

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairman David Wysong at 8:30 a.m. on January 29, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant  
Ms. Ken Wilke, Office of the Revisor of Statutes  
Mr. Reed Holwegner, Kansas Legislative Research Department  
Mr. Julian Efird, Kansas Legislative Research Department

Conferees appearing before the Committee:

Dr. Art Hall, Executive Director, Center for Applied Economics, KU School of Business

Others attending:

Please see attached list.

**Presentation on the Kansas economy**

Upon calling the meeting to order, Chairman Wysong introduced Dr. Art Hall, Executive Director, Center for Applied Economics, KU School of Business, who would be giving a presentation on the Kansas economy. Dr. Hall offered:

- A forecast of Kansas economic growth for 2009, offering charts and tables comparing the Kansas GDP forecast to the US GDP forecast including the gain and growth rate
- Patterns of County-to-County Taxpayer Migration including monthly co-movement of US and Kansas jobs during and 12 months after past recessions (Total Non farm employment); a chart indicating the percent change job count from December 07 to December 08; and maps of both the US and Kansas regarding growth of manufacturing payrolls. Regarding migration and graduates in Kansas, most want to stay where they earned their degree especially if it is in the state they live in.
- Regarding manufacturing as a Kansas economic strength, graphs were offered showing Kansas ranking among the States from payrolls, productivity, employment, etc.

In conclusion, he offered maps of the NAFTA highway and the railroad in the Newton/Dodge City area regarding a strategy for economic growth for these methods of transportation and also wind energy.

A copy of his testimony is (Attachment 1) attached and incorporated into the Minutes as referenced.

Chairman Wysong thanked Dr. Hall and asked for questions and comments from the Committee which came from Senators Holland, Wysong, Kelsey, Lunn, and Schodorf including:

- his thought on North and South Dakota (small state but percentage is big on growth, no income tax)
- Do you believe that the property tax in Kansas is a negative growth?
- his thoughts on Prop K and stabilizing property taxes.
- What kind of impact would Prop K have on Johnson County and then locally and who ends up paying for this?

CONTINUATION SHEET

Minutes of the Senate Commerce Committee at 8:30 a.m. on February 1, 2009, in Room 545-N of the Capitol.  
Page 2

**Adjournment**

As there was no further business, Chairman Wysong adjourned the meeting. The time was 9:26 a.m.

The next meeting will be a joint meeting with the House Eco Devo-Tourism Committee and is scheduled for Monday, February 2, 2009 at 3:30 p.m..

SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

GUEST LIST

DATE: Thursday, January 29, 2009

NAME	REPRESENTING
Dan Korber	Kansas, Inc
Stan Ahlerich	Kansas, Inc
JP Small	Koch Industries, Inc
Derek Hein	Hein Law Firm
Brad Stauffer	Carter Group
Nick Jordan	Capitol Strategies
Matt Casey	GBA
Crazy Denton	Budget
Kelly DiRocco	LGR
Tracy Stauch	KWO
Steve Irsick	KWF

