

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on January 21, 2004 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Legislative Research
Susan Kanarr, Legislative Research
Helen Pedigo, Revisor of Statutes
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:

Bill Keeton, Assistant Vice President and Economist, Federal Reserve Bank of Kansas City

Others attending:

See Attached List.

Staff distributed copies of the confirmation papers of Mr. Harry D. Helser and Gerald D. Loper (Attachment 1). Mr. Loper is a new appointment, so the information was provided in case anyone had questions.

Chairperson Brownlee drew the committee's attention to an article: Harden, Blaine. "Urban Warfare: American Cities Compete for Talent, and the Winners Take All" *Washington Post* December 17, 2003. Relating to the discussion of the previous day, the article discusses retention and attraction of educated, talented young people to particular cities. One of the article's main conclusions is that cities with a larger population of college graduates are more likely to retain and attract similar individuals, boosting the economy. In opposition to that point, the article states that, "What is easy—and depression—to see in brain-drain cities is the extraordinary cost of losing talent. The departure...has stalled growth, lowered per-capita income and prevented the formation of a critical mass of risk-takers who can create high-paying jobs." It suggests that the ability of a city to shift its economic base through such means can make or break its future.

Mr. Bill Keeton gave the committee a presentation entitled "Update on the Kansas Economy" which addressed Kansas' past, current, and predicted future economic status in several different categories ranging from employment, unemployment, a consumer expectations index, durable and non-durable goods employment growth, production indices, home sales, and wheat production. (Attachment 2) He stated that the three main factors affecting the economic outlook for Kansas are: when businesses will start investing again, when employment will start growing again, and what will happen to farm incomes. Conclusions to these questions were that although investment had fallen sharply in the recession, it may be coming back, that although the recovery has been jobless, there are hints of a turnaround, that historically low global supply of grain sets the stage for increased grain prices, and that most economists are predicting that the recovery will continue. In summation, he stated that "Like the nation, Kansas is slowly recovering from the recession. For recovery to continue, businesses must start investing and hiring. Most economists think this will happen, allowing necessary recovery to continue."

Senator Kerr asked if Mr. Keeton foresaw anything replacing the high-paying manufacturing jobs that were disappearing and being exported. Mr. Keeton stated that exported jobs such as textile and apparel manufacturing generally do not require a high skill level. Jobs that are tied to customizable products more effectively retain a workforce and require higher skill, thus leading to higher wages.

Senator Wagle commented that job loss will significantly impact income tax projections in Wichita and that would also have implications for the housing market and interest rates.

Mr. Keeton stated that he could not comment on interest rates, but that housing rates have increased because the Federal Reserve eased interest rates to fight inflation. He stated that there was no build up of people waiting to buy because of this, therefore, housing activity will slow and interest rates normalize.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE at 8:30 a.m. on January 21, 2004 in Room 123-S of the Capitol.

Senator Barone commented that corporate savings through cost cutting do not get passed to the consumer through cheaper products.

Mr. Keeton disagreed, explaining that global competition did not allow product manufacturers to raise prices despite the need to cover costs. He stated that when a company feels a need to move abroad, consumers benefit from a lower inflation rate.

Senator Barone asked if there was a negative side to low interest rates regarding older people who may have a fixed income and are economically reliant on interest for income.

Mr. Keeton replied that low interest rates did have a negative effect on savers, however, with a general economic recovery, those rates should again rise. He stated that the negative impact was an adverse side of monetary policy.

Following further discussion, Senator Jordan asked what some of the factors have been for the tenth district having stayed the strongest. Mr. Keeton replied that some areas have simply been more affected by the recession and the events of September 11. States such as Colorado, which is heavily dependent on hi-tech industries, telecommunication, and air travel, have been hit particularly hard.

Mr. Keeton stated that knowledge-based industries are the key to growth, and that this makes sense based on trends he has been seeing.

Chairperson Brownlee asked to what Mr. Keeton had been referring when he referred to structural economic changes to the economy. Mr. Keeton replied that there needed to be more investment in secondary and higher education. Companies are helped by a highly educated workforce, and it makes an area more appealing for businesses looking to move.

The Chair thanked Mr. Keeton for his presentation.

The meeting adjourned at 9:30 a.m. The next meeting will be at 8:30 a.m. on January 22, 2004 in Room 123-S of the Capitol.



K A N S A S

OFFICE OF THE GOVERNOR

KATHLEEN SEBELIUS, GOVERNOR

August 15, 2003

To the Senate of the State of Kansas:

Submitted herewith for confirmation by the Senate are appointments made by me as the Governor of the State of Kansas, pursuant to law.

A handwritten signature in black ink that reads "Kathleen Sebelius".

Kathleen Sebelius
Governor

Member, Employment Security Board of Review, Harry D. Helser, pursuant to the authority vested in me by K.S.A. 40-709, effective upon the date of confirmation by the Senate, to serve a term of 4 years. Succeeds himself -- reappointed.

4-0
Member, Board of Directors of Kansas Technology Enterprise Corporation, Gerald D. Loper, pursuant to the authority vested in me by K.S.A. 74-8101, effective upon the date of confirmation by the Senate, to serve a term of 4 years. Succeeds Donald L. Beggs.

Senate Confirmation Information Summary
Prepared and Submitted by the Office of Governor Kathleen Sebelius

Appointee: Gerald D. Loper

Position: Member, Board of Directors of Kansas Technology Enterprise Corporation

Appointment Date: July 1, 2003

Expiration Date: January 15, 2007

Term Length: 4 years

Statutory Authority: K.S.A. 74-8101

Party Affiliation: Democrat

⇒ Statutory geographic representation
Requirements (*insert any that apply*)

Congressional District:

County:

Size requirement (*if any*):

Other, specify: Appropriate geographical representation.

⇒ Statutory party affiliation requirement:

⇒ Statutory industry or occupation requirements:

All 10 of the directors appointed by the Governor shall be persons recognized for outstanding knowledge and leadership in their fields. 6 of the directors shall be persons from the private sector and 4 shall be persons from the public sector. The 4 directors from the public sector shall consist of 1 or more of the following: Senior administrators at Kansas educational institutions governed by the Board of Regents or engineers or scientists who have extensive experience in managing basic or applied scientific and technological research.

Salary: N/A

Predecessor: Donald L. Beggs

Board Composition Prior to Confirmation of New Appointee:

(SEE ATTACHED LIST)

VITA

Name and Address:

Gerald D. Loper
Office of Research Administration
Wichita State University
1845 Fairmount
Wichita, KS 67260-0007
Telephone: (316) 978-3285

Education:

B.A., Physics, University of Wichita, 1959
M.S., Physics, Oklahoma State University, 1962
Ph.D., Physics, Oklahoma State University, 1964

Fellowships:

National Defense Education Act Fellow, 1959-62

Positions Held:

Assistant Professor, Physics Department, Wichita State University, 1964-67
Chairperson, Physics Department, Wichita State University, 1966-78
Associate Professor, Physics Department, Wichita State University, 1967-present
Interim Chairperson, Computer Science Department, Wichita State University, Spring 1981
Acting Assistant Dean for Graduate Studies, Wichita State University, 1986-87
Associate Dean, Liberal Arts and Sciences, Wichita State University, 1987-92
Acting Dean, Liberal Arts and Sciences, Wichita State University, 1992-94
Associate Vice President for Research and Director, Office of Research Administration,
Wichita State University, 1995-present
Interim Executive Director, National Institute for Aviation Research, WSU, 2001-03

Current Responsibilities:

Encourage and support research, address research infrastructure problems, assist faculty in obtaining external funding, coordinate campus EPSCoR activities, liaise with NIAR and promote aviation as a state strategic technology, work with colleagues at KSU and KU to demonstrate economic impact of faculty research, write research policy, direct all functions of the research office, monitor compliance with federal and state regulations, maintain funding data.

Institutes, Sabbaticals:

NSF Institute on Nuclear Spectroscopy, Univ. of California, Berkeley, Summer 1966
Sabbatical Leave, Physics Division, Argonne National Laboratory, Sept. 1971-Aug. 1972
Sabbatical Leave, Materials Science Division, Argonne National Laboratory, Jan.-Sept. 1983
Research Participant, Materials Science Division, Argonne National Laboratory, June-Aug. 1986

Research Interests:

Positron annihilation in solids as a technique to study structure and defects.

