

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Nick Jordan at 8:05 A.M. on February 22, 2005 in Room 123-S of the Capitol.

All members were present except:

David Wysong- excused

Committee staff present:

Susan Kannarr, Kansas Legislative Research Department

Kathie Sparks, Kansas Legislative Research Department

Helen Pedigo, Revisor of Statutes

Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Steve Ahlerich, Kansas, Inc.

Patti Bossert, Kansas, Inc.

Others attending:

See attached list.

Chairperson Jordan opened the meeting introducing Matt Jordan to explain the amendment to **SB 233**. Mr. Jordan introduced Doug Farmer from KDHE who explained the amendment. (Attachment 1) Discussion followed regarding the regulations and how many meals could be served before the operator must get a license. Mr. Farmer turned to Ms. Mary Glassburn from KDHE to join the discussion with information regarding what the law requires. She stated the operator can serve meals on 6 days in a calendar year without a license. The discussion continued. Questions were raised on how the law was being enforced.. Ms. Glassburn stated Bed & Breakfast establishments are not required to have a license unless they go public. The amendment would wave the licensing fee for a period of one year, but during that time the agritourism operator would be subject to the inspections and rules of licensed operators. The discussion continued with the Committee deciding the amendment needed more work on the language because it does not make sense. Chairperson Jordan stated the Committee is not ready to work this bill and would ask the bill be blessed to give more time.

Chairperson Jordan announced to the Committee the next bill to be worked would be **SB 260** concerning Kansas, Inc. The charts the Committee asked for have been developed by Kathie Sparks, Legislative Research and Helen Pedigo, Revisor or Status and they distributed copies to the Committee. Chairperson Jordan introduced Kathie Sparks, Legislative Research to explain her report on Kansas, Inc. (Attachment 2) Next Chairperson Jordan introduced Helen Pedigo to explain her chart regarding Kansas, Inc. (Attachment 3)

Chairperson Jordan introduced Mr. Stan Ahlerich, Vice-Chair, Kansas, Inc. to give his testimony. Mr. Ahlerich has been on the board of Kansas, Inc. for 8 years and feels for the first time the board is headed in the right direction to achieve it's duties. He is excited for the future of Kansas, Inc. and urged the committee not to pass **SB 260**. He would like for Kansas, Inc. to be given a period of two years and then to be reevaluated. He presented written testimony (Attachment 4) Mr. Ahlerich referred the Committee to the "Kansas, Inc Research Publication". (Attachment 5) He also referred the Committee to the "Kansas, Inc. Issue Papers". (Attachment 6) He referred the to Committee to the "2004-2005 Research Prospectus for Kansas, Inc". (Attachment 7) Also presented was "Kansas, Inc. Reports". (Attachment 8)

Upon conclusion of Mr. Ahlerich's testimony there was discussion with the Committee on why Kansas, Inc. had failed to meet their duties for the past several years. The discussion turned to the claim by Kansas, Inc. That some of the problem being a lack of funds and how to get funding. The Committee stated a lack of communication is another concern. Senator Brownlee made the statement she and Senator Jordan met with Secretary Fricke and Lt. Governor John Moore before introducing the bill and they were both supportive to abolish Kansas, Inc. and she doesn't know why they did not testify in favor of the bill.

Chairperson Jordan introduced Patti Bossert, Board of Kansas, Inc. to give her testimony. Ms. Bossert presented written testimony (Attachment 9) She referred to "Kansas, Inc. Indicators of the Kansas

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on February 22, 2005 in Room 123-S of the Capitol.

Economy”(IKE) “Employment Trends in Kansas: December 2003 to December 2004 “(Attachment 10) Ms. Bossert also made reference to the Draft of the first report form IKE. (Attachment 11). Upon conclusion of her testimony, Ms. Bossert offered an alternative to abolishing Kansas, Inc. She stated she proposes Kansas, Inc. be given two years to prove it's value to the state of Kansas.

The discussion continued and included the new publication of Kansas, Inc. called IKE. Then the topic of discussion changed to the fiscal note for **SB 260**, how much would be needed by the Department of Commerce and the Post Audit Division to accept part of the duties if Kansas, Inc. is abolished.. There was also discussion regarding the emergency board meeting which was called the next day after this bill was introduced in the Committee. Ms. Bossert stated they called the meeting to discuss with Secretary Fricke and Lt. Governor Moore about Kansas, Inc. being abolished since they both had called and discussed that subject over the telephone. The question was also raise had Kansas, Inc. offered the job of President to former Senator Dave Kerr. Ms. Bossert confirmed that fact. Matt Jordan stated the Department of Commerce offered Commerce staff as a gesture of help and would be submitting written testimony to clear up any misrepresentation which had occurred by Kansas, Inc. on that subject.

Chairperson Brownlee opened discussion on **SB 33**. Helen Pedigo stated there was another balloon that they had been working on for the past 24 hours. There was discussion regarding **SB 33** and it was determined to ask if the bill could blessed. It is not ready to work.

Meeting adjourned at 9:20 a.m. with the next meeting scheduled Wednesday, March 2, 2005 at 8:30 a.m. in room 123S.

"Any previously unlicensed food service establishment may make application with the secretary of Kansas department of health and environment to the time of application for licensure under subsection (b) for waiver of the license fees for the year of application, and shall receive waiver of license fees if the applicant submits, along the application for licensure , proof of registration with the Kansas department of commerce as an agritourism operator or agritourism activity, within an agritourism location, under the provisions of K.S.A. 2004 Supp. 74-50,168 and amendments thereto, and is operating within an agritourism location on a working ranch, working farm or winery, as defined by K.S.A. 2004 Supp. 74-50,167 and amendments thereto."

Mary Glassburner, CFSP
Interim Director
Bureau of Consumer Health
785.296.1705

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KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 17, 2005

To: Senate Commerce Committee
From: Kathie Sparks, Principal Analyst
Re: Statutory Reporting Requirement on Kansas, Inc.

Per your request, the following table will provide the statute, the program to be evaluated, and when Kansas, Inc. produced the report. The reports and the statutory compliance have also been provided by Kansas, Inc.

Statutory Cite and Program Title	Kansas Inc. Completed Study
K.S.A. 74-5007a Performance Grants to Certified Development Companies and Small Business Development Centers	1989-Ks. Certified Development Companies 1996-Analysis of Kansas Business Assistance
K.S.A. 74-5049 Review of the activities of the Department of Commerce and its divisions (Required at least once every three years)	1993 – Review of Kansas Department of Commerce and Housing* 1996 - Analysis of Ks. Business Assistance 1997 – Evaluation of the Tourism Attraction Development Grant Program 1998 – Evaluation of the High Performance Firms Incentives Program 1998 – Evaluation of the Community Strategic Planning Assistance Grant Program 1999 – Evaluation of the Metropolitan Strategic Planning Grant Program
K.S.A. 74-5089 During 1997 Ks. Inc. shall commission an analysis of the Matching Grant Program to provide assistance in promotion of tourism and development of quality tourist attractions within the State of Kansas	1997 – Evaluation of the Tourism Attraction Development Grant Program
K.S.A. 74-50, 101 Evaluate each economic development strategic plan . . . and determine the degree that such plan has been implemented. (two years after last grant is awarded)	1998 – Evaluation of the Community Strategic Planning Assistance Grant Program 1999 – Evaluation of the Metropolitan Strategic Planning Grant Program
K.S.A. 74-50,134 During 1998 Kansas, Inc. shall commission an analysis of High Performance Firms Program and the impact of this Program	1998 – Evaluation of the High Performance Firms Incentives Program

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Statutory Cite and Program Title	Kansas Inc. Completed Study
K.S.A. 74-9306(m) Evaluate and report on the effectiveness of the Bioscience Authority	This is in the planning stages.
K.S.A. 74-99c10 Three years from effective date, Kansas, Inc. shall conduct a review of the Center for Entrepreneurship and the Community Entrepreneurship Fund to determine program and cost effectiveness.	This report is to be submitted to the Legislature by January 1, 2008.
K.S.A. 74-8004 (4) Evaluate and analyze the state's economy to guide the direction of future public and private actions and report and make recommendations . . . (5) Oversee and evaluate the state's economic development activities on an ongoing basis through the establishment of goals, . . . (9) review and evaluate the annual reports of the Department of Commerce, KTEC, and Kansas Venture Capital Inc., shall transmit recommendations concerning the agencies activities to . . . no later than 9-1 each year . . . (10) evaluate and report on the effectiveness of the activities of the Kansas Bioscience Authority.	<p>(4) According to the agency: 2004 – Annual Report</p> <p>2003 – Business Taxes and Costs: A Cross-State Comparison</p> <p>2001 – Making the Knowledge Economy Work for All Kansans–Third Update of the Strategic Plan</p> <p>(5) According to the agency: Kansas, Inc. Does not establish goals, objectives, and priority standards for independent agencies, but updates strategic plans that establish goals and objectives for the State that can be documented in the strategic plans.</p> <p>2001 – Making the Knowledge Economy Work for All Kansans comprehensive book and executive summary</p> <p>(9) According to the agency: Kansas, Inc. has not reviewed the annual reports of the Department of Commerce, KTEC, and Kansas Venture Capital Inc. Furthermore, as best as they can document, this has never been completed and no person has asked to see a copy of this report.</p>
K.S.A. 74-8006 Annual Kansas, Inc. report	2004 Annual Report is on the website.
K.S.A. 74-8010 Review and evaluation of state economic development programs and activities, recommendations to Legislature.	<p>1993 – Review of Kansas Department of Commerce and Housing</p> <p>1995 – Peer Review Kansas Value Added Center</p> <p>1995 – A Peer Review of Kansas, Inc.</p> <p>1996 - Analysis of Kansas Business Assistance</p> <p>1997 – Evaluation of the Tourism Attraction Development Grant Program</p> <p>1998 – Evaluation of the High Performance Firms Incentives Program</p> <p>1998 – Evaluation of the Community Strategic Planning Assistance Grant Program</p> <p>1999 – Evaluation of the Metropolitan Strategic Planning Grant Program</p>

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Statutory Cite and Program Title	Kansas Inc. Completed Study
K.S.A. 74-8015 Annual report about all state agencies making community and economic development grants or loans.	2004 – Grants and Loans Report for Fiscal year 2003 Copies of the past years' reports are available upon request.
K.S.A. 74-8017 Annual report evaluating cost effectiveness of tax credits and exemptions	2004 – Cost Effectiveness of Tax Credits and Exemptions for tax year 2002.
K.S.A. 74-8009a Annual financial report of Kansas, Inc.	This appears to included in the Kansas, Inc. Annual Report in K.S.A. 74-8006

* The only time a full review was prepared on the Department of Commerce was in 1993, as the research budget for that year was \$115,000 according to Kansas, Inc. The research resource base has been insufficient for a full-scale evaluation of all programs since that time; therefore, the agency has conducted evaluations on a program-by-program basis with the exception of the 1996 Business Assistance Report.

If anyone wishes to examine these reports, please contact me for copies.

