assistance for programs *other than* IMPACT corresponds roughly to the distribution of population in the state. In other words, there is no evidence that Commerce investment is targeted toward smaller communities or toward communities in more rural parts of the state. There also is no evidence that assistance flows to areas of the state with the greatest need for economic development. The IMPACT program is open only to firms with large numbers of employees. These firms are most often located in the Kansas City or Wichita areas. Hence the distribution of funds is skewed towards urban areas when IMPACT is included.

Table 5
Distribution of Population and Assistance Dollars
2002-2006

Region	Percent of Population	Percent of Assistance Dollars not including IMPACT	Percent of Assistance Dollars including IMPACT
East Central	33.10%	35.90%	69.10%
North Central	10.70%	11.20%	3.70%
Northeast	9.70%	9.20%	3.40%
Northwest	3.40%	3.40%	1.20%
South Central	27.90%	26.80%	18.30%
Southeast	7.30%	8.40%	2.90%
Southwest	7.90%	5.00%	1.30%

Source: Commerce data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Population data are taken from the US Census Bureau. Data were summarized by the report authors.

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Table 6
Business Assistance by Region (Number of grants, loans, credits) 2002-2006

Program Name	Unknown	East Central	North Central	Northeast	Northwest	South Central	Southeast	Southwest	Total
Community Capacity Building Program		3	10	2	6	9	3	1	34
From the Land of Kansas			7	6		9			22
High Performance Incentive Program	8	88	13	10	3	49	12	4	187
Incentives Without Walls	1	13	44		10	37	14	9	128
Kansas Economic Opportunity Initiative Fund		30	8	5	3	19	3	4	72
Kansas Existing Industry Expansion Program		7	1	1		6	2	3	20
Kansas International Trade Show Assistance		67	7	7	2	25	14	6	128
Kansas Industrial Retraining	6	96	24	17	14	75	33	11	276
Kansas Industrial Training		106	18	11	4	41	28	13	221
Metropolitan Community Capacity Building	1	1	4	2		11			19
Kansas Partnership Fund			1	2				2	5
Subtotal without IMPACT	16	411	137	63	42	281	109	53	1,112
IMPACT		29	1	1	1	8	1		41
Total By Region	16	440	138	64	43	289	110	53	1,153

Source: Data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Data were summarized by the report authors. Individual firm-level data have not been included due to confidentiality concerns. Note: High Performance Incentive Program data are incomplete for 2006.

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Table 7
Business Assistance by Region (Dollars of Assistance) 2002-2006

Program Name	Unknown	East Central	North Central	Northeast	Northwest	South Central	Southeast	Southwest	Total
Community Capacity Building Program		37,500	135,500	20,500	79,248	122,000	35,000	15,000	444,748
From the Land of Kansas			2,731	1,490		2,654			6,875
High Performance Incentive Program									
Incentives Without Walls	15,000	125,325	509,480		98,489	328,659	166,320	24,546	1,267,819
Kansas Economic Opportunity Initiative Fund		2,938,500	424,500	1,215,000	363,000	2,330,000	360,000	592,000	8,223,000
Kansas Existing Industry Expansion Program		180,000	25,000	50,000		477,500	125,000	49,000	906,500
3 Kansas International Trade Show Assistance		146,092	8,053	15,619	1,348	48,660	19,814	12,496	252,082
Kansas Industrial Retraining	69,073	2,502,348	822,605	617,583	288,632	2,699,106	764,508	127,552	7,891,407
Kansas Industrial Training		4,282,284	709,332	394,168	149,838	1,150,053	933,377	349,555	7,968,607
Metropolitan Community Capacity Building	150		213,400	2,750		475,880			692,180
Kansas Partnership Fund			343,000	291,238				258,200	892,438
Total By Region	84,223	10,212,049	3,193,601	2,608,348	980,555	7,634,512	2,404,019	1,428,349	28,545,656

Source: Data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Data were summarized by the report authors. Individual firm-level data have not been included due to confidentiality concerns. Note: High Performance Incentive Program data are incomplete for 2006.

Many Commerce databases do not track the size of assisted firms or their industrial classifications on a systematic basis. Therefore, we had to rely upon the previously mentioned database constructed by John Leatherman of KSU to analyze the industrial structure of assisted firms. We used the FEIN number (when available) to match Commerce data with the Leatherman database. This procedure posed two difficulties. First, many firms in the Commerce databases do not have a listed FEIN number. These firms appear for the most part to be small retail and service establishments. Second, even some Commerce firms that do have an FEIN number cannot be found in the Leatherman data. The second problem may arise because a single firm may have multiple FEIN numbers, and those used in the two data sources may differ. For these reasons, the information on industrial structure should be viewed with caution. Using the FEIN matching mechanism, we were able to match 597 of 1003 assisted firms.

A goal of economic development is to create well-paying jobs. Assisted firms paid a median wage of \$38,150 and an average wage of \$43,700 as of 2006. Most Commerce-assisted firms pay wages above the statewide average wage of \$35,700 (Kansas Labor Market Information, <http://www.dol.ks.gov/LMIS/ALMIS/qcew/aew2006/aew2006.pdf>). The great majority of assisted firms pay between \$25,000 and \$45,000 annually. Some Commerce programs, in particular HPIP, are targeted toward high wage jobs. The evidence points out that most Commerce assistance flows to firms that pay wages on the higher end of the pay scale (Table 8). Whether these firms are able to pay high wages because of Commerce assistance is an open question.

Most of the assisted firms fall into the midsize range, with between 10 and 99 employees. Only about 14 percent of firms are very small (Table 9). However our matching methods may have been biased against small firms because FEINs were not recorded for these businesses. As pointed out earlier, the IMPACT program directs large packages of assistance to a few large firms. Hence the flow of Commerce dollars is heavily weighted towards large businesses.

Assistance is also heavily weighted towards manufacturing. Manufacturing comprised more than 55 percent of assisted firms during the 2002-2006 time period. Service firms and wholesale trade operations also received a substantial amount of assistance (Table 10).

Table 8		
Wages per Employee for Firms Receiving Assistance in 2002-2006		
Annual wage range	Number of firms	Percent
\$1-14,999	33	5.5
\$15,000-24,999	62	10.4
\$25,000-34,999	148	24.8
\$35,000-44,999	248	41.5
\$45,000-59,999	58	9.7
\$60,000-74,999	25	4.4
\$75,000-higher	22	3.7
Total matched firms	597	100

Source: Commerce data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Wage data were provided by John Leatherman, Kansas State University. Data were summarized by the report authors.

Table 9		
Employees per Firm for Firms Receiving Assistance in 2002-2006		
Employment size range	Number of firms	Percent
1-9	81	13.6
10-49	164	27.5
50-99	102	17.1
100-249	134	22.4
250-499	67	11.2
500-high	49	8.2
Total matched firms	597	100

Source: Commerce data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Employment data were provided by John Leatherman, Kansas State University. Data were summarized by the report authors.

Table 10		
Industry Distribution of Assisted Firms (2002-2006)		
Industry	Number of firms	Percent
Agriculture, Forestry, and Fishing	9	1.5
Mining	4	0.7
Construction	11	1.8
Manufacturing	332	55.6
Transportation, Communications, Utilities	12	2.0
Wholesale Trade	77	12.9
Retail Trade	30	5.0
Finance, Insurance, and Real Estate	24	4.0
Services	98	16.4
Total matched firms	597	100

Source: Commerce data were provided by Ed Gray, Nadira Patrick, and David Bybee of the Kansas Department of Commerce. Industry distribution data were provided by John Leatherman, Kansas State University. Data were summarized by the report authors.

In summary, the analysis of assisted firms reveals:

- The amount of assistance provided by Commerce has grown substantially during the fiscal year 2002-2006 time period. Almost all of that growth has been in the IMPACT program.
- For programs other than IMPACT, the geographic pattern of assistance matches the Kansas population closely. IMPACT dollars flow primarily to the Kansas City and Wichita urban areas.
- Commerce provided assistance appears to target higher-wages jobs in the state.
- Most of the firms assisted by Commerce are medium-sized. However, the bulk of dollars flow towards large firms.
- Assistance is heavily weighted towards manufacturing.

2) How do Commerce activities affect the lifecycle of a Kansas business?

We approached this question by analyzing the over time performance of groups of Commerce assisted firms relative to groups of similar firms that did not receive assistance. We were able to carry out that analysis in sixteen different “bundles” of similarly-sized firms in similar industries. For each bundle of firms that received Commerce assistance we identified a comparable bundle of firms that did not receive Commerce assistance. We then compared the performance of those different bundles of firms with respect to total jobs, total wages, and average wages for each quarter from 2002-2006. We are principally concerned with quarter-to-quarter changes in each of these indicators. If the bundle of firms that received assistance had higher quarterly job growth, higher quarterly wage growth, or a higher quarterly increase in its average wage, that bundle was said to outperform its comparison bundle for that particular quarter. We average the differences between these bundles for each quarter over the period of analysis. A full discussion of the assumptions, data collection procedures, and other information relevant can be found in Appendix D.

Table 11 presents the findings from that analysis. From the left, the first five columns report the characteristics of the businesses included in each bundle. We find that with a few exceptions, the bundles of firms are generally comparable with respect to the number of firms included the bundle, and the average employees for each firm included the bundle. The last three columns present the differentials in wage growth, job growth, and changes in average wages. A positive figure in these columns indicates that the assisted bundle outperformed the unassisted bundle, and by how much. A negative figure indicates the unassisted firm outperformed the assisted firm, and by how much. Please exercise great caution in interpreting these figures. These differentials should not be interpreted as precise estimates of return on investment, but rather as general indicators of the performance trend in each industry.

The results of this analysis indicate the assisted firms perform comparatively well. We observe higher wage growth among ten of the 17 groups in the analysis, and in four instances where non-assisted firms outperform assisted firms the difference between them is less than two percent. A similar trend is observed for job growth. In this case the assisted firms created jobs at a faster rate in eight out of 17 comparisons, and in four instances where non-assisted firms outperform assisted firms the difference between them was less than two percent. Similar, albeit slightly weaker trends are observed for the average wage growth differentials. We also note that some of the clearest performance advantages for assisted firms are in industry groups with the largest employers, such as Food and Kindred Products and large Industrial Machinery and Equipment firms.

Taken together, these findings suggest a clear association between Commerce assistance in a particular segment of the business population, and that segment’s ability to create jobs and increase wages faster or nearly as fast as similar but non-assisted firms. Association should not be taken to mean causation. These results do not allow us to attribute these performance differences to Commerce assistance. Nonetheless, these general trends suggest Commerce has a presence in certain growing segments of the Kansas economy.

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Table 11: Wage Growth, Job Growth, and Average Wage Growth Differentials for Assisted vs. Non-Assisted Firms, 2002-2006

Industry "Bundle"	Assisted Firms	Average Size of Assisted Firms	Non-Assisted Firms	Average Size of Non-Assisted Firms	Wage Growth Differential	Job Growth Differential	Average Wage Differential
Food and Kindred Products	11	755	15	664	2.52%	1.43%	-0.45%
Lumber and Wood Products	3	31	5	89	2.38%	-0.29%	0.42%
Lumber and Wood Products	4	344	3	250	-9.54%	-8.81%	-3.68%
Paper and Allied Products	4	124	4	186	4.61%	0.81%	5.97%
Chemical and Allied Products	8	50	7	32	37.58%	4.89%	-4.59%
Chemical and Allied Products	6	293	8	205	-0.04%	-2.62%	-3.15%
Stone, Clay, and Glass Products	4	39	4	90	-20.01%	-7.73%	3.09%
Industrial Machinery and Equipment	12	31	12	38	4.28%	7.56%	3.19%
Industrial Machinery and Equipment	15	50	10	43	1.52%	2.24%	0.33%
Industrial Machinery and Equipment	14	90	16	87	-27.89%	-3.21%	-19.21%
Industrial Machinery and Equipment	14	321	10	287	6.59%	2.54%	-1.10%
Electronic and Other Equipment	7	36	5	65	2.07%	-0.92%	0.97%
Transportation Equipment	9	33	14	12	26.83%	11.39%	0.09%
Transportation Equipment	8	48	5	52	-0.86%	-0.76%	-2.16%
Transportation Equipment	11	100	5	96	-0.98%	-4.46%	-5.45%
Instruments and Related Equipment	6	79	9	91	0.39%	1.19%	6.87%
Membership Associations	3	9	3	11	-1.47%	-1.52%	-3.58%

3) Do stakeholders perceive Commerce services as integrated and effective?

In general, yes. Of the 16 city manager responses, all but one rated Commerce staff “highly effective” or “somewhat effective.” Of the 14 executive interviews, all but two considered Commerce staff effective. A comment from an out-of-state executive effectively summarizes a widely held perspective on the agency’s overall business assistance effort.

The way Commerce does things capitalizes on Kansas’ strengths – it’s large enough to offer big opportunities and competitive markets/assistance, but small enough that you get personalized attention from professional, effective staff.

Survey responses from members of the business community echo this assessment of effectiveness. When asked to rate their level of agreement that “assistance from Commerce allowed us to increase our profits more than we would have been able to otherwise,” 67 percent either agreed or strongly agreed. As will be seen in subsequent sections, the business leaders indicate that this company profitability translates into broader gains for the Kansas economy.

Responses on particular aspects of effectiveness and integration follow in four parts - the “but for” perspective, output indicators, compliance, and general perspectives on integration.

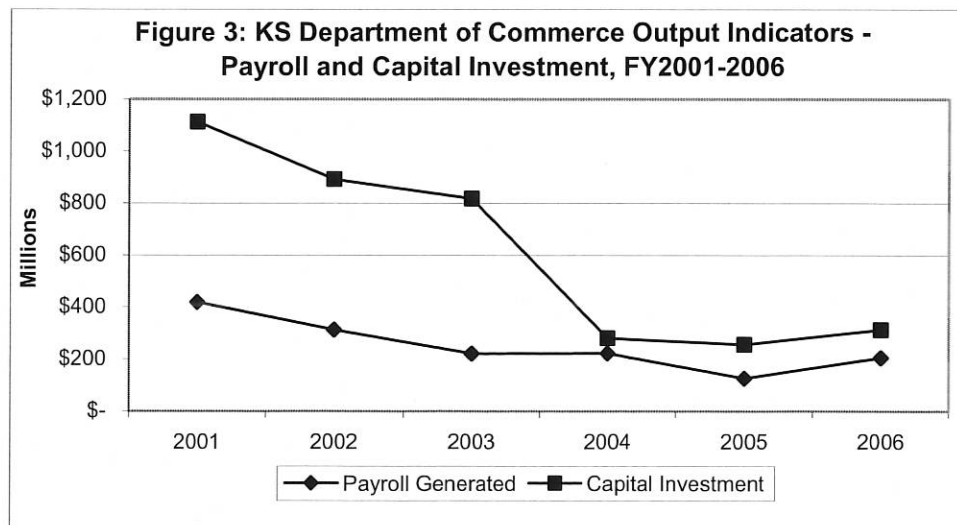
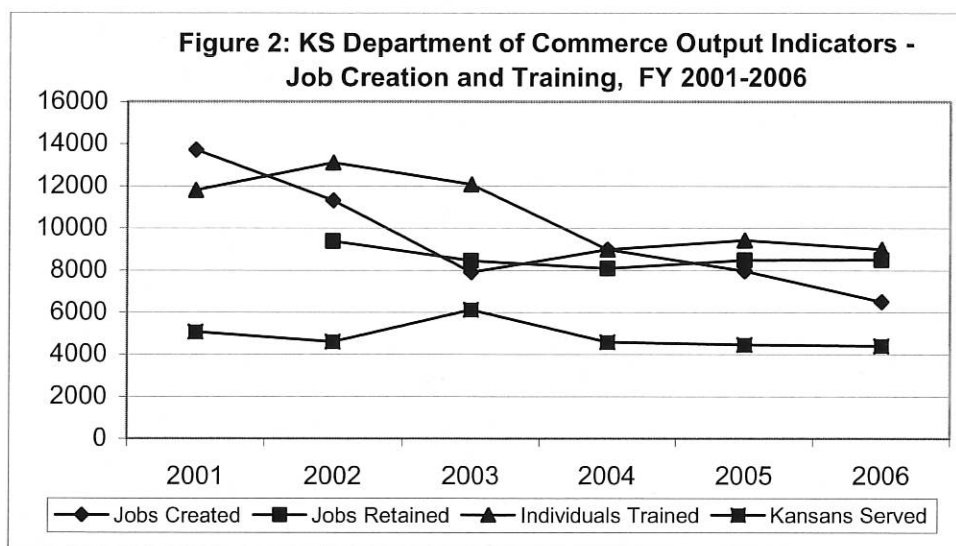
The “But For” Perspective

In addition to the statistical analysis results previously discussed, the qualitative evidence on this perspective is strong. We asked the city managers to indicate whether Commerce involvement in their most recent economic development project made a difference, or if the project would have happened successfully without Commerce? Of the 15 respondents, 12 said Commerce assistance made a difference, and only three said the project would have happened even without Commerce assistance. A common theme among the three who said the assistance did not matter was that the business location/relocation/expansion decision was most affected by local tax incentives, and that state assistance was not necessary.

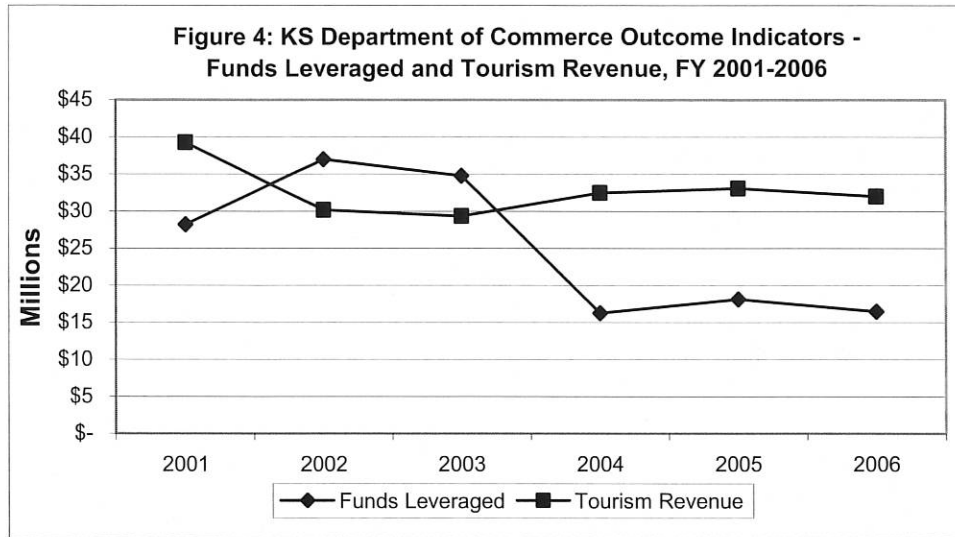
The same question was asked of the business executives. Of the 14 respondents, nine said Commerce assistance made a difference, and five said it did not. Four of the five executives who said Commerce involvement did not matter attributed the lack of influence to the fact that although Kansas assistance made the state comparable to other states on overall cost-of-business, some other, idiosyncratic factor was decisive in choosing another state. Those “other factors” included pre-existing relationships between company personnel and state elected officials, a higher “comfort factor” in another state, and access to particular recreation opportunities for key company personnel.