Publications:

Groseclose, B.C., and Loper, G.D. "Temperature Dependence of Positron Mean Lives in Polymers", Physical Review **137**, A939 (1965)

Loper, G.D., Wayne, J.P., and Giles, J.W. "Positronium Formation in Polyethylene and Nylon", Physics Letters **30A**, 430 (1969)

Loper, G.D., Breazeale, J.B., and Unruh, H. "A Unique M.S. Program for Graduates of Four-Year Colleges", American Journal of Physics **40**, 1270 (1972)

Loper, G.D., and Thomas, G.E. "Gamma-Ray Intensity Standards: The Reactions $^{14}\text{N}(n,\gamma)^{15}\text{N}$, $^{35}\text{Cl}(n,\gamma)^{36}\text{Cl}$, and $^{53}\text{Cr}(n,\gamma)^{54}\text{Cr}$ ", Nuclear Instruments and Methods **121**, 581 (1974)

Loper, G.D., Thomas, G.E., and Bollinger, L.M. "Correction for a Resonance-Capture Component in Thermal-Neutron Capture Gamma-Ray Spectra", Nuclear Instruments and Methods **121**, 581 (1974)

Loper, G.D., and Mohr, G.A. "Positron Lifetimes in Lanthanum Sesquisulfides", Physics Letters **86A**, 389 (1981)

Smedskjaer, L.C., Loper, G.D., Chason, M.K., and Siegel, R.W. "Positron Annihilation Studies of Vacancy Formation in Tungsten, Chromium, and Niobium" in Advanced Photon and Particle Techniques for Characterization of Defects in Solids, Mat. Res. Soc. Symp. Proc. Vol. 41, edited by J.B. Roberto et. al. (Mat. Res. Soc., Pittsburgh, 1985) pp. 57-62

Loper, G.D., Smedskjaer, L.C., Chason, M.K., and Siegel, R.W. "Determination of the Vacancy Formation Enthalpy in Chromium by Positron Annihilation". Positron Annihilation, Jain, P.C., et. al. eds. (World Scientific Pub. Co., Singapore, 1985) p. 461

Smedskjaer, L.C., Loper, G.D., Chason, M.K., Gerber, S.B., and Siegel, R.W. "A Positron Annihilation Doppler Broadening Study of Niobium". Positron Annihilation, Jain, P.C., et. al. eds. (World Scientific Pub. Co., Singapore, 1985) p. 546

Loper, Gerald D. and Frederick Sudermann. "The Origin and Management of a State/Industry/University Research Center." Research Management Review, Erickson, Stephen, ed. (National Council of University Research Administrators, Washington, D.C., Winter 1998) pp. 18 - 23

Technical Reports:

"Search for the Pygmy Resonance in $^{197}\text{Au}(n,\gamma)^{198}\text{Au}$ ", Physics Division Annual Review, Argonne National Laboratory, ANL-7971, p.7, 1972

"High-Energy Standards: The Reactions $^{14}\text{N}(n,\gamma)^{15}\text{N}$, $^{35}\text{Cl}(n,\gamma)^{36}\text{Cl}$, and $^{53}\text{Cr}(n,\gamma)^{54}\text{Cr}$ ", Physics Division Annual Review, Argonne National Laboratory, ANL-8035, p.6, 1973.

"Nuclear Structure of ^{148}Sm , ^{150}Sm , ^{152}Sm , and ^{154}Sm ", Physics Division Annual Review, Argonne National Laboratory, ANL-77-60, p.115, 1977

"Nuclear Structure of ^{148}Sm , ^{150}Sm , ^{152}Sm , and ^{154}Sm ", Physics Division Annual Review, Argonne National Laboratory, ANL-78-66, p.126, 1978

Books Edited:

Complex Choices: Economic Development and Environmental Quality, Proceedings of the Wichita Assembly, edited by Loper, G.D., and P.D. Thomas. (Wichita State University, Wichita, Kansas, 1993)

Papers Presented:

"Temperature Dependence of Positron Lifetimes in Solids", presented at American Physical Society Meeting, Chicago, Illinois, 1962. Bull. Am. Phys. Soc., Series II, 7, 412 (1962)

"NSF Supported Masters Program in Physics at Wichita State University", presented at AOK section of American Association of Physics Teachers Meeting, Lawrence, Kansas, 1968

"Positronium Formation in Polyethylene", presented at Midwest Solid State Conference, Lawrence, Kansas, 1968

"Determination of the Spin-cutoff Parameter from Neutron-Capture γ -Rays", presented at American Physical Society Meeting, Washington, D.C., 1972. Bull. Am. Phys. Soc., Series II, 17, 556 (1972)

"Search for the Pygmy Resonance in $^{197}\text{Au}(n,\gamma)^{198}\text{Au}$ ", presented at American Physical Society Meeting, Washington, D.C., 1972. Bull. Am. Phys. Soc., Series II, 17, 580 (1972)

"Absolute Intensities of Thermal-Neutron Capture γ -Rays", presented at American Physical Society Meeting, Washington, D.C., 1972. Bull. Am. Phys. Soc., Series II, 17, 580 (1972)

"Absolute Gamma-Ray Intensities in $^{197}\text{Au}(n,\gamma)^{198}\text{Au}$ ", presented at American Physical Society Meeting, Chicago, Illinois., 1974. Bull. Am. Phys. Soc., Series II, 19, 111 (1974)

"Positron Lifetimes in Lanthanum Sesquisulfides", presented at American Physical Society Meeting, New York, N.Y., 1981. Bull. Am. Phys. Soc. 26, 13 (1981)

"Positron Annihilation Studies of Vacancy Formation in Tungsten, Chromium, and Niobium", presented at Materials Research Society Symposium, Boston, Massachusetts, 1984

"Determination of the Vacancy Formation Enthalpy in Chromium by Positron Annihilation", presented at Seventh International Conference on Positron Annihilation, New Delhi, India, 1985

"A Positron Annihilation Doppler Broadening Study of Niobium", presented at Seventh International Conference on Positron Annihilation, New Delhi, India, 1985

"Positron Annihilation Study of Vacancy Formation in Chromium", presented at American Physical Society Meeting, Baltimore, Maryland, 1985. Bull. Am. Phys. Soc. 30, 620 (1985)

"Positron Lifetime and Low Temperature Calorimetric Studies of Helium-Entrapped Fe-Ni Alloys", presented at American Physical Society Meeting, New Orleans, Louisiana, 1988. Bull. Am. Phys. Soc. 33, 822 (1988)

"The Scope of Development Activities in Colleges - Departmental Advisory Boards", presented at Council of Colleges of Arts and Sciences Annual Meeting, New Orleans, Louisiana, 1990

"Faculty Rewards and Promotion and Tenure Guidelines: Can They Cover Everything?", presented at Annual Meeting of Council for the Arts and Sciences in Urban Universities, Ft. Myers, Florida, 1994

Grants:

Expansion of Master's Degree Program in Physics, 1969-1971, funded by NSF for \$36,200.

Instructional Scientific Equipment Grant, 1970, funded by NSF for \$3,900.

Sabbatical Leave Salary Grant, 1971-1972, funded by NSF-AEC for \$8,000.

Time Awarded as Visiting Scientist on Argonne Research Reactor CP-5 Gamma Ray Spectroscopy Facility, 1971-1974, equivalent to \$175,000.

Sabbatical Leave Salary Grant, 1983, funded by DOE for \$12,193.

Various Small Research Grants, 1964-present, funded by WSU, approximately \$10,000.

NSF Travel Grant to attend Seventh International Conference on Positron Annihilation, New Delhi, India, for \$1,732; 1985.

Faculty Research Participation Grant at Argonne National Laboratory, Summer 1986, funded by DOE for \$7,000.

Contract to study Helium-Entrapped Fe-Ni Alloys by positron annihilation and low-temperature calorimetry techniques, funded in 1988 by Idaho Engineering Laboratory for \$15,000. Co-investigator with Dr. J.C. Ho.

Program for Enhancement and Recognition of Knowledge, a lecture series for Boeing middle management personnel, funded by Boeing Airplane Co. for \$6,300; 1988.

Facilities and Equipment Grant for NIAR, funded by FAA for \$4 million; 2001. Co-investigator with Dr. Scott Miller.

Teaching Experience:

Undergraduate Courses Taught:

- Astronomy
- General Physics
- Mechanics
- Electricity and Magnetism
- Optics
- Thermophysics
- Modern Physics

Graduate Courses Taught:

- Nuclear Physics
- Quantum Mechanics

Directed 17 M.S. research theses to completion, served on 4 Ph.D. committees.

