

Approved: January 26, 2009
Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 p.m. On January 21, 2009, in Room 711 of the Docking State Office Building.

All members were present except:

Representative Sharon Schwartz- excused
Representative Valdenia Winn- excused

Committee staff present:

Ann Deitcher, Administrative Assistant
Reed Holwegner, Kansas Legislative Research Department
Jason Long, Office of the Revisor of Statutes
Doug Taylor, Office of the Revisor of Statutes

Conferees appearing before the committee:

Stan Ahlerich, President, Kansas, Inc
Tracy Taylor, President & CEO, Kansas Technology Enterprise Corp. (KTEC)

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Chairperson Gordon introduced Stan Ahlerich who said that his testimony was structured around the various aspects of Kansas, Inc.'s mission of economic development, strategic planning, research & analysis and benchmarking & evaluation. (Attachment 1).

Mr. Ahlerich provided an overview of several Kansas, Inc. efforts, and rather than divide his discussion into these three core areas, he wanted to present them in a manner that overlaid and connected these core activities to the original concept behind Kansas, Inc. in order to stress the importance and relationships between each of these roles.

It was explained that in accordance with K.S.A. 74-8002, the 2007 Economic Development Strategic Plan, entitled "Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance" provides 43 strategies accomplished through 98 recommendations intended to strategically position Kansas for long-term economic growth. The Strategic Plan is the result of a year long process, driven by sound, fundamental research and tested with business input throughout the state. (Attachment 2).

Questions and answers followed.

Next on the agenda was Tracy Taylor who explained the history of KTEC. (Attachment 3).

Created by Legislature in 1986, the "Redwood-Krider Report" articulated need for entrepreneurship and technology economic development. KTEC is governed by a 20-member, industry-led board of directors. This includes private sector, university, legislature and administration representatives.

Mr. Taylor explained that KTEC was funded by the Economic Development Initiatives Fund consisting of revenues from the Kansas Lottery and Gaming Commission.

Questions and answers followed.

The meeting was adjourned at 4:40 p.m.

The next meeting is scheduled for Monday, January 26, 2009.

Kansas, Inc. Testimony
House Economic Development and Tourism Committee
January 21, 2009
Stan R. Ahlerich, President

Introduction

Chairperson Gordon, Vice-Chairperson Donohoe, members of the House Economic Development and Tourism Committee, Kansas, Inc. appreciates the opportunity to address your Committee today and stands ready to provide assistance to the Legislature as you attempt to strategically address the economic issues that Kansas faces during these challenging economic times.

Our testimony is structured around the various aspects of Kansas, Inc.'s mission of economic development **strategic planning, research & analysis and benchmarking & evaluation**. While I will briefly touch on several of these initiatives, time permitting we can provide further information on any or all of these topics, and look forward to providing information to your Committee throughout the year.

The Kansas, Inc. Concept

Kansas, Inc. is an independent, objective, and non-partisan instrumentality of state government designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing strategic competitiveness for economic growth. Through analysis and open dialogue, Kansas, Inc. identifies policy options and builds the consensus essential for concerted action on vital economic issues. Kansas, Inc. is designed to be a public/private partnership with expectations that state investments are leveraged with other funds to maintain a strong research portfolio. **Throughout our 20+ years of existence, we have leveraged public funds with over \$2 million in other funds from individual or corporate donors and grants to enhance both strategic planning and research efforts.**

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

The unique design of Kansas, Inc. ultimately provides a structure for the exchange of pertinent information from core business sectors and other key stakeholders directly to the Governor and Legislative leadership. This structure also affords the unique opportunity for the Administration and Legislative leadership to share their current priorities and focus directly with business leaders. This "think-tank" component of Kansas, Inc. continues to be one of the most important functions of the Board's tenure and experience.

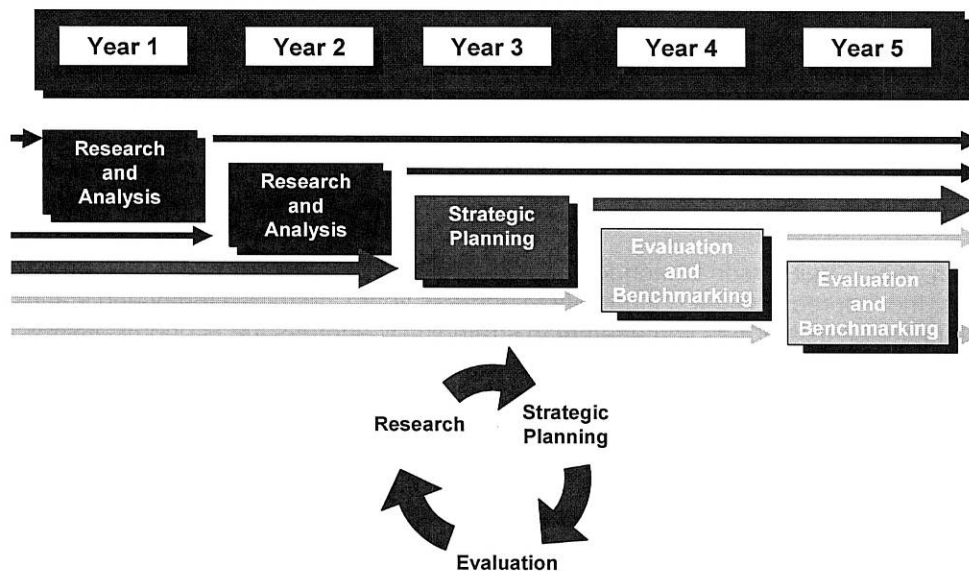
An Overview of Kansas, Inc. Efforts

What I would like to do today is provide you with an overview of several Kansas, Inc. efforts, and rather than divide this discussion into our three core areas of strategic planning, research & analysis, and evaluation & benchmarking, I would like to present them in a manner that overlays and connects these core activities to the original concept behind Kansas, Inc. in order to stress the importance and relationships between each of these roles.

The importance of a focused, strategic economic approach to counter the unprecedented economic and financial challenges faced by the state is critical to positioning Kansas for future opportunities.

Relative to strategic planning efforts, Kansas, Inc. attempts to formulate the strategic plan approximately every five years. While strategic planning is the agency's core mission, both research and evaluation roles are equally important to this process. Many circumstances can cause these roles to overlap, and Kansas, Inc. was designed as a public private instrumentality of state government; well-equipped with the flexibility and expertise to adapt to these situations and provide economic development strategic planning, research and analysis, or evaluation and benchmarking at any time during this cycle. **The following figure provides a visual representation of these roles.**

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The current strategic plan provides 43 strategies accomplished through 98 recommendations that are driven by sound research and tested with state-wide business input to bring focus to economic development efforts. This was a grassroots effort to bring forth an economic development vision for Kansas by its **citizens, business and industry leaders, legislative members, policymakers and stakeholders from state agencies, institutions and organizations for the betterment of all Kansans**. Since the beginning of the strategic planning process, nearly a thousand Kansans have provided direct and indirect input to this plan throughout the state, from Kansas City to Goodland, from Atchison to Parsons, from Garden City to Topeka, numerous meetings and presentations were held to gather the grassroots input from the citizens of Kansas.

By design, the strategic plan is a “living document,” intended to be benchmarked and revised to meet the changing needs of the Kansas economy and more importantly the citizens of Kansas.

Articulated from the discussion and concepts presented throughout the strategic planning process, the vision of the plan was simply –

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

Essentially, Kansas has inherent and emerging strengths – aerospace and general manufacturing; rural development and agriculture; energy and natural resources; professional, scientific and technical services; and biosciences. These core competencies, set within an environment for opportunity focused on entrepreneurship, business and tax climate, workforce development, technology and innovation, education, infrastructure and state image can contribute to the sustainability and growth of our economy, allowing us to transcend economic cycles.

The following is a brief discussion of several aspects and accomplishments in regards to Kansas, Inc. strategic planning, research and evaluation:

Manufacturing – Aerospace and General – Whether small-, medium- or large-sized firms, the overwhelming sentiment was that every business matters and the state must provide an environment to thrive and prosper. Specific to strategies – remaining competitive through trained talent, continued commitment to research and understanding the needs of the sector were key parts of several strategies. **The 2008 Legislature addressed several of these issues with various actions, including \$5.0 million for support of the National Center for Aviation Training and \$5.0 million for the support of the National Institute for Aviation Research.** While it will be difficult, the time is now to build upon and promote our inherent talents within the aerospace industry. In regards to understanding the needs of the sector, **Kansas, Inc. commissioned a study to better understand the historical dynamics of growth and change in manufacturing**, of which we have provided you a copy of today.

Rural Development and Agriculture – To enhance the prosperity of rural Kansas, there is not a one-size-fits-all solution to address rural economic development issues. Through the strategic planning process, a rural development model that provides a holistic, integrated approach based on four key pillars (capital, access, leadership, and benchmarking), with incentives as the engine that drives integration was designed. **Kansas, Inc. further developed this conceptual model with a report and input from stakeholders throughout the state. The 2008 Legislature also addressed part of this strategy by creating the Kansas Commission on Rural Policy, and during September 2008, based on a Kansas, Inc. recommendation the Governor announced the new Division of Rural Development within the Kansas Department of Commerce.**

Professional, Scientific and Technical Services – It is clear our metropolitan areas and the services they provide are major economic drivers of the state, and we must ensure that what they are doing right continues to be done right. Several strategies and industries highlighted in the strategic plan stressed the importance of STEM (science, technology, engineering and math) fields for our graduates. **The 2008 Legislature recognized the importance of this strategy and passed legislation regarding the Kansas Academy of Mathematics and Science (KAMS), and appropriating funding to the Board of Regents for this important program.**

Energy and Natural Resources – We must use our current energy assets to build a bridge to future energy opportunities, while factoring in global economic forces, alternative and renewable energies, conservation, environmental concerns, societal factors and other issues that continue to shape our energy needs. In regards to water resources, we must be responsible stewards of this resource, as without it, we won't have economic development.

Bioscience – One of the centerpieces of the 2004 Kansas Economic Growth Act was the creation of the Kansas Bioscience Authority (KBA), designed to strategically guide the state's investment in the biosciences. The Governor and Legislature recognized the opportunities of building this industry and just four years into its existence, **Kansas is already seeing major results from the KBA – during December 2008 Kansas awarded the National Bio- and Agro- Defense Laboratory.** The KEGA Act also provided for an objective assessment of its initiatives, and **Kansas, Inc. completed an evaluation of the Center for Entrepreneurship (NetWork Kansas) during 2007 and recently completed an evaluation of the KBA,** which we have provided in your materials.

Business and Tax Climate – Every business matters, we need a tax and regulatory structure that is competitive and conducive for the growth of existing and new businesses of all sizes. The state has made strides towards these strategies in recent years with legislation **phasing out the franchise tax and the machinery and equipment exemption.** Also, during the 2008 Legislative session, based on a **Kansas, Inc. proposal, a bill was introduced in regards to expensing, or 100 percent accelerated depreciation.** From a strategic standpoint, implementing and following through with these concepts can provide a long-term benefit to the economy and position Kansas for future opportunities.