The Output Perspective

Commerce has reported some form of output indicators since the late 1970's. These indicators tended to be program or division-specific. But since 2001 Commerce has reported a series of agency wide outputs that inform our understanding of the business assistance function's performance. Those indicators include jobs created, jobs retained, and individuals trained, which are largely attributable to the KIT/KIR programs; payroll generated and capital investment, which are most closely associated with the KEIOF grants, HPIP, and other commonly used business assistance tools; funds leveraged indicates private sector capital investment for which Commerce assistance was considered a catalyst; and tourism revenue. Figures 2 through 4 present trends in these indicators from 2001-2006.



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It is important to note that these sorts of output data are notoriously difficult to collect, analyze, and audit. Critics of performance measurement often argue that front line workers, in this case the program analysts, field representatives, and others who administer business assistance programs, have strong incentives to overstate their performance output in some circumstances, and to understate that output in other circumstances. For that reason, these and any output indicators should be interpreted with extreme care. A further complication, as previously mentioned, is that Commerce staff tends to view program delivery in terms of packages of assistance to individual businesses. This bundling process obfuscates any attempt to determine which new jobs, wages, and other outputs can be meaningfully attributed to particular programs or to particular time periods. For that reason, we do not attempt to quantify any aspect of Commerce's overall output. These complications are not unique to Commerce, and are commonly encountered issues throughout contemporary public administration.

That said, we observe a downward trend in most of these performance indicators resulting from the economic downturn that occurred in late 2001 and throughout 2002. But in general, agency-wide performance has been consistent over time, especially in light of the previously mentioned declining resources.

Agency numbers are supported by survey responses from the business community. Of the 87 businesses that completed the survey, fully 66 percent agreed or strongly agreed that "assistance from Commerce allowed us to retain workers that we would not have been able to retain otherwise," and another 65 percent stated that "assistance allowed us to increase our employment in Kansas more than we would have been able to otherwise." The property tax exemption on business machinery and equipment appears to be particularly effective. Following the two-thirds trend in response, 66 percent of survey respondents agreed or strongly agreed that "assistance allowed us to increase our investment in plant and equipment more than we would have been able to otherwise." Unlike the responses to most questions, these responses weighed more heavily toward 'strongly agree'.

The Compliance Perspective

Our evidence shows that, in general, Commerce effectively carries out the challenging task of making programs accessible while maintaining reporting and oversight sufficient to guarantee accountability for public funds. Survey results indicated that of the 87 businesses that responded, 59 percent had been asked for estimates of job creation and sales growth due to Commerce assistance, and 51 percent reported that Commerce staff followed up to verify job and sales growth estimates. An additional 12 percent responded that they “do not know” if they had been asked for job creation and sales growth estimates, while 15 percent stated they did not know if Commerce had followed up to verify their estimates.

We found some evidence that the prospective burden of compliance may inhibit a firm or community from fully participating in Commerce programs. In surveys directed across specific programs (HPIP, KIT/KIR, KEOIF, and KITSAP), only 7 percent felt that oversight was excessive. However, the actual process of paperwork compliance may factor into a company’s decision to pursue assistance. HPIP presents the strongest example. Of those survey respondents who did not use the assistance, 12 percent selected “too much paperwork” as at least one reason for not participating. This number rose to 17 percent among only those companies sharing an established relationship with Commerce. When recipients within specific programs were asked whether they felt the required paperwork was reasonable, it varied widely from 100 percent in KITSAP, to 81 percent in KIT/KIR, and down to 64 percent and 59 percent for the more complex programs of KEOIF and HPIP.

Despite this finding, only one of the 14 executive interviewees said they had ignored a potential project in Kansas because of onerous reporting requirements, and all but one of the site location consultants rated reporting requirements in Kansas average or below average relative to other states.

Commerce staff are able to strike this balance between accessibility and accountability, it seems, by taking the compliance requirements as given and providing clients the necessary support to navigate those requirements. This strategy seems successful in most cases, but with important occasional exceptions. A focus group comment captures this dynamic well.

And when you do utilize any of their programs, there [is] a lot of paperwork you have to get in place, hoops you have to jump through. But they’re very good at assisting you to do that. And I feel like they are very upfront about saying, ‘to get this, you have to do this, this, and this.’

4) *Do Commerce business assistance activities place the state in a strong position to compete for economic development opportunities, relative to other states that define and carry out business assistance in similar ways?*

Yes. However, as we discuss here, Commerce stands to lose its competitiveness if certain current trends continue. Our response follows in four parts – a review of Kansas business assistance relative to other states, current sources of competitiveness, factors currently inhibiting competitiveness, and future threats to competitiveness.

State Comparisons

There is a vast literature that attempts to analyze the effectiveness of state and local economic development activities. At the moment, it presents mixed evidence on whether these activities are “effective” by any definition. Virtually all states provide assistance in some form or another, and most research shows firms considering a relocation or expansion almost always evaluate how state economic development assistance might affect their total cost of doing business in a particular location.²⁰ It then follows that to remain competitive, a state must offer grants, program-based support, tax incentives, and other assistance at least comparable to other states in its region. That said, there is far less evidence of a one-to-one relationship between the scope of incentives and support a state makes available, and its competitiveness in economic development. For instance, there is a variety of evidence that tax incentives have no relationship or only a marginal relationship with economic development outcomes.²¹ A related body of literature finds they do matter, but their relationship to economic growth is tempered by local economic conditions before the incentive was activated,²² by the presumption that growth resulting from those incentives is not equally distributed,²³ by perceived quality of life in the proposed location community,²⁴ and by many other factors. That said, the basic point is simple:

²⁰ See Roger W. Schmenner (1982). *Making Business Location Decisions* (San Francisco: Jossey Bass); Timothy Bartik (1985). “Business Location Decisions in the United States: Estimates of the Effects of Unionization, Taxes, and Other Characteristics of the States.” *Journal of Business and Economic Statistics* 3(1): 14-22; Robert Ady (1997). “Taxation and Economic Development: The State of the Economic Literature.” *New England Economic Review* (March/April); Robert Tannenwald, Katherine L. Bradbury, and Yolanda K. Kodrzycki (1997). “The Effects of State and Local Public Policies on Economic Development: An Overview.” *New England Economic Review* (March/April); Terry Buss (2001). “The Effect of State Tax Incentives on Economic Growth and Firm Location Decisions.” *Economic Development Quarterly* 15(1): 90-105; William Fox and M. Murray (2004). “Do Economic Effects Justify the Use of Fiscal Benefits?” *Southern Economic Journal* 71(1): 78-92; also see Joseph Aistrup, Brett Zollinger, and Michael Walker (2003). “Defining the Available Labor Pool: The Kansas Labor Force Survey.” *Economic Development Quarterly* 17(3): 220-239.

²¹ Timothy Bartik (1991). *Who Benefits from State and Local Economic Development Policies?* (Kalamazoo, MI: Upjohn Institute for Employment Research); Michael Wayslenko (1997). “Taxation and Economic Development: The State of the Economic Literature.” *New England Economic Review* (March/April): 37-52; A. Peters and P. Fischer (2004). “The Failures of Economic Development Incentives.” *Journal of the American Planning Association* 70(1): 27-37.

²² E. Goss and J. Phillips (2001). “The Impact of Tax Incentives: Do Initial Economic Conditions Matter? *Growth and Change* 32(Spring): 236-250; M. Luger and S. Bae (2005). “The Effectiveness of State Business Tax Incentive Programs: The Case of North Carolina.” *Economic Development Quarterly* 19(4): 327-345.

²³ E. Goss and J. Phillips (1999). “Do Business Tax Incentives Contribute to a Divergence in Economic Growth?” *Economic Development Quarterly* 13(3): 217-228.

²⁴ David Salvesen and Henry Renski (2002). “The Importance of Quality of Life in the Location Decisions of New Economy Firms.” Economic Development Administration, US Department of Commerce.

states must offer some package of economic development tools to compete, but more aggressive tools alone do not necessarily make a state more competitive.

We kept this finding in mind when comparing the palette of business assistance available in Kansas to that offered by Arizona, California, Colorado, Idaho, and Missouri. A detailed comparison is presented in Appendix F. Each offers essentially the same core types of assistance. Principal among them are industrial revenue bonds or their equivalent for major capital investments underwritten by the state, worker training reimbursements, some version of enterprise zones, small business assistance, tax credits connected to employee earnings, abatements of local property and sales taxes, and programs specifically designed for rural development. Idaho has the most coherent and planned set of incentives ranging from small to large and urban and rural, targeted at their strengths. Kansas is less targeted, but at the moment appears competitive with the comparison states.

The evidence supports the claim that Kansas is currently competitive relative to other states. First, in general, the incentives and other assistance Kansas offers are neither highly competitive nor highly non-competitive. When asked to provide their overall perception of Kansas assistance relative to other states, business leaders and site location consultants commonly gave responses such as “middle of the pack” or “good enough.” Some singled-out the HPIP and KEIOF programs as particularly useful for businesses with well-defined capital needs and market analysis. But in general, we found little evidence that Kansas assistance is itself a source of competitive advantage.

Kansas' Competitive Advantage

Given that most states offer roughly the same core of business assistance services, there is substantial debate over why some states are more competitive than others in attracting and retaining business. Explanations range from labor supply, to intangible attributes such as a more desirable climate or cultural amenities, to “clustering” strategies that locate similar businesses in concentrated geographic areas designed to facilitate creation of industry-specific efficiencies, to high quality infrastructure and public services.

None of our analysis indicates Kansas is perceived as having a particular, traditional competitive advantage. Some site location consultants and business executives noted the state has effectively capitalized on its location by seeking out the logistics industry, corporate headquarters locations, and other projects for which a centralized geographic location is desirable. But outside of that, little mention was made of a natural attribute or strategic initiative that sets Kansas apart. In fact it seems Kansas' success in business recruitment and development is most closely linked to two factors – excellent staff and effective coordination.

Survey responses about perceived coordination in Commerce from the business community built upon this finding in two ways. When asked to answer a series of questions related to intra-agency coordination and staffing, one-half to two-thirds of all respondents felt that they were not familiar enough with coordination in Commerce to be able to respond. While this may indicate that businesses are not working closely with Commerce, it also may suggest that such activities are being effectively managed out of the public view. This latter interpretation is supported by

looking at the responses of those remaining individuals who did comment on coordination within Commerce which indicated that 75 to 86 percent of respondents felt that programs were coordinated well, regional and state offices were coordinated well, and both offices were well staffed.

We heard repeatedly that Commerce staff clearly understand and reflect in their work the widely held view that economic development is a “relationship business.” We found evidence that staff in the Business Development division are known nationwide for their professionalism, expertise, and exceedingly long tenures relative to comparable staff in other state economic development agencies. One of the international leaders in the site location industry remarked – “(Commerce Staffer) is the most effective state economic development professional I’ve ever worked with.” Business leaders and economic development professionals across the country recognize these characteristics and consider them a source of competitive advantage for Kansas.

Business leaders and site location consultants alike noted that coordination between the state and local economic development networks is especially effective. A site location consultant who recently worked on a location in rural Kansas noted:

If I'm working with a small town in Kansas or anywhere in the Midwest I need to know that everything's going to run smoothly, from the permitting to the utilities to getting health care for our employees. A lot of other states leave local governments to fend for themselves. Kansas treats this as a partnership. If there's (sic) things the local people don't do well, the state people will step up. And what's really interesting is that the state people give all the credit to the local people.

A leading site location consultant with extensive experience in the Kansas City region said:

A big part of Johnson County's growth is because the Commerce people work with the Economic Development Corporation of Kansas, MO, Think KC, and the regional economic development councils within (Johnson) county. They really think in terms of a regional partnership. It doesn't always work perfectly, but they make it work as well as any other metro economic development environment

Where Kansas Lags

We identified three main areas where Kansas stands at a competitive disadvantage – the tactical nature of its main business assistance tools, marketing and differentiating those tools, and a perceived lack of leadership and focus in its strategy following ERO 31.

Stakeholders consistently made comments to the effect that Kansas incentives are useful in a “no-surprises environment.” Firms that have clearly identified expansion plans and ready access to established markets find some of the state’s key programs, particularly HPIP and KEIOF, far more useful than anything offered in a neighboring state. These incentives are especially applicable for distribution centers, logistics and transportation, food processing, and other related operations. But these programs can have the opposite effect when a venture’s future is less certain, as businesses might be hesitant to commit to creating particular types of jobs, investing

capital in particular areas, and the other objectives these programs require. This attitude was common among city managers, business leaders, and site location consultants.

A related finding was that stakeholders across the board see some value in establishing more flexible business assistance tools. The missing piece of many location and retention opportunities is an infusion of less restricted or unrestricted public capital into the project.²⁵ On that point, city managers made comments such as:

I think we need to have some additional war chest funds that we can place on the table when competing for projects. Many communities in Kansas are limited to what cash we have to offer to make a deal work.

Maybe the bottom line is to put more flexibility into the programs which allows some discretion on the part of both local officials and state officials. If we can justify the subsidy because of the benefits and sell the state official on the merits of the project, maybe there could be something like entitlement dollars available to small cities. Larger cities have entitlement monies under CDBG whereas it is a competitive process for smaller cities.

This basic finding is further supported by a related set of insights from the site location consultants. Without any reference flexibility or other characteristics, we asked these consultants to describe tools or incentives they've encountered in other states that might improve Kansas' overall competitiveness. The vast majority of the programs mentioned emphasized flexibility. The following were mentioned by more than three of those consultants:

- Florida maintains a highly publicized \$40 million "closing fund" that provides cash payments to businesses nearing completion of a site location in Florida. According to one consultant, this fund allows Florida to "stay in the game for much longer" than without it.
- Several states, including New Jersey, Oklahoma, and South Carolina, allow companies to reinvest state income tax paid by employees toward a variety of purposes. Several consultants view these programs as an effective way to address the accountability issues that surround flexible credits. By using flexible capital as an incentive, rather than an up front investment, businesses are assured some degree of future flexibility and stability, and the likelihood the state will recover its minimum return on investment greatly increases. Surprisingly, none of the site location consultants or business leaders mentioned a program offered by the Kansas Development Finance Authority that allows businesses to pledge employees' future state income taxes as collateral on a bond issue.
- Several business leaders and site location consultants touted the success of aggressive tax abatement programs. One frequently mentioned program was Pennsylvania's Keystone Opportunity Zones, which provides a full abatement (i.e. a full "tax holiday") on all state and local sales, local property, state corporate income tax, and local income tax for up to ten years.
- Business leaders and site location consultants also mentioned the value in allowing businesses to sell unused portions of tax credits back to the state, or to trade those credits with other firms. This flexibility affords businesses the opportunity to modify the

²⁵ Access to capital is widely noted throughout the literature as a key factor in business location decisions. For a discussion of access to capital in the context of Kansas businesses, see Mark A. Glaser and Samuel J. Yeager (1990). "All Things are Not Equal: The Value of Business Incentives." *Policy Studies Journal* 18(3): 553-572.

business plan upon which the credit was based without incurring a loss. Several Commerce Regional Field Representatives confirmed that businesses in their regions had also suggested the state consider these tools.

This is not to suggest that greater flexibility is easy or even desirable. Strong arguments in both the academic and practice-oriented literature caution against these sorts of active state and local government investment strategies. Those arguments are rooted in everything from empirical evidence that the return on venture capital investments does not outweigh the risk to public capital, to keen observations about the difficulty in defining and ensuring accountability for those funds, to philosophical disagreements about government's proper role in the economy.

We also found evidence that Commerce does not effectively market the business assistance tools it has available, or how those tools foster a business climate that is different from similar states in the region. This sentiment was expressed several ways. Comments to the following effect were made in most of the focus groups:

I still go back to perceptions of the state itself, you know I still just think it's underfunded. I don't think that piece is probably being funded well enough to actually make an impact. ...[W]e need more people out talking about the state of Kansas and what we have to offer. ...[Otherwise] you're not going to know that the state of Kansas now has no property tax on equipment, you're just not going to...and five people aren't going to be able to cover that.

On their website, Commerce doesn't list that much in the news department. It's a ribbon-cutting mostly. What I usually see [on website] are usually passed events in the last week, month.

And in a pithy comment from an out of state business executive:

Sunflowers don't resonate with people on the East Coast.

Several city managers also mentioned that prospective businesses often did not know business machinery and equipment was exempt in Kansas. Anecdotally, a site location consultant claimed to have thoroughly reviewed Commerce's materials in preparation for a potential relocation project, but did not learn of the KEIOF program until it was mentioned by a college roommate.

While it may be that regional staff filter out impractical programs before discussing opportunities for assistance with businesses, the number of survey respondents who had never heard of specific programs was fairly high. Among those with an established relationship with Commerce, 57 percent had not heard of HPIP, 53 percent had not heard of KEOIF, 32 percent had not heard of KIT/KIR, and 29 percent had not heard of KITSAP. When all responses were included, the number of people who had not heard of HPIP and KIT/KIR further rose to 66 percent and 41 percent respectively.

Survey responses indicate that regular communication has been rare. Even among those with an established relationship with Commerce, few business survey respondents reported contact with

a Commerce representative as occurring "often." The preferred method for conveying information appears to be the U.S. Mail, but 25 percent of respondents indicated that they had never received information via this medium. Email, telephone, and personal contact proved even less reliable as more than 50 percent of respondents stated that they have never received contact through these communications.

Although many of the staff and priority changes apparently were related to the change in administration in the 2002 election, there was evidence that staff changes have been an ongoing issue for some time, with some positions remaining unfilled long-term.

They don't have field staff out here for community development...they haven't filled positions out here for years.

...[they need to] remember that the last third of the state does exist.

...I realize there's not a lot of people but there's a lot of ground and a lot of area, and there is population that pays their taxes and would enjoy some services.

They consider Salina and Wichita western Kansas, and that's a long ways from western Kansas.

Future Threats – The “Two States of Kansas”

A sharp divide has emerged in the core normative principles behind many economic development programs. Throughout the 20th century the dominant theoretical perspective was known as “supply-side” theory.²⁶ It follows from the claim that free markets can allocate financial resources more effectively than government intervention. According to this philosophy, government can stimulate certain kinds of economic growth by reducing corporate tax burdens through tax credits or incentives, providing grants to train new workers, ease regulatory burdens, and provide other assistance designed to promote a more efficient allocation of corporate capital.

Contemporary thinking on business assistance has recently shifted away from this supply-side tradition and toward what might be called the “market failure” perspective.²⁷ Businesses may insufficiently train their employees due to fears that those employees will leave to work for other employers. Rural areas may have grown too fast and now face rapid depopulation. The skilled labor supply might fall short of that needed to support existing business. This philosophy assumes business assistance, particularly tax credits and incentives, can create new incentives for businesses to invest in initiatives that would otherwise be too risky. By underwriting that risk, the public stands to benefit from correcting a market failure and improving quality of life for all citizens.

²⁶ For a broader discussion see Peter K. Eisinger (1988). *The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States* (Madison: University of Wisconsin Press).