Professional and Honor Societies:

- American Physical Society
- National Council of University Research Administrators
- Council on Research Policy and Graduate Education
- Sigma Xi
- Sigma Pi Sigma
- Phi Kappa Phi

University Committee Service:

Scholarship and Financial Aids Committee, 1966-69. (Chairperson, 1968-69)

Liberal Arts Policy Committee, 1969-71

University Radiation Safety Committee, 1970-present. (Chairperson, 1970-81, 1983-1994)

Graduate Council, 1974-78, 1983-84

Biochemistry Group (Facilitator), 1977-80

LAS Tenure, Promotion, and Appeals Committee, 1978-81. (Chairperson, 1979-81)
University Tenure, Promotion, and Academic Freedom Committee, 1979-81

Dean's Budget Committee, 1982

LAS Reorganization Committee, 1984-85

Elliott School of Communication Advisory Board, 1988-94

University Committee on Research for State and Local Government, 1989-90

Environmental Science M.S. Degree Proposal Committee, 1991-92

WSU EPSCoR Faculty Advisory Committee (Chairperson), 1992-present

Council of Presidents' Economic Impact Committee, 1995-1997

College of Engineering Dean Search Committee (Chairperson), 1999-2000

Boeing Professor of Global Learning Search Committee (Chairperson), 2000-2001

Graduate School Dean Search Committee (Chairperson), 2001-2002

Kansas Strategic Research Committee, 2001-present

Other Service:

State Director, Kansas Science Olympiad, 1988-94

Lake Afton Public Observatory Board of Directors, 1990-1995

Administrative Accomplishments:

As assistant dean of the Graduate School, I co-authored and edited the University's first thesis-writing manual for students, which provided information on accepted formats for M.S. theses and doctoral dissertations.

In 1987 I established the Kansas Science Olympiad and organized the state-wide tournament for secondary school students for seven years. This event, which stimulates the study and

appreciation of science, drew 900 students to campus and was sponsored by local industry in the amount of \$30,000 per year.

I was co-organizer and panel moderator of the Wichita Assembly on Economic Development and Environmental Quality in October 1992. The assembly was attended by 100 members of the community.

As acting dean, I established the college's first student advisory committee, first teaching improvement grant program, and a committee to study methods of evaluating and improving teaching. I also initiated a mentoring program for new and untenured faculty to assist them in time management, preparation for tenure review, and in the development of teaching skills. I expanded the scope of the Watkins Visiting Professor program to include stipends for summer research participation for secondary school teachers.

I provided leadership for the establishment of a new M.S. in environmental science program. I coordinated the faculty committee that designed the curriculum and graduation requirements, and edited the proposal that was approved by the Regents.

As acting dean, I recommended formation of a school of urban and public affairs within the college. Following approval, I worked with the director to establish the administrative organization and goals of the new school.

As associate vice president for research, I wrote the plan to develop the research and sponsored program mission of the University, and recommended the initiation of the University's first excellence in research award. I also wrote the criteria for that award.

Grant and contract income has increased by 126% in the eight years I have been associate vice president for research, and indirect cost return has increased by more than 85%. Over the same period, the administrative cost per dollar awarded has remained relatively constant at \$0.03.

During my tenure as executive director of NIAR, the Institute was able to create two new laboratories, secure \$13 million from the sale of bonds for equipment, and strengthen relationships with the FAA through research conducted with support from congressional appropriations.

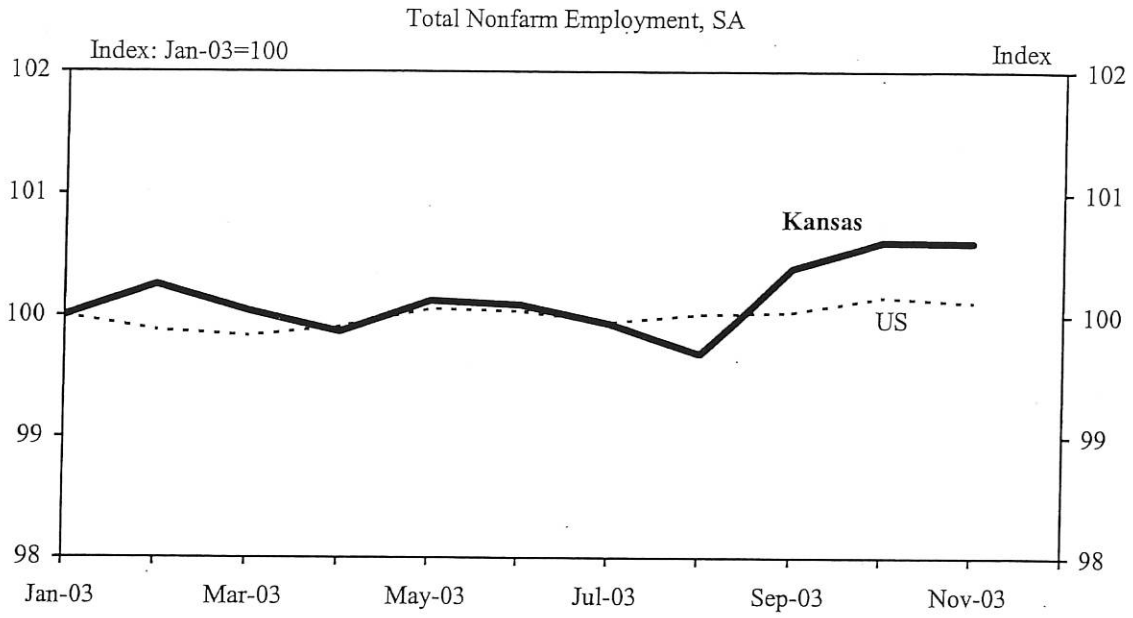
Update on the Kansas Economy

Presentation to
Senate Commerce Committee
Kansas State Legislature
January 21, 2004

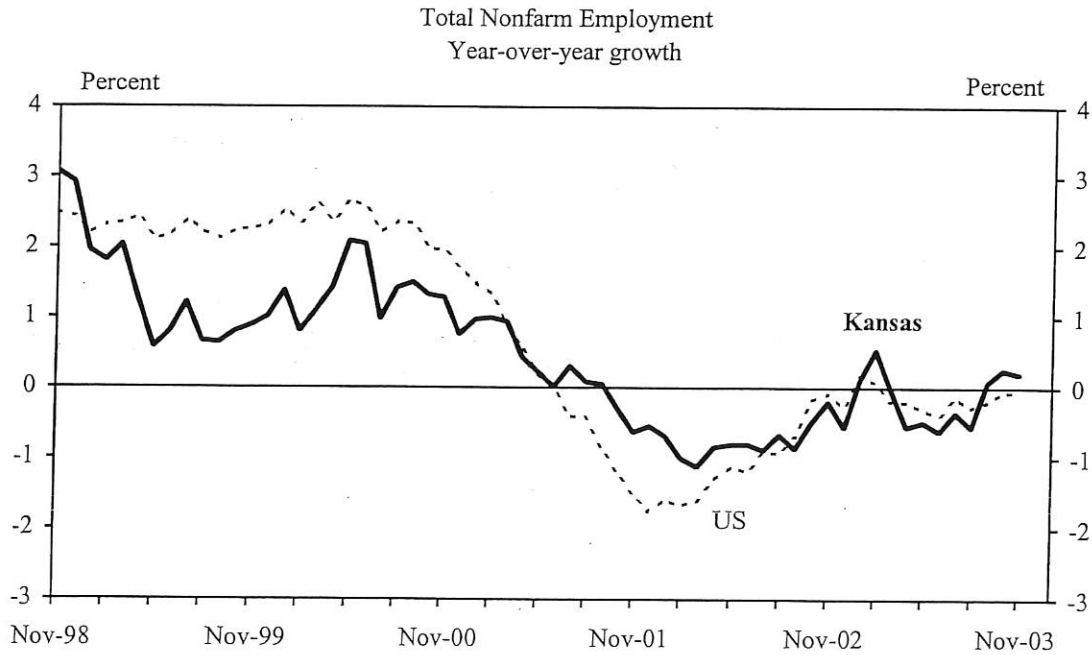
Bill Keeton
Assistant Vice President and Economist
Economic Research Department
Federal Reserve Bank of Kansas City

Senate Commerce
01/21/04
Attach # 2

Employment in Kansas has edged up recently...