Workforce Development – Create a demand-driven workforce development system that meets the needs of the business community. Workforce development is critical to the future of Kansas. **Kansas, Inc. provided a report further outlining the concepts behind the enhanced customized training system proposed during the strategic planning process.** Another program of interest relative to workforce development is the **Olathe 21st Century High Schools program,** which was designed to provide educational programs with business involvement and partnership. We have provided information on this program, and implementing this concept on a statewide basis would work towards several strategies outlined in the strategic plan.

Technology and Innovation – Technology is no longer an enterprise in and of itself, it is a thread that must be woven through the entire economy with innovation. Several strategies within the strategic plan recognize the importance of technology in today's integrated global economy. Public/private collaboration in regards to entrepreneurship and commercialization are priorities for the state. Initiatives such as the **Connected Nation Model,** which develops a comprehensive, statewide broadband expansion strategy can be used to create economic growth throughout Kansas. We have provided information regarding this model within your materials. Another example of utilizing technology to reach beyond traditional barriers is the **Kansas Business Center,** an application created through the **Information Network of Kansas (kansas.gov)** to provide a one-stop shop for information needed to do business in Kansas. Technology can expand opportunities on a much broader scale throughout cities, counties and the state.

Economic Development Funding and Benchmarking – Value can be created and measured in several ways – tell us how to measure it and we will tell you how to perform. The strategic planning process recognized the importance of understanding economic development expenditures. **A Kansas, Inc. study depicted economic development funding in Kansas at \$98.7 million during FY 2007. Over the period of 1989-2007 Kansas ranks towards the middle in terms of state economic development funding, ranking as high as second during 2005.** Benchmarking is a critical role of Kansas, Inc. and while we are in the initial stages of this process, we must measure the progress towards our overall economic vision.

Conclusion

I would like to finish my discussion with six guiding principles articulated throughout the strategic planning process in regards to economic development efforts:

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

Reminiscent of the troubled economic times during the mid-1980's in Kansas, the economic development study known as the Redwood-Krider report provided 50 recommendations addressing the totality of Kansas' economic development programs. From this plan arose a vision for economic development with many specific recommendations, including the formalization of the Kansas Department of Commerce, the creation of Kansas Technology Enterprise Corporation to foster innovation and technology development, and the creation of Kansas, Inc. to institutionalize the Redwood-Krider process used to create the state's strategic vision. Now, as then, a strategically focused long-term plan can provide the roadmap to a bright future in Kansas. Viewing this economic period as an opportunity to position the state will set Kansas apart from other states and allow us to aggressively rebound from these events.

Now, more than ever, is the time for Kansans to be mindful of where we have been, where we are currently, and where we want to go.

Kansas, Inc. Strategic Plan Benchmarking

Introduction

This draft document is an initial collection of actions to measure the State of Kansas' progress towards achieving the vision, missions, strategies and recommendations established in the State's strategy for economic development entitled "*Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance.*"

The strategic plan recognizes economies are cyclical by nature, and now, more than ever is the time for policymakers to be focused on positioning the Kansas economy for future opportunities. Kansas has inherent and emerging strengths – aerospace and general manufacturing; rural development and agriculture; energy and natural resources; professional, scientific and technical services; and biosciences. These core competencies, set within an environment for opportunity that focuses on entrepreneurship, business and tax climate, workforce development, technology and innovation, education, infrastructure and state image can contribute to the sustainability and growth of our economy, allowing us to transcend economic cycles.

What are Benchmarks?

Benchmarks are individual indicators of economic performance that can be measured over time. As this product is refined, these indicators will be integrated into this document to measure where we are in our efforts towards reaching our vision. Benchmarks will be outcome-based, measurable and objective, express precise relationships, aspire to world-class levels, and reflect the priorities and goals of the state. These benchmarks are important, as they serve as a valuable component in the long-term development of this plan through focusing effort, identifying progress, evaluation and providing stability throughout a changing political agenda.

This preliminary document is an initial stage of information collection for the benchmarking effort, and provides a brief summary of several actions that may directly or indirectly relate to the Strategic Plan. Most of these actions have occurred since the Strategic Plan was presented to the Governor and Legislature during January 2008, and this process remains ongoing.

Kansas, Inc. Strategic Plan

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

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

The Vision

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

Manufacturing – Aerospace and General

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

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

1-1 Provide funding and resources to support the state-of-the-art training center currently being constructed (Jabara/National Center for Aviation Training) and its training programs for jobs in Kansas. Recommend the state invest at least \$5.5 million per year for the next six years (\$33.0 million total) in infrastructure, equipment, and curriculum support.

Aviation Infrastructure Research Initiative – *The Governor also recommended \$2.5 million from the EDIF in support of the aviation industry. The 2008 Legislature doubled that for a total \$5.0 million. The state will partner with Wichita aviation*

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

companies, the City of Wichita, and Sedgwick County in the development of the National Center for Aviation Training. The Center will enable thousands of Kansans to be trained for high paying jobs in the aviation industry. The state funding will be administered by Wichita State University to provide equipment and assistance with curriculum. Funding is for FY 2009.

- 1-2 Develop and provide funding for original equipment manufacturers (OEM) and their local suppliers training and retraining efforts. Target a portion of economic development dollars for aviation and manufacturing talent development through a streamlined training fund program geared for today's companies and economy. Through business input, develop a program that assists manufacturing companies train workers through quick state approval and responsive systems.

Strategy 2 – Continue commitment to aviation research.

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

National Institute for Aviation Research Grant – The Governor recommended \$4.0 million for aviation research at Wichita State University. The 2008 Legislature increased that to \$5.0 million from the Economic Development Initiatives Fund. Research faculty from Institute for Aviation Research work to meet the needs of the aviation industry and public safety. Funding is for FY 2009.

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

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

The 2008 Legislature passed Senate Sub. for HB 2006 amends the provisions of the Economic Revitalization and Reinvestment Act, authorizing the Kansas Development Finance Authority (KDFA) to issue bonds up to \$33.0 million plus certain bonding expenses for an eligible aviation project and in an aggregate principal amount not to exceed \$150 million for all eligible aviation projects. Following the passage of the bill, Cessna announced it would build an assembly plant in Wichita for the Citation Columbus business jet, adding an estimated 1,000 jobs to the local economy.

The 2008 Legislature passed SCR 1621 urging Congress and the President to halt the contract process for the Air Force mid-air refueling tanker until they have reviewed and approved the technical, security and economic aspects of the purchase. This followed an announcement awarding the contract to a foreign manufacturer, causing concern regarding the impact on the aircraft industry in Kansas. During July 2008 the Department of Defense reopened the \$35 billion contract to build its next generation refueling tankers.

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

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

During August 2008 Kansas, Inc. commissioned a study to analyze state-level economic development contingency funds to identify best practices and a Kansas-specific recommendation regarding the creation of a state-level contingency fund. This study will be completed during 2009. (2)

~~*SB 497 would have repealed several tax credits and replaced them with two new credits and a new incentive program. The bill would have repealed Enterprise Zone Incentives, the High Performance Incentive Program Credits, and the Business and Job Development Credits and would have created the Kansas Investment Credit Act and Kansas Jobs Credit Act. The bill did not pass out of Committee. (2)*~~

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

During April 2008 Kansas, Inc. commissioned a study with the Center for Applied Economics (CAE), University of Kansas School of Business to better understand the historical dynamics of growth and change in the manufacturing enterprises of Kansas. From the analysis, manufacturing remains a key driver of wealth creation and the state's diversified manufacturing base is geographically positioned to capture and increasing share of manufacturing activity. Kansas has consistently outperformed the U.S. in terms of growth in value of manufacturing, however, Kansas manufacturing growth is driven more by employment growth than productivity growth. The data also suggests manufacturing gains and losses are an essential part of a dynamic business environment. Two key policy points from the analysis include: 1) Economic development policies that focus exclusively on employment can be misguided. Proactive economic development policy should not try to pre-specify the attributes of specific businesses. 2) A business environment that embraces the dynamics of manufacturing

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gains and losses should make it as easy and cost-effective for businesses to start operation and refrain from interfering with the inevitability of failure.

During June 2008 the Center for Economic Development and Business Research, Wichita State University provided the study Kansas Advanced Manufacturing, analyzing a variety of industries involved in the physical transformation, production or development of a material into a new, tangible product. This cluster includes a variety of products from fertilizer to composite materials. Advanced manufacturing comprises 17 percent of all Kansas jobs and 21 percent of total Kansas payroll. The average annual wage is \$47,600. The final report should be available during September 2008.

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

Rural Development and Agriculture

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

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

The 2008 Legislature passed Sub. for SB 453 creating the Kansas Commission on Rural Policy, tasked with developing recommendations for rural economic development based on four pillars: 1) fostering leadership; 2) youth retention; 3) promoting and financing rural entrepreneurship through the coordination of existing programs; and 4) wealth retention and generation. The Department of Commerce will provide administrative assistance to the Commission until September 1, 2010, and by that date it is anticipated the Commission will find its own funding either through a direct appropriation or through acceptance of grants.

During January 2008 Kansas, Inc. provided the issue paper Enhancing the Structure of Rural Development in Kansas, outlining a conceptual structure of rural development based on the Strategic Plan.

The Kansas Association of Community Foundations collaborated with the Kansas Health Foundation to analyze the transfer of wealth data for the purpose of enhancing statewide philanthropic giving. The Center for Economic Development and Business Research at Wichita State University carried out the study, estimating future intergenerational wealth transfer for each county in Kansas. Research indicates \$66 billion will be transferred from one generation to the next in the state of Kansas by 2020; \$3.3 billion or 5 percent could be preserved in community foundation endowments; and \$598 billion will be transferred in the state within the next 50 years.

Kansas Health Foundation – Kansas Leadership Center founded in 2007 and funded through an initial 10-year, \$30 million investment works toward: 1) identifying areas where better civic leadership and Center initiatives could make a difference; 2) aspires to create and deliver specific initiatives that strengthen and expand the state's civic leadership – across generations, political aisles, geographic expanse and other divides; and, 3) aspires to promote, incorporate and model a philosophy of leadership as an activity, rather than a position.

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

During September 2008 the Governor announced the new Division of Rural Development within the Kansas Department of Commerce, a reorganization designed to assemble a team within Commerce focused exclusively on rural development to provide easier access to Kansans seeking assistance and encourage more collaboration among existing rural development organizations.

- 6-2 Create a Division of Leadership within the Kansas Department of Agriculture, as capacity building or leadership must be a key component of rural development. Funding should be provided in the state budget for the administrative requirements of the Division.
- 6-3 Develop a coordinated incentive structure to reward communities, businesses and individuals for using the new integrated structure. The Office of Rural Opportunity would develop the framework surrounding the incentive structure.

- 6-4 Benchmark our efforts and progress in rural Kansas. Through marketing and awareness, rural areas will increase the visibility of successes and increase the awareness of their business atmosphere and lifestyle.
- 6-5 Enhance funding to \$1.0 million per year for the agricultural loan portfolio within the Department of Commerce.
- 6-6 Utilize and support the potential of Rural Opportunity Zones to play a key role in incentives that would help communities invest in their own future with the state as a partner.