²⁷ For a broader discussion see Paul N. Courant (1994). “How Would You Know a Good Economic Development Policy if you Tripped Over One? Hint: Don't Just Count Jobs.” *National Tax Journal* 47 (4): 863-81.

Perceptions of the effectiveness of Commerce assistance seem to follow this basic split between supply-side and market failure. Growth areas, particularly in northeast Kansas, tend to want a limited Commerce role. They understand and will readily access key Commerce assistance, particularly in areas like tax incentives and regulatory guidance, but they have little interest in any direct involvement by Commerce staff. By contrast, depressed areas perceive a mismatch between their needs and where the state currently targets its business assistance efforts. Consider these comments from focus group participants.

I think right now...our contact quite honestly feels almost embarrassed to come and talk to us because he's always talking about how there's really no programs for places ...there's really nothing for poor communities, and...I don't hear much from that contact ... I think because of that. ...You kind of get the feeling that there's two different states, east of Wanamaker Road and west of Wanamaker Road.

...they say, 'yeah, we understand that two jobs in a small community like [edited] is the same as 200 jobs in Wichita,' but what they say and what they do are two different things. I mean, when you look at their newsletter and they talk about their business recruitment and business development, it's all in the big cities with the big numbers. You know, they don't ever devote any resources, either human resources or financial resources, for business recruitment in small communities.

And these comments from city managers:

Out here in rural central Kansas we need the State to be actively involved with fairly significant incentives on the State level and maybe broaden the types of businesses they'll help. In the last four years we had a new motel built, an assisted living home/house, a couple of businesses built new buildings, a new car wash, a new department store and I don't believe any of these received incentives other than what we gave them locally in terms of property tax rebates, waiver of permit fees, free or discounted utilities for a set amount of time, waiver of utility connect charges, minor infrastructure like sidewalks

I like the agricultural related and bioscience initiatives. I also think we should focus on trades based industry that utilizes the farm based abilities of our residents. Over the past several years, I am constantly amazed by the individuals I have met in Kansas that can build just about anything out of scrap metal and other junk. The abilities of these individuals comes from the farmer mindset of finding a way to make it work. We need to harness those energies and abilities. Many of them can do the work, but could never make a living at it because they don't have the financial mind to turn it into a profitable business. Instead, they end up working in other businesses where their talents are wasted.

Ironically, smaller communities view the congruence between the state's prevailing economic development philosophy and actual economic development patterns in Northeast Kansas as the result of an "entitlement status."

You know there are the large communities that are entitlement communities where that money just automatically flows to them. With us, we have to apply for that money. You

know we have to, in doing a CDBG application whether it's for a sewer grant or whether it's for industry, [it] is very time consuming. ...The paperwork's deep.

Well, it's a numbers game too. You have to play their [Commerce's] numbers. Not being an entitlement city, you have to have the right ratio for everything they monitor.

This divergence places Commerce staff at the center of several difficult policy trade-offs. For instance, some have called for expansions of its most popular and effective business assistance tools as a way to broaden those tools' appeal in rural areas, despite the fact that those policies and tools follow from a targeted economic development strategy. Others have suggested the state expand its arsenal of flexible economic development tools – such as venture capital pools, refundable and transferable tax credits, direct cash assistance to businesses, etc. – even though these programs are difficult to monitor and to ensure accountable use of public resources. Others demand broader use of non-programmatic efforts like tax credits and abatements, which further erode the state's arguably over-abated tax base.²⁸ The key problem is that stakeholders, particularly in rural Kansas, are not necessarily aware of these trade-offs, and can in some cases view Commerce staff as unresponsive. This ultimately harms the state's business climate.

²⁸ See, for instance, Glenn W. Fisher H. Edward Flentje, W. Bartley Hildreth, and John D. Wong (2007). "Sizing Up Kansas Public Finance." Kansas Policy Review 29(1). Available at <http://www.ipsr.ku.edu/publicat/kpr/kprV29N1/kprV29N1A3/shtml>.

Recommendations

In the aggregate, our findings suggest Commerce generally achieves its mission and makes effective use of public dollars. We recommend no major changes in structure, organization, or objectives at this time. That said, we provide here several recommendations designed to increase the likelihood that Commerce will continue its success in the future.

1) Continue to upgrade information technology throughout the agency, particularly that which enhances the agency's ability to collect and share information across its divisions and regions. Our research indicates that Commerce lags far behind several of its peer states on this issue. There is little evidence of concerted efforts to share information across programs and divisions about businesses that have or could receive Commerce assistance, or across Commerce's various regions. There was evidence of efforts to create informal intranet-type communication within certain sub-agency functions, but those efforts were largely employee-driven and did not receive any additional agency resources. We also experienced delays of several weeks on certain requests to Commerce staff for data on numbers of participants and dollars spent on particular programs. Those delays resulted not from staff's inability to fill those requests, but rather from the fact that many of those requests required collecting and organizing piecemeal data from a variety of sources, which took a great deal of time.

Consider that in other states, such as Oklahoma, most agency personnel who interact with businesses considering a relocation or expansion to the state have desktop computer access to information about businesses in the same size and industry classifications that have received state assistance, potential relocation sites, data on the regional workforce including individuals who have received state-funded workforce development assistance, and other information relevant to business decision making. The same applies to agency staff serving individual workers and small businesses. Individuals seeking workforce assistance are provided immediate information about potential employers in the area, with a particular emphasis on those employers who have received past agency business assistance. Commerce lags far behind other states in its ability to provide its staff "real-time" information relevant to its clients and their actions.

Our conversations with Commerce staff indicate the agency is aware of these deficiencies and has begun to chart a corrective course. We encourage this effort. Our results indicate improvements in communication among stakeholders both within and outside the agency could be value-added for Commerce going forward.

2) In addition to Commerce's current array of programs and incentives, consider developing new economic development tools that allow business assistance staff to more closely tailor that assistance to the unique needs of individual businesses, while nonetheless maintaining accountable use of the public dollars behind that assistance. We identified several potential models Commerce might consider in developing those tools, which are described throughout the comparative state analysis in Appendix E.

Among the states we examined, we found Idaho has a particularly well-developed and balanced set of tools along these lines. In Kansas and many of its peer states economic development tools are designed to bring about certain types of stylized outcomes such as job growth in particular

industries, creation of jobs that pay a particular wage, growth in exports or foreign direct investment, and others. Idaho has a similar overall economic development mission, but has defined the objectives for one group of its economic development tools in much broader terms. For instance, it offers full property tax exemptions on broad categories of inventory and capital investment, which is intended to incentivize capital investment opportunities that are unforeseen, have a short window of opportunity, or are not included in other incentive programs. For the same reason, it offers large income tax liability offsets for broad categories of capital investment. Idaho also offers operating loss carry-backs and carry-overs, which assist all businesses in roughly the same way, even though the reasons behind the loss might vary tremendously across businesses. In addition to training and other opportunities for particular industries, it provides customized workforce training for individual businesses and groups of businesses, again to meet business needs that might fall outside of existing programs.

The simple point is that Idaho and Kansas have roughly the same framework of business assistance objectives and tools, but the added flexibility of one group of Idaho's tools provides it the chance to more effectively respond to targeted, strategic, short-term, and unique business assistance opportunities. In the hyper-competitive economic development environment, and in particular in high technology, biosciences, and other industries, the ability to respond to these unique opportunities is a potential source of competitive advantage for Kansas.

3) Explore possibilities for broader partnerships with regional economic development organizations. Our results indicate strong, active, and highly specialized activity among regional economic development personnel. Commerce is actively engaged in these partnerships, and should consider broadening its involvement with these stakeholders. Undoubtedly, some might view broader regional involvement as diluting or even weakening Commerce's ability to pursue its statewide economic development mission. But our findings suggest the level of differentiation and specialization across the regions is so great, and that "advancing prosperity" means such different things in different parts of the state, that closer regional partnerships and strategies will ultimately prove worthwhile. Potential initiatives to this effect could include:

- Work with municipalities and local economic development organizations to streamline and expand the information presented on local government websites.
- Assist local governments and regional economic development personnel with their own succession planning efforts.
- Develop and provide formalized training to localities on the technical aspects of economic development (what to expect when hosting a site visit, how to negotiate with prospective businesses, how to vet prospective businesses, etc.).

4) Within the bounds of the current state civil service system, establish a formal succession planning system to ensure a successful hand-off of all Commerce activities, and in particular the business assistance function. Economic development is a "relationship business," and any attempt to institutionalize Commerce's current relationships will promote its present and future success.

5) Work to more effectively involve site location consultants in continuing disclosure elements of key business assistance programming. Participating businesses, site location consultants, and to some degree Commerce staff agreed that site location consultants are often in the best position of all to navigate the technical aspects of reporting to the state whether a business is achieving its promised outcomes.

6) Seek legislative approval to lift the \$50 million cap on the transfer from the State Gaming Revenues Fund to the Economic Development Initiatives Fund. Commerce programs affect an incredibly broad range of businesses, communities, and individuals, but the demand for those programs far outstrips the current supply. Since Commerce appears to make effective use of its current investment of public dollars, any attempt to increase that investment will likely yield the same or greater public benefits.

Appendix A: Survey Findings

Survey questions on Commerce mission:

The following number of respondents thought that the state of Kansas should focus its economic development efforts either “strongly” or “somewhat” on each of the following approaches:

	Assisted Only (n = 74)	Entire Sample (n = 87)
Expanding existing businesses	96%	94%
Assisting new business startups	95%	93%
Expanding exports from Kansas businesses	93%	93%
Assisting local communities with economic development projects	89%	86%
Attracting businesses from other states	85%	85%
Providing job-related training for the Kansas workforce	81%	84%
Marketing the products and services of Kansas businesses	78%	79%
Attracting businesses from other countries	74%	70%
Promoting tourism in Kansas	65%	64%

When asked to prioritize emphasis for focus, the following were identified as 1st Priority:

	Assisted Only (n = 74)	Entire Sample (n = 87)
Expanding existing businesses	42%	41%
Assisting new business startups	14%	13%
Marketing the products and services of Kansas businesses	12%	11%
Assisting local communities with economic development projects	9%	9%

When asked to prioritize emphasis for focus, the following were identified as 2nd Priority:

	Assisted Only (n = 73)	Entire Sample (n = 86)
Expanding existing businesses	19%	19%
Assisting new business startups	19%	19%
Providing job-related training for the Kansas Workforce	15%	14%
Attracting businesses from other states	14%	14%

When asked to prioritize emphasis for focus, the following were identified as 3rd Priority:

	Assisted Only (n = 73)	Entire Sample (n = 86)
Providing job-related training for the Kansas Workforce	21%	19%
Attracting businesses from other states	14%	12%
Assisting new business startups	12%	13%
Expanding existing businesses	11%	9%

An index of the responses weighted by priority yields the following:*

	Assisted Only (n = 73)	Entire Sample (n = 86)
Expanding existing businesses	54.25	52.75
Assisting new business startups	26.50	25.75
Providing job-related training for the Kansas workforce	19.75	19.75
Assisting local communities with economic development projects	16.50	17.50
Marketing the products and services of Kansas businesses	16.25	16.25
Attracting businesses from other states	14.50	13.00
Expanding exports from Kansas businesses	11.25	12.00
Attracting businesses from other countries	5.75	5.25
Promoting tourism in Kansas	4.25	6.00

*Priorities were weighted by assuming that priority 1 was favored twice as highly as priority 2 and priority 2 was favored twice as highly as priority 3. Priority 1 would then be favored 4 times as highly as priority 3.

Do you think that the state should target specific industries for development?

	Assisted Only (n = 70)	Entire Sample (n = 82)
Yes	43%	43%
No	57%	57%

Suggestions for targeting industries did not appear to vary between organizations with a history of assistance from Commerce and the rest of the sample respondents. Suggested industries for economic targeting included technology, energy, alternative fuels, agriculture, manufacturing, aerospace, warehousing and distribution, and services.

When asked for their perception of how the Kansas Department of Commerce currently divides up its assistance between small towns and cities, they responded:

	Assisted Only (n = 58)	Entire Sample (n = 68)
Most assistance is directed to small towns	2%	3%
Some assistance is directed to large cities, but more goes to small towns	9%	7%
Equal assistance is directed to both types of locations	31%	32%
Some assistance is directed to small towns, but more goes to large cities	45%	44%
Most assistance is directed to large cities	14%	13 %

When then asked for their view on how the Kansas Department of Commerce should be divided geographically, they responded:

	Assisted Only (n = 64)	Entire Sample (n = 75)
Most assistance is directed to small towns	6%	5%
Some assistance is directed to large cities, but more goes to small towns	11%	9%
Equal assistance is directed to both types of locations	52%	56%
Some assistance is directed to small towns, but more goes to large cities	28%	25%
Most assistance is directed to large cities	3%	4%

Survey questions on business assistance:

Assistance by category:	Requested Assistance	Received Assistance*	Sample (n)**
To train your company's workers	55%	52%	83
To find financial assistance	27%	26%	80
Other***	26%	26%	69
To acquire necessary permits and licenses	21%	22%	77
To obtain general development advice	15%	15%	78
To facilitate new business contacts	10%	11%	79
To facilitate business to business negotiations	8%	9%	78
To conduct a market analysis	6%	9%	79
To generate creative marketing ideas	5%	6%	77

*Some respondents claimed receipt of assistance without requesting for it.

**The sample size varies by category because some respondents felt the category did not apply to their business.

***Other includes managing business relocations, obtaining information about programs or paperwork, coordinating trade shows, aiding in overseas recruitment, and assistance with overseas credit checks.

Satisfaction rates by category could not be determined due to the extremely small group of users in each area of assistance. However, overall 88 percent of those who received assistance felt that the assistance that they received was very or somewhat valuable (n = 121).

The following respondents agreed or strongly agreed with these statements regarding the impact of the Kansas Department of Commerce on their business:*

Assistance from the Kansas Department of Commerce has allowed us to ...	Strongly Agree or Agree	Sample (n)
retain Kansas workers that we would not have been able to retain otherwise.	66%	(50)
increase our employment in Kansas more than we would have been able to otherwise.	65%	(55)
increase our investment in plant and equipment more than we would have been able to otherwise.**	66%	(53)
increase our profits more than we would have been able to otherwise.	67%	(52)

*Responses are only from those businesses that reported receiving assistance from Commerce.

**Responses for material investment were numerically balanced between agree and strongly agree. All other categories had approximately two agree per one strongly agree response.

Survey questions on operations:

How frequently does the Kansas Department of Commerce contact you with updates and other announcements?

	Often		Never	
	Assisted by Commerce	Entire Sample	Assisted by Commerce	Entire Sample
Email	13% (n = 72)	11% (n = 85)	50% (n = 72)	53% (n = 85)
U.S. Mail	4% (n = 73)	5% (n = 86)	26% (n = 73)	28% (n = 86)
Telephone	3% (n = 72)	2% (n = 85)	68% (n = 72)	69% (n = 85)
Personal Contact	6% (n = 72)	5% (n = 85)	57% (n = 72)	61% (n = 85)

Kansas Department of Commerce staff have...

	Strongly Agree or Agree	Do Not Know
asked us to provide estimates of job creation and sales growth due to Commerce assistance.*	59% (n = 51)	12% (n = 51)
followed up to verify our job and sales growth estimates.*	51% (n = 55)	15% (n = 55)

*By not asking about formal processes, paperwork, and verification, these questions may be overstating the degree of oversight taking place. In addition, there may be some responder bias related to a preference for maintaining a lower level of oversight from Commerce. Nonetheless, these results offer an encouraging “top-end” for perceptions of oversight.

The following respondents “agreed” or “strongly agreed” that:	Strongly Agree or Agree	Sample (n)*
Programs seem to be well coordinated within Commerce.	77%	29
There is sufficient staff presence at the regional offices.	79%	28
There is sufficient staff presence at the state office in Topeka.	81%	37
The regional offices coordinate well with the state office in Topeka.	86%	39

*Even among recipients, one-half to two-thirds of respondents did not feel familiar enough with intra-agency coordination to comment. Most responses were agree rather than strongly agree (approx. 1:7). Specific Coordination problems mentioned included lack of knowledgeable staff in specific programs, inter-agency coordination problems, uncertainty about the correct contact people to address problems, inability of Commerce to act quickly, information sharing with local economic development directors, and integration of rigid program requirements across programs.

When asked about how the use of third party consultants have affected their relationship with Commerce, 17 of 21 replied that it does not affect their relationship at all. The remaining 4 respondents all replied that third parties improve their relationship with Commerce by helping direct them toward multiple sources of resources and leveraging contacts.

Survey questions for specific programs:

HPIP

Respondents using HPIP (assumes an existing relationship with Commerce)	Use 47% (n = 70)	Do Not Know 10% (n = 70)
Reasons for respondents NOT using HPIP:	Assisted Only (n = 30)	Entire Sample (n = 41)
Have not heard about the program	57%	66%
The program does not fit my company's need	27%	20%
Too much paperwork	17%	12%

Survey respondents who have applied to the HPIP program agreed or strongly agreed that:

	Strongly Agree or Agree	Sample (n)
The required paperwork was reasonable.	59%	34
The Kansas Department of Commerce provided adequate assistance with the application process.	85%	33
The process for selecting recipients was fair.	100%	33
It was difficult to meet the requirements to receive this assistance.	48%	33
The program provided an incentive for the retention of our business.	80%	30
The program led us to increase training for our workers.	82%	34
The program served as a reward to our company for generating additional economic development around us.	77%	31
The program is integrated into our decisions regarding future profitability.	62%	34
This program provided valuable assistance to the development of my company.	79%	33
The Kansas Department of Commerce followed up regularly to ensure we were meeting program goals.	61%	33
The program oversight provided by Kansas Department of Commerce was excessive.	6%	32

KIT/KIR

Respondents using KIT/KIR (assumes an existing relationship with Commerce)	Use 48% (n = 67)	Do Not Know 14% (n = 67)
Reasons for respondents NOT using KIT/KIR:	Assisted Only (n = 25)	Entire Sample (n = 34)
Have not heard about the program	32%	41%
The program does not fit my company's need	29%	36%

Survey respondents who have applied to the KEOIF program agreed or strongly agreed that:

	Strongly Agree or Agree	Sample (n)
The required paperwork was reasonable.	81%	32
The Kansas Department of Commerce provided adequate assistance with the application process.	97%	32
The process for selecting recipients was fair.	97%	32
It was difficult to meet the requirements to receive this assistance.	34%	32
The program provided an incentive for the retention of our business.	97%	32
The program led us to increase training for our workers.	97%	32
The program served as a reward to our company for generating additional economic development around us.	90%	30
The program is integrated into our decisions regarding future profitability.	53%	32
This program provided valuable assistance to the development of my company.	77%	30
The Kansas Department of Commerce followed up regularly to ensure we were meeting program goals.	75%	32
The program oversight provided by Kansas Department of Commerce was excessive.	3%	32

KEOIF

Respondents using KEOIF (assumes an existing relationship with Commerce)	Use 17% (n = 69)	Do Not Know 11% (n = 69)
Reasons for respondents NOT using KEOIF:	Assisted Only (n = 49)	Entire Sample (n = 59)
Have not heard about the program	53%	54%
The program does not fit my company's need	31%	25%
Not interested	14%	12%

The sample size of those using KEOIF was too small to adequately evaluate the impact of the program.