**Remarks before the Senate Commerce Committee**

January 28, 2009

Art Hall

Executive Director  
Center for Applied Economics  
KU School of Business

A Forecast of Kansas Economic Growth for 2009

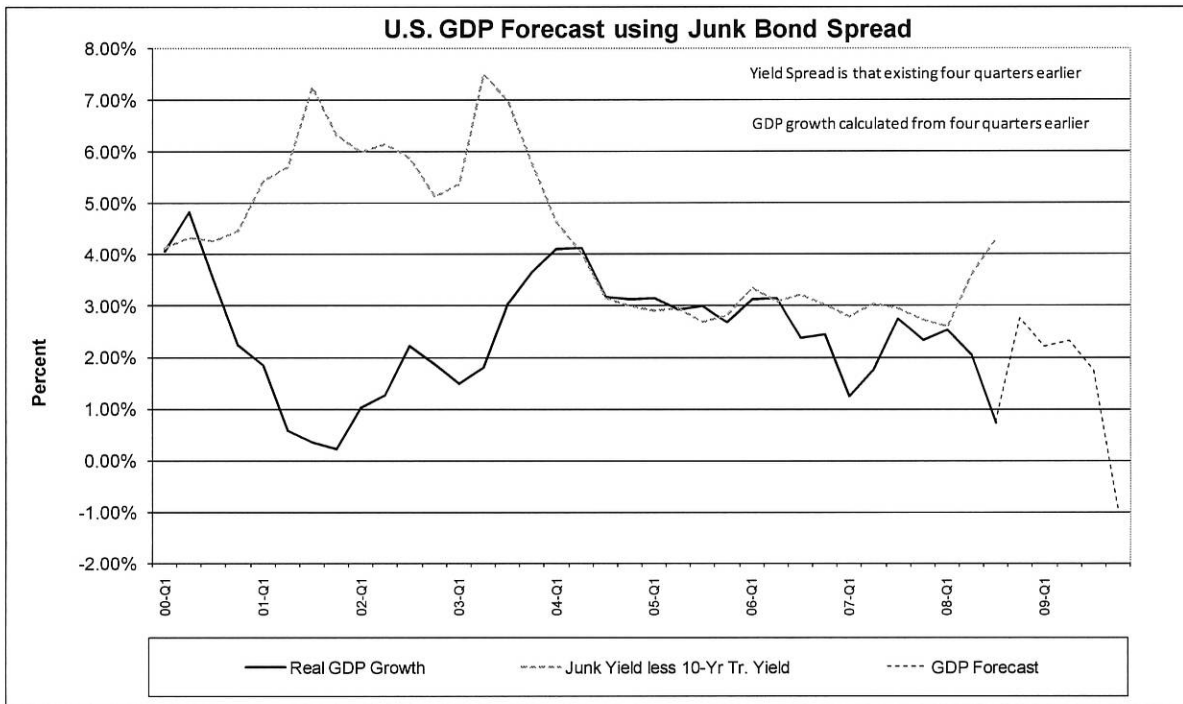
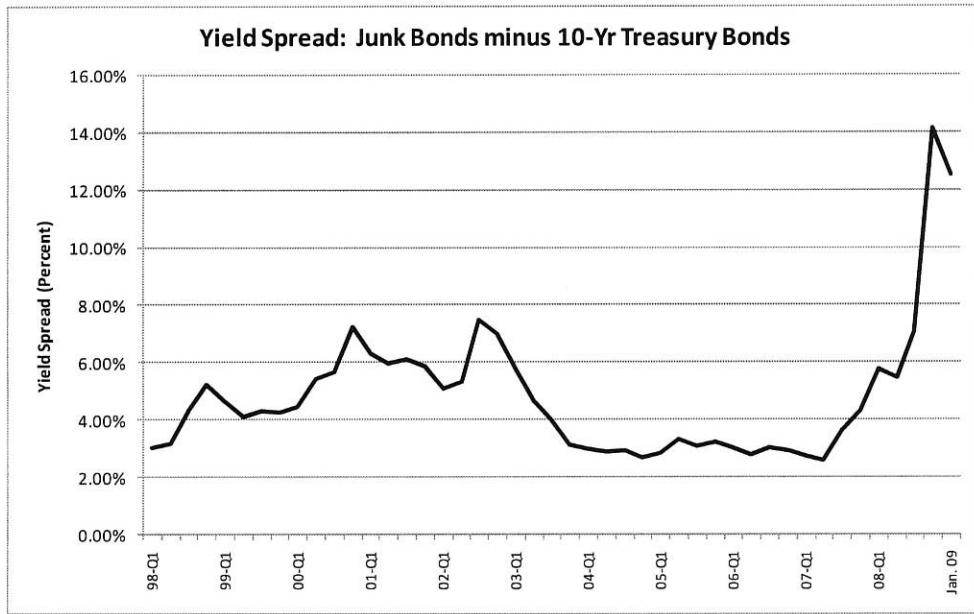
Patterns of County-to-County Taxpayer Migration

Manufacturing as a Kansas Economic Strength

Senate Commerce Committee

Date: January 28, 2009

Attachment 1



Forecast Range	2009 Forecast of U.S. GDP Growth Rate	2009 Forecast of KS GDP Growth Rate	KS GDP Gain (Millions)	2009 Forecast of KS Job Growth Rate	KS Job Gain (Thousands)
High	1.74%	2.37%	2,352	2.69%	37.5
Medium	0.74%	1.37%	1,362	1.69%	23.6
Low	-0.91%	-0.30%	-293	0.02%	0.2

	Percent Change: Job Count Dec. 07 to Dec. 08	
	U.S.	KS
Total Nonfarm Employment	-2.03%	0.06%
Natural Resources and Mining	8.71%	4.35%
Construction	-8.80%	-3.29%
Manufacturing	-5.85%	-2.52%
Financial Activities	-1.93%	-0.27%
Professional and Business Services	-3.99%	-1.90%
Government	0.75%	2.82%