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CHART OF RESPONSIBILITIES AND REPORT RECEIPT REMOVED FROM KANSAS, INC. IN SB 260	Compiled by Helen Pedigo, Assistant Revisor	February 20, 2005
ISSUE	RESPONSIBILITY	CITE
Report on special obligation bonds	Governor & Legislature	Sec. 1
Commerce to forge partnership	Remaining agencies	Sec. 2
Division of business development evaluation	Division of Post Audit	Sec. 3
Commerce dept. cooperates with	Division of Post Audit	Sec. 4
Tourism matching grant program	Subsection stricken – report due 1997	Sec. 5
Community strategic planning committee	Commerce Secretary or designee	Sec. 6
Evaluation of eco devo strategic plans	Division of Post Audit	Sec. 7
HPIP program evaluation 2006 and every 5 years thereafter	Division of Post Audit	Sec. 8
Kansas economic opportunity initiative fund cost/benefit analysis	Commerce Dept.	Sec. 9
KTEC cooperation with Commerce	No replacement	Sec. 10
KTEC annual report to Governor and Legislature	No replacement	Sec. 11
KTEC reports to committees on Angel investor	No replacement	Sec. 12
Kansas Venture Capital, Inc. annual report receipt	No replacement	Sec. 13
Kansas Venture Capital, Inc. evaluation of program success with Commerce Dept.	No replacement	Sec. 14
KTEC venture based venture capital fund annual reporting; also to governor and legislative committees	No replacement	Sec. 15
Local seed capital pools annual evaluation w/Commerce	No replacement	Sec. 16
INK board membership	No replacement; amended to 9 members	Sec. 17
Provision of staff and assistance to INK	DISC only	Sec. 18
Bioscience authority subject to review	Division of Post Audit	Sec. 19
Center for Entrepreneurship tax credit report submitted to Governor, Commerce Dept., and Legislative committees	No replacement	Sec. 20
Center for Entrepreneurship 3-year review	Division of Post Audit	Sec. 21
Unclassified service	No replacement	Sec. 22
Unclassified salaries Governor approval	No replacement	Sec. 23
Taxation lists and reports confidential	No replacement	Sec. 24
Taxation info; limitations on use	No replacement	Sec. 25
Tax returns confidentiality	No replacement	Sec. 26
Strategic analysis	Commerce	Sec. 27(a)
Formulate economic development policy	Commerce	Sec. 27(b)
Oversee targeting of state resources by size, sector and geographic region	Commerce	Sec. 27(c)
Strategic planning for tax regulatory & expenditure policies	Commerce	Sec. 27(d)
Develop long-term economic strategy	Commerce	Sec. 27(d)
Coordinate strategy development with other agencies	Commerce	Sec. 27(e)
Evaluate and analyze state economy to guide actions, report and recommend	Commerce	Sec. 27(f)
Oversee & evaluate eco devo activities	Commerce	Sec. 27(g)
Compile annual report detailing community and eco devo grants and loans	Commerce	Sec. 27(h)
Publish annual report	Commerce	Sec. 27(i)
Review and evaluate KTEC	Division of Post Audit	Sec. 28
Annual report evaluating effectiveness of tax credits and sales tax exemptions	Revenue	Sec. 29

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Testimony on SB 260

Presented by Stan Ahlerich, Vice-Chair-- Kansas, Inc.

I have served for over eight years as a Board member representing the Agriculture sector. I am currently serving as Vice-chair, and I have served as Interim President of Kansas, Inc. I stand in opposition to Senate Bill 260 and the subsequent amendment to SB 260.

I would like to focus my comments toward the body of work that Kansas, Inc. is responsible for and to underscore the quality of that work. There seems to be the perception that Kansas, Inc. is broken and that perhaps it is time to just kill it instead of addressing and recognizing some of its limitations. First, of all, and let me be clear about this, contrary to what some others would have you believe Kansas, Inc. is NOT broken! --- Kansas, Inc. is required to produce several reports and I have included a list of the many research reports that we have produced over the years. I also, have included a list of white papers or issue papers that we have researched and produced over the years. These reports are not mandated and usually the impetus for these is at the request of the Board, the legislature or the administration. Also, I have included our last Strategic plan document, we are under no specific timeline to produce this, however, we try to fund, research and develop this every five years. Another function of Kansas, Inc. that no one seems to be talking about is that we are charged with exploring, testing, and challenging the future economic landscape in our State. We do this with a research agenda of our own that ask some of the tough and sometimes uncomfortable questions and we do this with an ongoing dialogue within the framework of our unique Board, where the private sector Board members and the public sector members challenge the system while adhering to the structure. I have included a copy of our research agenda for your review.

I have listened intently to the Committee's comments and concerns and yes frustrations with Kansas, Inc.'s report in regards to the *Effectiveness of Sales Tax Exemptions*. However, this is one report, admittedly immensely important, but to be quite honest, from my perspective we have been painted the heel in all of this when in all actuality a close scrutiny of the facts should portray us as the hero! From the outset our staff and our Board have worked diligently in conjunction with the Department of Revenue to get at the very specific and germane data that you desire and need. The request by the legislature to understand the outcomes and the realities of tax abatements and incentives is not only appropriate, it is mandatory. However, to glean this information from individuals and corporations it is laced with issues, very difficult, multi-layered and from their prospective appropriate issues. Such things as confidentiality, reporting on individual's tax forms versus corporate forms, and perhaps the most glaring oversight, the requirement by statute to report, however, there is no penalty for not

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reporting. Nonetheless, tough though it is, the job still needs to be done. Your Senate Committee, the citizens and taxpayers of this State deserve that analysis and Kansas, Inc. has always agreed. That is why we have been adamant about getting the correct information, the timely information, the full information and the record shows that over the years we have tried to do that and we have also recommended possible solutions to cover any shortcomings. We continue that to this day. And therefore, in reflecting on SB 260, I must respectfully submit to you that I am perplexed as to its foundations, its merits, and its background. Are we to be abolished because of not fulfilling a single report that both we and the Department of Revenue deem flawed and therefore meaningless to a large degree? Are we to be abolished because we have suggested, in concert with the Department of Revenue, some potential remedies?

Surely the threshold to abolish an entity with the history, the forethought, and the mandates of a Kansas, Inc. must be anchored in some systemic or dramatic deficit. Has anyone suggested such a deficit and if so who? The administration? Some other agency? Where are the proponents of this bill? Where is the empirical data or evidentiary support to suggest such a drastic shift and change to the equilibrium of our entire Economic Development model? Is this Senate Bill 260 truly warranted or needed to abolish or replace a model that was put in place by people of vision with a specific design and a dedicated purpose?

Challenges

To suggest to you that everything at Kansas, Inc. is as good as it should be or that we have attained the level of research, evaluation and strategic planning that our creators Redwood-Krider envisioned would be disingenuous. We have, over the years always struggled with being under funded; every peer review, legislative audit and even casual observers have pointed this out. At times our focus has been less than perfect, possibly due to distractions of trying to serve too many masters or the legislature not defining our roles more specifically or in some cases our own staff taking us in an unintended direction. We have come through some trying times in the early 2000's, funding zeroed out, Board member apathy, Board replacement process very slow, we have struggled with a proper and full evaluation in regards to the Commerce Department, though not entirely our fault, and the loss of two presidents in three years. We currently are in the process of looking for a new President and we have some exciting possibilities for a candidate. Private funding fell to an almost non-existent point under the past leadership before Jerry Lonergan. However, under his leadership and this Board's renewed commitment private funding is once again at level that we can be proud and the trend line is up.

In closing, as I said earlier, I have been on this Board over eight years. I have witnessed first hand the ups and the downs of this agency. I have served through three past Kansas, Inc. Presidents, two administrations and three Secretaries of Commerce and their particular staffs. It has been a personal privilege to serve the State of Kansas and as a private business man I whole heartily believe in Kansas, Inc.'s mission. I believe in its independence, its non-partisan approach and its mix of public and private roles. As I have outlined we currently have some challenges, but in all of my eight years of serving, I can

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honestly say that I am more excited and more confident with the position and the possibilities that the future holds. However, it seems shortsighted and unwise to go forward with SB 260, when the principle funding mechanism for a majority of the economic initiatives, the Lottery, and the subsequent sun setting of that legislation is looming in 2008. It begs the question, why cut off the arm of research, independence, evaluation and strategic planning when the State may need it the most?

Kansas, Inc. Research Publications

A Permanent Presence of the Film Industry in Kansas, The Sequel, by Kansas, Inc., Topeka, Kansas, January 2005.

Grants and Loans Report Report for Fiscal Year 2003, Kansas, Inc., Topeka, Kansas, June 2004.

Sales Tax Exemption and Kansas Income Tax Credits for Economic Development: Report for Tax Year 2002, Kansas, Inc., Topeka, Kansas, May 2004.

Business Taxes and Costs, A Cross-State Comparison 2003 Update, by Pat Oslund, David Burress and Luke Middleton, Policy Research Institute, University of Kansas for Kansas, Inc., Topeka, Kansas, February 2004.

Business Taxes and Costs, A Cross-State Comparison 2003 Update, Executive Summary of Findings and Policy Recommendations, by Pat Oslund, David Burress and Luke Middleton, Policy Research Institute, University of Kansas for Kansas, Inc., Topeka, Kansas, December 2001.

County Economic Vitality and Distress-2001 Report Update, Kansas, Inc., Topeka, Kansas, April 2003, updated February 2004.

Grants and Loans Report-Fiscal Year 2002; Economic Development, Community Development, Community Development Block Grants, and Natural Resources, Kansas, Inc., Topeka, Kansas, May 2003.

Grants and Loans Report-Fiscal Year 2001; Economic Development, Community Development, Community Development Block Grants, and Natural Resources, Kansas, Inc., Topeka, Kansas, June 2002.

County Economic Vitality and Distress-2000 Report Update, Kansas, Inc., Topeka, Kansas, June 2002.

Business Taxes and Costs, A Cross-State Comparison 2001 Update, by Pat Oslund, David Burress and Luke Middleton, Policy Research Institute, University of Kansas for Kansas, Inc., Topeka, Kansas, December 2001.

Making the Knowledge Economy Work For All Kansans ; Kansas Comprehensive Strategic Plan Update, Kansas, Inc., Topeka, Kansas, December 2001

Economic Development Legislation in Kansas, a chronological history, 1986 through 2001, Kansas, Inc., Topeka, Kansas, June 2001.

Guide to Business Tax Incentives in Kansas: Fiscal Year 2001, Kansas, Inc., Topeka, Kansas, June 2001.

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Sales Tax Exemption and Kansas Income Tax Credits Report: Calendar Year 2000, Kansas, Inc., Topeka, Kansas, June 2001.

County Economic Vitality and Distress-1999 Report Update, Kansas, Inc., Topeka, Kansas, May 2001.

Grants and Loans Report-Fiscal Year 2000; Economic Development, Community Development, Community Development Block Grants, and Natural Resources, Kansas, Inc., Topeka, Kansas, April 2001.

Economic Development Legislation in Kansas, a chronological history, 1986 through 2000, Kansas, Inc., Topeka, Kansas, December 2000.

Grants and Loans Report-Fiscal Year 1999; Economic Development, Community Development, Community Development Block Grants, and Natural Resources, Kansas, Inc., Topeka, Kansas, January 2000.

County Economic Vitality and Distress-1998 Report Update, Kansas, Inc., Topeka, Kansas, January 2000.

Sales Tax Exemption and Kansas Income Tax Credits, Kansas, Inc., Topeka, Kansas, January 2000.

Annual Survey of Kansas Manufacturers and Exporters (ASKME) Services, Kansas, Inc., Topeka, Kansas, December 1999.

Evaluation of The Metropolitan Strategic Planning Grant Program, Kansas, Inc., Topeka, Kansas, November 1999.