KITSAP

Respondents using KITSAP (assumes an existing relationship with Commerce)	Use 13% (n = 68)	Do Not Know 6% (n = 68)
Reasons for respondents NOT using KEOIF:	Assisted Only (n = 55)	Entire Sample (n = 65)
Have not heard about the program	29%	32%
The program does not fit my company's need	44%	40%
Not interested	20%	18%

The sample size of those using KEOIF was too small to adequately evaluate the impact of the program.

SAMPLE DEMOGRAPHICS*

Businesses were overwhelmingly corporations (52 percent) or S-Corporations (37 percent).

61% were single establishment in Kansas

35% were multiple establishments in Kansas AND other states or countries

Businesses categorized themselves widely using 14 different industries, but manufacturing (63 percent) dominated the sample.

57% of the sample respondents have been in Kansas for more than 25 years

2% of the sample respondents have been in Kansas for less than 2 years

Business Size:

0 to 19 employees	14%
20 to 99 employees	33%
100 to 249 employees	29%
250 to 499 employees	14%
500 or more employees	10%

Location for the address of the survey respondent:

South Central Region	31%
East Central Region	30%
Southeast Region	13%
North Central Region	8%
Northeast Region	6%
Southwest Region	5%
Out of State	4%
Northwest Region	2%

*Sample demographics are given for the overall sample only. The matching process for selecting businesses without an established relationship with Commerce appeared to be effective. Variation between the overall sample and the assisted sample was minimal.

Appendix B: Focus Group Methodology and Findings

Methodology

The Kansas Department of Commerce provided the IPSR research team with a list of potential communities and the contact persons to consider as focus group participants. This list included 16 community economic development networks. Care was taken in the selection process to diversify participating communities by considering the following criteria: community size, geographic region, project size, project success, and the extent of Commerce's involvement. Seven communities were contacted about participating in the study. Two were unable to participate due to time and availability constraints. The remaining five communities elected to participate. The table below provides descriptive information about the communities:

Focus Group Communities - General Information							
FG	Location		Approximate Population (nearest 500's)				
	Region	Descriptive	% Change		% Change		City/Co
			City	00-05	County	00-05	
X-1	SE	reg'l ctr, w/ cc	11,000	-3%	22,000	-3%	0.5
X-2	NE-NC	reg'l ctr, w/ 4-yr c & atc	48,500	8%	63,000	0%	0.8
X-3	NC	near regional center	2,000	-2%	6,000	1%	0.3
X-4	SW	remote, western Ks	1,500	-10%	2,500	-9%	0.6
X-5	C-SC	near urban area	13,500	-1%	29,500	0%	0.5

For each community, the local contact worked with IPSR to determine a location for the focus group and to solicit participants. IPSR asked the local contact to select participants who had been active in community economic development activities.

The local contact provided IPSR with a list of confirmed participants, including contact information. About one week prior to each focus group session, IPSR followed up with participants to confirm their participation, to provide general information about the purpose of the study, and to outline expectations for the focus group sessions. The letter included:

This important study is being conducted for Kansas, Inc. by the Institute for Policy & Social Research (IPSR) at the University of Kansas. The purpose of the Commerce evaluation is to identify areas of success, highlight potential areas for improvement, and provide suggestions for how to make those improvements. We are holding the focus groups to draw out shared perceptions of Commerce's overall business assistance effort and assess what role Commerce is perceived to play in economic development efforts and how effectively it executes that role. The information gathered in the focus groups will inform the development of additional surveys along with being incorporated directly into the evaluation.

Over two weeks, five focus groups were conducted with 41 participants in communities across Kansas. Participants ranged from city clerks, mayors, convention and tourism directors, city/county economic development directors, and chamber leaders to business owners/managers.

Each focus group session lasted 90 minutes to two hours. The sessions were digitally recorded and each recording was professionally transcribed. The transcriptions were used for analysis.

Report Contents

This report summarizes the overall findings, organizing the results topically, including both converging and contrasting views between communities and community types. The report includes many verbatim quotes, illustrating the various participant points of view. Verbatim quotes are indented and italicized. Paragraph breaks indicate a different speaker.

Care should be taken in generalizing the findings, since the number of participants is too small to be fully representative of the general population. However, the ideas expressed by focus group participants often provide important insight that can lead to greater understanding of a particular issue or subset of issues.

Overview

The economic conditions and business climate varied among the participating communities. All communities we visited appeared to have proactive, engaged leaders. The smaller communities appeared to be having at least modest success in their economic development efforts. The larger communities appeared to be having greater success in their efforts and had well-organized community networks for economic development activities. However, all communities are facing challenges in their economic development efforts.

All participating communities had some knowledge of the Kansas Department of Commerce (Commerce) programs and initiatives, and had worked with Commerce at least once. In all communities, there was one person identified by community members as the primary liaison for their community with Commerce. This was typically the director of the economic development entity. In the case of larger communities with a Convention and Visitor's Bureau, this person was an additional direct link with Commerce. And communities with Main Street programs had an additional direct link. While most interactions with Commerce initially flowed through these individuals, frequently other community leaders had also interacted directly with Commerce as a project progressed.

Community members and business leaders look to these one or two individuals to assist with identifying appropriate Commerce programs and contacts. The primary contact with economic development receives most information about Commerce through their regional field representatives or by attending Commerce conferences and meetings. In the smaller communities, a regional center is an additional source of information about Commerce activities and resources. For a few, the Commerce website is a source for information.

Community/Commerce Interactions

Some communities are very proactive about making and maintaining contacts with Commerce staff. One community in particular insisted that it was their responsibility to do so.

...[I]t's up to individual communities to get to know those folks. ...to be one-on-one with [mention several Commerce staff] ...knowing who those people are and what areas are their specialties so that you can have... that direct contact with them.

...[K]nowing who the secretary is and being involved with them. ...we have never sat back and waited for them to say, 'I want to come tour your community.' ...I think a lot of communities don't take advantage of the opportunity. But we have not been bashful about that.

You have to be an active, proactive community and interact with the Department of Commerce. You have to go to the recruitment dinners. You have to go with them to meet with site selectors. You have to...participate in trade shows. And you can't just sit back and expect them to do everything.

Another community feels that its relative success with Commerce has a lot to do with the longevity of their community economic development leader.

[Person] knows a lot of the programs out there, and I don't think a lot of communities have somebody who is as knowledgeable...

We've had a consistency for them a lot of communities, especially in development directors [don't have]. I'm the old timer in [regional descriptor] Kansas. I mean most people have been in their jobs for less than three years, and they have turnover all the time. ...I get calls all the time from other communities asking... 'we want to do this, who helps you with that?'

Participants found Commerce helpful and generally easy to work with.

...it was the first time that I had ever written a grant, so it was like, 'oh, how do you start this process,' but I found those folks to be very, very helpful to me as I did it.

We've had an excellent relationship.

I've always thought that they were accessible and that was what was important to me.

I think they are very helpful...It's helped us get some companies here and maintain [others], and have the company's interest in coming. ...[They] provide a lot of events that I can go to make contacts. ...just providing opportunities for us to make contacts that may pay dividends years down the road. I guess it's really hard to quantify a lot of that because you just keep doing it...

[F]or us the Department of Commerce has been for the most part very easy to deal with. They help ... lead you through the right paperwork and what you need to get done.

Paperwork and reporting requirements were a common source of frustration among multiple communities participating.

It just seems like it is just form after form after form. And a lot of them seem like it's just a repeat of what you have on the front of the form...I really think that paperwork could be more concise and not have so much detail.

Several communities believe Commerce to be too rigid as well.

It just seems like the Department of Commerce sends a lot of paperwork... they're always gathering information. ... I'm not saying that's good or bad, but that seems to be our main working with them is that they're kind of keeping tabs on how money's spent, and ... where its going, the size of the community, different aspects of that [type of information.]

And when you do utilize any of their programs, there [is] a lot of paperwork you have to get in place, hoops you have to jump through. But they're very good at assisting you to do that. And I feel like they are very upfront about saying, 'to get this, you have to do this, this, and this.'

When savings were realized on Commerce-funded community projects, two communities had very different experiences when they attempted to re-budget the project to allow additional work to be completed.

In the case that follows, the community was initially told they could make the project changes, but at final approval, were told they had to return the money.

They had told us yes all the way, but one person in Commerce....said no and really there was no reason for it at the time. ...[We] felt like the rules were made up as they go or how well they liked you. And it seems really odd that someone could have that much power...That got a lot of cities really frustrated.

A different community found Commerce to be very flexible. Instead of requiring the community to return the unused funds, Commerce worked with them to re-budget the remaining funds so other community projects could be completed.

We actually had a time frame within which to do the demolitions and there were a lot of projects and a lot of things going on in the city that kind of got things off track and put us to where we were looking at really having to push to be able to spend all the money. And [Commerce] partnered with us and [regional center] to organize us with all the paperwork so that we could do what was needed to use every penny that we could from them. ...[A]ll our dealings have been very professional ... I haven't had the kind of contacts like they're talking about where you work with someone all the time and you get real comfortable – mine has been more very much on a professional level. It's a different person every time...

In several cases, Commerce was praised for helping communities determine if a program would fit their needs before they spent time and resources on a proposal.

You might not like all the stuff you have to do, but I think they are upfront with you, and you know what you're doing and you know pretty much right out of the box whether this is something you want to spend any time and energy looking into.

At the same time, at least one community felt more could be done to make the programs more accessible or to increase the follow-through.

[Commerce person] will come at the drop of a hat to go out to an industry to talk about the different benefits that Commerce has to offer...I'd say we do at least ten a year. ...I called [Commerce contact to ask] out of all the different presentations that we've done, how many of those businesses have actually taken advantage of all those different incentives that are out there. And we couldn't think of a one. And I think that needs to be looked at...why aren't people following through? Is there too much paperwork? Is it too difficult? Are there too many strings attached? Can I only hire low to moderate income people? I mean why are these programs there and why aren't there more people taking advantage of them?

Changes in administrator certification requirements were also discussed frequently by participants as being excessive or burdensome. Testing methodology was also questioned since there were errors in the certification test administrators were required to pass.

[Commerce] created a grant administrator program that you have to take a test and be certified...which I think is a really good thing, but I think they need to understand how to give a test... told me that 75 percent of the people would have failed it if she hadn't gone back and ...given people credit for some wrong answers, and I'm thinking, 'how is that helping you. Are you there to get us[through the program] or are you there to teach us how to do this so we can do it right?' ...The goal is to run the program, not to get people [out].

Other participants spoke about the time required to attend trainings as well as the frequency of trainings.

I think the requirements placed on CDBG administrators, the licensing administration program, are just ridiculous. For us to have to send a staff for a whole week to pass a class...to me it seems like it's become restrictive to the point that you have to go out and hire an outside consultant. And when you do that, you pay them ridiculous amounts of money that could be used in your own communities. ...so you've got to have three or four people trained so you always have someone covered, or you've gotta go out and pay someone ten percent for your project for them to administer. ...And I don't think there were that many problems before there was an administrative program. I think that the person that was running it wanted it done a certain way and said let's go out and administer the program...so that I can have it done exactly like I want rather than...making it accessible for these small communities.

Impact of Commerce

Several communities credited Commerce with helping their communities accomplish things that would not have been possible otherwise. Community Development Block Grants (CDBG) and Main Street programs were frequently cited. For several communities, these projects led to a renewed sense of pride and cooperativeness within a community.

There's no one in this room who wouldn't drop everything to be there tomorrow if that was necessary [to make a presentation or show community support.] ...And when Commerce can see that kind of camaraderie and unity within a community, it's hard for them not to make the investment. Because if we're fighting that hard together, why wouldn't they be our partner...?

Main Street would never have been open, and if it was, it would be that ugly-looking thing with the street right through it and that would have been it.

People just didn't care enough about it to want to do anything different.

We had about an 80 percent vacancy rate down there. And now it is at 99 percent occupancy.

From a larger community:

...I think some of the programs the Department of Commerce provides are the sparks that help us. We don't have big enough city staffs, we don't have big enough chamber staffs to have those kinds of programs, so it does provide at least the spark and someplace to go that has the resources to help us if we want to work on our downtown, we want to do [specific project], if we want to do economic development...

Communities lauded Commerce with helping to secure new businesses.

It's a partnership. I think there are some companies that are in our community today, that if we hadn't been able to leverage some training dollars or other monies from the Department of Commerce for businesses that actually relocated here from another state...We would not have gotten [company] if we hadn't had the state dollars because that was a big training grant that went through the technical college here. And that was a key component for them.

Commerce has also helped with employee training and retention.

Commerce was allocating funds to help us locate and retain scientists. And that's been very successful. Our turnover in scientists has gone to almost zero.

KIT and KIR programs were cited as being especially helpful to employers.

We held a series of small group luncheons and brought in...a few representatives from the Department of Commerce just to explain two or three of the training programs to

small groups...we probably held one a month...we went clear through our industry directory...they found out how simple it was to use and they make great use of it...We've had excellent cooperation in that regard from Commerce.

Economic Development Cycle

When new businesses are considering relocation, the first contact often comes through the city, or in the case of larger communities, the Chamber of Commerce, with the business inquiring about the types of programs and incentives available. Participants acknowledged that attracting new firms from outside the community or state is the rare exception, and that it is also risky.

Participants noted that Commerce field reps have made referrals to communities for businesses interested in relocating in the state. This is an important activity and led to a successful venture for one city, however some aspects of the process could be improved, according to participants.

For example, it was recommended that Commerce take a more active role in coordinating proposals when multiple sites are responding and other agencies are involved. In this case, more than one site was making a proposal and the capacity of a state university was cited as an important resource component in multiple site proposals.

Commerce left it up to the community to sort of work with the University to put together some questions that... I almost think that Commerce should have been the ones to coordinate the University leverage – as a state institution.

The participants believed that there should have been one universal point of contact to the university coordinating the responses from the university for the various sites.

...[It] put us in kind of an awkward position and I thought potentially could have stayed in an awkward position if one community has a different contact with the university...and we say different things about what the community can offer. I thought that would be really bad for the state. Now everything worked out okay, but it was just odd to me that as a state institution they would have the communities be the ones that have to put that together.

Even in cases where the business referral did not work out, communities appreciate the involvement from Commerce to bring in entities considering relocation.

[The organization] flew him down. We had a mini van and we toured the area. They listened to all the state incentives. [Commerce was] very helpful. ...then [relocation] didn't happen just because the [organization] changed their [plan]. But that was a great example of where Commerce really connected all the dots for us. We just basically had to be good hosts as a community.

The above scenario is one that communities would like to see more often. In preparation for these “windshield tours,” smaller communities in particular would like to know how to present their communities to prospective businesses. What changes do they need to make now, in

preparation for a site visit? What are the relative strengths and opportunities of their community and region?

What things are they looking for? You ask the Department of Commerce and they can't tell you that...if they could put together some type of training... 'these are the things that you've got to have in place and these are the things that they're looking for.'

Communities would also like the opportunity to decide for themselves if an opportunity is right for them.

I would really like to see the Department of Commerce send out their prospects to everybody and let us be the judge whether we could support that or not support it. They pre-screen everything...I think that may take people out of the game before and maybe we might have something that they're not aware of.

At the same time, if Commerce presents a community with an opportunity for exploring a new business opportunity, the community wants to know that the business has been properly vetted. One community learned a difficult and costly lesson and believes the situation was preventable.

The community had been working with the Business Development Division of Commerce, but after significant investment, the Community Development Division discovered the problem. In this particular case, by the time the problem with the company was identified, the community had already invested significant financial resources in the business.

They did credit checks on ... the community development side of Commerce, but the business development side apparently hadn't done it.

That was pretty devastating to know that we go through this whole process, they bring us the contact and then...it just made it increasingly difficult to even think about bringing a business in here and having the community invest in them because they got burned. And you know the perception was, 'well Commerce was a part of that.' So it becomes very difficult to bring other businesses in, and I've discussed that with our local guy and it kind of went on deaf ears I think a little bit. I just wish there was a process that would say, 'we're taking care of this piece, we're going to do the background checks for you, we're going to make sure who's stepping up has no felonies, has no history, no credit history, has no issues in the past,' or 'no, we're not doing that, you guys are,' – you know that there was a clear line. And I don't know if there is a clear line.

The community was also concerned it could happen again in a nearby community.

...[A]s soon as they were done with us, they were traveling around to other small towns, you know trying to do the same thing.

Smaller communities in particular need assistance with separating the legitimate businesses from those looking for a handout. They often lack the resources to do this on their own.

[W]e get calls all the time, they're looking for the free ride. And we gotta be able to analyze that. I mean I'll get a phone call probably every other week and so I've got to figure out, 'are these guys real? Are they just coming here to get a free ride?' Obviously we don't want to go down that path. So that kind of support would be great. If I could turn it over and say to whoever, 'can you please check this business out or this gentlemen out?' that would help us.

Despite having a bad experience, the community did not believe that Commerce was solely responsible for properly vetting a business or individual.

As Commerce ... I don't think you should say, 'we think there's no problem.'

Even if they had a clean background, I think you ought to be able to say, 'here's what we found out, make your own judgment.'

Communities understand that business development is risky too.

I guess you have to take a calculated risk at some point and say, 'this is worth investing in...'

They would also like to see Commerce help them develop strategies for identifying potential businesses. Particularly in smaller communities, Commerce is viewed as having expertise and knowledge otherwise unavailable to them.

Another community indicated it was prepared to think differently about how to attract new business.

In order to make a facility like that successful, we're going to need help from people all over the country, not just people here in the state to come up with a use for that facility. Help us come up with something a little outside the box, I mean...we're not most likely going to attract the run of the mill type industry to come locate here. So we're going to need people, creative people, thinking about what's going to be the best deal.

This particular community sees the initiative as a benefit to the entire state, through significant job creation, increase in wages, increased property taxes, increased income tax revenue, and decreased reliance on SRS support.

One community criticized Commerce for not seizing an opportunity to attract businesses looking to relocate from New Orleans after the Katrina hurricane. This leader sent an inquiry to Commerce about programs available to help businesses identify locations.

...[Businesses] need to be up and running. The comment I got back was, 'we aren't going to do that because that would be encroaching.' When I saw that...I was astounded that that comment was made because we do that every day. I mean we're constantly pulling businesses from Missouri to Johnson County. I mean it happens every day. It wasn't the lower tier level [Commerce staff], it was the higher tiered. I thought to myself, 'why in

the world would you make a comment like that?' ...They're not running, they're not operating, we've got buildings all over the place... I was really floored when that comment was made and thought, 'wow, we lost.'

Smaller communities recognize that their business development efforts need to be strategic in order to maintain a balance with existing businesses. Competition threatens survival.

Ten public accountants in the city of [edited] are not going to make it. ...[Y]ou've just got so much base to draw from and there can't be a lot of competition to make it.

...Commerce a lot of times wants to see those numbers, how many new businesses have you started. Well, out here you can't really add new business to fuel the economy, it's going to put someone else under. ...our focus...is how do we help the people that are in business now get better? Maybe Commerce could kind of take that approach with us out here too...what can we do to help these struggling surviving businesses grow stronger to support new business.