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

- 7-1 Study, map and enhance the broadband infrastructure of the state. Increase broadband Internet access and the capacity to move large amounts of data securely. Urge the private sector to respond to broadband service gaps as they are identified.

The 2008 Legislature passed SB 570 removing the requirement for the KCC to approve or deny mergers or acquisitions solely between telecommunications companies that have elected price cap regulation in Kansas. The bill requires broadband service providers to submit a report containing information about geographic areas where service is available from the provider (original provisions of HB 2634). (2)

~~*HB 2884 would have established the Kansas broadband initiative and the rural broadband grants program, but did not pass out of Committee. (2)*~~

~~*HB 2645 would have established the broadband technology and applications advisory council, but did not pass out of Committee. (2)*~~

- 7-2 Assure through regulator mechanisms such as eligible telecommunications carrier designation and a tax structure that rewards investment, that wireless coverage is available throughout Kansas.

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

The 2008 Legislature passed SB 417 providing \$32 million or \$4.0 million annually starting in FY 2008 for housing grants, initially targeting cities and counties that suffered recent disaster until FY 2011 and later expanding eligibility to include rural cities and counties qualifying by population requirements. The Kansas Housing Resources Corporation will administer the programs as part of the Rural Housing Incentive District Act.

The 2008 Legislature passed Senate Sub for HB 2434 containing changes to various property, income and sales tax laws. This bill combines provisions of several bills. Original Sub for HB 2640 provides income, premiums or privilege tax credits for qualified capital investments made in nine cities damaged by disasters during 2007. (3)

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

NetWork Kansas reported the following statistics in their FY 2008 Annual Report – 1) Growing their statewide network from 264 to 448 partners who provide assistance to entrepreneurs and small businesses; 2) Providing direct and indirect service to more than 2,000 clients; 3) Recommending policy (SB 324) that increased investment dollars dedicated to entrepreneurs and businesses in rural communities to more than \$6.5 million, with anticipated additional investments of more than \$5.0 million per year; 4) Launched and grew StartUp Kansas, a fund that provides supplemental capital to startup and existing businesses in rural communities that has leveraged more than \$10 million in additional funds for startup and existing businesses; 5) Launched the NetWork Kansas E-Community partnership, which provided more than \$1.6 million in funds to six pilot rural communities for investment in local entrepreneurial businesses; 6) Convened meetings of more than 40 educational institutions and economic development organizations to form a statewide Entrepreneurship Education Team; 7) Hosted an Agricultural Biosciences Entrepreneurship Forum in partnership with KDOC, KDA, Regents Universities, KTEC, KBA KSBDC, and KansasBio.

Strategy 9 – Kansas should remain a leading agricultural state.

- 9-1 Policymakers can encourage state officials, agencies, farm organizations, and commodity groups to continue overseas market development and trade promotion programs.
- 9-2 The state can assist local government in the development of bioterrorism contingency plans that strategize around anticipated disruptions by providing guidance, technical assistance, needed financial resources, and overall coordination between the multiple jurisdictions likely to be involved.

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

During 2008 the University of Kansas School of Business partnering with Bayer Animal Health, extended its nationally respected MBA program into the growing animal health industry, combining facets of the animal health industry with an advanced business learning environment. The Bayer Animal Health Global Science & Management Integration Program is a leadership development program tailored for talented and ambitious individuals who are scientifically literate and wish to pursue and international management position within Bayer Animal Health. (2)

Professional, Scientific, and Technical Services

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

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

The 2008 Legislature passed SB 404 amending law concerning tuition and fees for the Kansas Academy of Mathematics and Science (KAMS). Twenty pupils from each class must be selected based on Congressional District and the remaining 20 on a statewide basis. Nonresident and international pupils may be admitted as long as at least three fourths of pupils are Kansas residents. Tuition and fees would be paid by the school district in which the pupil was previously enrolled, not to exceed the amount equal to the current base state aid per pupil. Students not enrolled in a Kansas high school will be responsible for tuition and fees. (2)

The 2008 Legislature passed HB 2858 appropriating funding to the Board of Regents for KAMS. (2)

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

During March 2008 the Governor signed Executive Order 08-05 creating the Governor's P-20 Education Council to improve student achievement by creating a collaborative, seamless system of education guided by the principal that success in college begins in kindergarten. The Council will establish a vision, mission and guiding principles that reflect the needs of the education system, focus on standards-based improvement and coordinate the implementation and evaluation of a plan to reach the vision of a comprehensive education system. (2)

SB-507 would have created the math, engineering, technology and science (METS) education innovation council, which passed out of the Senate, but did not pass out of House Committee. (2)

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

During September 2008, the KCP reports approximately \$180,000 of the initial \$420,120 legislative appropriation is left to match. The KCP has developed several partnerships and continues to receive business support, serving an estimated 32,000 students during the past year and anticipating serving approximately 150,000 this year. The KCP intends to seek additional funds from the Legislature.

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

The Wichita State University Center for Entrepreneurship was ranked 11th best undergraduate entrepreneurship program in the U.S. during 2007-2008 by Entrepreneurship Magazine. The rankings are based on The Princeton Review's survey of more than 700 undergraduate colleges and business schools and their entrepreneurship offerings.

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

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

See NetWork Kansas Annual Report

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

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

~~Senate Sub. for HB 2827 (formerly SB 501) would have established the Kansas Tourism Commission (KTC) as an independent government agency to provide collaboration of public and private organizations responsible for influencing tourism spending and growing the Kansas economy by enhancing visitor experience. The KTC would have been funded by 50 percent of the growth of state sales tax collections from tourism companies. This bill passed out of the Senate, but the House did not concur and a Conference Committee was appointed. The Conference Committee report was not adopted. (3)~~

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

~~Senate Sub. for HB 2827 (formerly SB 501) would have established the Kansas Tourism Commission (KTC) as an independent government agency to provide collaboration of public and private organizations responsible for influencing tourism spending and growing the Kansas economy by enhancing visitor experience. The KTC would have been funded by 50 percent of the growth of state sales tax collections from tourism companies. This bill passed out of the Senate, but the House did not concur and a Conference Committee was appointed. The Conference Committee report was not adopted. (3)~~

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

The 2008 Legislature passed HB 2714 enacting the Interstate Compact on Educational Opportunity for Military Children intended to remove barriers to educational success imposed on children in military families caused by frequent moves and deployment of their parents. The bill also makes provisions for the Interstate Commission on Educational Opportunity for Military Children, which is formed by states entering into the Compact and consists of one member per state. (2)

The 2008 Legislature passed SB 437 allowing ROTC scholarships to be awarded to qualified students at each ROTC institution. The bill also establishes the Military Service Scholarship Program to award scholarships to Kansas residents who have served overseas following September 11, 2001. The bill also included provisions to designate the Salina Area Technical School as the Salina Area Technical College. (3)

The Governor's Military Council is in the process of developing a RFP to study the economic impact of the military on Kansas.

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

The Governor's Military Council was funded at a level of \$500,000 during 2008, through a combination of state and federal funds. The Council will most likely be funded at this level during 2009, and beyond 2009 the amount of federal funds is likely to decrease. (During 2008, the funding proportion of state/federal was approximately \$375,000/\$125,000 respectively)

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

The 2008 Legislature passed Sub for HB 2916 implementing a new state classified employee pay plan and provides: salary increases for all state employees, below market salary adjustments for classified employees, longevity bonus pay for current classified employees and discontinued longevity bonus pay for future employees. The bill also establishes the State Employee Pay Plan Oversight Committee to annually report on the progress made in the development, implementation and administration of the new pay plans.

Energy and Natural Resources

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

The Kansas Energy Council was dissolved by Governor Kathleen Sebelius on December 31, 2008 in Executive Order 08-13. The Kansas Energy Council was charged with the development of a comprehensive state energy plan that includes information about the state's energy resources and recommendations regarding long-term energy policy. The Kansas Energy Plan provided recommendations during 2007, 2008, and 2009.

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

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

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

~~The 2008 Legislature passed House Sub for SB 148 and House Sub for SB 327 establishing energy efficiency standards for state buildings, vehicles and equipment; enacting the Net Metering and Easy Connection Act; and providing tax incentives for energy efficiency improvements in residential rental property. The bill established a renewable resources standard for electric utilities; required certain electric generation facilities to utilize carbon dioxide capture technologies; amended existing law regarding regulation of air quality and certain utilities; and enacted a provision requiring reduction of mercury emissions from certain electricity generating units. The bill allowed construction and operation of two coal-fired plants in Holcomb. The bills were not identical, but had many similar provisions. Senate Sub for HB 2412 also included several of these provisions. The bill was vetoed by the Governor. (2)~~

~~The 2008 Legislature passed SB 586 requiring the Kansas Corporation Commission to authorize an adjustment to electric utility rates to recover the utility's prudent expenditures for development costs for a new nuclear generation facility to be included in the customer rate base before the facility is operational. The bill includes provisions of SB 692 creating the Joint Committee on Energy and Environmental Policy. The Joint Committee will be a bi-partisan committee authorized to introduce legislation regarding any findings it deems necessary concerning energy and environmental policy. (2)~~

15-1 Production, distribution and wholesale/retail sales must be a key component of our energy portfolio.

15-2 While conservation is a key component, we must use current energy assets to build a bridge to future energy opportunities.

15-3 Kansas must add value in a collaborative manner in the areas of energy generation, refinery, transmission and storage, specifically addressing oil and natural gas, bio-fuels, wind and nuclear energy.

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

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

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

~~The 2008 Legislature passed House Sub for SB 148 and House Sub for SB 327 establishing energy efficiency standards for state buildings, vehicles and equipment; enacting the Net Metering and Easy Connection Act; and providing tax incentives for energy efficiency improvements in residential rental property. The bill established a renewable resources standard for electric utilities; required certain electric generation facilities to utilize carbon dioxide capture technologies; amended existing law regarding regulation of air quality and certain utilities; and enacted a provision requiring reduction of mercury emissions from certain electricity generating units. The bill allowed construction and operation of two coal-fired plants in Holcomb. The bills were not identical, but had many similar provisions. Senate Sub for HB 2412 also included several of these provisions. The bill was vetoed by the Governor. (2)~~

~~The 2008 Legislature passed SB 586 requiring the Kansas Corporation Commission to authorize an adjustment to electric utility rates to recover the utility's prudent expenditures for development costs for a new nuclear generation facility to be included in the customer rate base before the facility is operational. The bill includes provisions of SB 692 creating the Joint Committee on Energy and Environmental Policy. The Joint Committee will be a bi-partisan committee authorized to introduce legislation regarding any findings it deems necessary concerning energy and environmental policy. (2)~~

~~During March 2008 the Governor signed Executive Order 08-03 creating the Kansas Energy and Environmental Policy Advisory Group to develop recommendations to the governor to reduce greenhouse gas emissions in Kansas, recognizing Kansas's interests in continued growth, economic development and energy security. The Advisory Group shall examine issues related to climate change and energy. The Advisory Group will submit a preliminary report of its activities and progress to the Governor on or before the first day of the 2009 Legislative Session and will submit a final report on or before the first day of the 2010 Legislative Session.~~

~~During June 2008 the National Governors Association Center for Best Practices awarded the State of Kansas \$50,000 as part of the Clean Energy States Grant Program to help achieve greater energy efficiency, conservation and use of clean energy resources. Grants assistance will go towards research, analysis, training, outreach and other efforts to develop and advance clean energy in Kansas. The grants will be facilitated by the Energy Programs Division of the Kansas Corporation Commission.~~

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



During August 2008 the Kansas, Inc. President met with officials from ICM, Inc. regarding the potential of ethanol blender pumps in Kansas. Currently, there are four locations throughout the state with the pumps, with plans to place several more during the next year.