Business Taxes and Costs, A Cross-State Comparison 1999 Update, by Pat Oslund and Brian Harris, Institute for Public Policy and Business Research, University of Kansas for Kansas, Inc., Topeka, Kansas, November 1999.

Economic Development Legislation in Kansas, a chronological history, 1986 through 1998, Kansas, Inc., Topeka, Kansas, June 1999.

Guide to Business Tax Incentives in Kansas, Kansas, Inc., Topeka, Kansas, April 1999.

Kansas, Inc. Report to the Kansas House of Representatives in response to HR 6008 Feasibility Study for Adjusted Estimations of Value of Kansas Exports and Annual Survey of Kansas Manufacturers and Exporters (ASKME), Kansas, Inc., February 1999

Sales Tax Exemption and Kansas Income Tax Credits, Kansas, Inc., Topeka, Kansas, January 1999.

Best Practices of State Sponsored Seed and Venture Capital Programs and Alternatives to Direct State Funding, by Beldon Hull Daniels and Joseph Lynch, Economic Innovation International, Inc., Topeka, Kansas, December 1998.

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County Economic Vitality and Distress-1997 Report Update, Kansas, Inc., Topeka, Kansas, December 1998.

Grants and Loans Report-Fiscal Year 1998; Economic Development, Community Development, Community Development Block Grants, and Natural Resources, Kansas, Inc., Topeka, Kansas, December 1998.

Evaluation of the Community Strategic Planning Assistance Grant Program, by Tim Paris, Kansas, Inc., Topeka, Kansas, June 1998.

Economic Development Legislation in Kansas, a chronological history, 1986 through 1998, Kansas, Inc., Topeka, Kansas, June 1998.

Guide to Business Tax Incentives in Kansas, Kansas, Inc., Topeka, Kansas, June 1998.

High Performance Firms Incentives Programs (HPIP), Kansas Department of Commerce & Housing, by Mikel Miller with Timothy Paris, Kansas, Inc., Topeka, Kansas, May 1998.

Business Taxes and Costs - A Cross-State Comparison, by Patricia Oslund and Alice Fetisova, Institute for Public Policy and Business Research, University of Kansas, February 1998.

Grants and Loans Report-Fiscal Year 1997; Economic Development, Community Development, Community Development Block Grants, and Natural Resources, Kansas, Inc., Topeka, Kansas, February 1998.

Sales Tax Exemption and Kansas Income Tax Credits, Kansas, Inc., Topeka, Kansas, January 1998.

A Report On Results Achieved By Schools That Piloted The Kansas Quality Performance Accreditation System, Volume I & II, by Arie van der Ploeg, Principle Investigator, North Central Regional Educational Laboratory, Kansas, Inc., Topeka, Kansas, January 1998.

County Economic Vitality and Distress-1996 Report Update, Kansas, Inc., Topeka, Kansas, October 1997.

Economic Development Legislation in Kansas, a chronological history, 1986 through 1997, Kansas, Inc., Topeka, Kansas, June 1997.

Evaluation of the Tourism Attraction Development Grant Program, Kansas Department of Commerce & Housing, Mikel Miller and Charles Warren, Kansas, Inc., Topeka, KS, June 1997.

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

The Kansas Workforce: Employer Assessment, by M. Elizabeth Stella, Charles E. Krider, and Ronald A. Ash, Institute for Public Policy and Business Research, University of Kansas, January 1997.

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The Kansas Business Environment, by Norman Clifford, Robert Glass, and Charles E. Krider, Institute for Public Policy and Business Research, University of Kansas, January 1997.

Grants and Loans Report-Fiscal Year 1996; Economic Development, Community Development, Community Development Block Grants, and Natural Resources, Kansas, Inc., Topeka, Kansas, January 1997.

County Economic Vitality and Distress-1995 Report Update, Kansas, Inc., Topeka, Kansas, October 1996.

Guide to Business Tax Incentives in Kansas, Kansas, Inc., Topeka, Kansas, January 1997.

Sales Tax Exemption and Kansas Income Tax Credits, Kansas, Inc., Topeka, Kansas, January 1997.

Glossary of Kansas' Economic and Community Development Agencies and Programs, Kansas, Inc., Topeka, Kansas, June 1996.

Economic Development Legislation in Kansas; a chronological history 1986 through 1996, Kansas, Inc., Topeka, Kansas, June 1996.

Analysis of Kansas Business Assistance, by Mikel Miller, Timothy Paris, and Charles Warren, Topeka, Kansas, January 1996.

Economic and Community Development Grants & Loans Report: Fiscal Year 1995, Kansas, Inc., Topeka, Kansas, January 1996.

The Effective Labor Force in Kansas: Employment, Unemployment, and Underemployment, by Robert H. Glass, Charles E. Krider, and Kevin Nelson, Institute for Public Policy and Business Research, University of Kansas, January 1996.

Kansas Enterprise Zone Sales Tax Exemptions Fiscal Year 1995, by Mikel Miller, Topeka, Kansas, January 1996.

County Economic Vitality & Distress: 1994 Report Update, by Kansas, Inc., Topeka, Kansas, December 1995.

Costs and Taxes in Selected Kansas Industries: 1994 Update, by Pat Oslund, Institute for Public Policy and Business Research, University of Kansas, June 1995.

Public Support for Economic Development in Kansas: Results of a Statewide Public Opinion Survey, by Joe Aistrup, Ph.D and Mark Bannister, J.D., Docking Institute of Public Affairs, Fort Hays State University, June 1995.

The Dynamics of Industry and Firm Change: Firm Starts and Quits in Kansas by Two Digit SIC Code 1988-1993, by M. Jarvin Emerson, May 1995.

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5-4

Peer Review of the Kansas Value Added Center, by Charles R. Warren, Ph.D, Kansas, Inc., February 1995.

The Property Tax on Motor Vehicles in Kansas: A Description and An Analysis, by Glenn Fisher, The Hugo Wall School of Urban and Public Affairs, Wichita State University, February 1995.

Privatize, Eliminate, Retain or Modify: A Strategy for Competitiveness in Government, by the Kansas Council on Privatization, Topeka, Kansas, January 1995.

Kansas Workforce Employment and Training Programs: Do They Function as a System? Prepared by M. Elizabeth Stella, Charles E. Krider, and Anthony L. Redwood, Institute for Public Policy and Business Research, University of Kansas, December 1994.

Economic Development Legislation in Kansas; a chronological history 1986 through 1994 (Including 1995 Legislative Update), by Mikel Miller and Charles Warren, Topeka, Kansas, November 1994.

Guide to Business Tax Incentives in Kansas, by Mikel Miller and Charles Warren, Topeka, Kansas, November 1994.

A Kansas Agenda for Education and Work Force Training, by Charles Warren and Scott Hessell, Topeka, Kansas, June 1994.

The Kansas Labor Force Education and Training System by Scott Hessell and Suzanne Clarke, Topeka, Kansas, December 1993.

Kansas Economic Policy Issues: The 1994 Legislative Package of Initiatives to Implement, by Kansas, Inc., Topeka, Kansas, December, 1993.

Performance of the Kansas Agricultural Processing Sector, compiled by Arlo Biere, Kansas State University, December 1993.

Impact of Job Reductions on the Wichita and Kansas Economies by Carlene Hill Forrest, Center for Economic Development and Business Research, Wichita State University, November 1993.

Manufacturing Growth Industries in Kansas prepared by M. Jarvin Emerson and the Department of Economics, Kansas State University, October 1993.

A Kansas Vision: Executive Summary and Video by Kansas, Inc., Topeka, Kansas, 1993.

Economic and Community Development Grants and Loans Report, Kansas, Inc., Topeka, Kansas, May 1993.

A Kansas Vision: The 1993 Kansas Economic Development Strategy, a full report by Kansas, Inc., Topeka, Kansas, February 1993. (This report was updated in January 1997. See "A Kansas Vision for the 21st Century" on this list.)

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Kansas Regional Economic Profiles, compiled and edited by Norman Clifford, Institute for Public Policy and Business Research, University of Kansas. Profiles prepared by: Northeast - Robert Glass, IPPBR, University of Kansas; Northcentral - Arthur J. Janssen, Emporia State University; Northwest and Southwest - Ralph Gamble, Fort Hays State University; Southcentral - Carlene Hill Forrest, Center for Economic Development and Business Research, Wichita State University; and Southeast - Robert B. Catlett, Emporia State University, February 1993.

Kansas Natural Gas Policy Commission. Report to the Legislature, January 1993.

The Dynamics of Industry and Firm Change, by M. Jarvin Emerson and Kent J. Emerson, Department of Economics, Kansas State University, 1992.

The Kansas Labor Market: Challenges and Implications by Charles Krider and Dan Roehler, Institute for Public Policy and Business Research, University of Kansas, December 1992.

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K A N S A S I N C .

“Kansas Inc.’s mission is to cooperatively build a strong, diversified economy that promotes new and existing industries.”

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R E S E A R C H

P R O S P E C T U S

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Attachment 7-1

“ B U I L D I N G O N A F O U N D A T I O N ”

The Kansas Inc. research agenda is presented below it is designed to capture the imagination of Kansans – identifying the big issues that are or will impact us all. To be competitive for economic growth the state cannot duck tough or controversial issues but must put its limited resources into areas that can be impacted by the public and private leadership that has served the state so well in the past. The Kansas Inc. board of directors and staff invite you to participate by providing insight and feedback, and welcome financial support that will allow us to fully address these issues. Thank you.

External Research – Listed alphabetically, external research projects require use of professional researchers working under the direction of Kansas Inc. For these funds to be conducted funding partners are required. Space limits make these summaries brief – fuller project descriptions are available at our web site: www.kansasinc.org



Aging Population Economics: Taking Advantage of a State Resource.

In Kansas 90 of 105 counties have a percent share of population 65 years or older greater than the United States average share of 12.4%.

- Develop an understanding of trends among the aging population in Kansas
- Focus on the economic and lifestyle demands, needs and possible business opportunities to expect as the number of older Kansans increases.

Outcomes 1) Feasibility review for potential entrepreneurs - looking at product or service demand ideas
2) Identification of relevant policy options for serving the aging population.



Agriculture Commodities Future: Assess Competitive Threat to the Kansas Economy.

There is growing evidence that the Kansas commodity agriculture industry faces a real threat to its fiscal viability as a result of policies, actions, and

investments of individual countries creating lower-cost agriculturally produced commodities.

- Assess how realistic that threat is, what other threats exist to the state's agriculture industry (terrorism, environmental concerns, etc.)
- Timelines for different scenarios

Outcome 1) Actions Kansas can take to negate or neutralize negative impacts to its agriculture industry.

Bioscience/ Entrepreneurship Evaluation Planning: The Kansas Economy of Tomorrow - Measuring the State Investments.

Substantial funding is planned for aggressive state involvement with individual entrepreneurship and the emerging bio-



sciences industry.

- Quantify the effective and efficient use of state resources
- Objective evaluation and performance tracking for 2 major state initiatives

Outcome An evaluation strategy and plan prepared at the start of programs

to insure required evaluation data are collected, monitored and detailing the impacts of these investments.



Energy and Renewable Energy Strategy: Kansas' Past and Future Tied to its Energy Capacity and Innovation.

The first 5 months of 2004, Kansas Inc. is involved with the Wind and Prairie Task Force created to review renewable energy

and its potential in the Flint Hills. It is the first component of a multiple initiatives in the energy area.