...they say, 'yeah, we understand that two jobs in a small community like [edited] is the same as 200 jobs in Wichita,' but what they say and what they do are two different things. I mean, when you look at their newsletter and they talk about their business recruitment and business development, it's all in the big cities with the big numbers. You know, they don't ever devote any resources, either human resources or financial resources, for business recruitment in small communities.

Communities also know they need help identifying strengths within their communities and region, and look to Commerce as a potential source of assistance with this.

We need help somehow identifying what kind of industries would be a good match for western Kansas. ...helping our areas identify what would be good fits for types of industries and then help us find those trade shows or those industries to try to recruit to come here.

...identify the assets and then identify industries or businesses that would fit with that and help us market ourselves.

The "large site inventory" initiative was discussed where larger communities identify 100 acres for industrial development. One smaller community suggested trying this on a smaller scale for 20-40 acre plots.

Smaller communities tend to look more to the U.S. Department of Agriculture for programs targeted to them, particularly for housing programs.

I just think the USDA's perspective is more focused on rural things.

I even heard from someone at Commerce that said, we were talking about bioscience, and the comment was made, 'well, it's really not designed for rural communities.' And I

kind of choked a little bit but then on the other hand, I thought, 'well, that's probably true.'

However, at least one participant from a small community was unwilling to put the responsibility for success within their community solely on Commerce or any other external entity.

I think we have to help ourselves first, I guess. ...we have to think of ways on our own.

Strengthening Existing Business

All communities, regardless of size, acknowledged that their strongest potential for continued economic and business development frequently comes from their existing businesses. Workforce training is an ongoing concern for at least one community, where the workforce is aging rapidly and there simply aren't enough workers in the pipeline to fill the void.

We employ about 600 people, and over the next 10 years we are going to have to replace 300 of them. ...that's going to be the problem in the next 25 years, supplying the basic labor force.

For more than one employer, this not only affects their current operations, but also limits their ability to respond to expansion opportunities. Not only are there fewer individuals entering the workforce, but many leave the community after they graduate and do not return. One community noted that more could be done to encourage students to consider technical training, and joint efforts between Department of Education and Department of Commerce were suggested as a possible solution.

...If we want to break ground later this year, we can't do it, because I can't...guarantee a workforce right now. ...we want to spend more money in here because the workforce we have is just outstanding, the community is second to none, but I mean resources do have limitations.

Another participant stated a similar situation.

...We have quality levels that far exceed the consensus standards...we have twenty lines available and we can only operate twelve lines and we can't service the market. We have all the equipment we need, but we don't have the people to run them.

One community which has seen a recent population growth has benefited from Commerce-led support on workforce training and supply issues.

Commerce has been real proactive as far as bringing people together ... how to deal with this [population] influx – the infrastructure, the jobs that will be needed, and created. I know they have done a lot of recruiting throughout the state and beyond looking for additional workers to help fill the needs. ...I just know for the last two years, seems like every meeting I go to there's somebody from Commerce there. They've been very involved...

Housing was identified as a related issue to workforce supply. The problem includes a lack of builders, lack of affordable housing, and a need to rehabilitate existing structures. Cities face real problems in attracting workers without adequate housing. Commerce has been one resource which has provided meaningful assistance to communities. However smaller communities find US Department of Agriculture programs more helpful for housing projects.

Priorities

Perceptions of Commerce priorities and what those priorities should be varied between small-to-medium and large communities. Larger communities believed they should be rewarded for succeeding by receiving more funds. They believe that the decline of smaller, rural communities is almost inevitable and that strategically, the funds could be better utilized in their communities.

I think Commerce helps [small towns] at the expense of larger towns.

How does the state perceive [community]? And I say that because this has been a community that has been very prosperous, it's been very independent in many ways too and has not relied on state or federal funding for every single project. Is that taken into account by the Department of Commerce in awarding grants? I mean do they look at the economic environment here and say 'you know [community's] pretty independent, they'll do okay. You know, let's go to some western Kansas county that's faltering and we'll give them the money.'

What can the state do for communities like us that have been a shining star for the state from an industrial basis, help us continue that growth, and growing the population and training necessary to support the future?

The bias ought to go toward a successful community rather than the ones that, like it or not, are going to go away in a couple of years.

We can't save every city in Kansas. It's impossible to do.

The above views are contrasted by small- to medium-sized communities.

...From the state's perspective they obviously want a bigger bang for their buck, I mean I think we understand that and they're going to invest their dollars where they're going to get the bigger run for their bucks. And I think that's just a policy issue from the legislature not necessarily with Commerce.

Smaller-to-mid-sized communities recognize they are stagnating or are in decline, but rely on Commerce funds and resources to some extent to keep their communities competitive. They also believe that they frequently lose out to larger communities for programs.

You know there are the large communities that are entitlement communities where that money just automatically flows to them. With us, we have to apply for that money. You know we have to, in doing a CDBG application whether it's for a sewer grant or whether it's for industry, [it] is very time consuming. ...The paperwork's deep.

Well, it's a numbers game too. You have to play their [Commerce's] numbers. Not being an entitlement city, you have to have the right ratio for everything they monitor.

And the entitlement cities don't have to do that.

...We're struggling just to keep our businesses open and people that are in those businesses, economic development...we don't have a plan either. It would be nice to have a plan. What's done is basically done through individuals that get together.

Small communities believe that there are already limited programs available for them.

I think right now...our contact quite honestly feels almost embarrassed to come and talk to us because he's always talking about how there's really no programs for places ...there's really nothing for poor communities, and...I don't hear much from that contact ... I think because of that. ...You kind of get the feeling that there's two different states, east of Wanamaker Road and west of Wanamaker Road.

At least one community recognized that Commerce's charge was large and that their funding was limited.

If we're going to start programs, let's make sure we have enough funding or people on board...[Agri-Tourism program] enthusiasm was there, and then all of a sudden it just dropped off.

There was encouragement from one community for Commerce to set priorities and allocate resources accordingly.

...I think what we intend to do is we try to make everybody happy and then we spread our resources too thin. ...what we have to answer as a question in the state first is who do we want to be, and what's our focus going to be, and then let's allocate the resources towards that. Those are not easy decisions to make. ...[determining] what our real assets are and then allocating whatever dollars we have to making that happen so we can have an impact. We can't do everything for everybody.

...if we're going to focus on the Flint Hills, then we need to get some money to the Flint Hills region and say we've decided that this is our tourist thing that we are really going to hang our hat on, but we're going to put money and allocate money and we may not be able to promote Boot Hill and Dodge City...and all those things... And the same thing then goes over into economic development. If we decided that manufacturing is going to be what we're going to hang our hats on, then we need to not be spread all out over everywhere...and this is where we're going to put all our workforce training...

One solution discussed was to focus resources on regional centers that would serve the populations within a 40-50 mile radius and thereby serving the entire state.

I think if we made the tough decisions the people in the little communities would benefit. It's harder for them to see how they'd benefit, but they would benefit.

...we're trying to save every community and everything that's out there and you just can't. There isn't enough money to do it. But we can do it if we can convince people to go in smaller circles, and look at what you could do, what development you can do within that 40-mile radius...we could really change economic development in our state...

Tourism and Promotion

Communities large and small are very positive about their interactions with Commerce's tourism staff.

They're very good marketing folks... I like what they've done with – I call it the tourism atlas, the travel guide – I think it's better than ever and of course the website is very handy and nice.

[Commerce is] very important to us. I work with the Department of Travel and Tourism...and the promotion that they give to each of the communities across the state of Kansas...it's just that hand in glove relationship that we have with the Department of Travel and Tourism.

Communities have creative ideas about promoting their communities, regions, and the state. One idea to improve the state's image includes touting products and technologies widely used that were developed here in Kansas. A few examples included the yellow first down line used in football game broadcasts and the laser sight light that is used on tools such as Sears Craftsman cordless drills.

The discussion turned to state of Michigan national promotions using famous citizens and how impressive the campaign was.

One group of participants really liked the efforts being made through the five regional people who were located strategically throughout the country to help attract business to Kansas. They felt this effort should be increased.

I still go back to perceptions of the state itself, you know I still just think it's underfunded. I don't think that piece is probably being funded well enough to actually make an impact. ...[W]e need more people out talking about the state of Kansas and what we have to offer. ...[Otherwise] you're not going to know that the state of Kansas now has no property tax on equipment, you're just not going to...and five people aren't going to be able to cover that.

Communities want to see the strength of the Kansas workforce highlighted in marketing efforts.

I think the recognition too that even though the population isn't huge here, every large industry or ...business knows that the Midwest is the backbone, they're the work ethics, they're the people that are loyal and trustworthy, and you know how to work, and you

know there are things that could be out here that could be computer-based...that people wouldn't all have to commute into one building. ...I think that there's a lot of things western Kansas and our community would be willing to do outside of the box to bring those [types of businesses] to us.

I think they're trying to change the image of the state and that's something that definitely needs to be continued. We get calls from all over the country...about our community, and you can definitely tell that there's a perception out there about Kansas. It's not great.

Well when you see pictures about Kansas and I hate to say it but there's usually a windmill, and a prairie, and a barn.

The smaller communities recognize that image is a key component to attracting businesses from outside the state and region. They understand that they are at a significant disadvantage to larger communities within and outside of Kansas. However, they also see Commerce's role as important to fighting the image issue.

I think we're all on the same page. I'd love to see the state continue to grow and I think Commerce's role – a lot of the stuff that we take as rural—that we definitely know that we have to take care of—we've got to do our plan. And then we just go out and find programs and make the contact...I know they're trying to change our [image] but if they could do even more, I think that's critical to Kansas. Kansas is in all this, not just [here], but we want Kansas to be successful...I would like to see more time and efforts on that.

Communication

Communication issues were often cited when problems with Commerce were identified. Many problems related to not knowing who to contact as a result of staffing changes and positions remaining unfilled. Where personal contacts existed, fewer communication problems were noted.

We're on lists and we get notified of the programs. They just know who we are, in my case...I have relationships with all of them...

I think communication from Commerce has improved whether it's electronic or through their magazine newsletter, or website. But that's not a personal communication, it's directed. It's an easy way to communicate. ...And certainly they have a lot of hearings, workshops and public forums to receive more details if you'd want. I think they're one of the better agencies that do that in the state.

Some opportunities to improve communications were identified.

...I guess if I knew what they provided in a quick easy reference, that maybe that might be helpful. I could look at it and say, 'well, you know, I'm going to call them for this,' either yes or no.

It seems like the Department of Commerce is the best kept secret out there. And they need to, I hate to say come to us, but they need to somehow set up some piece of availability,

be it meetings that are held across the state or something, where you could go and get information.

One participant suggested the website could be improved by including news and upcoming events.

On their website, Commerce doesn't list that much in the news department. It's a ribbon-cutting mostly. What I usually see [on website] are usually past events in the last week, month.

The individual was on the website looking for information on an upcoming training but ended up having to call someone because it wasn't posted on the site.

Businesses often see state and quasi-state agencies as one unit. There was frequent confusion about the roles of each and where responsibility for a program rested. The Kansas Bioscience Authority, Department of Commerce, Housing, Department of Agriculture, the Governor's Office, and even state universities were seen as essentially one unit.

Businesses were also less likely to have a clear understanding about programs. They would like to know more, but are unsure of how best to get the information to them.

...I don't want to get a monthly e-mail...It'd be nice to have some kind of very periodic review of what they do and how we can work together.

I think there's a tendency throughout the United States to push everything toward the internet, it's all online instead of personal contact. Our website is such and such, go to that. Rather than a personal contact, and you know once they get re-established with people, you know filling all these slots.

Small group sessions were suggested as an alternative to e-mail contact for letting businesses know about Commerce programs.

It'd be nice to have some kind of very periodic review of what they do and how we can work together...where a representative could come to town and a group would come together and ask questions. Sometimes I don't even know what questions I want to ask, but out of a group, you can get [ideas].

One recipient of Commerce funding had a situation where a piece of equipment that was purchased through a Commerce loan program was potentially jeopardized by a natural disaster. The individual contacted Commerce to let them know that the equipment was not damaged.

The person I was talking to just couldn't figure out why I should call to let them know...and I felt that I needed to do that because...we had a loan and had different [Commerce] programs. But he just couldn't get the drift why I was reporting this.

Staff Changes, Transitions, and Who's in Charge

There was considerable frustration with frequent staffing changes at various levels within Commerce. In several cases, participants learned of departures – or that Housing was no longer part of Commerce – through discussions with other participants at the focus group sessions. Staff changes often led to apparent shifting of program priorities and rules, sometimes during a project already in progress.

Although many of the staff and priority changes apparently were related to the change in administration in the 2002 election, there was evidence that staff changes have been an ongoing issue for some time, with some positions remaining unfilled long-term.

They don't have field staff out here for community development...they haven't filled positions out here for years.

...[they need to] remember that the last third of the state does exist.

...I realize there's not a lot of people but there's a lot of ground and a lot of area, and there is population that pays their taxes and would enjoy some services.

They consider Salina and Wichita western Kansas, and that's a long ways from western Kansas.

One community had a particularly difficult time with getting a new businesses training grant started due to the transition between administrations. Securing the training grant had been a main factor in the company's decision to re-locate in the community.

They got the grant, and then to implement, they got sent in circles. And they got frustrated, very frustrated. ...they were thrilled with the grant, and then when it went to the implementation of the grant is where the hang-up came. And some of it was that they were caught in the transition between administrations. ...they had a new group of people, and they changed the rules, and [company] got very frustrated...it took them over a year before they got the grant.

I've done a lot of grants, this was the most difficult, confusing one I had ever done. But the good news is that they have changed it... that's a point in Commerce's favor is that they saw a problem and they have done something to resolve it.

...they were so upset that they said if they had known that was going to happen, they wouldn't have come to the state, period. ...They said if they could have gotten out of all their contracts, they would have moved to some other state, because they just felt like the state promised this and couldn't deliver it...

...Department of Commerce dropped the ball. And you can't have one set of rules on Friday...and then on Monday change the set of rules, and that's what happened.

Many questions were raised about who was the current head of Commerce and who was in charge of various program areas. Several communities expressed the desire for strong leadership within Commerce at the highest levels. They want the leadership to be decisive and to set the agenda for Commerce.

It's just been kind of odd. I just don't know who's in charge.

Are they advertising for those jobs or are they just having a difficult time – or have they decided what to do with those positions?

If you're going to get a top leader to take your economic development to the next level, then you're going to have to say, 'first let me go out and find who I want, and then within reason, I'm going to pay them'. ...If you want a true business leader to run that, you're going to have to pay a lot more than ninety to a hundred thousand.

Conclusion

The overall opinion of Commerce is positive, although some areas for improvement were identified. Generally communities view Commerce as a valuable resource and an important partner in their economic development efforts. In most cases, they would like to see more involvement from Commerce but recognize their resources are limited. Communities expect Commerce leadership to set the agenda for the state's economic development direction. With attention to the noted areas for improvement such as communication, transition, and clarity of purpose – Commerce can continue to be an important leader in the economic development arena for the state of Kansas.

Appendix C: Case Studies of Commerce Assistance

Company A – Durable Luxury Goods Manufacturer

Company A, based in southeastern Kansas, manufactures durable luxury goods. The company has been in operation for over 40 years. It prides itself on a fully integrated operation in which it crafts virtually all parts of its finished products. It has pursued a reputation for providing higher quality products with better fit and finish than its competitors. Shortly after its formation, Company A moved into a former heavy refining facility in a nearby town. The community to which it moved facilitated the relocation.

In 2006, Company A expanded into a vacant facility in central Kansas. The company now uses this facility to build higher quality products via a new and improved manufacturing process. Commerce was able to assist in this move by providing a KIT grant to help train associates in the new production process. Also, Commerce provided a forgivable loan under the KEOIF program for the purchase of equipment associated with the new facility. These incidents of assistance helped Company A successfully complete the expansion, which will strengthen its competitive advantage of crafting higher quality parts from a cutting-edge process.

Company A also recently completed an expansion to its base facilities. To help with this expansion, Commerce provided KEIEP funds. This expansion, as well as the addition of the new facility, has helped increase its employment – five years ago, the company employed roughly 500. Today, that number is over 800.

Company B – Building Materials Manufacturer

Company B, headquartered outside of Kansas, manufactures building materials for residential and commercial property. In 2003 it decided to expand its production capacity in order to compete for a large contract with the federal government. After determining that further expansion in its existing urban site would not be possible, it began looking at sites in more rural locations. Commerce provided help with identifying potential sites for expansion in Kansas. Possible locations were identified in industrial sites throughout the central and eastern regions of the state. After some consideration, an industrial park in central Kansas seemed ideally suited for the company's purposes.

To help encourage the location to that site, Commerce put together an incentive package that included Industrial Revenue Bonds, KEOIF funds, KIT funds, and a waiver for certain relocation-related fees. Company B took the offer, and the move was completed in 2004. It later competed successfully for the desired government contract. Company representatives have stated, however, that Commerce was prepared to support the expansion even if the contract bid had been unsuccessful.

Company C – Food Purveyor

Company C is based outside of Kansas. It purchases overstock from food purveyors and resells the food to wholesale and institutional customers. The company was formed in the East in 1993 and today maintains operations across the country.

Company C's relationship with Commerce began when it started investigating the possibility of acquiring a manufacturing and distribution center in Kansas to reduce the costs associated with shipping products from the East Coast. It eventually acquired a facility in western Kansas in 2003, but the facility needed substantial rehabilitation and retrofitting. Commerce provided KIT funds for workforce training, a KEOIF forgivable loan, available state tax credits and exemptions, and CDBG funds to assist with the construction of a railroad spur to the site. The city also provided assistance. The expansion is expected to create approximately 50 jobs and add five million dollars in investment to the community.

According to its chief operating officer, the incentives and excellent customer service provided by Commerce were important factors in the company's decision to locate in Kansas. However, company representatives have also expressed disappointment. After protracted negotiations with railroad officials, Company C learned that construction of the railroad spur would not be feasible. Company representatives wish that city or Commerce officials would have researched the matter more thoroughly before making the spur seem feasible, since the railroad spur was an important factor in the company's cost of business calculations for the facility.

Company D – Biotechnology Services

Company D provides professional services and solutions to the pharmaceutical, biotechnology, and healthcare industries. It is located outside of Kansas and delivers its services via subsidiaries responsible for clinical research, sales and commercialization, and financial solutions. The company currently employs between 10,000 and 20,000 individuals.

Company D originally operated a campus in Missouri that employed more than 700. However, in 2005, it was recruited to construct a new facility in northeastern Kansas to house all of its Kansas City area operations. The building was set to house 700 employees when it opened in 2007 and may add 300 more in the next few years. According to company officials, Commerce was very helpful in this process. The incentives provided, including local tax abatements and state tax credits, were crucial in determining the site of their relocation.