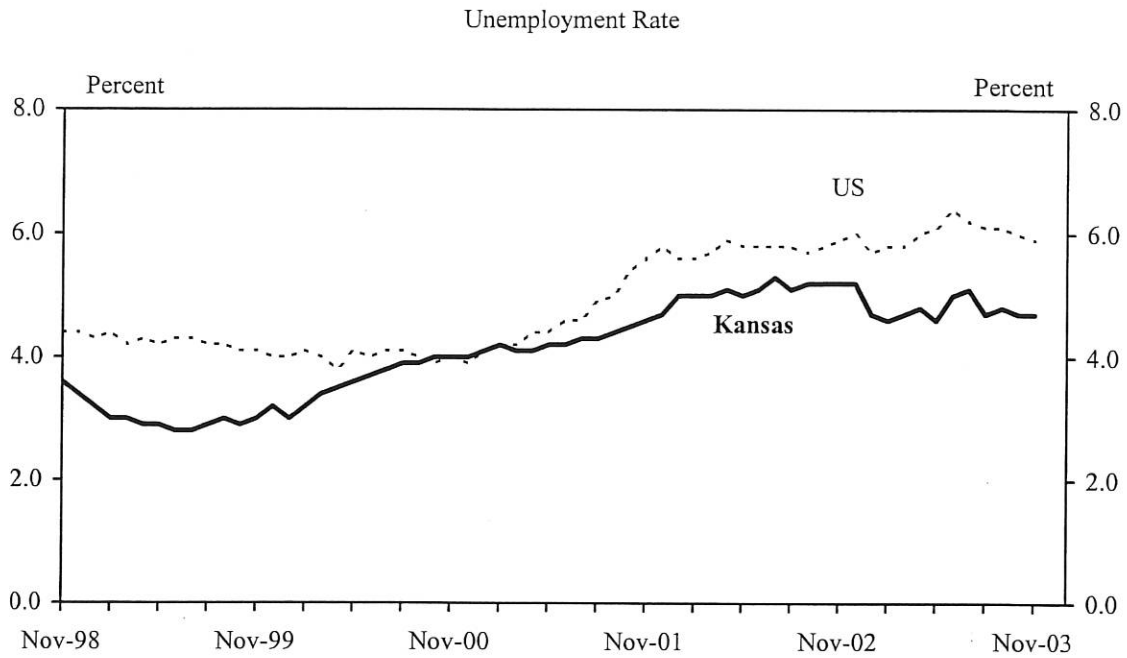


...and is back above year-ago levels

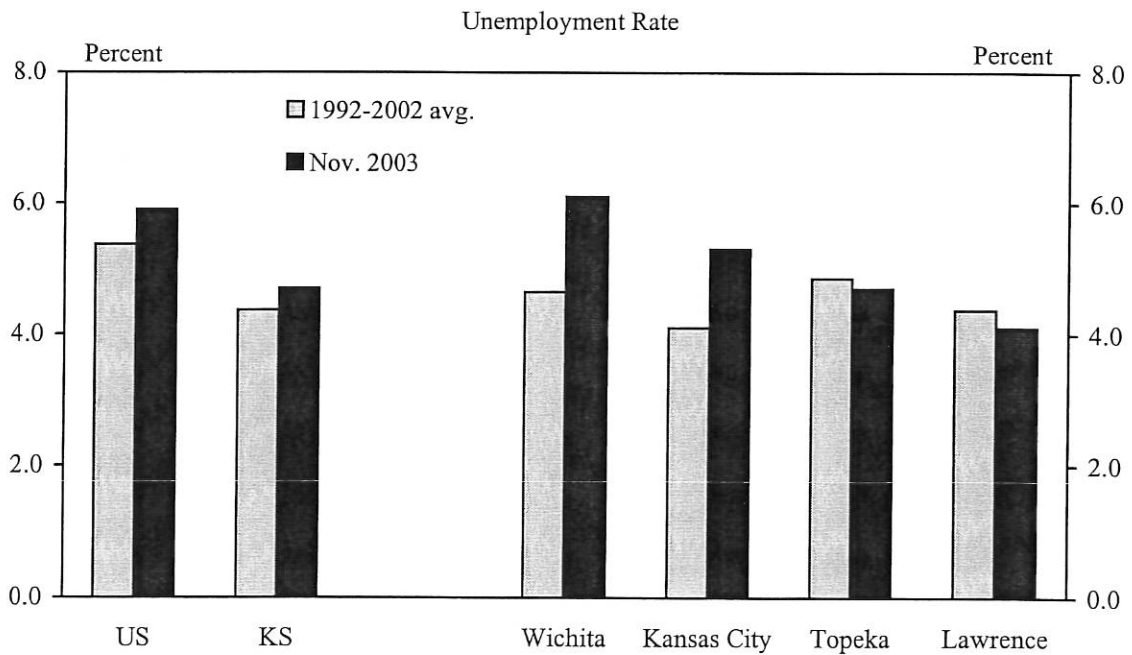


Source: Bureau of Labor Statistics

Unemployment has leveled off in the state...



...but remains well above historical averages in Wichita and Kansas City

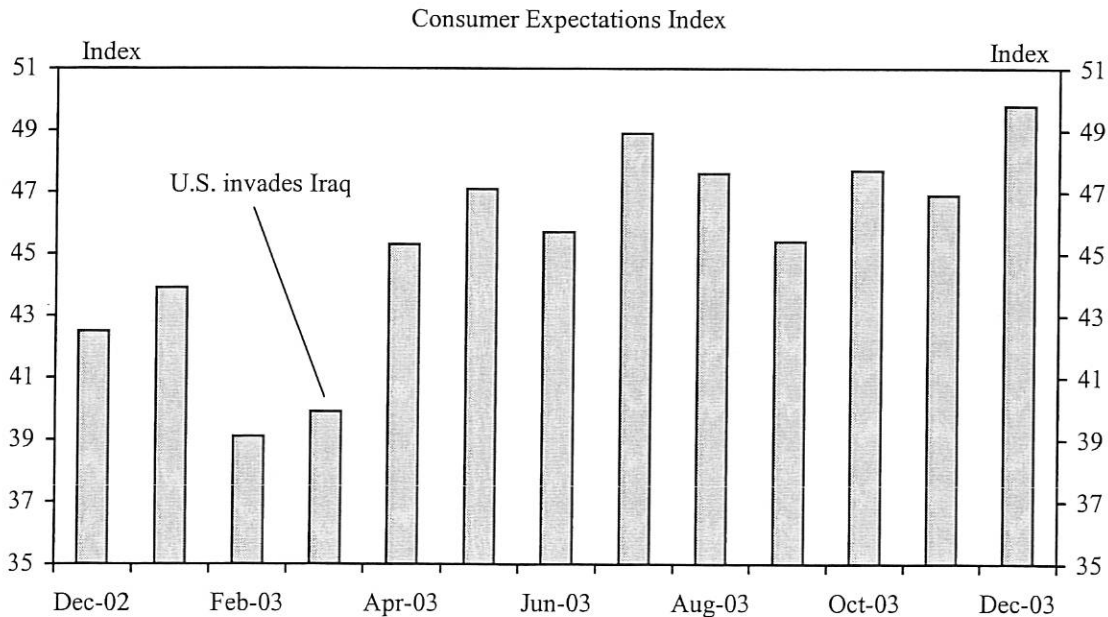


Source: Bureau of Labor Statistics

Consumer spending was solid during the holidays ...

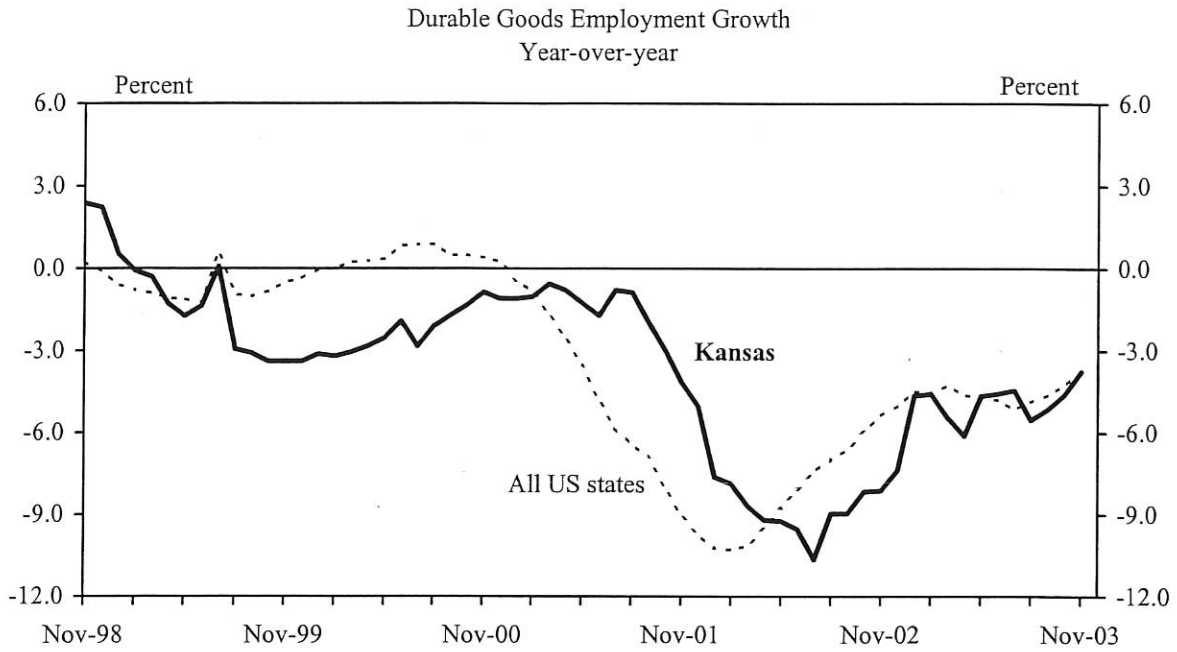
- Retailers throughout the district said they were generally pleased with holiday sales.
- Sales at some discount stores were below plan, but sales of high-end items were strong.