- Work with the State Energy Resource Coordinating Committee to identify issues requiring research
- Create an understanding of and report on the technological innovation and trends in the industry
- Assess potential and assist in proposal preparation for state to pursue the US Department of Energy "FutureGen" project

Outcome 1) Insure the importance of energy is linked directly with the economic future of Kansas; 2) Develop an ongoing and cooperative working relationship with SERCC to identify and anticipate emerging energy issues.

Entrepreneurship: Understanding the Challenges, Assessing the Potential.

Almost 95% of Kansas firms have less than 50 employees. While numbers grew nationally, from 1998 to 2001, Kansas had a net loss in the number of establishments with fewer than 10 employees.

- Create a resource base that identifies challenges unique to



entrepreneurs – case studies and surveys

- Develop policy options and recommendations that can directly benefit this sector

Outcomes 1) Kansas regulations and policies do not impede entrepreneur activities; 2) There is an environment of innovation and creation driven by state entrepreneurs.

environment of innovation and creation driven by state entrepreneurs.



Healthcare: Realistic Policy Options to Address A Crushing Cost to Business.

Survey work by the Kansas Chamber of Commerce and Industry reveal over 60% business's surveyed list managing healthcare cost as a top concern.

- Develop an understanding of the industry, trends and past responses
 - Identify needs and issues for research that leads to realistic policy options – issues that Kansas can directly impact
- Outcomes 1) Knowledge of healthcare areas that state policy can impact; 2) Options and programs to implement those policies.



Minority Population Economics: An Emerging Strong Force in the State Economy.

In the 1990's, Kansas population growth was 8.5%, while the white population increased less the 2%, the non-white population grew by 60%.

- Develop an understanding of trends unique among the minority population in Kansas
- Given the economic and lifestyle demands determine possible business and policy opportunities as the number of minorities continues to increase.

Outcome 1) Comparable to the study of the aging population, developing an understanding of the business opportunities and/or development potential for the fastest growing segment of Kansas's population; 2) What are opportunities presented by the immigrant and minority populations and their individual cultures? How to take advantage of these opportunities?



Racing Industry: Fastest and Best Foot Forward.

Northeast Kansas has two nationally recognized, high quality automobile race-tracks and in 2003 the national headquarters of the Sports Car Club of America opened in Topeka.

- Identify ancillary racing industries that would benefit from proximity to these facilities
 - Assess Economic impacts of the non-racing components of transportation that the state can target
 - Review trends in the transportation industry, which over the foreseeable future will be a technology-rich sector assessing potential for a university transportation research center
- Outcomes 1) Plans for Kansas to advantage of this thriving synergy to further develop the presence of the racing industry; 2) Assessment of potential for other industry growth around tracks or other racing opportunities (e.g., bicycle race track) and growth potential of the entire existing industries (racing dog rearing).

Staff In-House Research (discussion papers)

- **CO2 Sequestration and Coal-bed Methane Gas:** monitor activities of these important projects and possibly develop economic impact studies.
- **Economic Development Legislative Actions in Other States:** identify policy actions by other states and track tax structure changes.
- **Kansas, Inc Staff Skill Development:** Create an internal skill-set to conduct initial strategy sessions for counties and regions.
- **Local Employment Trends:** in depth analysis of the type of jobs, by industry, created in Kansas' counties over the past 10 years.
- **Venture Capital/Business Finance Primer:** update previous work.
- **Workforce Demographics:** analysis of emerging issues – e.g., is the size of the current/future workforce adequate to meet existing and long-term demands of employers.

Kansas Economic Development Institute

Kansas Inc. was established in statute as part of several economic development initiatives during the late 1980s. It is designed to provide policy research and recommendations to enhance the economic competitiveness of Kansas.

While not as oppressive as in the mid-1980s the challenges to the continued economic well being of Kansas are real today and require our attention. Addressing the issues identified in this agenda is critical to the future of Kansas.

The State of Kansas has provided funding support for both the operation of Kansas Inc. and set aside a pool of money for partial funding of the research agenda.

Kansas Inc. was designed as a public/private partnership – the board of directors includes the Governor, legislative leadership, and recognized public and private leaders. We are asking for your financial participation in leveraging the public dollar investment, through a tax-deductible contribution to our non-profit corporation.

Kansas Economic Development Institute is an 501(c)3 non-profit established solely for research and educational purposes. Your support of Kansas Inc. goes directly into this fund to make the research work possible. As defined by the foundation, your support cannot be used to cover operations or administration expenses.

We appreciate your consideration of this invitation, welcome your participation, and are glad to respond to questions you may have.

Jerry Lonergan,
President
785.296.1460

To fund Kansas Inc. research please complete the information below and return the entire prospectus (a new one will be mailed to you) and mail to:

**Kansas Economic Development Institute
632 Van Buren, Suite 100
Topeka, Kansas 66603**

Or

Pledges can be made electronically to ksinc@ink.org and we will provide a pledge invoice.

Enclosed is:

- fund full study
- \$10,000
- \$5,000
- \$2,500
- Other

Each contribution will match public funds that total \$100,000, for example private sector contributions of \$100,000 allows Kansas Inc. to fund \$200,000 in research work.

If you would like your funds to go specifically for one of the designated research projects please note below which project you want to help fund:

Name: _____

Contact Person: _____

Mailing Address: _____

Telephone: _____

Email address: _____

Partners in the research receive: copies of all reports, newsletters, and updates; periodic analyses of important economic development issues; and Kansas Inc. annually hosts a dinner and event to recognize sponsors of the program.

K A N S A S I N C .

632 SW Van Buren • Topeka, Kansas 66603

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Kansas, Inc. Reports

Report	Requiring Statute	Frequency
<i>Annual Report</i>	K.S.A. 74-8006	annual
<i>Economic Development Legislation in Kansas: a chronological history</i>	K.S.A. 74-8010	“periodically” (word used in statute)
<i>Guide to Business Tax Incentives in Kansas</i>	K.S.A. 74-8010	“periodically” (word used in statute)
<i>Grants and Loans Report</i>	K.S.A. 74-8015	annual
analysis of property tax exemptions	K.S.A. 74-8016	“subject to appropriations”
analysis of tax credits and exemptions survey	K.S.A. 74-8017	annual
<i>County Vitality and Distress Report</i>	not statutorily required, used for <i>Grants and Loans Report</i>	annual

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Attachment 8-1

Senate Commerce Committee
Testimony on SB 260

Presented by Patti Bossert, Co-Chair, Kansas, Inc.
February 22, 2005

I previously came before this committee and expressed my opposition to Senate Bill 260.

Today I would like to give you the opportunity to review a draft of the new work product of Kansas, Inc.: **I.K.E. – Indicators of the Kansas Economy**. For the past 6 months, the board and staff of Kansas, Inc. have invested extensive time and energy in conducting research, working on the concepts, and developing the economic indicators for IKE. Last week, Kansas, Inc. was awarded a \$60,000. grant to complete development of IKE, making it an interactive program available on the internet with “real-time” statistics, and giving Kansas, Inc. the tools to educate local and state government agencies across the state on how to use and interpret IKE.

We feel that IKE can be an important tool to help evaluate the current state of our economy and the effectiveness of economic development programs, as well as serving a role in developing a strategy for new programs, incentives, and investments.

As an alternative to abolishing Kansas, Inc., I propose that Kansas, Inc. be given support by the Legislature and cooperation by State Agencies to complete its mandated research, complete development of the Indicators of the Kansas Economy, and continue progress on its 2005 Research Agenda. If, after a two year time period, Kansas, Inc. has not proven its value to the State of Kansas, I will agree that it should be abolished and the responsibilities given to other entities.

Thank you.

Senate Commerce Committee

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Attachment 9-1



*Indicators of the **K**ansas **E**conomy*

IKE - Employment Trends in Kansas: *December 2003 to December 2004*

1. From December 2003 to December 2004 Kansas had Non-farm Employment growth of 1.93%; this marked the first time in three years Kansas experienced an annual employment gain in December.
2. There were over 25,000 more Nonfarm jobs in Kansas in December 2004 than there were in December 2003.
3. Kansas's Total Nonfarm Employment growth was the 16th largest among the 50 states during this time frame.
4. Looking only at jobs that have average wages above the Kansas average wage (\$31,485), the state has increased jobs in those sectors combined by 1.67% from December to December (examples of sectors include; transportation, professional services, construction). This rate is comparable to the nation (1.66%) and greater than the region (1.52%).
5. Manufacturing employment, one of the higher paying sectors, is strong in Kansas and increased employment by 1.75% (3,000 jobs), while the nation and the region experienced no growth in manufacturing jobs.
6. There was a significant increase in local government employment in Kansas, growing by 5.4% in this time period, greater than the region and nation.
7. During the previous rebound from a recession (1991) *public sector employment in Kansas outperformed private sector employment for 4 years*; currently, Kansas is in the 4th year post-2001 recession; this job pattern is consistent with past trends and we can expect private sector employment to outperform public sector employment during 2005.

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Attachment 10-1

INDICATORS OF THE KANSAS ECONOMY

Targeted Variables

AGRICULTURE

Kansas Specific

1. KS Farm Management Data (e.g., Number of Farms, Net Farm Income)

Region Information

2. Federal Reserve Board of Kansas City – Agriculture Conditions in Region

National

3. USDA Farm and Agriculture Data
4. Commodity Price Index

EMPLOYMENT

Compare with States and Nation – annual and monthly change total and per capita

5. Total Jobs
6. Total Private Jobs
7. Total Manufacturing Jobs
8. Total Service Jobs (Professional Services, Information – the mix most prevalent in Johnson County)
9. Higher Wage Jobs – annual change in jobs for sectors above Ks average wage

ENTREPRENEURSHIP

Compare with States and Nation

10. Establishment Data by Firm Size – annual change
e.g., change in number of firms with 1-4 employees, 5-9 employees ...