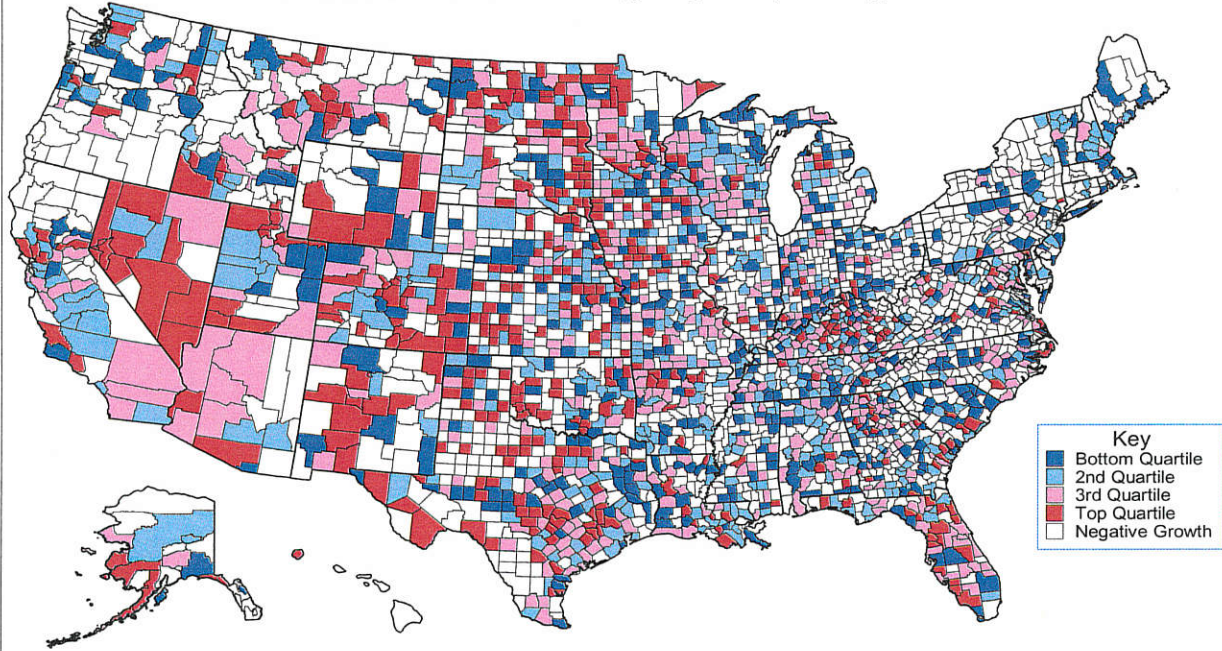
Monthly Co-Movement of U.S. and KS Jobs  
During and 12 months after Past Recessions  
(Total Nonfarm Employment)