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

The 2008 Legislature passed HB 2681 repealing a law that requires certain state agencies to study the need for changes in state law arising from the presence of nuclear materials in Kansas.

During January 2008 the Governor signed Executive Order 08-01 creating the Governor's Wind Working Group to bring together stakeholders to develop, promote and implement effective wind energy policies for the state. The Lt. Governor serves as Co-Chair and the group consists of no more than 40 members appointed by the Governor.

~~*HCR 5038 would have enacted the Kansas electric energy plan act. The bill passed out of House Committee but wasn't voted on by the House.*~~

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

~~*HB 2635 would have established a water sustainability review process and implementation, but did not pass out of Committee.*~~

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

The 2008 Legislature passed HCR 5028 memorializing the United States Army Corps of Engineers, Bureau of Reclamation and United States Congress to partner with the State of Kansas to extend the productive lives of reservoirs in Kansas.

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

The 2008 Legislature passed Sub for SB 89 establishing the procedure for the distribution of any moneys recovered from disputes relating to the Republican River Compact from either Colorado or Nebraska.

Bioscience

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

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

The 2008 Legislature passed SCR 1624 stating the Kansas Legislature purposefully encourages the U.S. Department of Homeland Security to consider Kansas' demonstrated expertise and experience with research, its existing facilities and security infrastructure, and the human resources already in place that make Kansas a natural fit for the location of this new federal laboratory called the National Bio and Agro Defense Facility. (2)

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

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

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

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

The 2008 Legislature passed Senate Sub. for HB 2001 authorizing the issuance of revenue bonds up to \$105.0 million for the purpose of supporting a capital improvement project relating to the National Bio and Agro Defense Facility. (2)

The 2008 Legislature passed House Sub. for SB 359 authorizing the Secretary of Transportation to participate for a period of two years in an air passenger service support agreement for two years with the Manhattan Area Chamber of Commerce. Payments up to \$1.0 million annual are authorized, but only after the Manhattan Area Chamber of Commerce first makes

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payments of \$250,000 or more each year. (3) This agreement is intended to assist in efforts relating to the National Bio and Agro Defense Facility.

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

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

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

During December 2008 Kansas was awarded the National Bio- and Agro- Defense Laboratory. The Kansas Bioscience Authority led a consortium of state organizations that worked for three years to land the project.

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

During April 2008 Kansas, Inc. initiated an evaluation of the Kansas Bioscience Authority to measure its efforts in regards to technology-based economic development. The study will be completed during the December 2008. (2)

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

Business and Tax Climate

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

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

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

During February 2008 the U.S. Congress passed the Federal Economic Stimulus Act of 2008 providing tax incentives to stimulate business investments. The Act provides recovery rebate credits to taxpayers, a bonus depreciation deduction for businesses in tax year 2008 equal to 50 percent of qualified asset costs, and an increase in the applicability of the expensing allowance in current law for certain small businesses.

~~*SB-571 and HB-2751 would have allowed the expensing of investment expenditures, but did not pass out of Committee.*~~

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

The 2008 Legislature passed Senate Sub for HB 2434 containing changes to various property, income and sales tax laws. This bill combines provisions of several bills. Original Sub for HB 2762 authorizes the state to use the functional test (in addition to current transactional test) to identify business income and reduces corporate income tax rates. (3)

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

Strategy 25 – Create the opportunity for more efficient government.

~~*SB-607 would have established the Kansas Government Efficiency Commission, but did not pass out of Committee.*~~

During January 2008 the Governor's Budget Efficiency Savings Team (BEST) II will continue efforts to make Kansas government do more with less. New efforts are underway to make state buildings more energy efficient, increase cooperation for purchasing between state and local units of government, and consolidate multiple vendor maintenance contracts into a comprehensive program which will eliminate costs and inefficiencies of contracts.

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

~~The 2008 Legislature passed Sub. for Sub. for SB 316 to expand K-GOAL to provide accountability for any state agency or state program. Each state agency or program will be subject to audit, review, and evaluation as determined by the Legislative Post Audit Committee. Each audit must include a determination of the following factors: whether the agency is still needed; whether another federal, state, local, or private agency exist that could effectively perform the functions of the agency or program; whether the agency or program can be operated more efficiently and still fulfill its intended purpose; and whether there are any other factors that are needed for the audit. (2)~~

~~SB 454 would have authorized the creation of consolidation study commissions to adopt a plan for cities and county consolidation. The bill passed out of the Senate, but did not pass out of House Committee.~~

~~SB460 would have created procedures for the dissolution, disorganization, and consolidation of townships. The bill passed out of the Senate, but did not pass out of House Committee.~~

~~HB 2747 concerning the annexation of territories by cities, but did not pass out of Committee.~~

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

The Information Technology Executive Council (ITEC) has provided the Strategic Information Management (SIM) Plan to address a wide range of citizen constituencies and government entities. The plan seeks to: 1) Provide Customer-Centric Services to citizens, businesses and government entities making them easier to use, more accessible and cost efficient; 2) Improve Business Processes to provide those services Kansans want and need in the most cost-effective manner; 3) Manage Enterprise Information by making all appropriate state-managed data available to all levels of government, citizens, and businesses; 4) Improve Collaborative Partnerships to allow government entities, businesses, and citizens to work together and transform state government, services and economy; 5) Enhance Workforce Efficiency by creating and supporting innovative government services and processes with a skilled workforce using modernized information technology; and 6) Provide Leadership and Governance by establishing appropriate processes to understand and guide the direction, value and potential enterprise solutions for State IT investments. (3)

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

26-1 Develop and promote methods to reduce local and state barriers to a quality business atmosphere, such as reducing multiple licensing within and across communities, cities, counties, and the state.

~~The 2008 Legislature passed SB 579 requiring state agencies to consider the impact of proposed rules and regulations on small businesses, defined as any person, firm, corporation, partnership or association with 50 or fewer employees.~~

26-2 Develop a statewide network of task forces to improve the business and regulatory climate at the city, county and state levels.

26-3 Move towards using technology from the state to provide electronic services to meet local government needs per their request.

The Information Technology Executive Council (ITEC) has provided the Strategic Information Management (SIM) Plan to address a wide range of citizen constituencies and government entities. The plan seeks to: 1) Provide Customer-Centric Services to citizens, businesses and government entities making them easier to use, more accessible and cost efficient; 2) Improve Business Processes to provide those services Kansans want and need in the most cost-effective manner; 3) Manage Enterprise Information by making all appropriate state-managed data available to all levels of government, citizens, and businesses; 4) Improve Collaborative Partnerships to allow government entities, businesses, and citizens to work together and transform state government, services and economy; 5) Enhance Workforce Efficiency by creating and supporting innovative government services and processes with a skilled workforce using modernized information technology; and 6) Provide Leadership and Governance by establishing appropriate processes to understand and guide the direction, value and potential enterprise solutions for State IT investments. (3)

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

~~The 2008 Legislature passed Senate Sub for HB 2412 that made amendments to the Investments in Major Projects and Comprehensive Training (IMPACT) program (some provisions originally proposed in SB 525), created an Intermodal Transportation Revolving Fund for a project in Gardner (original provisions of SB 693), extended the sunset for certain manufactures to be eligible for single-factor corporation income tax apportionment (contained provisions of Senate Sub for HB 2037, which were original provisions of SB 686), refunded state sales tax for certain telecommunications machinery and equipment (original provisions of SB 664). The bill included provisions regarding energy production and energy efficiency that would have allowed for the construction and operation of two coal-fired plants in Holcomb (similar provisions to those proposed in House Sub for SB 327 and House Sub for SB 148, two previously vetoed bills.) The bill was vetoed by the Governor. (2)~~

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Numbers in parentheses indicate multiple entries; asterisks indicate follow-up needed

~~SB 497 would have repealed several tax credits and replaced them with two new credits and a new incentive program. The bill would have repealed Enterprise Zone Incentives, the High Performance Incentive Program Credits, and the Business and Job Development Credits and would have created the Kansas Investment Credit Act and Kansas Jobs Credit Act. The bill did not pass out of Committee. (2)~~

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

During August 2008 Kansas, Inc. commissioned a study to analyze state-level economic development contingency funds to identify best practices and a Kansas-specific recommendation regarding the creation of a state-level contingency fund. This study will be completed during 2009. (2)

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

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

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

During April 2008 Kansas was named a “Top 10 Pro-Business State” in a new 50-state survey published by a leading national corporate relocation firm. The annual report by Pollina Corporate Real Estate, Inc. analyzes 29 factors that affect the ability of states to attract new businesses or encourage existing businesses to expand within a state.

During July 2008 Business Facilities Magazine placed Kansas in the top ten for overall biotechnology strength.

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

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

The 2008 Legislature passed House Sub. for SB 359 authorizing the Secretary of Transportation to participate for a period of two years in an air passenger service support agreement for two years with the Manhattan Area Chamber of Commerce. Payments up to \$1.0 million annual are authorized, but only after the Manhattan Area Chamber of Commerce first makes payments of \$250,000 or more each year. (3)

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

Thinkbigkansas.com website

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

Workforce Development

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

During June 2008 Kansas, Inc. provided the issue paper Creating Demand-Driven Workforce Development in Kansas outlining an enhanced customized training system for workforce development based on the Strategic Plan.

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

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

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

- 29-3 Approval for all viable workforce projects will come from the Secretary of Commerce and the President & CEO of the Board of Regents.
- 29-4 Create an executive management position over workforce development at each postsecondary technical education institution that reports directly to the President of the respective institution to design and implement customized workforce training.
- 29-5 Create an infrastructure that establishes a seamless partnership between the Regional Directors of Workforce Services (Commerce) and the executive management positions over workforce development at each postsecondary technical education institution.
- 29-6 Designate \$12-15 million in funding that supports the customized training for this strategy.

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

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

During January 2008 the Postsecondary Technical Education Authority hired a Vice President of Workforce Development.

- 30-2 Encourage a structural funding change that provides incentives for colleges to offer high-demand, high-cost courses and special funds allowed for expensive equipment purchases.
- 30-3 Support the Kansas Technical College and Vocational School Commission.