Kansas Specific (current data will only be available on Kansas)

11. Firm Birth and Death – annual change by selected industries
12. Tracking Software from Entrepreneurship Center – “Biz-Trakker” software information on businesses started, types of businesses, location

ENERGY

13. Price of a barrel of oil compared with new wells drilled comparison
14. Price of natural gas compared with new wells drilled comparison

UNEMPLOYMENT

Compare with States and Nation

15. Unemployment Rate – monthly rate over time
16. Avg. Weekly Initial Claims for Unemployment – annual and monthly change

SURVEY OF KANSAS CONSUMER CONFIDENCE (*Quarterly Information*)

17. Suggested by University of Kansas, Policy Research Institute – annual survey of consumer confidence (a rolling annual survey meaning ¼ of surveys done quarterly so annual data are released quarterly and can begin to capture emerging trends).
18. National Leading Indicators – Released by The Conference Board
19. Consumer Price Index – possible data on Kansas metropolitan areas
20. Building Permits, New Private Residences
21. Kansas, Inc. Developed Index of Stocks

OTHER ECONOMIC DATA – mostly those released annually or sporadically

22. Per Capita Income and annual change
23. Sales Tax Collections and annual change
24. Population and annual change
25. Gross State Product (released annually with 2-year lag)

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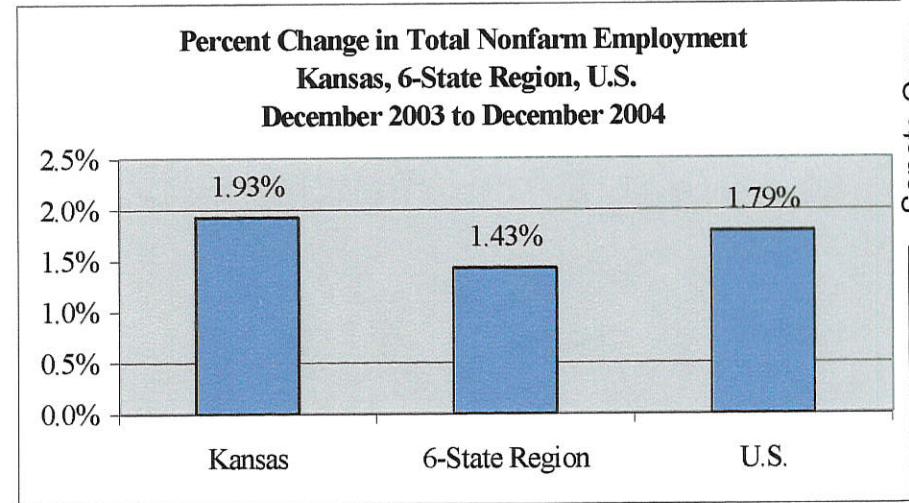
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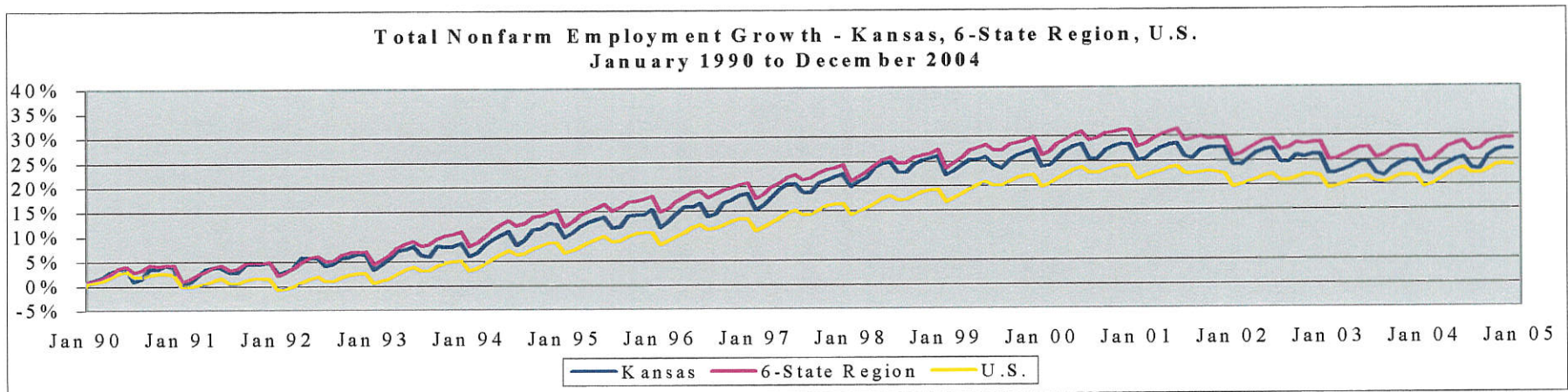
TOTAL NONFARM EMPLOYMENT

Short Term: The most recent data available show Kansas has experienced Total Nonfarm Employment growth greater than both the region (Arkansas, Colorado, Iowa, Nebraska, Missouri, Oklahoma) and the United States. In fact, Kansas's Total Nonfarm Employment gain from December 2003 to December 2004 was the 16 largest in the nation. Among the comparison states, Kansas had the greatest percentage increase with the next largest percentage gain in Colorado, which had Total Nonfarm Employment growth of 1.87%.

Long Term: From January 1990 to December 2004, Kansas's Total Nonfarm Employment increased to over 1.3 million a gain of 27.1%. This growth rate outpaces the United States (23.9%), but lags the 6-state region (29.4%). The region's growth was greatly influenced by the substantial employment gains in Colorado over the last 15 years. Colorado's alone accounted for over 32% of job increases and at one time, prior to the 2001 recession, had seen its Total Nonfarm Employment increase by almost 54%. Since peaking in December 2000, Colorado has lost 65,600 jobs or 2.9% of its workforce, while Kansas has lost 12,600 or 0.9% of its workforce in the same timeframe. Nebraska was the only state in the region to report an increase in Nonfarm Employment since December 2000, increasing employment to 917,500, an increase of 300.



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Indicators of the *K*ansas *E*conomy

March 2005

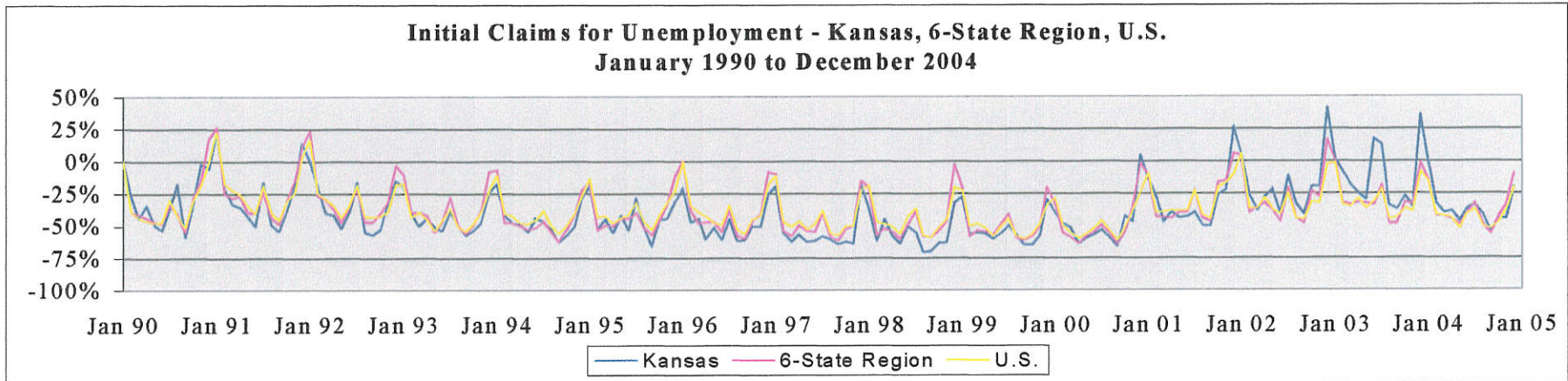
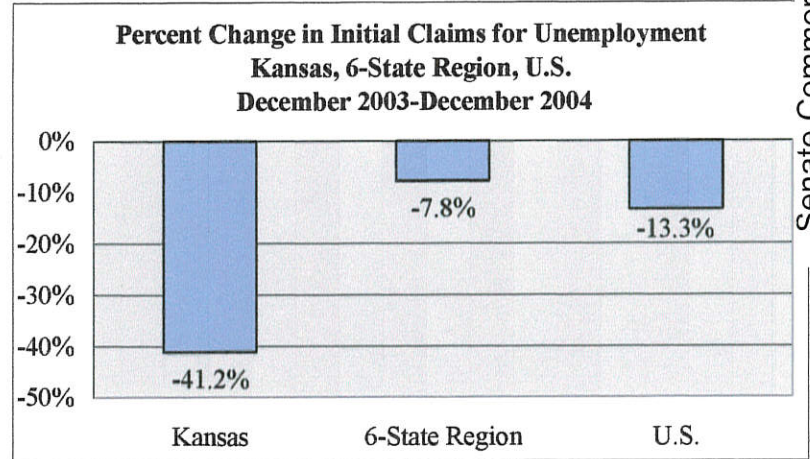
INITIAL CLAIMS FOR UNEMPLOYMENT

Initial claims for unemployment can fluctuate widely from month to month with the possibility of layoffs from a small number of firms having a large impact to the number of initial claims in any one month. As an indicator of the Kansas economy, it is important to examine the trends of initial claims as opposed to data from any one month. Initial claims for unemployment in Kansas, the 6-State Region and the U.S. traditionally peak in the winter months of November, December, and January.

Short Term: Initial claims for unemployment in Kansas totaled 14,896 in December 2004, an increase of 4,577 from November 2004. Initial claims for unemployment fell 41.2% from a year ago when 25,331 initial claims for unemployment were reported in December 2003.

The 6-State Region reported 137,286 initial claims for unemployment in December 2004, an increase of 36,001 from November 2004 and 11,632 lower than reported in December 2003. The Nation reported 1,981,460 initial claims for unemployment in December 2004, an increase of 420,168 from November 2004 and 305,154 lower than reported in December 2003.

Long Term: Initial claims for unemployment trended lower during the economic expansion in the mid to late 1990's for Kansas, the 6-State Region, and the Nation. Initial claims for unemployment typically trend higher in the months preceding and during a recession, which is exactly what happened in Kansas, the 6-State Region, and the U.S. before the 2001 recession.



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Attachment 11-2

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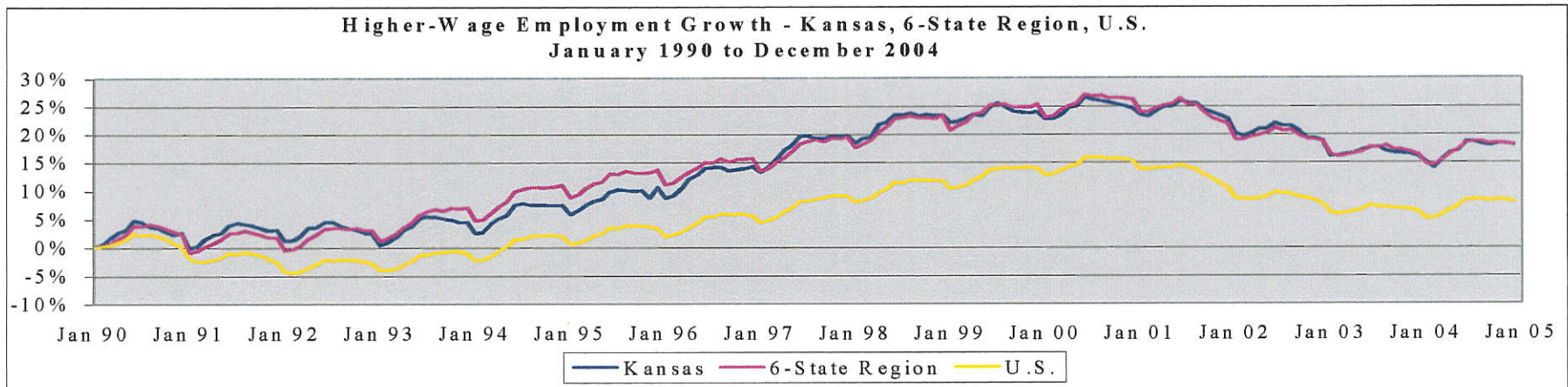
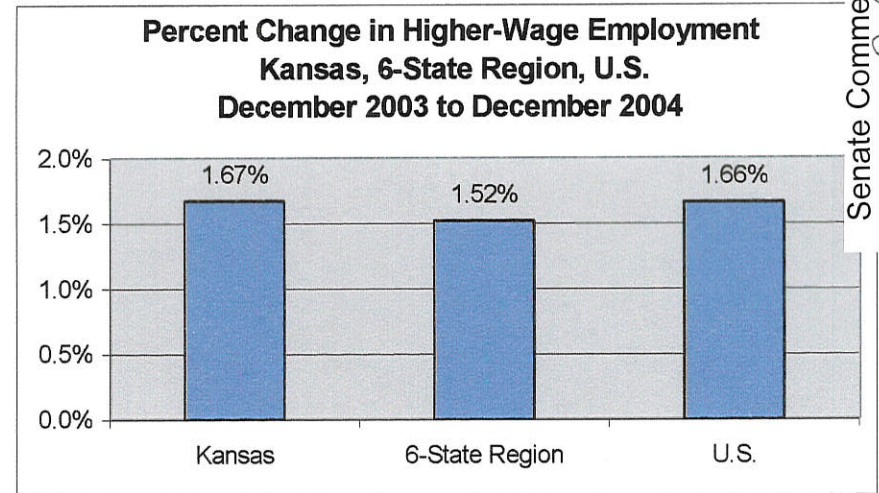
HIGHER-WAGE EMPLOYMENT

Kansas, Inc. has defined Higher-Wage Employment as industries that pay above the state average wage of \$31,485. These industries are: Mining; Utilities; Construction; Manufacturing; Wholesale Trade; Transportation and Warehousing; Information; Finance and Insurance; Professional and Technical Services; and Management of Companies and Enterprises.