Company E – Workforce Development Partnerships

The Manufacturing Skills Certification (MSC) Training Program is an example of a workforce development partnership between Commerce and a group of Kansas firms. The program is a three-week basic skills course designed to prepare workers to enter the aircraft manufacturing industry in the Wichita area. It is taught at the four Kansas Institute for Technical Excellence (KITE) schools – Butler Community College, Cowley County Community College, Hutchinson Community College, and Wichita Area Technical College. An advisory committee that included representatives from these schools as well as the aircraft industry created the MSC curriculum between January and June of 2004.

The MSC course is designed to be the precursor to another three-week class on a more specialized area of aircraft manufacturing, such as sheet metal, composites, welding, etc. Those who complete both courses receive an aerostructures certificate, which makes them eligible for a job at most area aircraft manufacturers. Although the idea for the course came from discussions between the KITE institutions and the aircraft industry, the seed money for the program came from a Kansas 1st Workforce Solutions Fund grant from Commerce. This grant provided funds for those developing the program to purchase materials for the class as well as have its content reviewed and tested. The MSC program was responding to an urgent need by the aircraft industry for new sheet metal workers.

A similar collaboration took place around the end of 2005 between Commerce and Company E, a major aerospace manufacturer in the Wichita area. Having already been part of a focus group that reviewed the content of the MSC curriculum, the firm was asked by the consortium of KITE institutions to run a pilot version of the MSC and find out whether it helped increase workers' skill levels. Funding for this pilot program came from a Commerce IMPACT grant. The Direct Training Services within the IMPACT grant allocated funds for Hutchinson Community College to provide three on-site technical trainers to Company E. The company found that those who did not enroll in the MSC program were at a disadvantage compared with those who did. The program turned out to be a cost-effective way to teach basic skills to individuals entering the aircraft manufacturing industry. Officials within the industry estimated that, if the MSC program continues for the next five years, it has the potential to provide training for more than 1,000 aerospace workers in the Wichita area.

Commerce was also instrumental in setting up a workforce development program within the state's oil and gas industry. In response to a shortage of skilled oil and gas workers and state standards that require the industry to re-certify its employees frequently, Commerce gave a \$75,000 grant for training and certification to the Kansas Local Area I Workforce Investment Board in July of 2005. The Workforce Investment Board partnered with Pratt Community College to provide classes on topics such as first aid, OSHA compliance, and oil rig operation. Commerce's funding period ended one year later. However, due to the value of the program, the Workforce Investment Board and Pratt Community College have continued to administer the training using Federal Workforce Investment Act funds. This year alone, 300 to 400 workers will receive training through the partnership.

Company F – Heavy Durable Goods Manufacturer

Company F, a heavy manufacturer located in Kansas, received a large IMPACT training agreement from Commerce during a period of high growth in the late 1990's. Under this agreement, the company would be reimbursed for training expenses related to employment increases over the course of the five-year agreement period. However, with the national economy in recession during 2001 and 2002, the company's employment declined to below pre-agreement base employment levels.

According to the terms of the IMPACT agreement, Commerce could have declared the company in default and demanded immediate repayment of the funds that had already been received. Instead, Commerce worked out a repayment agreement with Company F where, based upon

company employment forecasts, repayment would be extended until employment levels would rise above required base levels, allowing the company to repay the training funds. As part of this agreement, half of the money owed would be put into an escrow account during this period. As projected, Company F's employment did recover and the terms of the original IMPACT agreement and repayment agreement were met in 2006.

According to company officials, this was a win-win situation for both sides – the company was not required to make a multimillion dollar default payment, and the agreement's goals were met within the 10-year IMPACT agreement period.

Company G – Non-Durable Goods Retailer

In 2004, Company G was looking at a number of possible sites in the central United States for relocating its corporate headquarters. These included sites in Kansas as well as ones in neighboring states. During the selection process, the company met with Commerce to determine which incentive programs could be utilized if a site in Kansas were chosen. Commerce offered a KEOIF grant for costs associated with setting up the new office as well as an IMPACT training agreement that would reimburse costs for professional conferences and classes.

According to company officials, these incentives played a large part in the company's eventual decision to locate in Kansas. They were not the only factor; however, without the incentives, the company probably would not have chosen Kansas. The only disappointment for the company was the frustrating application process for an HPIP grant. This process involved multiple exchanges with Commerce to determine what information was needed in order to determine the company's eligibility. In the end, the company applied for and received Enterprise Zone sales tax exemptions instead of an HPIP grant. In talking with other companies, Company G has concluded that HPIP is the Commerce incentive with the most difficult application process.

Company H – Communications Industry

Company H, an out-of-state corporation involved in communications, was looking to expand its operations in the central United States several years ago. A site in Kansas was among the locations being considered for a new support facility. As part of the selection process, the company used a third-party real estate advisor to identify applicable business and economic incentives from state and local governments. It viewed the attractiveness of these incentives as a major component of the decision to locate in Kansas or elsewhere.

Commerce's incentive package included sales tax exemptions, a forgivable loan, and funds for industrial training and retraining. The forgivable loan was particularly attractive to company officials since it would help offset capital costs associated with the construction. Ultimately, this package was a major factor in the corporation's choice to build its facility in Kansas. In fact, had the incentive package not been as attractive, the company probably would not have chosen the Kansas site. The facility is now in operation and has resulted in an employment gain in the range of 500 to 1,000 for the state.

Appendix D: Technical Brief on Statistical Analysis

A key question in this evaluation is whether key Kansas economic development outcomes would happen without Commerce assistance. An ideal analysis of that question would require a “counterfactual” scenario where we could observe a group of businesses that have not received Commerce assistance over time, and then go “back in time” and observe those same businesses’ performance after receiving Commerce assistance. Obviously, this is not realistic. Nonetheless, analysts generally agree that comparing the performance of businesses that have received assistance to similar businesses that did not receive assistance provides some of the same information as a true counterfactual scenario. We apply that basic logic here. By comparing the performance of firms that receive Commerce assistance to similar firms that did not receive Commerce assistance over the same time period we can develop some insights into the difference that assistance makes.

There are several challenges to carrying out this sort of comparative analysis. The first is identifying suitable indicators of business performance. Fortunately, as we have discussed throughout this report, Commerce staff and stakeholders generally agree that job creation and retention are good indicators of progress toward the agencies’ mission of helping Kansans achieve prosperity.

The second is reliably measuring the performance of individual businesses. Employment and wage data for small businesses is difficult to collect, expensive, and often unreliable. For that reason, rather than focus on individual firms, we instead analyze trends over time in job growth, total wage growth, and average wage growth among “bundles” of like-sized firms in similar industries. This bundling helps to mitigate any confounding information from data collection problems or idiosyncratic firm behavior.²⁹ This strategy makes sense because many Commerce programs are designed to affect change in particular industries and among particular segments of the business population, even though actual assistance is delivered to individual firms.

The third challenge is finding appropriate comparison firms that have not received Commerce assistance. Since no two businesses are exactly alike, no matching process will produce exactly the desired counterfactual effect. That said, the sheer number of businesses establishments in Kansas provides a rich and varied dataset from which to find suitable comparisons. We were able to find appropriate comparison groups for 16 different types of businesses. Especially important is that these 16 represent a substantial portion of Commerce’s overall assistance effort. This undoubtedly excludes several types of firms for which Commerce provides crucial assistance, but it does provide a good, general overview of difference Commerce makes for those industries in which it has established a strong presence.

The fourth and final challenge is properly attributing differences in performance to Commerce assistance. This analysis simply does not allow us to determine whether assistance is the reason or catalyst for changes in business performance. It is not uncommon, for instance, for growing firms to seek assistance to accelerate their growth, or for firms that might require a reduction in

²⁹ This includes temporary shut-downs (which are not uncommon among small, single establishments), name changes, ownership transfers, and other phenomena that obscure a firm’s performance over time.

their workforce to seek Commerce assistance to mitigate the effects of that reduction. In these and many other circumstances Commerce assistance is part of a broader business strategy dictated by the firm's recent and expected future performance. So even though we can associate differences in performance with the presence of Commerce assistance, this analysis does not allow us to say that Commerce assistance is the reason for those performance differences. This problem is compounded by the fact that we are not able to effectively differentiate performance changes among different types of Commerce assistance. Some programs might be more effective than others at bringing about certain types of performance changes, but those differences are obscured.

That said, this analysis does provide meaningful insights into broad trends in the behavior of assisted and non-assisted firms. Differences in those trends allow us to comment, albeit at a broad level, on the difference Commerce assistance makes.

We conducted the analysis as follows. With the help of Commerce staff, we first identified the entire population – roughly 1,000 firms – of businesses that received some form of Commerce assistance from 2002-2006. We then purchased data – from Dun and Bradstreet, an international purveyor of data for marketing and business analytics – on all Kansas businesses with at least ten employees. We also purchased a separate sample of manufacturing and service sector businesses with between one and nine employees. This was designed to account for smaller firms, of which there are substantially more. The manufacturing and service sectors were chosen because Commerce has the strongest presence in these industries. If a firm in either the Commerce data or the Dun and Bradstreet data had more than one location in Kansas, we aggregated that firm's data to the state level. This process resulted in a comprehensive dataset of all Commerce-assisted firms for which data were available, and a comparison group of businesses not identified as Commerce-assisted between 2002 and 2006.

We then purchased – from Professor John Leatherman at the Department of Agricultural Economics and the Office of Local Government at Kansas State University – employment and wage data for these businesses. These employment and wage data are collected from the Quarterly Census of Employment and Wages, a report filed with state labor/workforce agencies by all businesses that regularly pay unemployment taxes. Most businesses that employ at least one individual are required to pay those taxes, so these data cover all except the smallest firms. After incorporating the wage and employment figures, the new expanded dataset contained the following data for each quarter from 2002-2006: the firm's most recent primary Standard Industry Classification (SIC) code, whether the firm received Commerce assistance at any point between 2002 and 2006, total employment for the quarter, total wages for the quarter, and the average wage (total wages divided by total employment) for the quarter. We then calculated each firm's change in total employment, total wages, and the average wage from the previous quarter.

The next step was to construct bundles of firms that had received Commerce assistance, and bundles of comparable firms that had not received Commerce assistance. We did this by sorting the entire dataset according to two-digit SIC codes. We found that three digit codes were too precise to allow for grouping of more than two or three firms into each industry bundle. The main drawback here is that two digit codes allow for a substantial degree of variation within each bundle. For instance, the SIC code for "Fabricated Metal Products" (#34) contains industries

ranging from “Metal Cans and Shipping Containers” to ammunition. But as mentioned, these codes are the most appropriate given the scope of Commerce assistance.

These subsets were then denoted as Commerce-assisted if all their members had received assistance, and not assisted if none of their members had received assistance. We deliberately avoided intermingling assisted and non-assisted firms within the same bundle in order to provide the cleanest possible interpretation of the final results. This sorting process resulted in several dozen “bundles” of comparably-sized firms, some that had received assistance and some that had not, within each two-digit SIC code. An “assisted bundle” was included in the final analysis if contained at least three firms, and if its identical bundle of “non-assisted firms” contained at least three firms. Maintaining roughly the same number of firms in each bundle circumvents any problems of interpreting the magnitude of changes across quarters. A total of seventeen bundles were included in the final analysis, comprising more than 9,100 individual quarterly observations over the period of analysis. Descriptive information on those bundles is reported in Table 11 in this report.

There were two main drawbacks with this matching approach. First, the Dun and Bradstreet data is what we might call a survivor sample. It includes only firms that are in operation today. This creates a bias in the sample toward more successful firms. In the absence of a better dataset, we must simply recognize this as a potential limitation to this analysis. A second drawback is that for some pairs of bundles the average firm size and/or the number of firms included in the bundle are noticeably different. Extra caution is urged when interpreting the performance differences across these different bundles.

The basic analytical strategy was to compare the performance over time of each assisted bundle to the performance of its non-assisted identical bundle. We focus on three performance indicators: quarterly change in total employment, quarterly change in wages, and quarterly change in the firm’s average wage. We calculated these changes for each variable for each quarter for each bundle, and then calculated the difference in those changes between the assisted and non-assisted bundles. So for instance, if wages for a bundle of assisted firms grew by 5 percent for one quarter, and wages for the comparison bundle of non-assisted firms grew by 3.5 percent during that same quarter, we would say the assisted bundle outperformed the non-assisted bundle by 1.5 percent for that quarter. We then computed the average of these quarterly performance differentials for each overall bundle. The figures reported in the last three columns of Table 11 are these performance differentials averaged across every quarter from 2002 to 2006.

The basic intuition behind this analysis is simple – if the assisted firms consistently outperform the non-assisted firms on these key performance indicators, then Commerce assistance is contributing in some way to positive outcomes.

Appendix E: Comparative State Analysis: Economic Development Incentives

Select States: Arizona, California, Colorado, Kansas, Idaho, Missouri

These states were selected as competing most directly competing with Kansas for job creation and economic development.

All states have a combination of cash reimbursement for certain items, usually training, sometimes moving expenses, and tax rebates for certain items, usually property tax, personal property tax, and sales and use tax on certain, specified products, and tax credits to be applied against income taxes, sometimes going back years and often allowing a carry forward for some years. In addition, all states allow publicly issued bonds such as Industrial Revenue Bonds or Pollution Control Bonds.

Since each of these programs were approved by their legislatures, they are variable by how their legislators perceived priorities and dealt with the politics of relative subsidies for urban/rural, manufacturing, high tech, research and development, agriculture. Unique industries and the encouragement of specific industries distinguish the state incentives as well. Idaho, for example, has a 3 percent Tax Credit for Investment in Broadband Equipment for companies providing broadband service to Idaho customers. California has a unique set of incentives for businesses involved in developing the Joint Strike Fighter, including hiring credits, property credits, and training funds. Arizona provides extensive exemptions and credits for forestry harvesting business, solar energy, and airport capital improvement programs.

Number of Incentive Programs by State					
Arizona	California	Colorado	Kansas	Idaho	Missouri
54/36*	34	13	15	24	13
*36 does not include tourism and arts, housing, and energy incentive categories, and are not reflected in the comparative chart below.					

Each of these Incentive programs has layers of detail and discrete thresholds for levels of eligibility. For example, one state has a “\$2,000 training reimbursement that is variable based on the salaries to be paid (on a sliding scale) up to \$3,000 for jobs paying \$12 or more an hour, provided the jobs are located in select rural counties.” Another state has a “Customized training program with grants of \$800 to \$2,700 per employee, matched 40 percent by the Employer locating or expanding in urban areas at wage thresholds of \$8.50 an hour or in rural areas with thresholds of \$7.00 an hour plus health benefits.”

That level of detail makes a clear and simple comparison presentation of apples to apples difficult to impossible.

The best way to make a comparison might be to take a specific industry and see how the incentives might play out one state compared to the other. But that too has its pitfalls in that one

state might interpret their incentives more liberally or more conservatively than an independent analyst might. And some states have intentionally targeted a particular industry and built incentives for that industry. Colorado seems to target the aircraft industry and biotechnology. Idaho seems to target high tech, manufacturing, and corporate headquarters. Kansas seems to target manufacturing, distribution, and office complexes. Missouri as the example in Kansas City seems to target major development in major cities with a host of incentives similar to Kansas' STAR bonds and Tax Increment Financing. California seems to target manufacturing, military, high technology, agriculture, distribution, and in special zones to stimulate jobs in depressed areas.

What Each State Offers:

There are many similarities between state's incentives. There are only so many ways to provide attraction to new or expanding industries, and this sample of states has used all of them, it seems. Each of the states surveyed offers these programs, some in different, promotional names, but all similar.

1. Industrial Revenue Bonds (IRBs) for federally-defined eligible industrial development, limited to a cap amount, creating competition for land acquisition, plant and equipment investment.
2. Reimbursement of Training Costs, for either pre-employment or on-the-job training. Variable, based on salary.
3. Enterprise Zones with Tax Credits and Hiring Wage Credits.
4. Small Business Development Centers.
5. Tax Credits for Income Taxes based on job creation and investment, variable based on numbers of jobs, wages paid, and amount of investment.
6. Property Tax Rebates, Personal Property Tax Rebates, and Sales and Use Tax Rebates, all variable based on type of investment and amount, sometimes capped.
7. Benefits for Small Business and Rural Areas as well as Large Cap and Urban Areas.
8. Business Retention and Expansion benefits and incentives.
9. Attraction and Recruitment of New Business and Industry.
10. Community Development Block Grants from federal money provided for housing, public facilities, and economic development. Larger cities get entitlements directly from the federal government; smaller cities compete for grants administered by the State.
11. Each state has some program or offering to remove bureaucratic barriers and ease the expansion, retention, or attraction of new jobs, including helping local governments with infrastructure.

Other Incentives Offered by Discrete States

- Idaho offers a 5 percent Income Tax Credit for R & D work done in Idaho. California offers a 15 percent Credit against Corporation Income Tax Liability.
- Idaho offers Net Operating Loss deductions up to \$100,000 a year carried back two years and carried forward 20 years. California allows 100 percent loss carry over for ten year if loss is in the first year; over seven years if loss is in the second year; over six years if loss is in third year.

- Colorado has two Venture Capital initiatives: Certified Financial Companies (CAPCOs) which may invest from \$100,000 to \$3.3 million; Venture Capital Authority administers investments of same size but prefers \$500,000 to \$2 million.
- Idaho caps property tax at \$800 million of value in a single county, if the company makes yearly capital investment of \$25 million and employs 1,500 FTEs in the county.
- Missouri and Kansas offer Transportation Development Districts with additional sales taxes or assessments to pay for Parking facilities, roads, or other transportation improvements.
- Idaho offers 100 percent Property Tax Exemption for business inventory, motor vehicles, vessels, and aircraft based on specific product eligibility.
- Idaho offers 100 percent Goods in Transit Tax Exemption for goods temporarily stored in Idaho for shipment elsewhere and goods purchased and delivered outside of Idaho.
- Colorado offers full rebate of the State's 2.9 percent Sales and Use Tax on all materials and supplies for Biotech industries.
- Colorado offers \$1,200 Tax Credit for each new aircraft industry manufacturing employee over the base-line from the year before.
- Kansas provides forgivable loans for projects that create jobs and invest new capital in the state.
- California has several Foreign Trade Zones, Empowerment Zones, and Enterprise Communities that allow additional tax credits and hiring credits, along with enhanced IRBs.
- California has several other incentive areas called Manufacturing Enhanced Areas, Targeted Tax Areas, and Local Area Military Base Recovery Areas.
- Arizona and Kansas' Main Street programs help foster economic vitality of small city downtowns.
- Arizona is the only state allowing an 80 percent reduction in state real and property taxes in free trade zones and sub-zones.
- Arizona has eight programs for improving transportation access, with several designed for rural communities, low income and the disabled.
- Arizona provides extensive tax credits and exemptions for forestry harvesting business
- Arizona programmed \$40 million for motion picture tax credits for CY 07.
- Arizona employs the super weighted sales factor.