The Kansas Technical College and Vocational School Commission commends the work of the Authority and intends to act as an oversight body to allow the Authority to progress with their initiatives.

The 2008 Legislature passed SB 437 allowing ROTC scholarships to be awarded to qualified students at each ROTC institution. The bill also establishes the Military Service Scholarship Program to award scholarships to Kansas residents who have served overseas following September 11, 2001. The bill also included provisions to designate the Salina Area Technical School as the Salina Area Technical College. (3)

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

During September 2007 Kansas, Inc., Kansas Department of Commerce, Kansas Works State Board, and Kansas Board of regents released Positioning Kansas for Competitive Advantage: Aligning Key Industry Clusters and Occupations with Postsecondary Education and Workforce Development. The study performs a supply-demand analysis identifying possible misalignments between postsecondary education and the needs of Kansas employers. The study recommends repeating this analysis on a regional level, and the Kansas Works State Board has assigned a task force to study these issues.

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

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

The 2008 Legislature passed SB 404 amending law concerning tuition and fees for the Kansas Academy of Mathematics and Science (KAMS). Twenty pupils from each class must be selected based on Congressional District and the remaining 20 on a statewide basis. Nonresident and international pupils may be admitted as long as at least three fourths of pupils are Kansas residents. Tuition and fees would be paid by the school district in which the pupil was previously enrolled, not to exceed the amount equal to the current base state aid per pupil. Students not enrolled in a Kansas high school will be responsible for tuition and fees. (2)

The 2008 Legislature passed HB 2858 appropriating funding to the Board of Regents for KAMS. (2)

~~*SB 507 would have created the math, engineering, technology and science (METS) education innovation council, which passed out of the Senate, but did not pass out of House Committee. (2)*~~

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

During 2008 the University of Kansas School of Business partnering with Bayer Animal Health, extended its nationally respected MBA program into the growing animal health industry, combining facets of the animal health industry with an

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advanced business learning environment. The Bayer Animal Health Global Science & Management Integration Program is a leadership development program tailored for talented and ambitious individuals who are scientifically literate and wish to pursue and international management position within Bayer Animal Health. (2)

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

The 2008 Legislature passed HB 2714 enacting the Interstate Compact on Educational Opportunity for Military Children intended to remove barriers to educational success imposed on children in military families caused by frequent moves and deployment of their parents. The bill also makes provisions for the Interstate Commission on Educational Opportunity for Military Children, which is formed by states entering into the Compact and consists of one member per state. (2)

The 2008 Legislature passed SB 437 allowing ROTC scholarships to be awarded to qualified students at each ROTC institution. The bill also establishes the Military Service Scholarship Program to award scholarships to Kansas residents who have served overseas following September 11, 2001. The bill also included provisions to designate the Salina Area Technical School as the Salina Area Technical College. (3)

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

The Kansas, Inc. President has met with the Kansas Chamber to discuss the possibilities of implementing a Leadership Kansas-type program for Kansas' youth.

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

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

The Postsecondary Technical Education Authority and Kansas Works State Board have expressed concern about marketing technical careers to students and have indicated they are interested in campaigning to parents and counselors to help guide students more in this direction. The Authority recently awarded a contract to a vendor to perform market research and design a marketing plan.

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

During November 2008 Legislative Division of Post Audit released a performance audit regarding: Illegal Immigrants – Reviewing Studies that have Assessed their Economic Impact

Strategy 32 – Encourage and provide lifelong learning opportunities.

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

During March 2008 the Governor signed Executive Order 08-05 creating the Governor's P-20 Education Council to improve student achievement by creating a collaborative, seamless system of education guided by the principal that success in college begins in kindergarten. The Council will establish a vision, mission and guiding principles that reflect the needs of the education system, focus on standards-based improvement and coordinate the implementation and evaluation of a plan to reach the vision of a comprehensive education system. (2)

The Postsecondary Technical Education Authority is working towards standardizing education to help with providing a seamless education.

Technology and Innovation

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

During July 2008 Kansas, Inc. initiated an evaluation of the Kansas Technology Enterprise Corporation to measure its efforts in regards to technology-based economic development. The study will be completed during 2009. (2)

During February 2008 RTI International completed an evaluation of KTEC Programs. The study found: KTEC operates highly effective programs that are well focused and meeting client needs. Compared to selected other states, its funding levels are lower and have remained relatively flat. Additional resources for technology-based economic development would enable KTEC to bring more of its programs to scale to meet the broader technology and innovation needs of Kansas. KTEC should particularly focus on ways to increase venture capital and business start-up activity in Kansas leveraging the success of KTEC's Pipeline program and Business Assistance Centers.



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

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

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

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

The 2008 Legislature passed Senate Sub for HB 2434 containing changes to various property, income and sales tax laws. This bill combines provisions of several bills. Original HB 2750 clarifies that certain real and personal property leased and used for research and development at a postsecondary education institution would retain exempt status. (3)

~~*SB 530 and HB 2739 would have provided sales tax exemptions for machinery, equipment and materials for research and development, but did not pass out of Committee.*~~

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

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

The 2008 Legislature passed SCR 1624 stating the Kansas Legislature purposefully encourages the U.S. Department of Homeland Security to consider Kansas' demonstrated expertise and experience with research, its existing facilities and security infrastructure, and the human resources already in place that make Kansas a natural fit for the location of this new federal laboratory called the National Bio and Agro Defense Facility. (2)

The 2008 Legislature passed Senate Sub. for HB 2001 authorizing the issuance of revenue bonds up to \$105.0 million for the purpose of supporting a capital improvement project relating to the National Bio and Agro Defense Facility. (2)

The 2008 Legislature passed House Sub. for SB 359 authorizing the Secretary of Transportation to participate for a period of two years in an air passenger service support agreement for two years with the Manhattan Area Chamber of Commerce. Payments up to \$1.0 million annual are authorized, but only after the Manhattan Area Chamber of Commerce first makes payments of \$250,000 or more each year. (3)

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

Strategy 35 – Address technology infrastructure needs throughout the state.

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

The 2008 Legislature passed SB 570 removing the requirement for the KCC to approve or deny mergers or acquisitions solely between telecommunications companies that have elected price cap regulation in Kansas. The bill requires broadband service providers to submit a report containing information about geographic areas where service is available from the provider (original provisions of HB 2634). (2)

~~*HB 2884 would have established the Kansas broadband initiative and the rural broadband grants program, but did not pass out of Committee. (2)*~~

~~*HB 2645 would have established the broadband technology and applications advisory council, but did not pass out of Committee. (2)*~~

35-2 Identify and address infrastructure gaps through collaborative cross-boundary relationships.

During August 2008 the Information Technology Executive Council (ITEC) provided the Strategic Information Management (SIM) Plan 2008-2013 to address a wide range of citizen constituencies and government entities. The plan seeks to: 1) Provide Customer-Centric Services to citizens, businesses and government entities making them easier to use, more accessible and cost efficient; 2) Improve Business Processes to provide those services Kansans want and need in the most cost-effective manner; 3) Manage Enterprise Information by making all appropriate state-managed data available to all levels of government, citizens, and businesses; 4) Improve Collaborative Partnerships to allow government entities, businesses, and citizens to work together and transform state government, services and economy; 5) Enhance Workforce Efficiency by creating and supporting innovative government services and processes with a skilled workforce using

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modernized information technology; and 6) Provide Leadership and Governance by establishing appropriate processes to understand and guide the direction, value and potential enterprise solutions for State IT investments. (3)

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

During December 2008 the Kansas, Inc. President met with individuals regarding the Connected Nation Model in regards to developing a comprehensive, statewide broadband expansion strategy. The five key components of the Connected Nation Model include: 1) Street-level broadband infrastructure mapping; 2) Market intelligence through survey research; 3) Services to providers and local governments; 4) Demand creation and planning at the grassroots level; and 5) Computers for underprivileged households.

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

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

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

Strategy 37 – Create an enhanced entrepreneurial culture in Kansas.

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

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

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

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

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

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

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

The Kansas Business Center Steering Committee was formed in the fall of 2007, comprised of several state agencies intended to revamp the KBC. NetWork Kansas spearheaded the project through research, competitive analysis, agency interviews, prototyping and demonstrations. The new and improved Kansas Business Center was launched during January 2009 as the official state resource for information, filings, and personal assistance to start, maintain or close a business.

State Image/Branding

Mission – Enhance the marketing/branding of Kansas.

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

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

During December 2008 the Secretary of Commerce reported the Marketing/Branding Advisory Board had met, consisting of approximately 20 individuals that provide a diverse level of input and expertise in regards to Commerce's marketing/branding efforts.

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

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

The Secretary of Commerce and Kansas, Inc. President are working towards an annual assessment and review of the state's imaging/branding efforts.

Economic Development Funding and Benchmarking

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

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

During November 2007 Kansas, Inc. released Strategic Analysis of Economic Development Expenditures in Kansas and Five Surrounding State Governments.

During August 2008 Kansas Legislative Post Audit released a performance audit report detailing the amount the State has spent on economic development and its economic impact on Kansas counties.

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

The November 2007 Kansas, Inc. study depicted economic development funding in Kansas at \$98.7 million during FY 2007. Over the period of FY 1989 to FY 2007 Kansas ranked towards the middle in terms of state economic development funding, with the state ranking as high as second during FY 2005 compared to other states. Based on the study, other states have been strengthening their commitment to economic development in recent years, as Kansas was the only state that did not increase state funding for economic development by at least 40 percent during FY 2007.

The August 2008 LPA report estimated the cost of economic development in Kansas for the past five years to be at least \$1.3 billion. State agencies reported spending about \$453 million for FY 2003 through 2007. Approximately \$860 million of tax revenue has been foregone at both the state and local levels during this period.

Strategy 42 – Benchmark economic development information in Kansas.

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

Following the release of the Strategic Plan, benchmarking is recognized as a critical role for Kansas, Inc. to provide insight regarding the progress towards our overall economic vision. Research and analysis, compiling information on economic development, evaluation and assessment, Indicators of the Kansas Economy (IKE), and various other efforts can assist in the benchmarking of the Kansas economy and economic development efforts.