Short Term:

From December 2003 to December 2004, Kansas's growth in Higher-Wage Employment (1.67%) outpaced the 6-State Region (1.52%) and narrowly outpaced the Nation (1.66%). From December 2003 to December 2004, Kansas reported increased employment levels in seven Higher-Wage industries, while two decreased employment and one was unchanged.

Long Term: Since January 1990, Kansas has added 80,000 Higher-Wage Jobs, for a growth rate 18.1%. Kansas experience growth above than the nation (8.1%), and barely lagged the 6-State Region (18.2%). Since January 1990, Colorado reported the highest growth rate in Higher-Wage Employment for the 6-State Region, with an increase of 254,300 jobs for a growth rate of 42.9%. Colorado alone accounted for 43.6% of the 6-State Region's growth in Higher-Wage Employment. Missouri recorded the lowest growth in Higher-Wage Employment for the 6-State Region, adding only 43,300 jobs or only a 4.4% growth rate.



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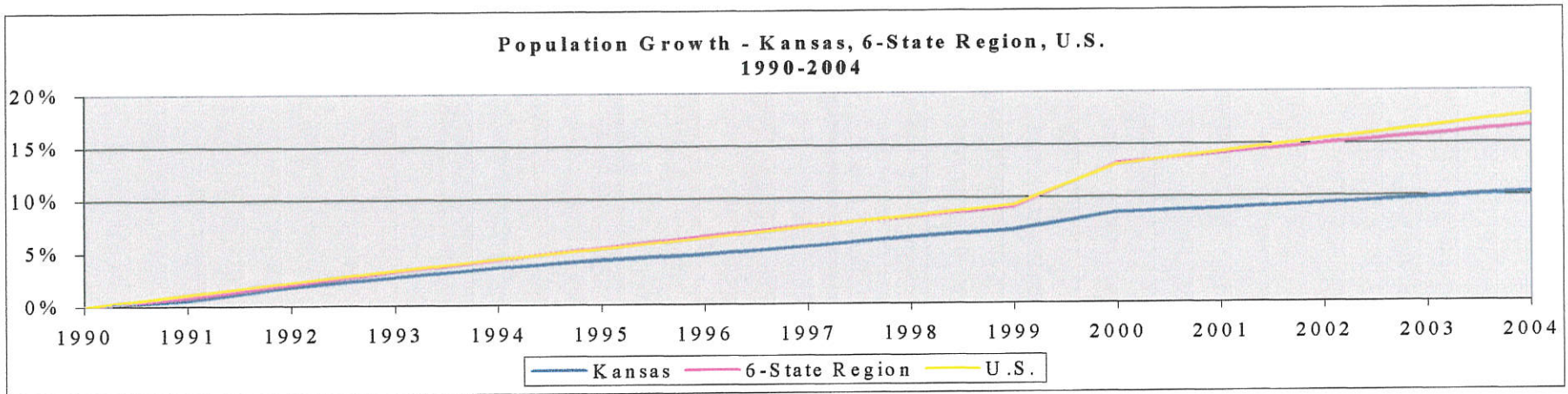
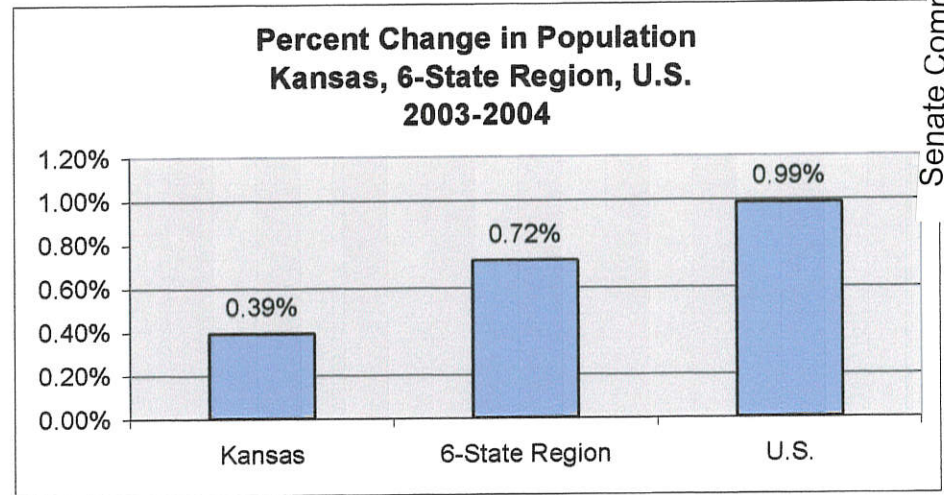
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POPULATION

Short Term: In 2004, the U.S. Census Bureau estimated that the population of Kansas to be 2,724,786, which was an increase of 10,716 people from the 2003 population estimate. Kansas had a population growth rate of 0.39%, which underperformed both the 6-State Region (0.72%) and the U.S. (0.99%). Nationally, only eight states and the District of Columbia recorded lower population growth rate than Kansas recorded in 2004. All states in the 6-State Region recorded higher population growth rates than Kansas with only Colorado, at 1.18%, growing above the U.S. average.

Since the 2000 Census, Kansas has increased population by an estimated 46,678 people or 1.7%. Since the 2000 Census, only Iowa in the 6-State Region has recorded a lower population growth rate than Kansas. Iowa recorded an additional 28,069 or a growth rate of 1.0% since the 2000 Census.

Long Term: The population of Kansas increased by 10.3% from 1990 to 2004, significantly lagging the growth that occurred in both the 6-State Region (16.6%) and the U.S. (17.7%). Since the 1990 Census, only Iowa in the 6-State Region has recorded a lower population growth rate than Kansas, growing at only 6.3%. Colorado was the only state in the 6-State Region to record a higher population growth rate than the U.S. average, growing 39.3% since 1990.



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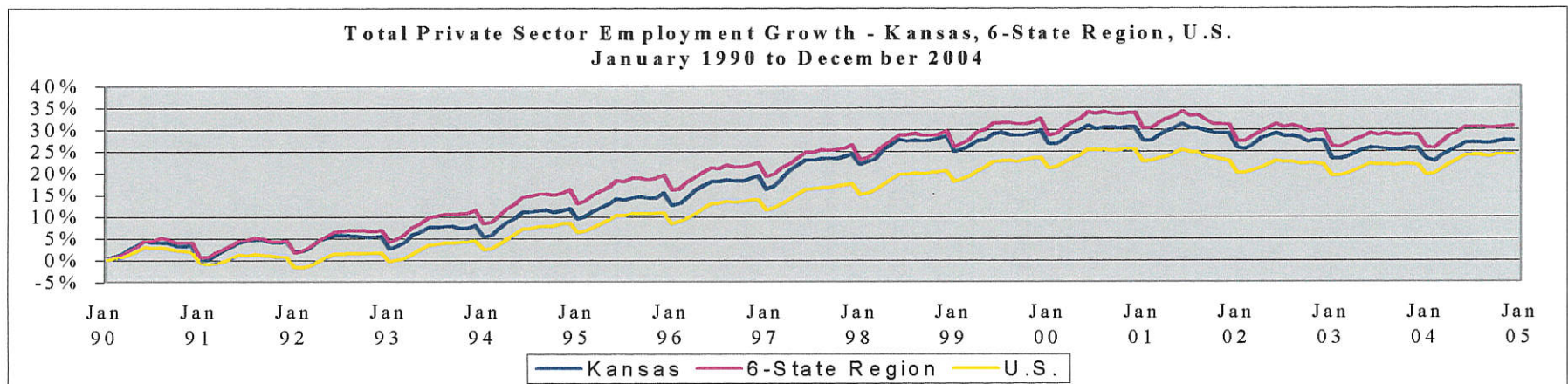
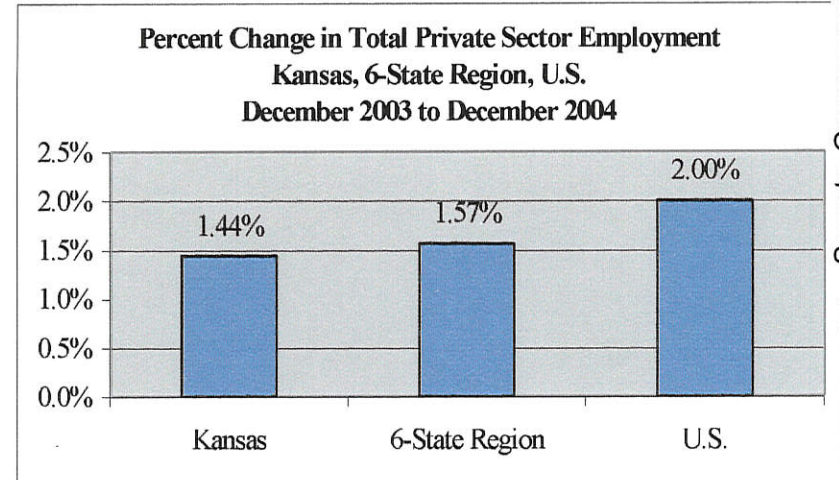
Attachment 11-4

TOTAL PRIVATE SECTOR EMPLOYMENT

Short Term: The nation is enduring what has been called a “jobless” recovery from the 2001 recession. Kansas mirrors this national trend and even with an improving private sector employment level, December 2004 totals are below levels reached in December 2000. From December 2003 to December 2004, Kansas’s growth in private sector employment at 1.44% lagged the 6-State Region (1.57%) and the Nation (2.00%). Within the region, all states increased private employment with Colorado (2.17%), Missouri (1.86%) and Oklahoma (1.56%) having larger gains than Kansas.

In Kansas, trends following the early 1990 recession saw public sector employment growth outpacing private sector employment growth for about four years. As the state enters the fourth year following the 2001 recession, expectations are the state should soon see private growth outpacing public sector employment growth.

Long Term: Since January 1990 (time period captures economic activity through two most recent recessions), total private sector employment in Kansas has increased by 27.4%. This growth was greater than the nation (24.3%) but lagged the region (30.8%). Among the six-states in the region, Colorado’s increase in private sector employment was over 50%, Colorado’s private employment increased over 600,000 jobs to over 1.8 million and represented almost 33% of all jobs gained by the six-states combined. As is the case with Kansas, neither the nation nor any of the six comparison states have fully rebounded to private sector employment to levels reported before the 2001 recession. Despite the impact the recession has had on Kansas, private sector employment grew by over 230,000 from January 1990 to December 2004.