... and consumer sentiment has improved even in Wichita

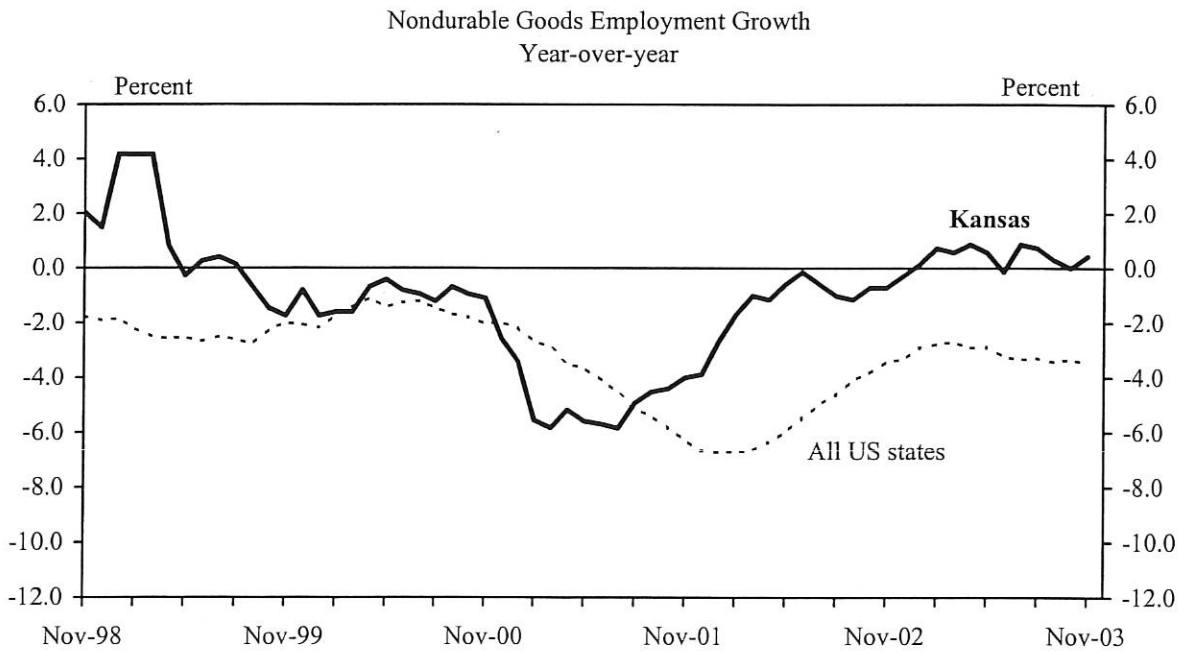


Source: Grubb & Ellis/Wichita State University

*Durable manufacturing has been in a slump,
due partly to declining aircraft production ...*

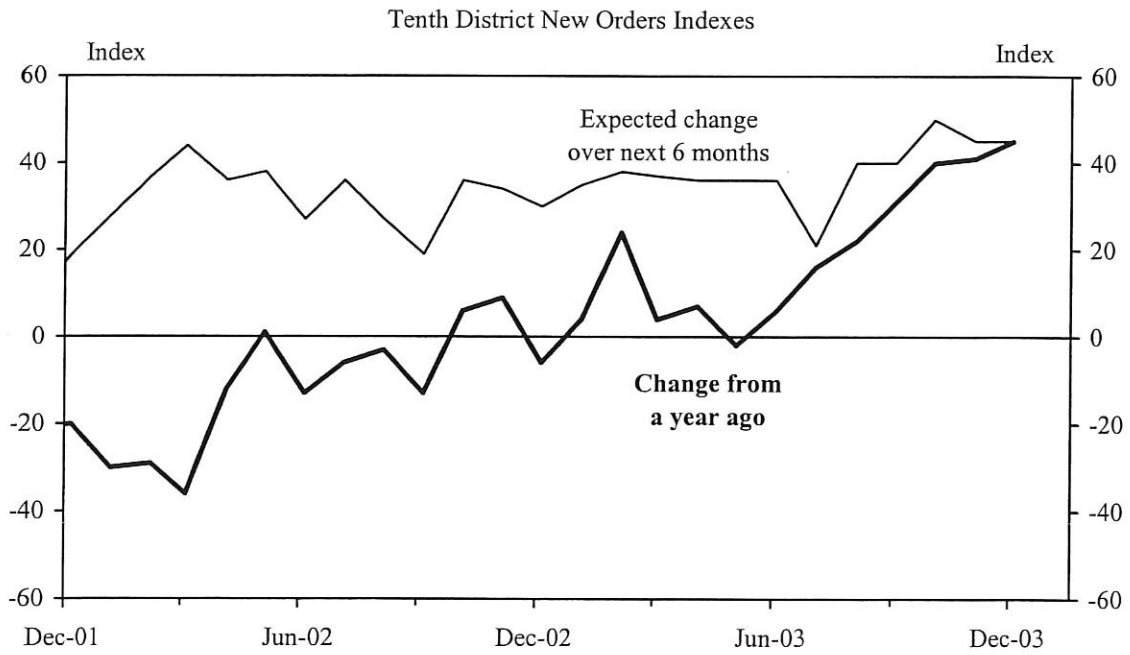
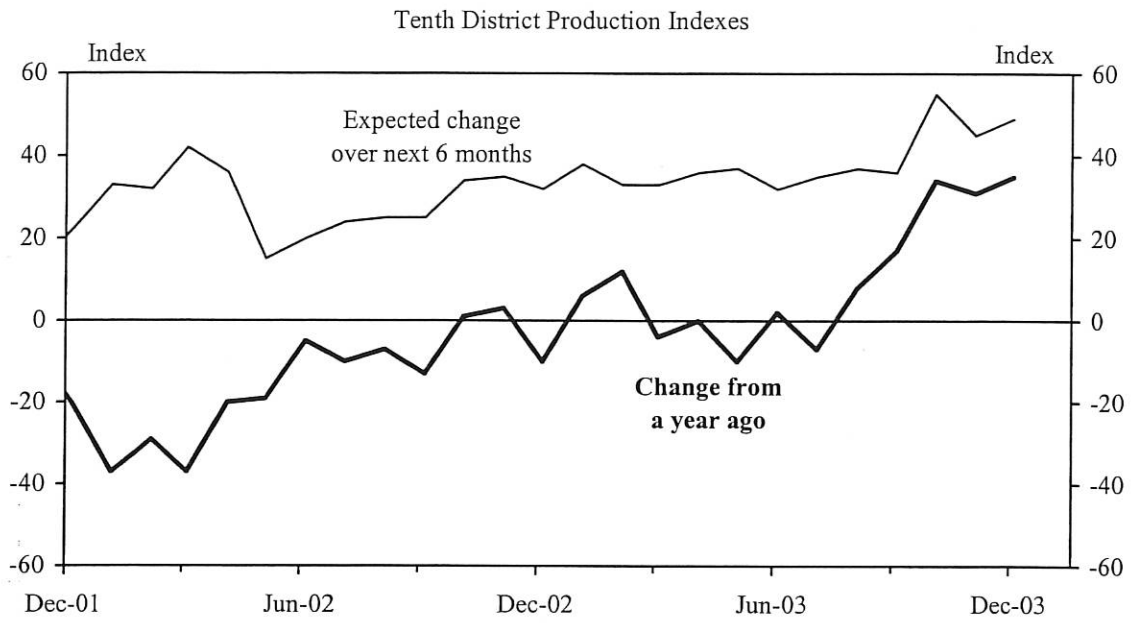