During November 2007 Kansas, Inc. provided an Evaluation of NetWork Kansas that found the program was effective and the operations are cost effective, noting the foundation is in place for NetWork Kansas to have successes going forward. The following recommendations were encouraged to further enhance NetWork Kansas:

- *The StartUp Kansas grant and loan criteria are very satisfactory. However, it is recommended they be refined to further include and consider the number of jobs retained and/or created.*
- *The Kansas Small Business Development Center and Fort Hays State University have done a good job of minimizing the impact of bureaucratic operations with conscientious efforts to maintain a collaborative and cooperative and supportive relationship amongst all parties. Nevertheless, new people may not see the collaborative role and support role as important. It is recommended that relationships and roles be more clearly defined and formalized before the existing arrangements become so established that any change proposed finds policy makers taking conflicting sides.*

- The consultant team suggests this is an unduly complicated administrative process and would be streamlined by having NetWork Kansas be more independent and report annually directly to the Kansas Secretary of Commerce and contract with an accounting firm for their limited accounting needs.
- NetWork Kansas staff has made substantial efforts in trying to recruit and communicate with Resource Partners and economic development organizations throughout the state. However, as some of the Resource Partners responding to the survey indicated they have not really been contacted or involved and a few indicated they didn't know what NetWork Kansas was all about. Therefore, continuing to survey users on the every six month schedule is a good practice.
- The Kansas Legislature needs to maintain the 75% Tax Credit level for the program to ensure adequate funding is available for StartUp Kansas programs.
- In the future, the following evaluation criteria be formalized and incorporated into a more detailed evaluation:
 - Testimonials from community leaders where loans and grants have been made
 - Number of businesses assisted (expansion/new/attracted)
 - Number of jobs created/retained
 - Property tax growth
 - Survey of local leaders
 - Call center contact/activity levels
 - Networking/visioning/workshop attendance
 - News/media press coverage of program and businesses assisted
 - Job quality (created/retained)
 - Sales tax revenue generated or growth
 - Amount of capital raised/matched

During November 2007 Kansas, Inc. provided an Evaluation of the Kansas Department of Commerce business assistance activities. The evaluation reached three basic conclusions: 1) There is evidence that Commerce business assistance programs are achieving their stated mission; 2) Commerce's organization capacity is eroding, which might jeopardize its ability to achieve that mission in the future; and, 3) Evidence of a growing incongruence between the programs and assistance Commerce offers, and the State's economic development needs. No major changes in structure, organization or objectives were recommended at this time; however, several recommendations designed to increase the likelihood that Commerce will continue its success in the future were provided:

- Continue to upgrade information technology throughout the agency, particularly that which enhances the agency's ability to collect and share information across its divisions and regions. Our research indicates that Commerce lags far behind several of its peer states on this issue. There is little evidence of concerted efforts to share information across programs and divisions about businesses that have or could receive Commerce assistance, or across Commerce's various regions. There was evidence of efforts to create informal intranet-type communication within certain sub-agency functions, but those efforts were largely employee-driven and did not receive any additional agency resources. We also experienced delays of several weeks on certain requests to Commerce staff for data on numbers of participants and dollars spent on particular programs. Those delays resulted not from staff's inability to fill those requests, but rather from the fact that many of those requests required collecting and organizing piecemeal data from a variety of sources, which took a great deal of time.

Consider that in other states, such as Oklahoma, most agency personnel who interact with businesses considering a relocation or expansion to the state have desktop computer access to information about businesses in the same size and industry classifications that have received state assistance, potential relocation sites, data on the regional workforce including individuals who have received state-funded workforce development assistance, and other information relevant to business decision making. The same applies to agency staff serving individual workers and small businesses. Individuals seeking workforce assistance are provided immediate information about potential employers in the area, with a particular emphasis on those employers who have received past agency business assistance. Commerce lags far behind other states in its ability to provide its staff "real-time" information relevant to its clients and their actions.

Our conversations with Commerce staff indicate the agency is aware of these deficiencies and has begun to chart a corrective course. We encourage this effort. Our results indicate improvements in communication among stakeholders both within and outside the agency could be value-added for Commerce going forward.

- In addition to Commerce's current array of programs and incentives, consider developing new economic development tools that allow business assistance staff to more closely tailor that assistance to the unique needs of individual businesses, while nonetheless maintaining accountable use of the public dollars behind that assistance. We identified several potential models Commerce might consider in developing those tools.

Among the states we examined, we found Idaho has a particularly well-developed and balanced set of tools along these lines. In Kansas and many of its peer states economic development tools are designed to bring about certain types of stylized outcomes such as job growth in particular industries, creation of jobs that pay a particular wage, growth in exports or foreign direct investment, and others. Idaho has a similar overall economic development mission, but has defined the objectives for one group of its economic development tools in much broader terms.

For instance, it offers full property tax exemptions on broad categories of inventory and capital investment, which is intended to incentivize capital investment opportunities that are unforeseen, have a short window of opportunity, or are not included in other incentive programs. For the same reason, it offers large income tax liability offsets for broad categories of capital investment. Idaho also offers operating loss carry-backs and carry-overs, which assist all businesses in roughly the same way, even though the reasons behind the loss might vary tremendously across businesses. In addition to training and other opportunities for particular industries, it provides customized workforce training for individual businesses and groups of businesses, again to meet business needs that might fall outside of existing programs.

The simple point is that Idaho and Kansas have roughly the same framework of business assistance objectives and tools, but the added flexibility of one group of Idaho's tools provides it the chance to more effectively respond to targeted, strategic, short-term, and unique business assistance opportunities. In the hyper-competitive economic development environment, and in particular in high technology, biosciences, and other industries, the ability to respond to these unique opportunities is a potential source of competitive advantage for Kansas.

- Explore possibilities for broader partnerships with regional economic development organizations. Our results indicate strong, active, and highly specialized activity among regional economic development personnel. Commerce is actively engaged in these partnerships, and should consider broadening its involvement with these stakeholders. Undoubtedly, some might view broader regional involvement as diluting or even weakening Commerce's ability to pursue its statewide economic development mission. But our findings suggest the level of differentiation and specialization across the regions is so great, and that "advancing prosperity" means such different things in different parts of the state, that closer regional partnerships and strategies will ultimately prove worthwhile. Potential initiatives to this effect could include:
 - Work with municipalities and local economic development organizations to streamline and expand the information presented on local government websites.
 - Assist local governments and regional economic development personnel with their own succession planning efforts.
 - Develop and provide formalized training to localities on the technical aspects of economic development (what to expect when hosting a site visit, how to negotiate with prospective businesses, how to vet prospective businesses, etc.).
- Within the bounds of the current state civil service system, establish a formal succession planning system to ensure a successful hand-off of all Commerce activities, and in particular the business assistance function. Economic development is a "relationship business," and any attempt to institutionalize Commerce's current relationships will promote its present and future success.
- Work to more effectively involve site location consultants in continuing disclosure elements of key business assistance programming. Participating businesses, site location consultants, and to some degree Commerce staff agreed that site location consultants are often in the best position of all to navigate the technical aspects of reporting to the state whether a business is achieving its promised outcomes.
- Seek legislative approval to lift the \$50.0 million cap on the transfer from the State Gaming Revenues Fund to the Economic Development Initiatives Fund. Commerce programs affect an incredibly broad range of businesses, communities, and individuals, but the demand for those programs far outstrips the current supply. Since Commerce appears to make effective use of its current investment of public dollars, any attempt to increase that investment will likely yield the same or greater public benefits.

During April 2008 Kansas, Inc. initiated an evaluation of the Kansas Bioscience Authority to measure its efforts in regards to technology-based economic development. The study will be completed during the December 2008. (2)

During July 2008 Kansas, Inc. initiated an evaluation of the Kansas Technology Enterprise Corporation to measure its efforts in regards to technology-based economic development. The study will be completed during 2009. (2)

The 2008 Legislature passed Sub. for Sub. for SB 316 to expand K-GOAL to provide accountability for any state agency or state program. Each state agency or program will be subject to audit, review, and evaluation as determined by the Legislative

Post Audit Committee. Each audit must include a determination of the following factors: whether the agency is still needed; whether another federal, state, local, or private agency exist that could effectively perform the functions of the agency or program; whether the agency or program can be operated more efficiently and still fulfill its intended purpose; and whether there are any other factors that are needed for the audit. (2)

The December 2008 LPA Audit Reviewing Commerce’s Management Staffing Levels examined the management levels of Commerce compared to similar-sized agencies. The Department has nearly quadrupled in staff size since 2004, when it took over all workforce development programs from the Department of Labor.

~~HB 2958 would have required economic impact statements and fiscal note updates to be prepared for certain legislation. The bill did not pass out of Committee.~~

Transportation Infrastructure

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

During 2008 the Kansas Department of Transportation drafted the Kansas Long Range Transportation Plan, an evaluation of the current status and future needs of all modes of the Kansas transportation system, including state highways and the local road network, transit, rail, aviation, and bicycle and pedestrian facilities. Guiding principles include preserving the existing transportation system, making travel safer, and supporting economic growth.

During August 2008 the Governor created the Transportation-Leveraging Investments in Kansas (T-LINK) task force, charged with crafting a new strategic transportation approach that positions Kansas for the future. The task force recommendations will be shaped by the following priorities: 1) A commitment to keep our roads and bridges safe and in good repair; 2) Forward thinking without relying on old business models; and, 3) A new approach that reflects today’s realities but also creates a framework that prepares our state for the future.

During October 2008 the Kansas Department of Transportation completed a study regarding the Economic Impact of KDOT Highway Preservation Funding. The study noted KDOT invests approximately \$384 million annually in highway system preservation.

43-1 Preserve existing transportation infrastructure.

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

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

~~The 2008 Legislature passed Senate Sub for HB 2412 that would have created an Intermodal Transportation Revolving Fund for a project in Gardner (original provisions of SB 693). The bill also included provisions for two coal-fired plants in Holcomb. The bill was vetoed by the Governor. (2)~~

~~SB 670 would have established the Joint Committee on 2010 comprehensive transportation plan. The bill passed out of the Senate and House Committee, but no final action was taken in the House.~~