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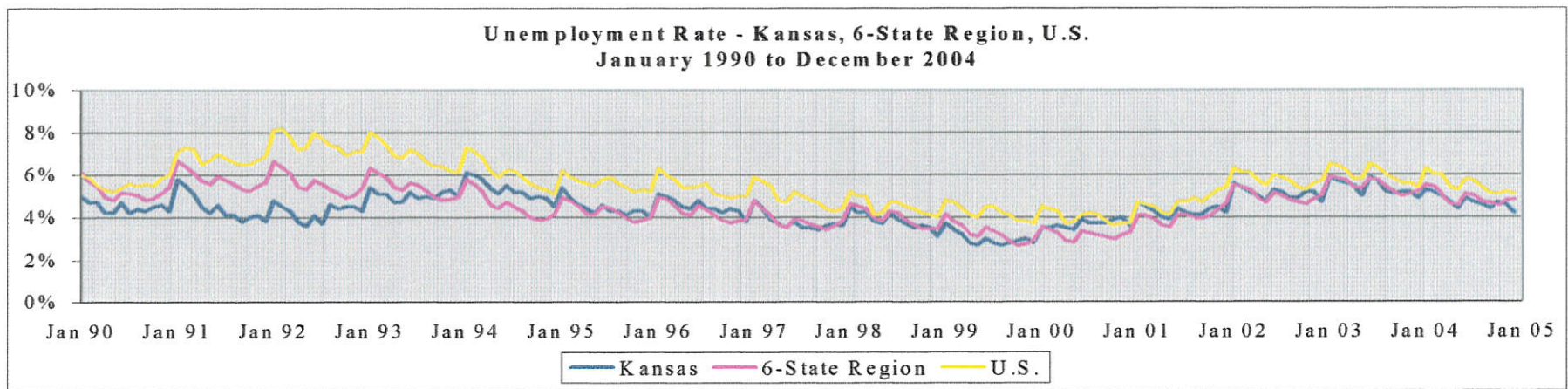
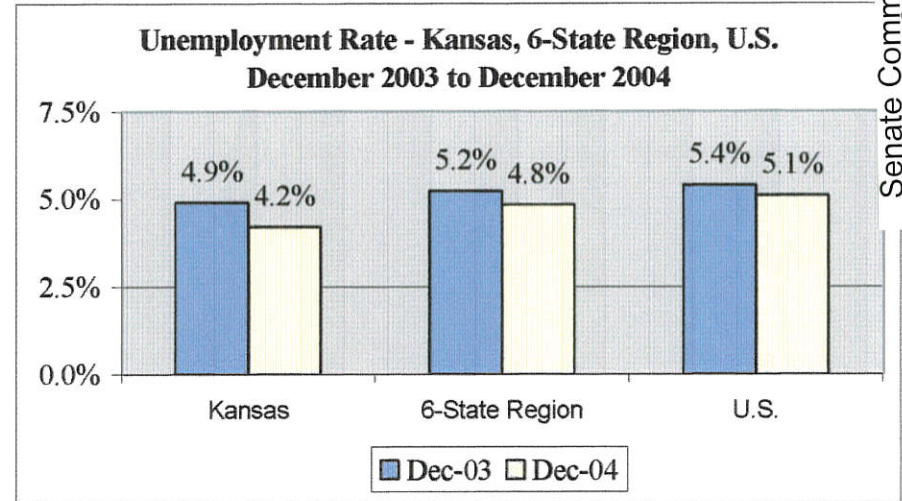
Attachment 11-5

UNEMPLOYMENT RATE

Short Term: The unemployment rate in Kansas fell from 4.9% in December 2003 to 4.2% in December 2004. There were 61,786 unemployed Kansans in December 2004. The December 2004 unemployment data shows Kansas recorded a lower unemployment rate than both the 6-State Region (4.8%) and the U.S. (5.1%). For the 6-State Region, only Nebraska at 3.3%, reported a lower December 2004 unemployment rate than Kansas, while Oklahoma recorded the same unemployment rate as Kansas at 4.2%.

The 4.2% unemployment rate recorded in Kansas for December 2004 was the lowest recorded unemployment level for Kansas since recording 4.1% in September of 2001.

Long Term: Since January 1990, Kansas has generally recorded a lower unemployment rate than the nation and has followed closely to the unemployment rate of the 6-State Region. Over the last 15 years, Kansas recorded its lowest level of unemployment in May and August of 1999 when only 2.7% of the labor force was unemployed. Kansas recorded its highest unemployment rate over this time period when 6.1% of the labor force was unemployed in January 1994. A trend to be monitored is the closing of the historical gap between Kansas unemployment and the nation.





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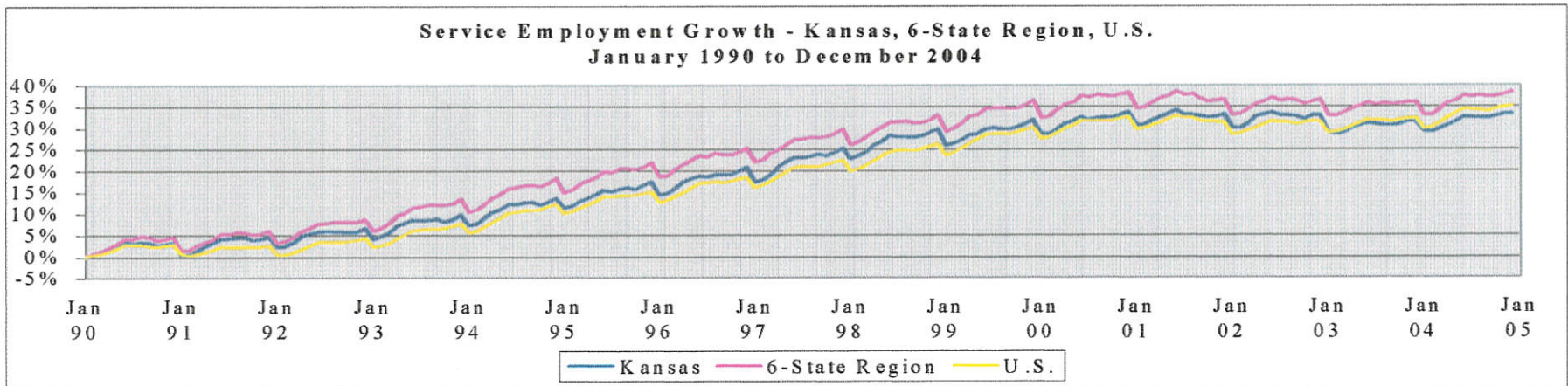
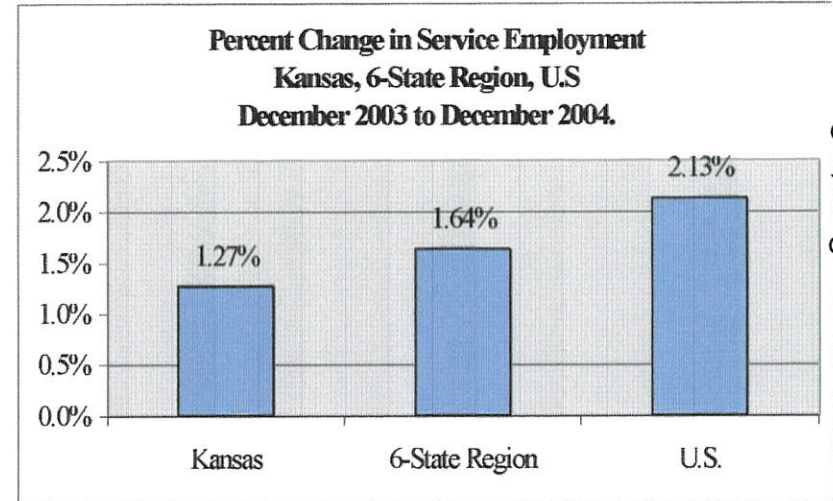
SERVICE EMPLOYMENT

Kansas, Inc. has defined service employment as private sector employment in service providing industries including Trade, Transportation, and Utilities; Information; Financial Activities; Professional and Business Services; Educational and Health Services; Leisure and Hospitality; and Other services.

Short Term: From December 2003 to December 2004, Kansas increased service employment by 10,500, for a growth rate of 1.27%, however the 6-State Region (1.64%) and the U.S. (2.13%) outperformed Kansas over this time period. In the region, only Colorado (2.21%), Missouri (1.82 %) and Oklahoma (1.58%) outperformed Kansas.

All individual industries in the service sector for Kansas increased employment from December 2003 to December 2004 except for Trade, Transportation, and Utilities, which reported 1,400 fewer jobs. The strongest growing service sector industry for Kansas was the Leisure and Hospitality, which added 4,100 jobs

Long Term: Since January 1990, Kansas (33.3%) has trailed the 6-State Region (38.4%) and the U.S. (35.1%) in growth of service employment. From January 1990 to December 2004, only Missouri (28.2%) and Iowa (29.5%) in the 6-State Region had lower service employment growth than Kansas. Kansas has outpaced the region and the nation for employment growth in Professional Business Services and Information sub-sectors.



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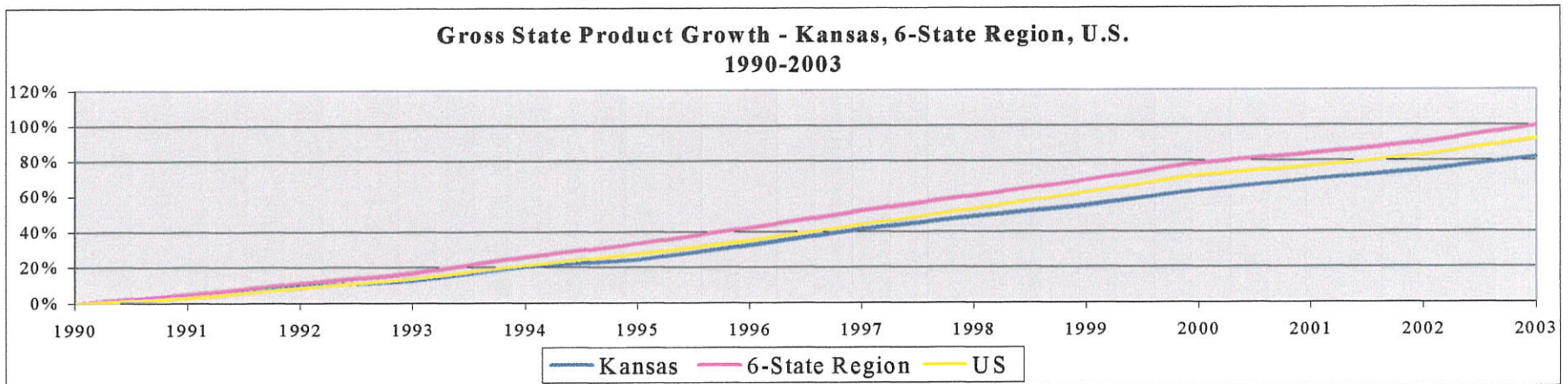
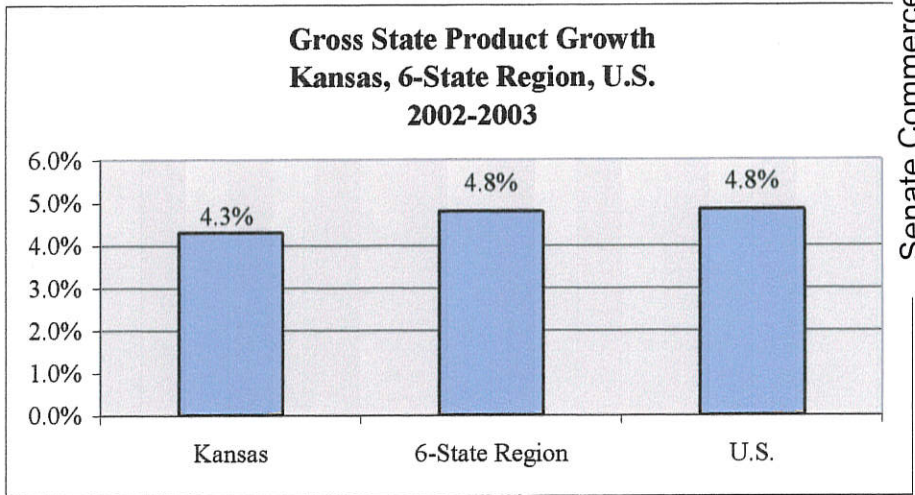
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GROSS STATE PRODUCT (GSP)

GSP captures state economic growth, providing an overall analysis of the performance of the economy. All GSP data for IKE is displayed in current dollars.