... but greater reliance on food processing has helped nondurables



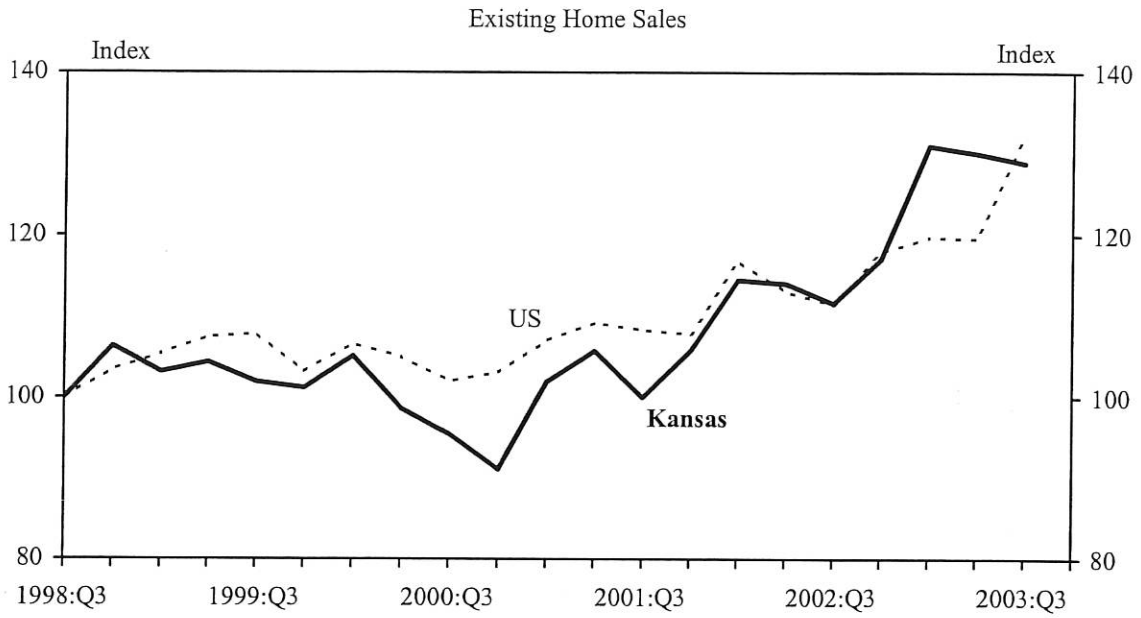
Source: Bureau of Labor Statistics

Meanwhile, smaller manufacturers in the region report increased activity

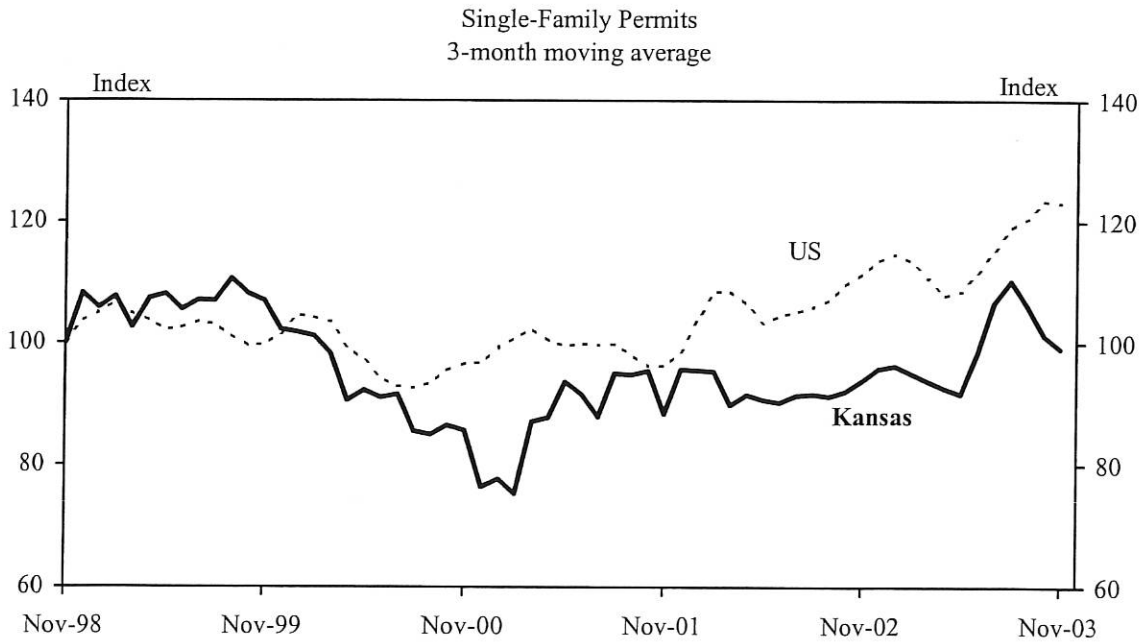


Source: FRBKC Manufacturing Survey

Housing activity has been solid but may be leveling off

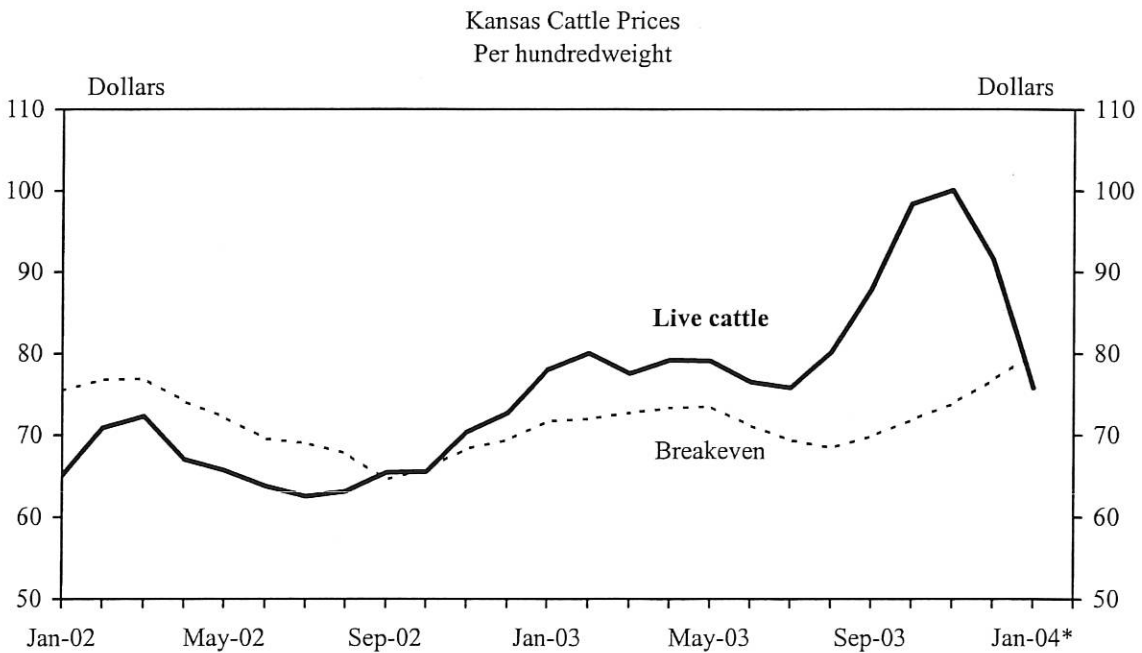
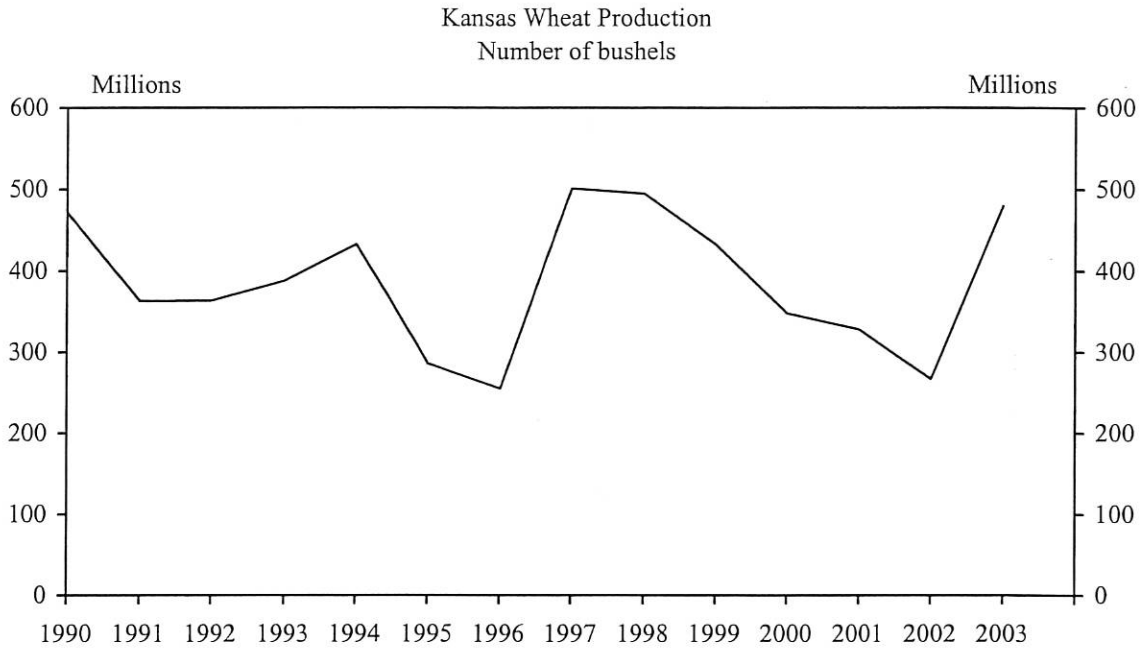