The Kansas Department of Commerce operates other programs that can be used by business to enhance expansion or relocation or even start-up activities. While not directly considered "incentives" in the strict sense that we are comparing, these programs have the effect of being of significant help to entities working to create or sustain jobs in smaller communities. As a major example of these programs is the Main Street Program. These programs are listed on the website under Community Development and Community Assistance, rather than business assistance. They include:

- *Kansas Main Street Program* is a self-help, technical assistance program that targets preservation and revitalization of historic downtown districts. Communities become designated Main Street cities through a competitive application process. The program offers management training, consulting, program evaluation, design assistance, business enhancement strategies, incentive dollars, and training opportunities to designated

communities of less than 50,000 in population. The Incentives Without Walls fund provides financial support to these cities to stimulate private investment and create jobs in the downtown districts. It adheres to the National Main Street Center's four approaches to downtown revitalization:

1. Organization means getting everyone working toward the same goal by combining a volunteer-driven program, an organizational structure of a board of directors and committees, and a financially strong organization.
 2. Promotion means selling the image and promise of Main Street by marketing the district's unique characteristics to shoppers, investors, and visitors.
 3. Design means enhancing the visual quality of downtown through attention to all elements of the physical environment.
 4. Economic restructuring means bolstering the existing economic assets of the district while diversifying its economic base. By helping existing businesses expand and recruiting new ones to respond to today's market, Main Street programs help convert unused space into productive property and sharpen the competitiveness of business enterprises.
- *Incentives Without Walls* is available to designated Kansas Main Street downtown areas, funds are available in two competitive rounds and one open round each year. Funding maximum is \$15,000 per community, per round. Funds may be used for a variety of downtown business needs. Loans are encouraged over grants.
 - The *Kansas Small Towns Environment Program* (KANSTEP) is a non-competitive, self-help program for communities to address water, sewer, and public building needs through greater initiative and fewer dollars. Communities must demonstrate readiness (perception of the problem and willingness to take action to solve it), capacity (human resources to solve the problem), and documented costs savings. These grants require the use of volunteers to match CDBG funds. A 40 percent savings must be demonstrated to be eligible. The maximum amount for this grant is \$300,000 with a funding ceiling of \$2,000 per beneficiary. The funding is an open cycle. Funding is targeted to professional services and materials.
 - The *Kansas Downtown Redevelopment Act* encourages entrepreneurs to locate their businesses and invest in central business districts, as well as distressed neighborhoods, by offering property tax relief in areas designated by local governments, which are subsequently reviewed and approved by Commerce.
 - *Kansas Enterprise Facilitation* is designed to utilize the intelligence found in communities, train a broad spectrum of local citizens, and generally increase local capacity to help themselves develop new small businesses. Community Development Block Grant technical assistance and State EDIF funds have been used to train local citizens, hire an Enterprise Facilitator, and build capacity within a large community enterprise board. The board ranges from 35 to 50 citizens who are engaged in finding confidential management resources for entrepreneurial businesses. The objective is to build management capacity by using local knowledge to form a team of equally

passionate people who love the product, who to market the product, and who love financial management.

- The *Rural Business Development Tax Credit Program* provides an estimated \$7 million in tax credits over three fiscal years to encourage individuals and businesses to invest in regional foundations in each of seven Kansas economic development regions (Northwest, North Central, Northeast, East Central, Southeast, South Central, and Southwest) This investment worth \$14 million in cash donations, will provide equal capital for entrepreneurial efforts in rural communities, ensure regional determination for the usage of funds, and encourage local investment in the region's economic future.
- The *Community Development Block Grant Program* allows Commerce to distribute federal funds to Kansas cities and counties looking to improve their community. One of three national objectives must be met in order to receive funds: 1) benefit to low-and-moderate-income individuals, 2) removal or prevention of slum or blight conditions, or 3) elimination of an urgent need created by a severe natural or other disaster when local funds are not available. These funds may be used in a variety of activities to expand or improve community capacity.

The CDBG program gives grants in the following categories: I) Annual Competitive Round Community Improvement and Housing, II) Economic Development, III) CDBG Urgent Need, and IV) Kansas Small Towns Environment Program (KAN STEP)

Community Improvement projects include, but are not limited to:

- Water and Sewer Grants. The maximum award is \$400,000 with a funding ceiling of \$2,000 per beneficiary. Applicants are encouraged to appear before the Kansas Interagency Advisory Committee (KIAC) prior to application submittal.
- Community Facilities. Projects may consist of, but are not limited to, fire protection, bridges, community/senior centers, streets, architectural barrier removal, natural gas and electrical systems, health, mental health, and other public facilities projects. The maximum award is \$400,000 with a funding ceiling of \$2,000 per beneficiary.
- Housing Rehabilitation Grants. These rehabilitation funds are awarded to local units of government (cities and counties) and the maximum amount awarded is \$400,000. Homeowner and rental properties must be brought up to code using these grants. Up to \$18,000 per unit may be used for rehabilitation.

Economic development grants are made to cities or counties are then loaned to provide gap financing for private businesses that create or retain permanent jobs. Eligible activities include infrastructure, land acquisition, fixed assets, and working capital. At least 51 percent of the jobs created or retained by the for-profit entity must meet HUD's low- and moderate-income (LMI) standard. Some repayment is required for all economic development activities. The funding ceiling is \$35,000 per job created or retained with a maximum of \$750,000. Match is required.

Urgent Need Grants address an immediate threat to health or safety resulting from a sudden and severe emergency. These awards assist in meeting community needs created by a severe natural or other disaster. The need must be certified by the state agency that has regulatory oversight. Applications are reviewed on an as-needed basis throughout the year. The maximum amount awarded is \$400,000 per grant. Applications must be received within six months of the occurrence.

The Kansas Small Towns Environment Program (KAN STEP) is an ongoing, non-competitive, self-help program for communities to address water, sewer, and public building needs through greater initiative and with fewer dollars. Communities must demonstrate readiness (perception of the problem and willingness to take action to solve it), capacity (human resources to solve the problem), and documented cost savings. These grants require the use of volunteers to match CDBG funds. A 40 percent savings must be demonstrated to be eligible. The maximum amount awarded for this grant is \$300,000, with a funding ceiling of \$2,000 per beneficiary. The funding is an open cycle. Funding is limited to professional services and materials.

Communication of Incentives to Prospective Clients

One of the tools we explored to evaluate how well Kansas does in providing incentives comparatively is to look at the websites of the target states and surf around to see how customer-friendly and easy it was to learn of the offerings. We know that business looking to relocate seek out user-friendly and predictable incentives, without hoops to jump through and voluminous documentation. So we looked at California, Idaho, Colorado, Missouri, as well as Kansas. Someone suggested that Oklahoma was a good model, so we also looked at Oklahoma.

What we found was that the Kansas website was less friendly to obtain information on incentives from than the others compared to, with the possible exception of Missouri. Missouri's website has a matrix of incentives with print so small, and unable to be increased in size easily and quickly – the definition of user friendly – that it was impossible to read. Information was obtained on Missouri incentives from the Kansas City, Missouri website, which of course is one of the chief competitors of Kansas for economic development.

One iteration of the Kansas website (<http://kdoch.state.ks.us/public/resources/businesses/list.jsp>) leads the visitor to "Business Programs/Resource List" and then that says, "The List Below Shows All Programs," and then there is "Limit by Assistance Type" with a drop-down box. That implies that everything that Kansas offers is right there on that page, but it's not true. If the visitor clicks on "Community Development" then there is a listing of "Community Assistance" and the above programs open up. They each are expandable and that allows the visitor to learn more about each and adds to the offerings of Kansas. Programs such as Main Street are on that page, found after a little scrolling around. It just seems to the investigators that such could be made easier.

The Oklahoma website is a good model. On the initial page there are many incentives mentioned and many incentive and economic development programs, including such as Main

Street. It is easy and fast to click on a program and be taken to detail. There are pages of Frequently Asked Questions (FAQ), a common convention on the Internet for various programs.

It was a little concerning that on the Kansas website there was no mention of Network Kansas, originally called the Center for Entrepreneurship, the central portal for economic development created by the Economic Growth Act of 2004 and funded by the Department of Commerce through the EDIF monies. Along with Network Kansas is StartUp Kansas, originally the Fund for Entrepreneurship, with tax credits, and the ability to help find resources for startups or expansion operations. These are major additions to the economic development tools of Kansas and not mentioning them is not keeping the website up to date and that is a flaw of note. In fact, the website mentions the \$7 million provided to the Regional Foundations as generating \$14 million in cash investment, but that was the amount when the 2004 law was passed with tax credits authorized at 50 percent. The tax credits have since been increased to 75 percent in the 2006 session of the Legislature.

Conclusions

California has the most sprawling, comprehensive set of incentives as might be expected as the largest, most populous and diverse state in our sample. California provides layers of tax credits, tax rebates, reimbursements, loans, and grants and provides overlays of specific areas of the state to be targeted.

Colorado has a strong program that targets the existing industry for retention and allows attracting new business as well.

Kansas has a good set of programs but doesn't appear to be as targeted to specific industries or existing industries and areas of the state, as say, Idaho. That's not to say that Kansas has weak tools for economic development. The set of tools look to be competitive and the experience we've heard backs that up.

Idaho has the most coherent and planned set of incentives ranging from small to large and urban and rural, targeted at their strengths, it appears. The Idaho package should allow a solid base to negotiate deals with industries looking at Idaho and with helping retain and expand existing business.

Missouri allows KCMO to build a strong set of incentives to challenge the Kansas side in attracting, retaining, and expanding business and industry. The package that allows the equivalent of Kansas' STAR bonds on any major project is a powerful tool.

Arizona appears to have packaged incentives designed to improve the state's infrastructure, transportation networks, energy, and housing development as an integrated strategy. The state also provides targeted support for high technology development and partnerships with state universities. Numerous programs target support rural development outside of Phoenix and Tucson, the state's two large urban areas.

4-9-4

Program	California	Colorado	Idaho	Kansas	Arizona
Enterprise Zone Tax Credits / Exemptions	Sales and Use Tax Credit, 1 st \$20m of mfg equip per year	Property Tax Incentive or Rebate: 100% Real & Personal		Provides sales tax exemption and income /privilege tax credits to businesses creating net new jobs	For profit non-retail businesses and insurers located in an EZ, Up to \$3k in tax credits over three years for each net new quality job created from minority-owned, woman-owned or small business (up to 100 full- time employees/gross sales up to \$4m)
Enterprise Zones Wage Credit	Income tax credit, % of lesser of actual wage or 150% of min wage				
Other EZ Benefits	15 year Carry Over of up to 100% of losses				
Property Tax Rebate / Exemption		Local agreement, 50% Personal Property, up to 10 years	\$800m tax cap on property tax, for yearly capital investment of \$25m and employs 1,500 FTEs in county. 100% Property Tax Exemption: Business Inventory, motor vehicles, vessels, and aircraft are exempt		Arizona Accelerated Depreciation, encourages new capital investment, reduces personal property tax, accelerating depreciation by 5% for first 4 years, accelerated rate in 1 st year = 35%, 2 nd year = 51%, 3 rd year = 67%, 4 th year = 83% Government Property Lease Excise Tax Program, for property redevelopment, property tax is waived , with the rate reduced by 20% every 10 years, via lease agreements w/cities

56-4

96

Program	California	Colorado	Idaho	Kansas	Arizona
Local Area Military Base Recovery Areas	Similar to EZs, different incentives.				<p>Tax credits for up to five years for each net new job created, totaling up to \$7.5k per non-dislocated employee and up to \$10k per dislocated employee,</p> <p>Property Reclassification - Both real and personal property can be reclassified from class one (25% assessment ratio) to class six (5% assessment ratio), for property tax savings of up to 80% for 5 years</p>
Research & Development Tax Credit	15% credit against bank, corp tax liability. 24% credit for basic research to outside orgs		5% tax credit for research performed in Idaho		Includes research done at a state university, expenses >\$2.5m qualifies for 20% credit, <\$2.5m qualifies for \$500k and 11% over \$2.5m afterwards
Sales & Use Tax Rebate for Biotechnology		Annual Rebate for all of State's 2.9% of Sales Tax and Use tax			
Net Operating Loss Carryover	100% carry over for 10 years if loss in 1 st year; 7 yrs if 2 nd year loss, 6 years in 3 rd year loss		Net Operating Loss Deductions Losses of up to \$100k per tax year, carried back 2 years and remaining losses carried forward 20 years.		

4-96

Program	California	Colorado	Idaho	Kansas	Arizona
Empowerment Zone, Enterprise Communities for bus. relocation or expansion	EZs and ECs wage credits of 20% for 1 st \$15k wages paid to indivs. residing in EZ or EC up to \$3,000; Deduct all or part of eligible property up to \$20k, tax-exempt IRBs for industrial projects up to \$3m w/ fewer restrictions.				
Foreign or Free Trade Zones / Transit Tax Exemption	Areas legally outside of U.S. Customs, allowing entry of merchandise w/o formal customs entry and excise taxes. Taxes paid at time of transfer from the FTZ		100% Goods in Transit Tax Exemption, goods purchased and delivered outside of Idaho are exempt from sales tax, for goods temporarily stored in ID for shipment elsewhere		Reduces special assessments ratios in Free Trade Zones or sub zones, AZ is the only state w/ special legislation providing eligibility for an 80% reduction in state real and personal property taxes
New Markets Tax Credit	Credit of 39% against fed inc taxes for equity investments in Community Dev. Entities (CDEs) investing in low-income communities				Low income community development entities, provides up to 39% of investment over a 7 year period (5% years 1-3, 6% years 4-7)
Aircraft/Defense Industry	Bus. involvement w/ Joint Strike Fighter, hiring and property tax credits with 8 year carry forward	Aircraft Manufacturer New Employee Tax Credit, \$1,200 per new employee each year			
Job Referral	One Stop Career Centers coordinate community-based job training, recruitment		Offers Customized Recruiting; customized work force training; and Workforce training network		Located in every county, free services for access to workforce resources, recruitment, labor market information, job training, solutions to common employee barriers, pre-layoff assistance, tax credits

4-9-11

Program	California	Colorado	Idaho	Kansas	Arizona
Local Hiring Incentives / job creation	OJT Contract: 50% wage reimbursement during training	Companies relocating to Colorado or Expanding meeting wage thresholds of \$8.50 per hour in urban areas and \$7.00 per hour in rural plus health benefits. Matched by 40% of company costs. Grants of \$800 to \$2,700 per employee	<p>Tax Credits, Abatements for job creation; 6% Tax Credit to \$5m; New job Tax Credit of \$1.5-3k depending on salary offered: 10% Real Prop Tax Rebate to \$2m/year; rebate of all sales taxes paid on building materials (for corp. relocation)</p> <p>\$1,000 New Job Income Tax Credit for jobs at \$15.50 w/ health/accident insurance</p> <p>\$500 New Job Income Tax Credit, natural resource production</p>	<p>Kansas Economic Opportunity Initiatives Fund, KEOIF provides loans for projects that create jobs and invest new capital in the state</p> <p>IMPACT, Investments in Major Projects and Comprehensive Training Program is for new and expanding businesses creating new jobs at higher than avg. wages</p>	<p>For job employment above county average wages, recent projects include funding for the feasibility and organization planning for the Translational Genomics Research Institute (TGen), the Critical PATH Institute and the "Arizona Virtual Water University"</p> <p>Arizona Healthy Forrest Program, tax incentives for harvesting deadfall, woodchips, etc (assists in thinning, forestry management), reduces taxes for fuel, property, and tax credits for job creation, leased equipment, and out of state purchase tax exemptions</p>

8674

Program	California	Colorado	Idaho	Kansas	Arizona
Job Training / Retraining	<p>OJT Contract: 50% wage reimbursement during training</p> <p>Performance based customized training with \$15k cost reimbursed to counter inter-state competition</p>	Companies relocating to Colorado or Expanding meeting wage thresholds of \$8.50 per hour in urban areas and \$7.00 per hour in rural plus health benefits. Matched by 40% of company costs. Grants of \$800 to \$2,700 per employee	Training Reimbursement Up to \$3,000 for jobs paying \$12 an hour or more for select rural counties	<p>Kansas Industrial Training Program, pre-employment training or on-the-job training, funding for Instructor salaries, materials, travel, and most costs of training</p> <p>Kansas Industrial Retraining Program, Companies that are restructuring due to technology, diversification of products, or new production activities can get grants for the retraining including Instructor salaries, materials, travel, and most costs of training</p>	A single employer can receive up to \$1.25m , 10% est of annual fund, typically \$2-8k per job position. Under the "Net New Hire" portion of the grant program, businesses can apply for grants returning up to 75% of the costs of training net new employees in jobs meeting wage criteria. The "Incumbent Worker" portion of the grant program allows training upgrades for existing employees, can reimburse up to 50% of training costs
IRBs / Mfg Revenue Bonds	For acquisition of property and equipment (Through Joint Powers Authority and local Industrial Development Authorities)	Tax Exempt Private Activity bonds for real estate, machinery, and equipment (expansion projects)	Up to \$10m, tax free bonds, the project or business serves as collateral	For facilities, transportation, utilities, mortgages, veterans' mortgages, small issue bonds, student loans, redevelopment, 501(c)(3) projects, and residential rental projects. KDFA and communities can issue up to federal cap (\$239.2 FY05)	Private Activity Bonds, \$524.3m for FY funding for multi-family housing, private activity, revenue bonds, mortgage certificates, and student loans

4299

Program	California	Colorado	Idaho	Kansas	Arizona
Pollution Control Financing / Exemptions, Programs	Financing for pollution abatement equip. and resource recovery facilities. Direct loans, loan guarantees, tax-exempt/taxable bonds and loan insurance to help cover the entire costs		100% pollution control tax exemption for pollution control equipment, equipment is also property tax exempt		Water Quality Improvement Grant Program, funding for "on the ground" water quality improvement projects to control non-point source pollution 10% tax credit for pollution control equipment
Small Business Loan Programs / tax credits /tax abatements Grants	Guarantees of up to 90% up to \$500k not to exceed 7 years.	15 rural area funds with local Boards of Directors, max loan: \$250k (must create jobs)	Investment Tax Credit of 3.75% up to \$750k in any one year; A new jobs credit of \$1,500 to \$3,000 per job; A 2.5% real property tax credit up to \$125k in one year; A 25% rebate on sales taxes paid for construction materials (must invest \$500k, create 10 jobs at \$40k) Idaho Prime Rate Loan, low Interest loans for any purpose for small business, Issued by commercial Banks w/85% SBA guarantee		Income tax credit of 30% of an investment over a 3-year period, tax credits limited to \$20m over program life, for qualified rural or bioscience company, up to 35% of investment over a 3-year period, \$5k for small business startup, technical and professional assistance, goal = securing federal small business and innovation research (SBIR) and small business technology transfer (STTR) funding
Recycling Market Development Zone Revolving Loan Program / Recycling programs	RMDZ provides loans for California manufacturers located in RMDZ, up to 75% of the cost of project of up to \$2m				Waste reduction assistance, education, and research and development, matching grant program