Short Term: Kansas reported Gross State Product (GSP) increased 4.3% from 2002 to 2003. Kansas underperformed the 6-State Region and the U.S., which each reported a 4.8% growth in GSP. In the 6-State Region, only Missouri recorded a lower GSP growth rate at 3.8%, while Colorado increased GSP at the same rate as Kansas growing by 4.3% from 2002 to 2003. Nebraska recorded the highest GSP growth rate in the 6-State Region with GSP growth of 7.9%.

Long Term: Since 1990, Kansas has lagged behind the 6-State Region and the Nation in GSP growth. From 1990 to 2003 GSP grew 82.1% in Kansas, considerably less than the 99.7% increase for the 6-State Region and the 92.3% increase experienced overall in the U.S. Colorado experienced the highest GSP growth rate in the 6-State Region and one of the highest in the country increasing GSP by 152.2% from 1990 to 2003. Oklahoma was the only state in the 6-State region to have a lower GSP growth rate than Kansas from 1990 to 2003, recording GSP growth of 73.9%.



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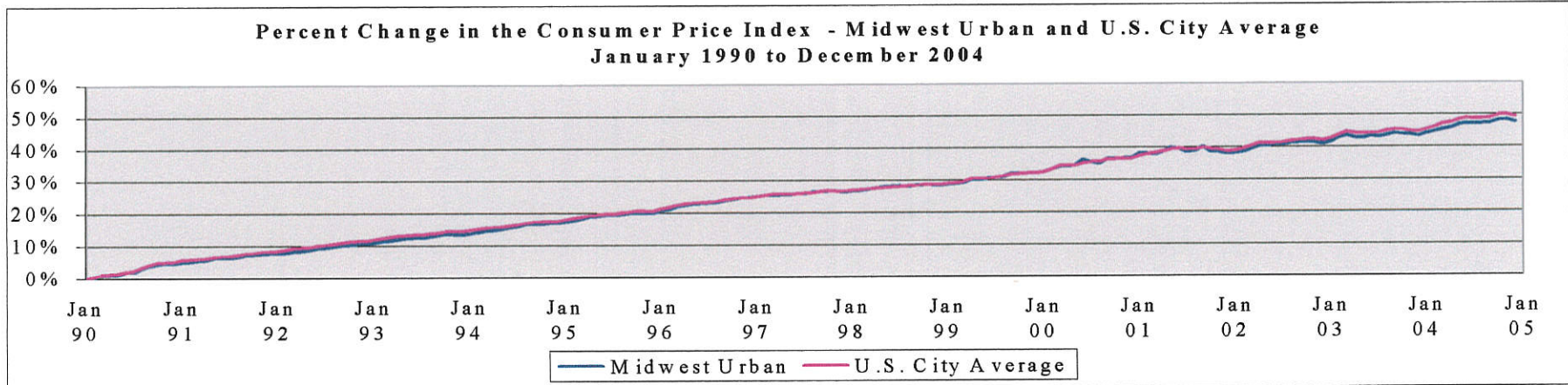
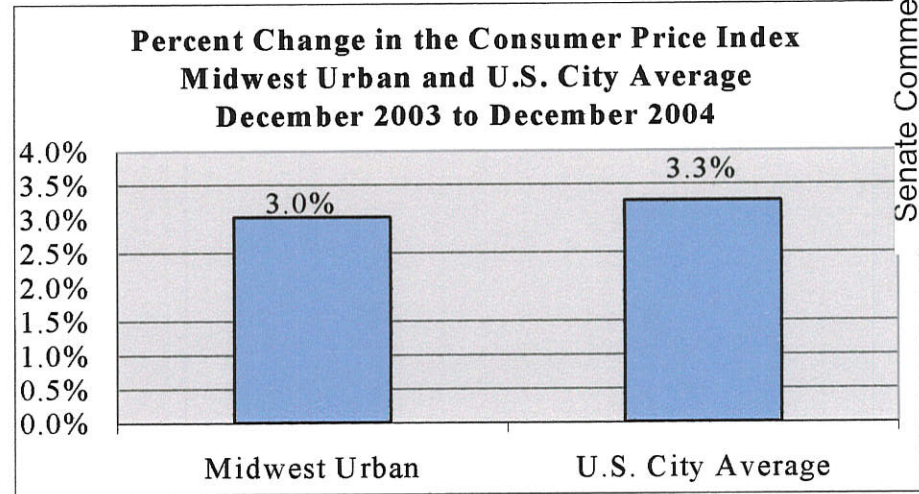
CONSUMER PRICE INDEX (CPI)

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 Midwest Urban Consumer Price Index includes the Kansas City Metro area.

Short Term: The Midwest Urban CPI was 183.3 in December 2004, an increase of 3.0% from levels reported in December 2003. The U.S. City Average CPI increased at a faster rate than the Midwest Urban from December 2003 to December 2004, increasing at a 3.3% rate.

The December 2004 Midwest Urban CPI was 0.5% lower than level reported in November 2004, while the U.S. City Average fell 0.4% over this same time period. These lower price levels were strongly influenced by sharp decline in energy costs, especially gasoline.

Long Term: From January 1990 to December 2004, the Midwest Urban CPI has increased 47.6%, while the U.S. City average has increased 49.4% over the same time period. These two measures of inflation, the Midwest Urban CPI and the U.S. City Average CPI have moved together very closely over the past fifteen years with any large differential between the two measures having a tendency to equalize. Since September 2001, the Midwest Urban CPI has trended below the U.S. City Average CPI. It will be difficult for the Midwest Urban CPI to continue this trend in the long term therefore these two inflation measure should converge in the near term.



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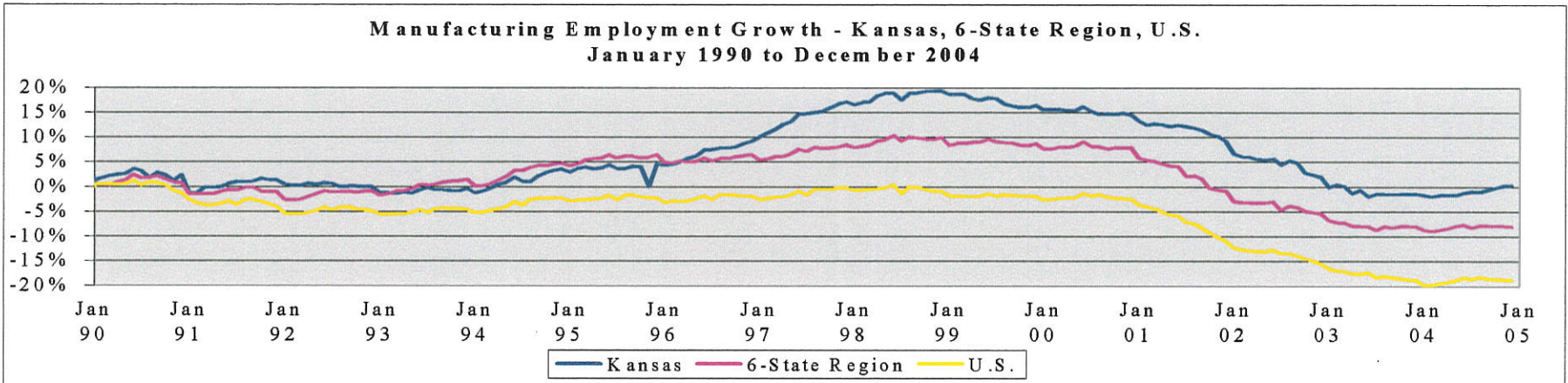
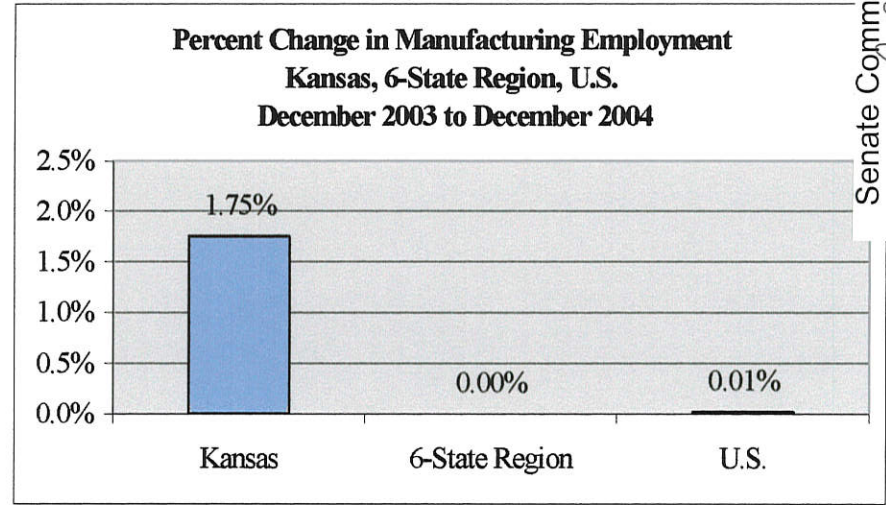
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MANUFACTURING EMPLOYMENT

Short Term: With 174,300 manufacturing jobs in December 2004, Kansas over the past year has been one of the leading states in manufacturing employment growth. Manufacturing employment in the U.S. grew by only 0.01%, while Kansas manufacturing increased by 1.75% (3,000 jobs). Kansas manufacturing employment outperformed every state in the region, with Arkansas, Colorado, and Oklahoma experiencing manufacturing employment losses since December 2003.

Manufacturing jobs are typically among the highest paying, so even though it is a sector that is seen as in decline in the United States, it is a positive sign that Kansas can maintain a strong manufacturing employment base.

Long Term: Throughout the nation, manufacturing employment has declined as a share of total non-farm employment since the 1990 base year. Kansas manufacturing employment in 1990 represented over 16% of employment, since then manufacturing's share of all Kansas employment has dropped to just under 13%. Since January 1990, only Iowa (1.3%) and Nebraska (6.6%) in the region have outperformed Kansas (0.3%) in growth in manufacturing employment.



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