Source: National Association of Realtors



Source: Census Bureau

*The farm sector has been helped by a good wheat harvest,
but mad cow disease has depressed cattle prices*



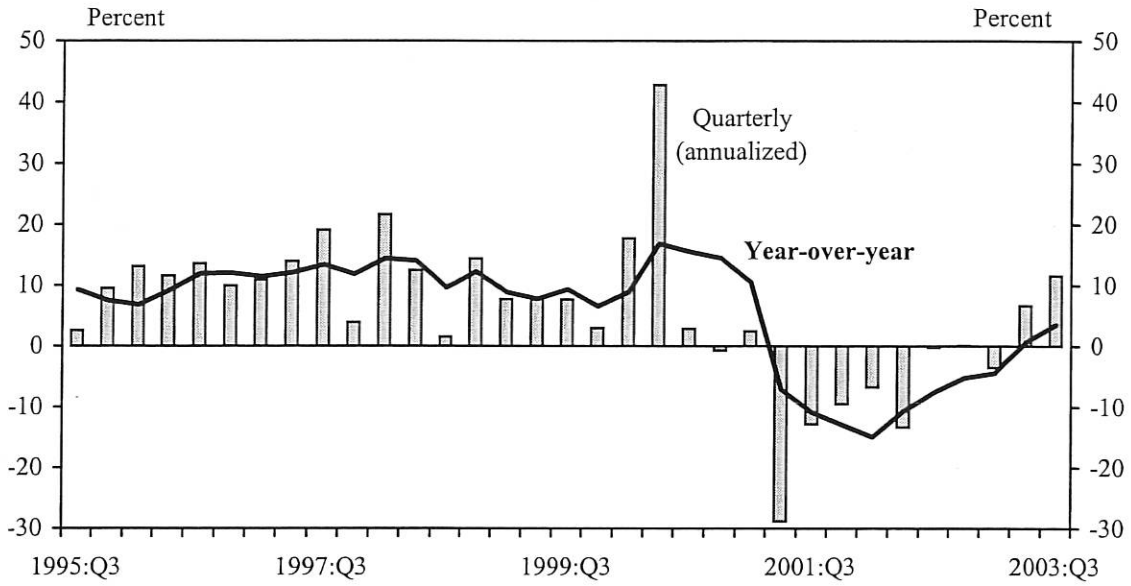
* First three weeks
Source: U.S. Department of Agriculture

Factors affecting the economic outlook for Kansas

- When will businesses start investing again?
- When will employment start growing again?
- What will happen to farm incomes?

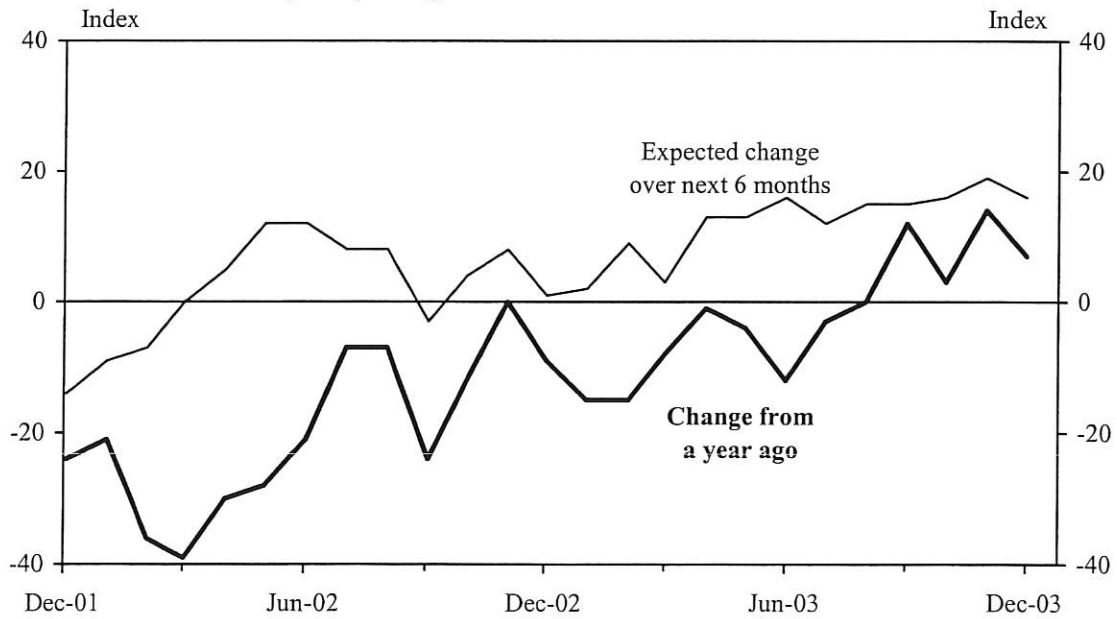
Investment fell sharply in the recession, but may be coming back

Growth in Business Fixed Investment in the U.S.



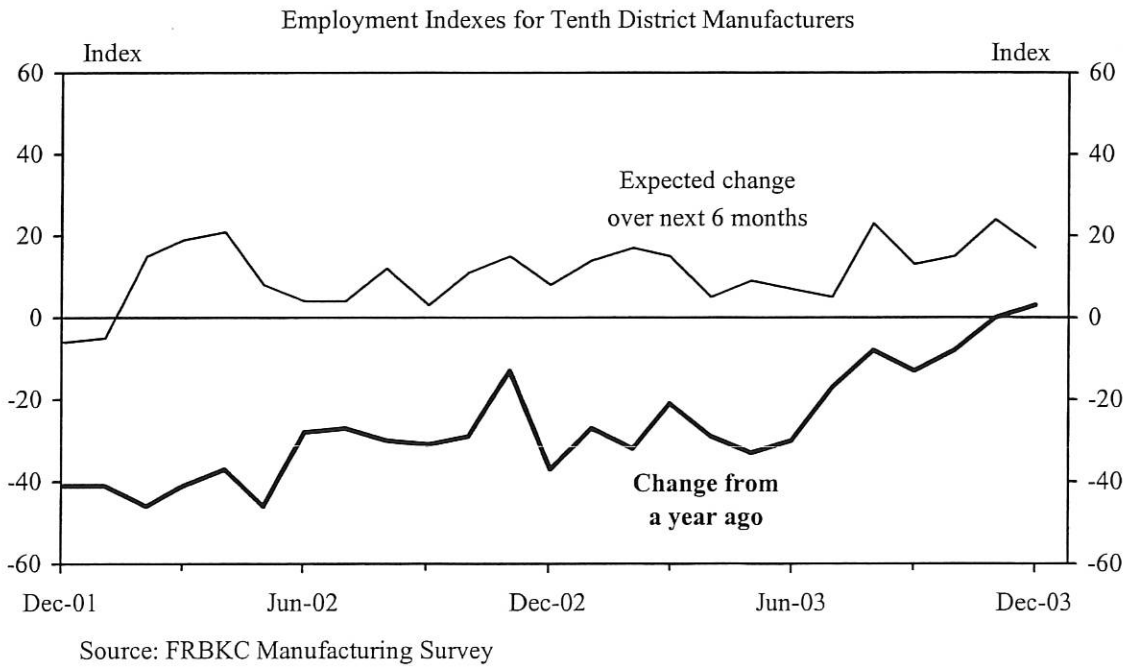
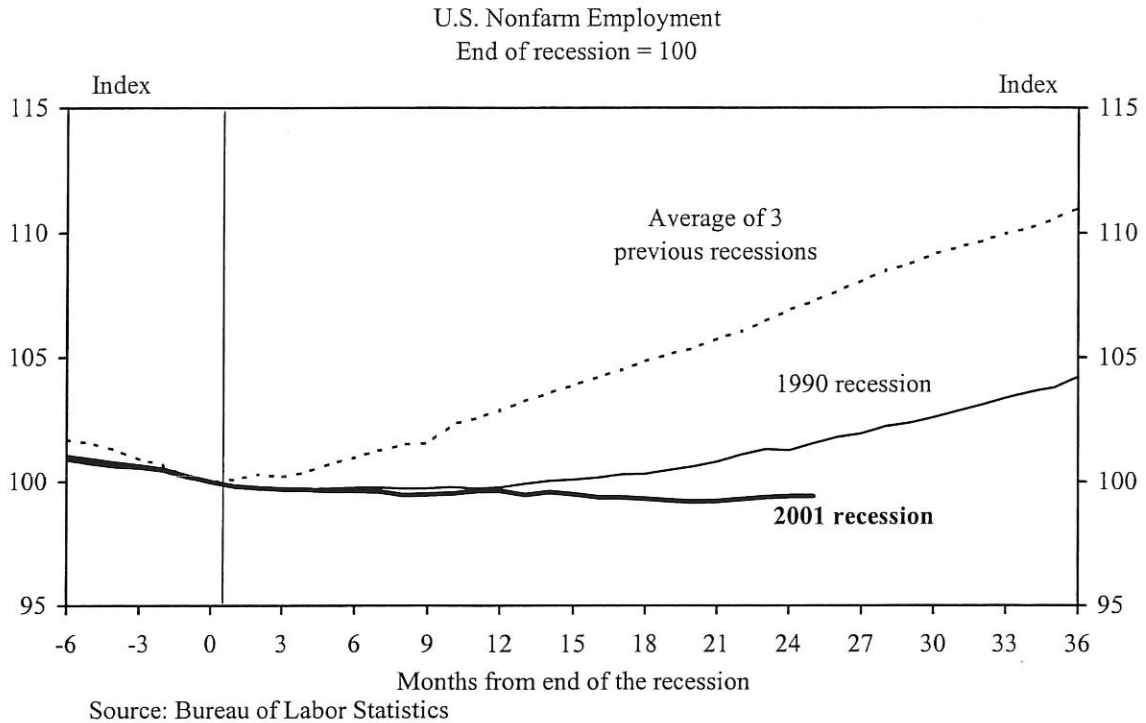
Source: Bureau of Economic Analysis