4-100

Program	California	Colorado	Idaho	Kansas	Arizona
Capital Investment Incentive Program	Cities, Counties negotiate reduced taxes w/ high-tech mfg. firms by capping value at \$150m for 15 years. A "community services fee" of about \$2m is then charged annually		Offsets up to 50% of income tax liability. A 2 year exemption on personal property tax., carried forward 14 years		
Local Revolving Loan Fund / Infrastructure Development	Proceeds from CDBG, EDA, and Dept of Ag capitalize RLFs, for small bus. job creation, "Gap Financing," typically 2 nd or 3 rd mortgage position		Up to \$500k in CDBGs; Up to \$50k in Rural Development Grants; Up to \$50k in GEM grants to aid in expansion and retention; tax increment financing; EDA grants for site development; Loans of up to \$10k per job created	Small Cities Community Development Block Grants, federally-provided funds for addressing housing, public facilities, and economic development needs	51% of grants must support low or moderate income persons, maximum grant is \$300k, promotes economic development in communities and counties w/less than 50,000 and 200,000 respectively Financial Assistance Bonds insured as AAA, loans up to \$250k to help fund final phases of infrastructure development, technical assistance grants

4-101

Program	California	Colorado	Idaho	Kansas	Arizona
Business Retention and Expansion (Increase State Competitiveness)		Umbrella program to network the State of Colorado to cities and counties and economic development agencies to assist business. Remove local and statewide obstacles; Reduce cost of doing business; Increase markets for business; Enhance business infrastructure	Idaho Business Network, Procurement Technical Assistance Center, Helps Idaho Business sell to Federal and State agencies, \$100m generated annually Export Assistance, technical assistance to sell overseas Techhelp, Offer programs in lean manufacturing, human performance, quality systems, product development, and information technology Small Business Development Centers, counseling, training, and technical assistance Techconnect, business access to technology resources of universities and governments	Business Recruitment, Assistance to out-of-state companies considering Kansas for new manufacturing, distribution, or office facilities, helping to assemble incentives and tax rebates, and obtaining workforce training grants. Kansas Match, matches companies who currently are purchasing goods and services out-of-state with in-state companies that produce the same products or services	Working with the Western Trade Adjustment Assistance Center, provides grants to manufacturing and production companies experiencing declines in sales and employment partially due to foreign competition, grants are tailored to specific needs of the company, The TAA provides up to 75% of the cost of outside consulting or technical services (up to \$30k)

4-102

Program	California	Colorado	Idaho	Kansas	Arizona
Job Performance Incentive Program (PIF) / HPIP		Tax credits for new employees w/above county media wages, up to \$1.5k per job		HPIP offers 5 benefits: 10% income tax credit; sales tax exemption; a training tax credit of up to \$50,000; priority consideration for other assistance; grant funding for 1/2 of consulting cost, requires legislative approval	
Venture Capital Programs		Certified Financial Companies: 6 (CAPCOs) may invest from \$100k to \$3.3m Venture Capital Authority: Contract w/ LLC to administer investments to \$100k to \$3.3m			
Infrastructure Assistance Grants		State funding to a city or county up to \$500k (mostly rural areas)			Economic Strength Project Grants, funding to communities for highway and road projects that assist in job creation and capital investment, 10% matching funds required from community (or business assisted) Loans and grants, loans below market rates for development of clean water facilities and drinking water systems
Feasibility Study Grants		State provides cities and counties in rural areas up to \$20k per study			Grants for planning and technical assistance for non-urbanized areas

Program	California	Colorado	Idaho	Kansas	Arizona
Telecom / Broadband Investment			Additional 3% Investment Tax Credit up to \$750k on Idaho Income Tax		
Sales Tax Exemption			100% Production Sales Tax Exemption for equipment and materials used in mfg, processing, mining, fabrication, or logging ops, clean rooms used in semi conductor & equipment mfg; and equip use in R & D activities		Superweighted Sales Factor, incentive for multi-state corporations (current 25% property, 25% payroll and 50% sales apportionment for corporate taxes, new super weight allows for 80% sales tax ration
Industrial Fuels and Raw Materials Exemptions			100% Industrial Fuels and Raw Materials Exemption from Sales Tax		
Work Opportunity Tax Credit				Nine targeted groups hired by an industry gains a tax credit of \$2,500; family assistance recipients hired gains a tax credit of \$8,500	
Minority and Women Business Development				Promotes business development with these target groups, including networking, training, workshops, and helps with procurement of their products, financing, and business management	
Economic Development Supporting Low-Moderate Income				Enhance the economic base by creating or retaining permanent jobs, a majority of which must be filled with low- and moderate income persons	

Program	California	Colorado	Idaho	Kansas	Arizona
Export Assistance				Helps companies export their products, contacts in 9 countries	
Growing Smarter Planning Grants for Rural Communities					6 x \$10k grants per year, must be matched in kind, 50% must be a cash from general funds
Americorps State Community Grants					Help meet unmet community needs. A 15% non-federal cash and 33% in kind /cash match required, \$1.77m awarded to AZ in FY 06
Main Street Program				Self-help, technical assistance program that targets preservation and revitalization of historic downtown districts. Includes the Incentives Without Walls fund, which provides financial support to stimulate private investment and create jobs in the downtown districts	Fosters economic vitality of small downtowns, \$15k grants semiannually must match w/10-30%, the program has provided \$145m since 1986
Arizona Motion Pictures Production Tax Incentives Program					Tax Credits for Production costs of \$250k or more , \$40m avail for CY 2007 increasing \$10m per year to 2010
Airport Capital Improvement Program					50% of a sponsor's share of a federally funded project, obligations on federal projects are 5% of t total cost, making the state share 2.5%. (\$2.5m in FY 2006 to about \$3.0m in FY 2011) to match federal grants

Hand 4

Appendix F: Open-Ended Survey Comments from City Managers

Several City Managers made suggestions for improvement in Commerce's Economic Development efforts. These are confidential and unable to be attributed, but the records of their comments are maintained by IPSR. The questions are followed by verbatim responses in italics.

Did Commerce's involvement make a difference in (your project), or would it have happened successfully without Commerce?

Made a difference. In the past, Commerce's incentives have been important to gain opportunities for business to move to the state. This has been a little less helpful as the funding available to the agency has decreased. Commerce serves as a key contact for economic development activities outside the state that may have an interest in moving to the state. Commerce has interfaced with our Chamber and then we get involved in developing a response to a request for proposals for businesses. We may get several of these types of inquiries in a year. The STAR bonds would not have been possible without Commerce.

They have a great staff and I can not think of any way to improve.

Overall Commerce is doing a great job.

Commerce staff does a tremendous job on a limited budget. One can only imagine they might be able to do with more money.

(Our project) would have happened without Commerce (the money they offer helped to make a difference, but their contacts and leads rarely do. My best result was when we had the company at the door based upon local incentives, then the state incentives were helpful to close the deal.)

What can you suggest to improve the services provided by the Department of Commerce in economic development?

I think that with the emphasis in bioscience, there is a bit of confusion with the roles of Commerce versus the Kansas Bioscience Authority. Also, I believe that state institutions, such as state universities, should be part of the state's package to a prospect and not left to navigate or be leveraged by the local jurisdictions. This coordination has become very important with the bioscience prospects.

Make contact with cities on a regular basis.

Target industries to city size and demographics.

Commerce attends economic development conferences, but should also attend League of Municipalities and Kansas Association of Counties conferences to educate local government officials on assistance and programs available through Commerce. Nothing. Their service is excellent.

I am not fully aware of abilities and programs offered by Commerce. I need to seek additional information or be provided with same.

Commerce (probably more accurately the Kansas Legislature) needs to recognize that the economy is changing from a manufacturing economy to a service economy.

I think Commerce needs to be more hands on with smaller communities and needs to help them develop economic development plans. Most small towns don't even know where to begin or how to help businesses. Also, smaller towns in smaller counties really get left out in the dark and they are the ones that need it the most. The other issue is that the regional representatives aren't able to spend enough time with businesses or in the communities. I think expanding current businesses and helping locals to get to the right opportunities is where we can make a big difference. Unless a town is big enough to have its own Eco Devo Rep. or the county is big enough to fund one, some of these cities aren't even at the table and as a state we may lose out to other small communities in other states.

Have more resources available.

Maybe a cheat sheet -- outline of each of their eco devo programs and deadlines and one or two sentence descriptions put out once per year.

Continue to work at bringing prospects to our Kansas communities.

The Department of Commerce needs to provide more direct assistance to the small communities. It often appears that much of their efforts and programs are geared for larger communities.

What do you think the State should do to assist with the development of jobs?

Continue to fund Commerce and provide funding for quality education.

Continue the current program of work and continue to offer the current set of business incentives.

Help companies recruit skilled labor. Several companies in our area are having trouble hiring welders for their production facilities.

Assist communities/regions in identifying what types of industries would be a good match in the regions through GIS mapping, etc. Then provide recruitment training to key individuals in those communities/regions specific to the identified industries. Also

provide assistance to identify trade shows that those types of industries attend so that the community can attend for recruitment purposes, or identify specific businesses within that industry that may be looking to relocate or expand.

Resources and coordination are very good. I think that we should be leveraging our state institutions to the maximum extent possible and this requires close coordination between Commerce and the universities.

It would be helpful to understand the market need for jobs and job types. In future planning considerations, the knowledge of potential job creation markets would be helpful. If there was a system for better connection between state and individual cities/EDC functions. When inquiries or contacts occur, the cities/EDCs could become aware of potential job generation.

Identify technology infrastructure improvements and develop programs to assist with those improvements to attract more technology-related service industries.

Workforce development, workforce development, workforce development. By placing all of the post-secondary training under the Board of Regents the Legislature has killed this state's workforce development programs. We need plumbers, electricians, welders, heating and air professionals, construction trades. The university driven Board has ignored these trades, and the State Board of Education has spent all of its time on science standards instead of getting our non-college bound students ready for the workforce. Until we fix this problem, the pittance of training and retraining money available through Commerce programs will not keep up with the demand for labor. Our communities are losing out on good paying jobs because of labor problems, not because of location or taxes, or state franchise fees.

Invest more.

Travel and tourism is economic development and Commerce should support and promote it.

Kansas needs to match other states (Missouri especially) with incentives, in particular cash. Missouri has a lot more cash available to provide relocating firms as incentives, and for a wider array of purposes.

Out here in rural central Kansas we need the State to be actively involved with fairly significant incentives on the State level and maybe broaden the types of businesses they'll help. In the last 4 years we had a new motel built, an assisted living home/house, a couple of businesses built new buildings, a new car wash, a new department store and I don't believe any of these received incentives other than what we gave them locally in terms of property tax rebates, waiver of permit fees, free or discounted utilities for a set amount of time, waiver of utility connect charges, minor infrastructure like sidewalks. We have an 18 person assisted care facility in the works for which we gave an IRB with property tax abatement, but construction has yet to begin.

I think we need to have some additional war chest funds that we can place on the table when competing for projects. Many communities in Kansas are limited to what cash we have to offer to make a deal work.

One of the most significant issues that the city has experienced is the provision of utilities and other infrastructure to new and expanding businesses. Additional assistance or financing programs need to be developed to help minimize the costs particularly for small, rural communities.

Provide more funding to Commerce to develop more programs.

What kinds of jobs and/or industries should we target as a state?

I think that the bioscience jobs in animal health and food safety are very good targets as well as leveraging the KU Med Center in human medicine and allowing KU Med to partner with other Kansas City area institutions, such as St. Luke's and Stower's is key to making the Kansas City area a key player nationally.

Distribution, bioscience and manufacturing.

Kansas is a diverse place, so it would be difficult to target a set of jobs or industries. For our metropolitan region, we should target the higher paying jobs, i.e. high tech manufacturing, bioscience related firms, corporate office, back office operations, and other export oriented services. Those jobs should provide salaries that would allow a person to live comfortably in our area.

In my opinion, technology, bio-medical and financial institutions.

Technology related service industries.

I like the agricultural related and bioscience initiatives. I also think we should focus on trades based industry that utilizes the farm based abilities of our residents. Over the past several years, I am constantly amazed by the individuals I have met in Kansas that can build just about anything out of scrap metal and other junk. The abilities of these individuals comes from the farmer mindset of finding a way to make it work. We need to harness those energies and abilities. Many of them can do the work, but could never make a living at it because they don't have the financial mind to turn it into a profitable business. Instead, they end up working in other businesses where their talents are wasted.

High paying jobs.

State should target higher end technology jobs.

Telecommunications, bioscience, financial, technical, professional.

I believe the State should consider either a wide range of businesses from which municipalities can pick and choose, or consider offering incentives for different lists of

businesses for different areas of the state or based on rural vs urban or metro vs non-metro. For a small city in rural central Kansas, a retail clothing store can have a significant impact on local people buying locally. Instead of driving to another city to be able to shop in a clothing store or fabric store during which time our local people will probably eat out and shop at other stores, having these retail businesses here will help retain those dollars in our community. In addition, if the people from the country -- from unincorporated areas surrounding our small city -- believe they have retail choices in our town, they may not bypass us and drive 30 more miles to the next largest city.

We talk a lot about value-added agriculture, but that seems fairly limited if you're behind the curve for things like ethanol plants or bio-diesel plants or a new cotton gin, etc... We also talk about research centers for bio-hazards and food terrorism etc... However, small towns don't have the amenities which young professionals are looking for.

Maybe the bottom line is to put more flexibility into the programs which allows some discretion on the part of both local officials and state officials. If we can justify the subsidy because of the benefits and sell the state official on the merits of the project, maybe there could be something like entitlement dollars available to small cities. Larger cities have entitlement monies under CDBG whereas it is a competitive process for smaller cities. The FAA began a program of entitlement money (but which still requires a local match) for small general aviation airports, and I believe it has made a significant difference in upgrading small airports like ours. Frankly it removes half the battle/work-load of trying to develop a project because we know the money is available to us if we meet the other conditions of the program.

Need to continue to look for jobs that are paying \$30,000 a year plus. Low wage jobs do not bring the impact to a community that higher wages bring.

One of the areas that our community sees as a possible opportunity is ancillary industries that are related and support our existing companies.

Keep the targeted industries broad to make sure we have a diverse economy. We might provide more tools to Commerce for headquarters or highly paid jobs.

Please feel free to share any other comments.

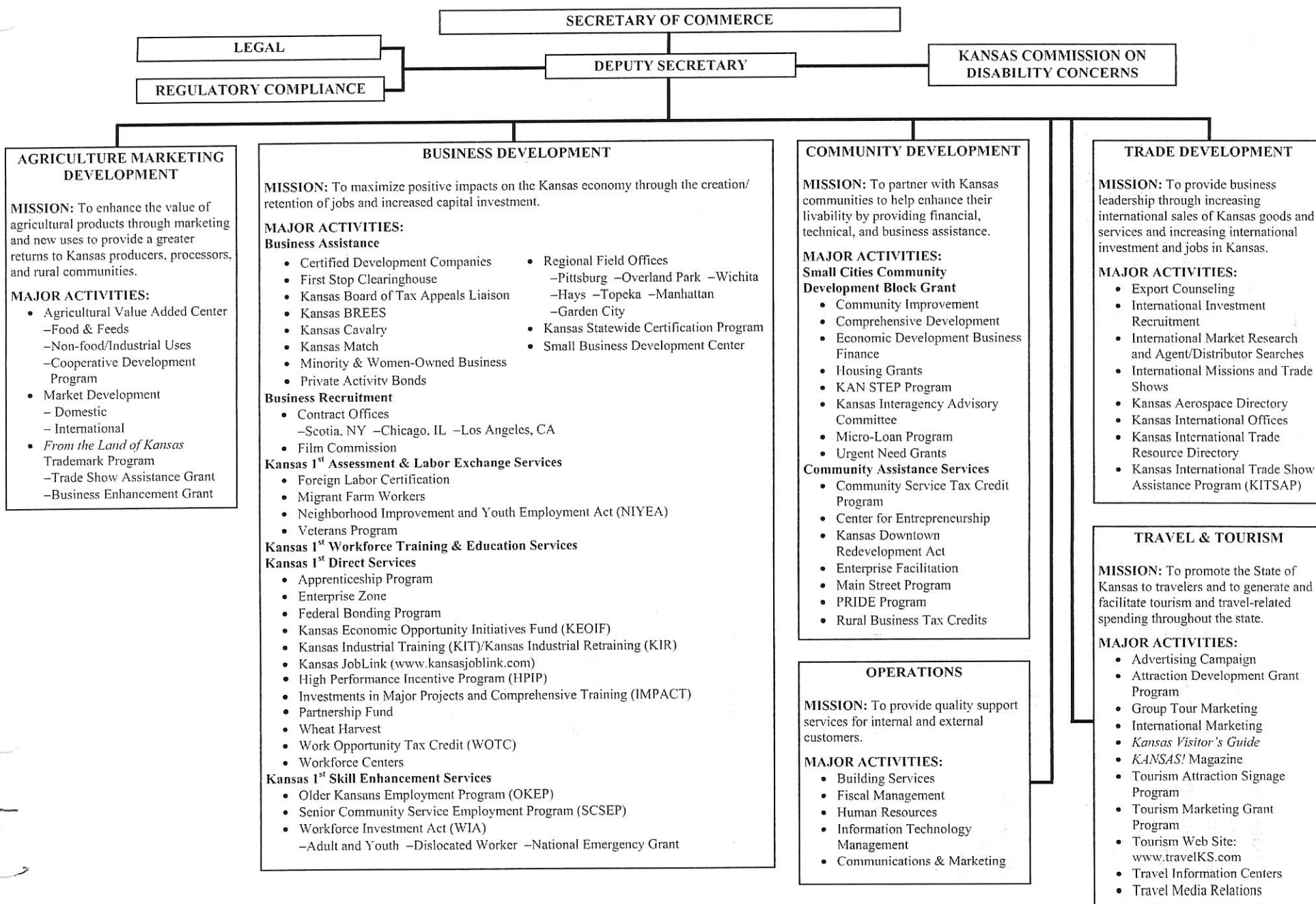
Commerce does a great job. We work with them frequently. Our ED employees interact with (Commerce employee), on almost a daily basis. Bottom line, more money for incentives, especially cash would be helpful in competing with Missouri, especially since it appears Missouri is targeting key Johnson County employers.

I always appreciate it when a state or federal agency requests input.

We were very pleased with our working relationship (Commerce employee). Commerce and the Governor's office played a major role in our success. Without them we probably would not have gotten the deal done. I was extremely proud of our city, county, chamber and State for pulling together on this project and how quickly we were able to respond.

Appendix G: Kansas Department of Commerce Organization Chart, as of FY 2006

KANSAS DEPARTMENT OF COMMERCE



KANSAS, INC.

Created by the Legislature in 1986, Kansas, Inc. is an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing competitiveness for economic growth. To attain our mission, Kansas, Inc. undertakes these primary activities: 1) Identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas; 2) To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies; 3) Through collaboration and outreach with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark development efforts in the State of Kansas.

Co-Chaired by the Governor, Kansas, Inc. is governed by a 17-member Board of Directors. Board members, as mandated by legislation, include four members of Legislative leadership, a representative from the Board of Regents, the Secretary of Commerce, the Commanding General of the Kansas Cavalry, a representative from labor, and eight other members from the private sector representing key Kansas industrial sectors. Private sector members are appointed by the Governor and confirmed by the Kansas Senate.

Through analysis and open dialogue, Kansas, Inc. identifies policy options and builds the consensus essential for concerted action on vital economic issues. Kansas, Inc. is designed to be a public-private partnership with expectations that state investments are leveraged with other funds to maintain a strong research portfolio.

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