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



Economic Development & Tourism
Date: 1-21-09
Attachment # 3-1

House Economic Development & Tourism Committee

January 21, 2009

Tracy B. Taylor
KTEC President & CEO

Ensuring Kansas' Prosperity through Technology



About KTEC

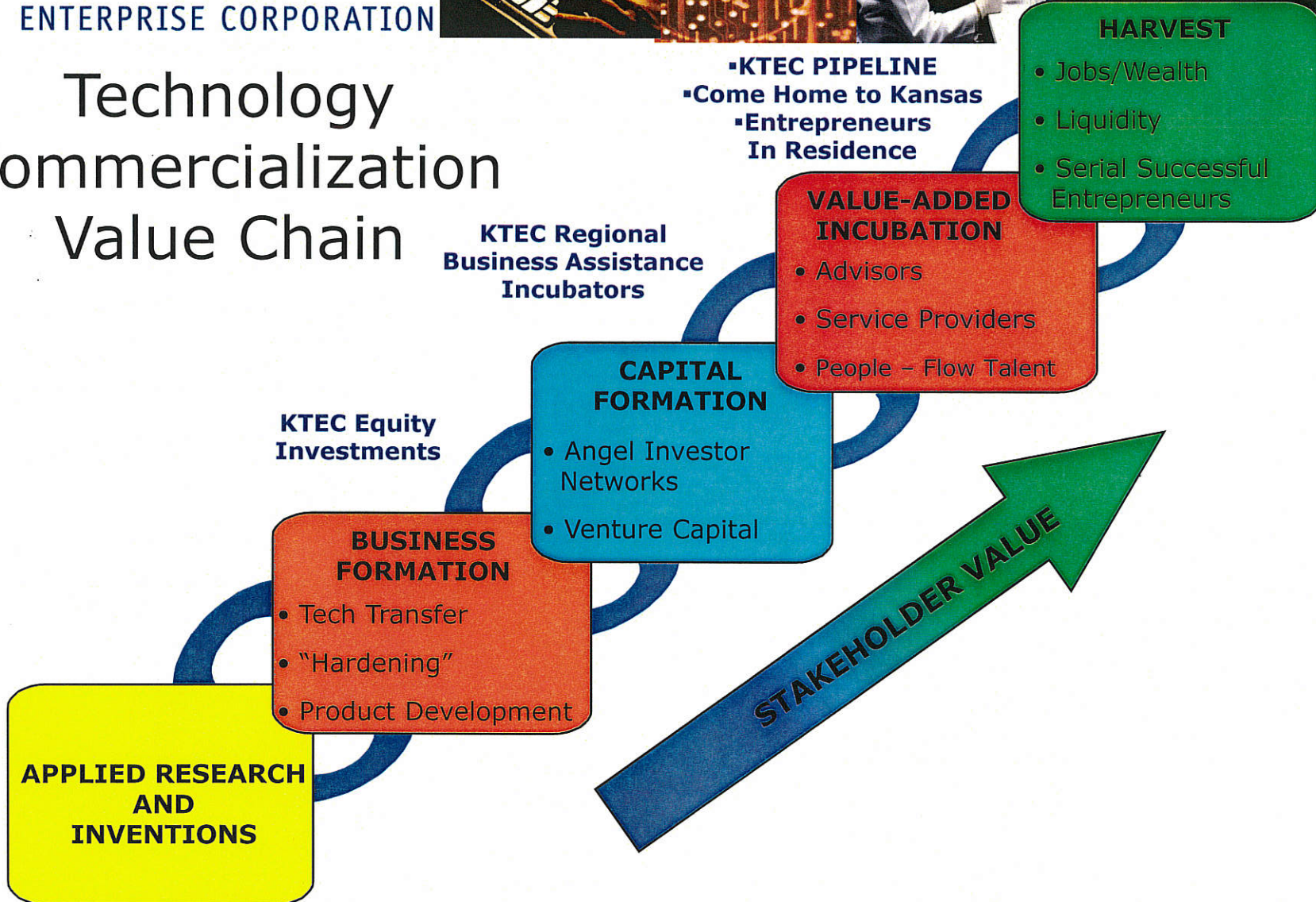
- Created by Legislature in 1986
 - “Redwood-Krider Report” articulated need for entrepreneurship and technology economic development
- Governed by 20-member, industry-led board of directors
 - Includes private sector, university, legislature and administration representatives
- Funded by the Economic Development Initiatives Fund
 - Consists of revenues from the Kansas Lottery & Gaming Commission

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3-8

Technology Commercialization Value Chain



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3-4

KTEC Areas of Focus

Research

Centers of Excellence

- BIOC, *Univ. of Kansas*
- ITTC, *Univ. of Kansas*
- NIAR, *Wichita St. Univ.*
- AMI, *Kansas St. Univ.*
- KPRC, *Pittsburg St. Univ.*

Experimental Program to Stimulate Competitive Research (EPSCoR)

Small Business Innovation Research (SBIR) assistance

Investments

Direct Equity Investments

Angel Tax Credits

Creation of Angel Networks

Entrepreneur Development

- KTEC PIPELINE
- Come Home to Kansas
- Entrepreneurs -in- Residence Program

Business Assistance

Incubators

- NISTAC, *Manhattan*
- LRTC, *Lawrence*
- ECJC, *Lenexa*
- KUMCRI, *Kansas City*
- ATC, *Pittsburg*
- WTC, *Wichita*
- WKTC, *Great Bend*
- Quest, *Hutchinson*

Mid-America Manufacturing Technology Center (MAMTC)



3-5

KTEC Values

- **Private sector oriented** – results driven, pro-active and customer oriented
- **Continuous innovation** – KEGA, KansasBio, KTEC PIPELINE, Come Home to Kansas, SITAKS
- **Lean organization** – reduction of staff from 19 to 11
- **Strategic without duplication** of services in Kansas
- **Commercialization focus** – fill essential gaps and force collaboration

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So What?

- Emerging entrepreneurial growth companies are responsible for 67% of new jobs (more in economic downturns) and 95% of all radical innovations since WWII
- Jobs created by tech companies pay approx. \$50,000
 - Two times the average salary of non-technology jobs (approx. \$26,000)
- Reduces brain drain
- Diversifies tax base
- A region's economic prosperity is closely tied to its entrepreneurial capacity
- Entrepreneurial companies seek talent, capital, networks and infrastructure

* *Based on the National Commission on Entrepreneurship, 2001*



3-7

KTEC Innovation Example

- Life Sciences Initiative
 - Kansas Economic Growth Act (KEGA)
 - Kansas Bioscience Initiative
 - Government research funding focused on IT, life sciences and nanotechnology



A Brief History of Economic Development

Kansas Legislature
House Committee on Economic Development
January 14, 2003

Jay Kayne
VP of Entrepreneurship
Kauffman Foundation

So What's The Issue?

- Entrepreneurship development takes time—outside the political timeframe.
- Entrepreneurship equals “venture economic development,” requiring a portfolio versus project mentality.
- Impact is incremental.
- Public sector perception that “wealth is a four-letter word.”
- Technology-based economic development needs to be outside the political process

Your Role as State Policymaker

- Celebrate and honor entrepreneurship and individual entrepreneurs
- Provide life-long learning opportunities for potential and active entrepreneurs
- Facilitate the establishment of networks “of entrepreneurs, by entrepreneurs, for entrepreneurs”
- Ensure an adequate supply of capital at all stages of the commercialization process
- Examine state policies so that they support, not inhibit, entrepreneurship

Kansas Economic Growth Act

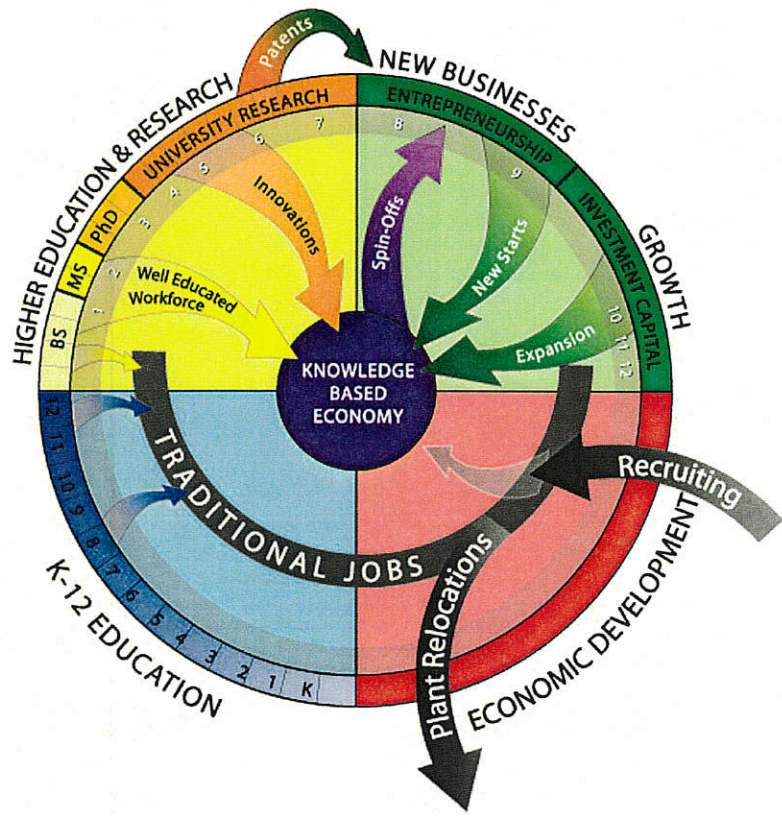
Testimony on House Bill No. 2647

February 3, 2004

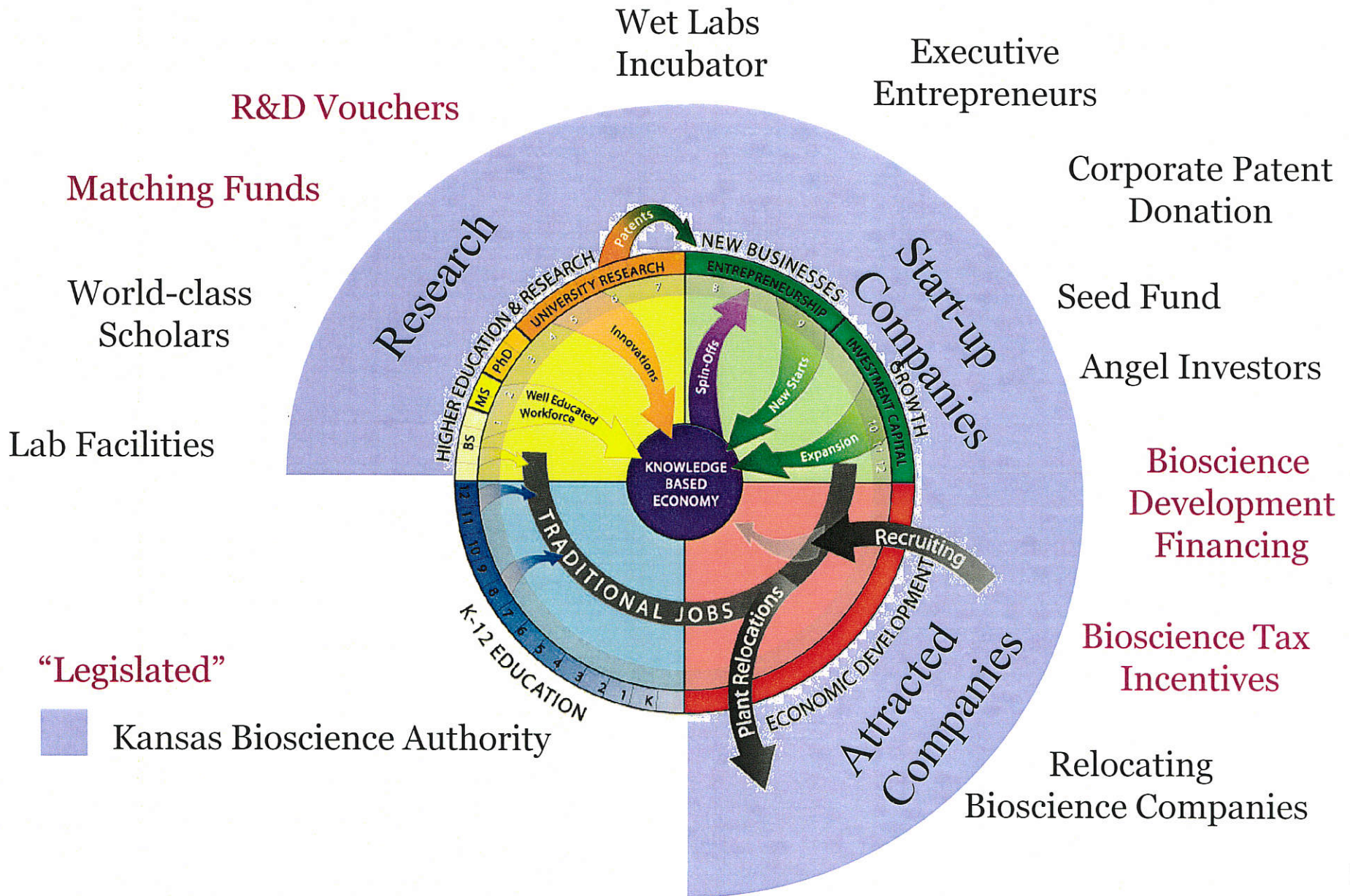
Presented by:

Tracy Taylor

Kansas Technology Enterprise Corporation



10-Year Bioscience Roadmap

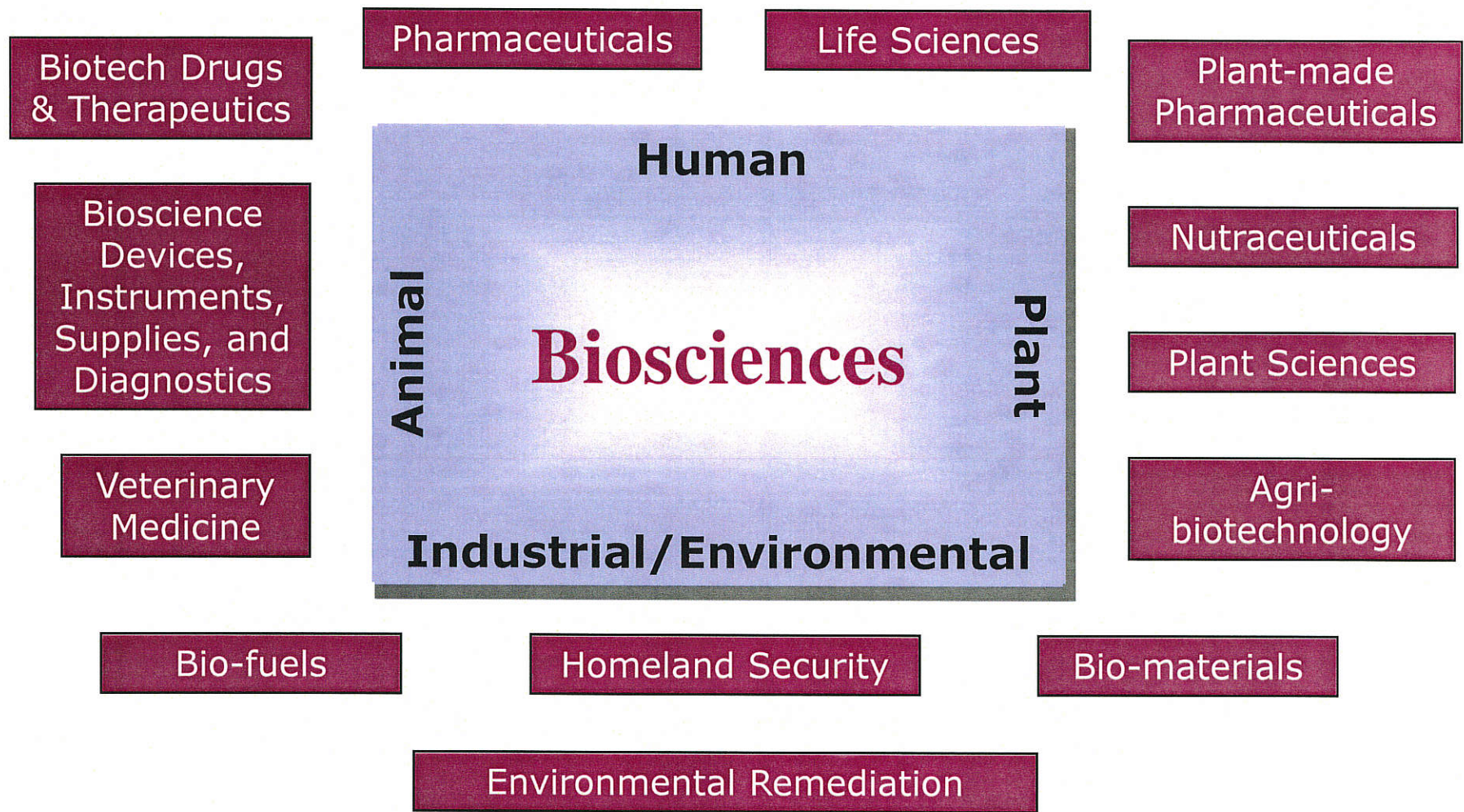


House Bill No. 2647 Overview

1. Bioscience Authority Act
2. Emerging Industry Investment Act
3. Bioscience Development Financing Act
4. Bioscience Tax Investment Incentive Act
5. Bioscience Research and Development (R&D) Voucher Program Act
6. Bioscience Research Matching Funds Act

Process: Discussion of each section, then questions

Definition: Biosciences





3-15

2008 State New Economy Index

- There is concrete evidence that KTEC's efforts are improving the entrepreneurial climate in Kansas, which was **ranked 8th in Nation for "Gazelle Jobs"** - according to the 2008 State New Economy Index. Rapid growth "Gazelle" companies account for 80% of new jobs created.
- The New Economy Index also ranked **Kansas a "Top Mover" in "Fastest Growing Firms."** Through our direct equity investments and business assistance, KTEC has helped Kansas experience a large increase in the number of "fast growing firms" (i.e. those with growth exceeding 200% over 4 years). These firms provide a strong base for the state's current and future growth.



3-16

SITAKS

- Software and Information Technology Association of Kansas
 - Founded by KTEC in 2008
 - State-wide information technology trade association similar to Kansas Bio
- 2,182 information technology companies in Kansas/54,000 jobs
- Mission: Educate, provide leveraging opportunities between companies, speak as unified voice on issues impacting industry, connects private/public sectors
- Issues: Talent recruitment, capital formation, technical training costs, entrepreneurial assistance

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3-17

Kansas Bioscience Organization (KansasBio)

- Advocate for the bioscience community in Kansas
- Founded in 2004 by KTEC
- Trade organization representing the bioscience industry continuum in Kansas
 - Human, Plant and Animal
 - Academic, Industry and Government
 - Entrepreneurial ventures, start-ups, service providers
- Led Kansas presence BIO 2006 (Chicago), BIO 2007 (Boston) and upcoming BIO 2008 (San Diego)
 - Hill's Pet Nutrition donates two-story pavilion for use at tradeshow

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3-18

KTEC PIPELINE

- The KTEC PIPELINE identifies talented and entrepreneurial Kansans and matches them with best-in-class training, resources and mentors to enhance their success as technology entrepreneurs in Kansas.
- Kansas is the only state that is systematically identifying top technology talent and connecting them to become future leaders.
- The KTEC PIPELINE adds to KTEC's comprehensive technology program, ensuring the most important component to any successful economy - cadre of innovators that will lead the Kansas economy for generations to come.

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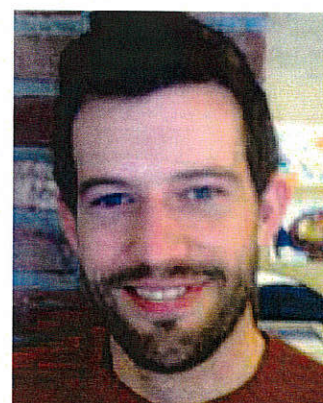
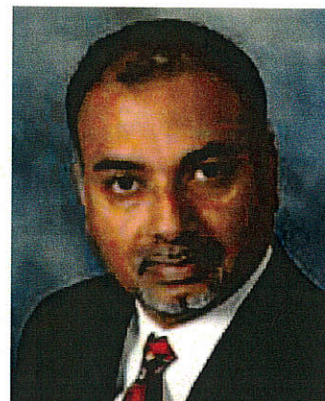
KTEC PIPELINE Innovators Receive

- Best-in-class training in fundamentals of technology entrepreneurship.
- Three-day formal learning sessions each quarter. Innovators will receive cutting-edge education, skill building and networking.
- Access to mentors from technology businesses in or with strong ties to Kansas.
- One-year stipend for discretionary use while exploring opportunities for a startup technology venture.
- Access to venture capitalists with capabilities of financing early stage technology companies.
- Leverage use of resources to highest potential talent.



2-20

2008 PIPELINE Innovators



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3-21

Come Home to Kansas Initiative

- #1 issue for bioscience and IT companies is talent recruitment
 - Garmin, LSI Logics, Perceptive Software, etc.
- KTEC & partners launched www.comehometokansas.com to address issue
- Site shows thousands current technology job openings, plus strong cluster of recognizable companies in Kansas
- Software crawls internet to match people with career opportunities



Greg had the vision to see the vast possibilities to be harvested in the biopharmaceutical industry. So he cultivated his idea, rediscovered his roots and transplanted his dream to Kansas. He's just one of a lot of smart natives who are following their heads back to the heartland.

Come Home To
KANSAS
We will help you grow. www.ComeHomeToKansas.com

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Capital Formation

- Implemented Kansas Angel Tax Credit Program Legislative Change
- Creation of Angel Networks in South Central, Southeast and Northeast Kansas



3-23

KTEC National Recognition

- The State Science and Technology Institute (SSTI) selected KTEC to host its national conference in Overland Park, October 2009
 - Administration's proposed elimination of KTEC will have happened by conference date
- National Institute of Health (NIH) and National Science Foundation (NSF) have both recognized KTEC PIPELINE as innovative in people development for technology-based economic development programs
- National Business Incubation Association (NBIA) selected Enterprise Center of Johnson County (a KTEC business assistance incubator) to host its host of its national conference in Kansas City, April 2009

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3-24
8

FY 2008 Results

- **\$207.26 million** increased sales
- **933 jobs** created or retained
- **\$100.64 million** - Federal funds leveraged
- **\$46.17 million** – private investment leveraged



3-25

KTEC Cumulative Results

- **\$1.95 billion** in increased sales
- **16,700 jobs** created or retained
- **\$642 million** - federal funds leveraged
- **\$456 million** - private investment leveraged



3-26

FY09 Budget Summary

- For FY09, the Governor recommends cutting \$1.38 million and specifies which areas to cut. These cuts are impossible to make since the vast majority of funds are committed for the current fiscal year.
- On December 7, 2008 the KTEC Board of Directors strategically allocated \$374,000 in cuts across programs in anticipation of a 3% overall reduction. KTEC requests that it be allowed to retain its statutory authority to allocate any additional cuts across programs in both FY09 and FY10.

<u><i>FY09 recommendations</i></u>	<u><i>Governor</i></u>	<u><i>KTEC Board (December revision)</i></u>
Approved budget	\$12,471,442	\$12,471,442
Reduction	<u>(1,387,566)</u> 11.1% reduction	<u>(374,143)</u> 3.0% reduction
	\$11,083,876	\$12,097,299

(approved budget includes carryover of \$439,184 from FY08)



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Thank You.

For more information about visit:

www.ktec.com

p. 785-296-5272

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