Capital Spending Indexes for Tenth District Manufacturers



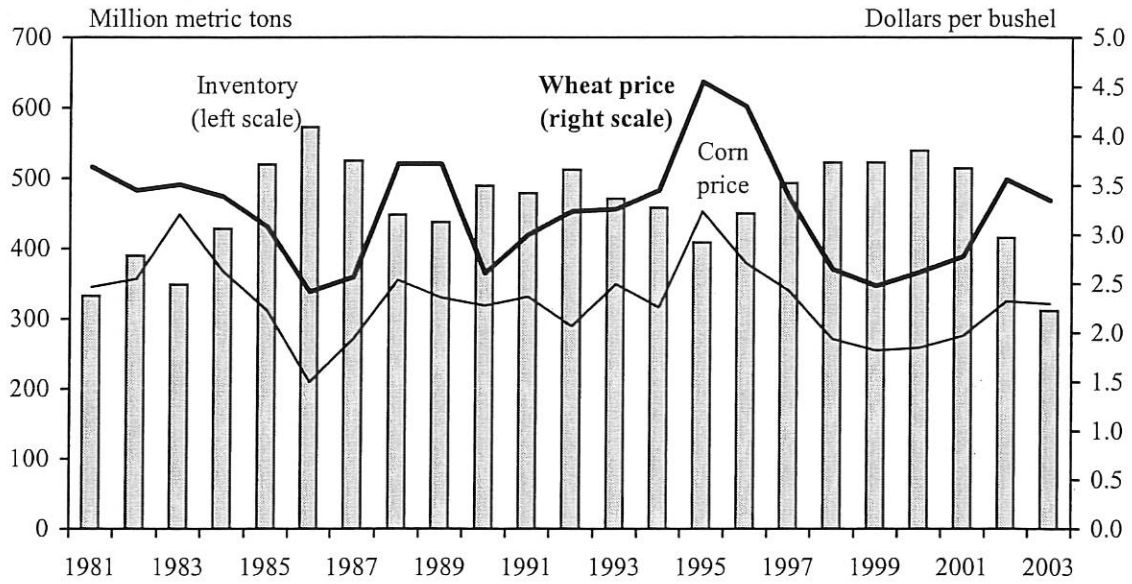
Source: FRBKC Manufacturing Survey

Recovery has been jobless, but there are hints of a turnaround



*With historically low global supplies,
the stage is set for higher grain prices in 2004*

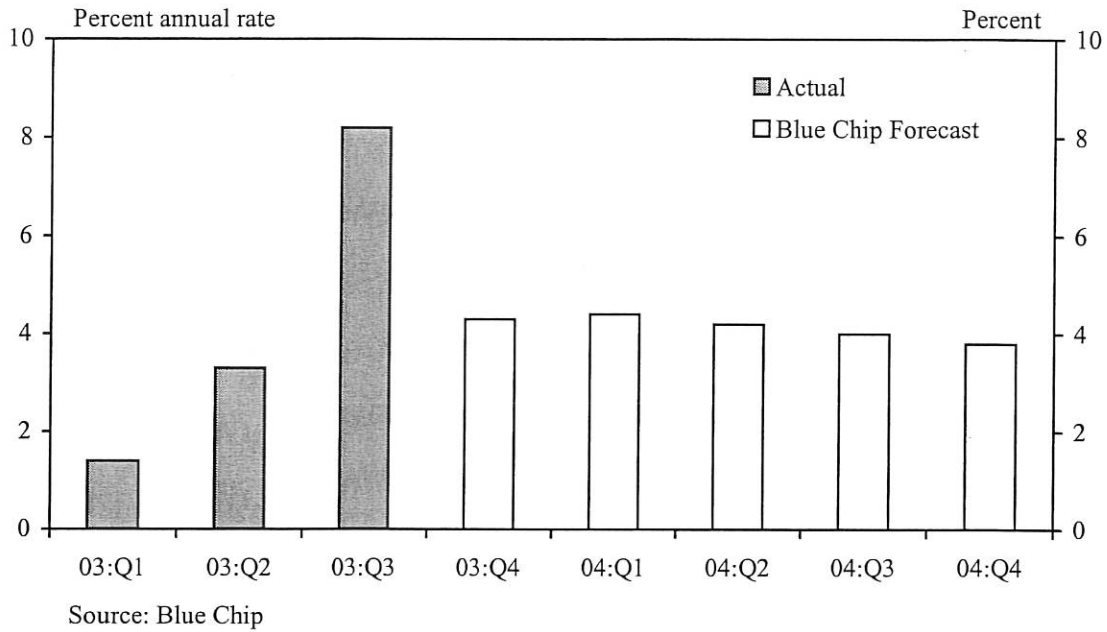
World Grain Inventories and U.S. Prices



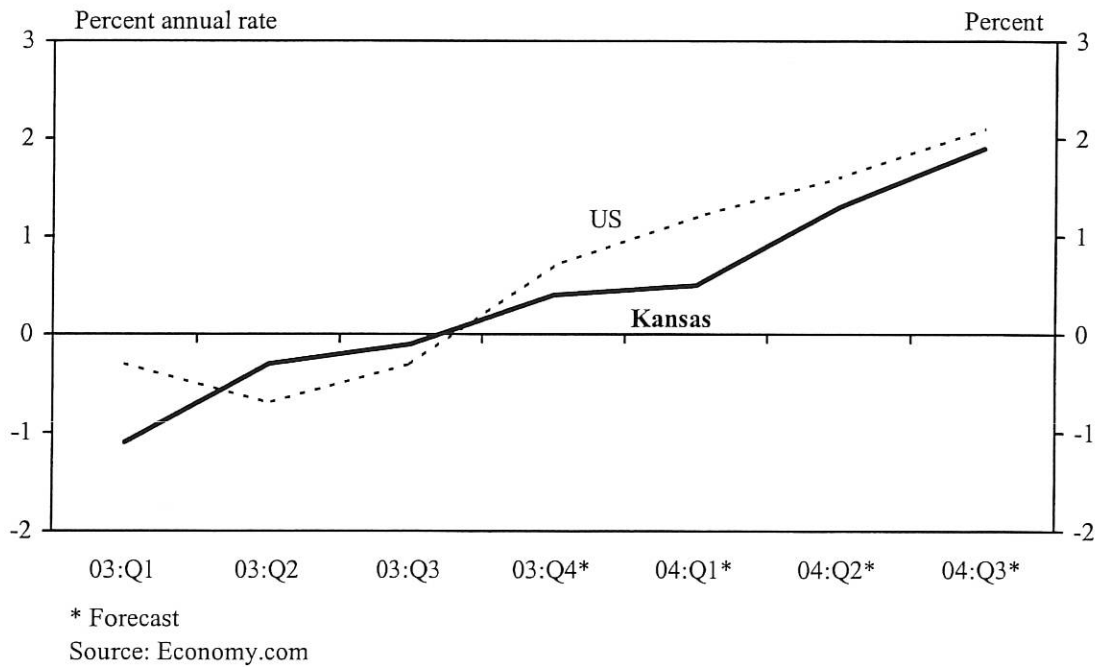
Sources: USDA and Chicago Board of Trade

Despite the risks, most economists predict the recovery will continue

Blue Chip Forecast for Real GDP Growth in U.S.



Economy.com Forecast for Employment Growth in Kansas and the U.S.



Summing Up

- Like the nation, Kansas is slowly recovering from the recession
- For recovery to continue, businesses must start investing and hiring
- Most economists think this will happen, allowing recovery to continue