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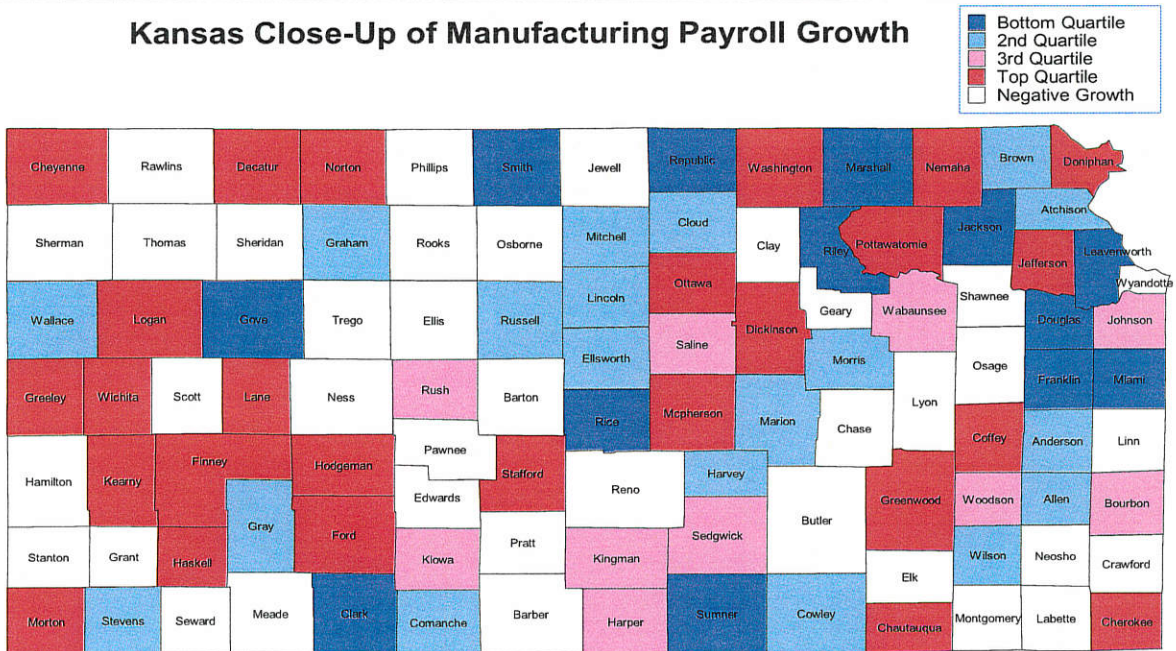
Recession	Statistical Correlation
Nov. 1973 to March 1975	0.92
Jan. 1980 to Jul 1980 plus July 1981 to Nov. 1982	0.85
July 1990 to March 1991	0.89
March 2001 to Nov. 2001	0.89
Dec. 2007 to ??	0.92



### Growth of Manufacturing Payroll (2007\$), 1977-2007

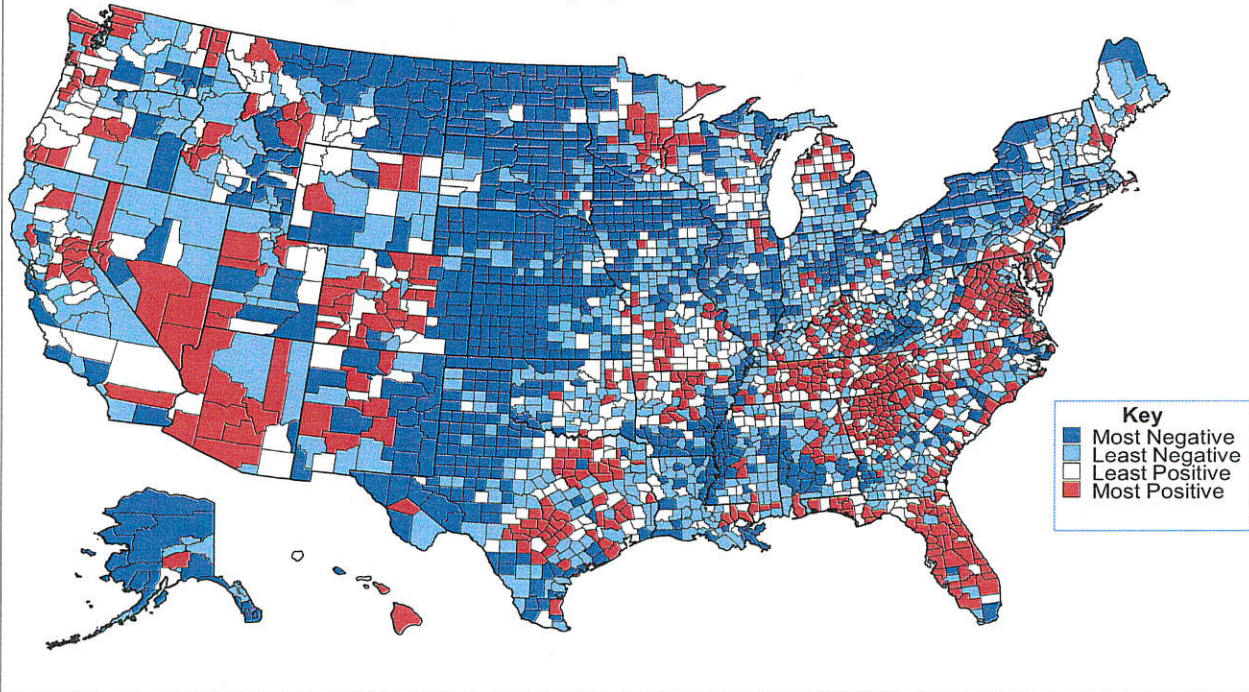


### Kansas Close-Up of Manufacturing Payroll Growth

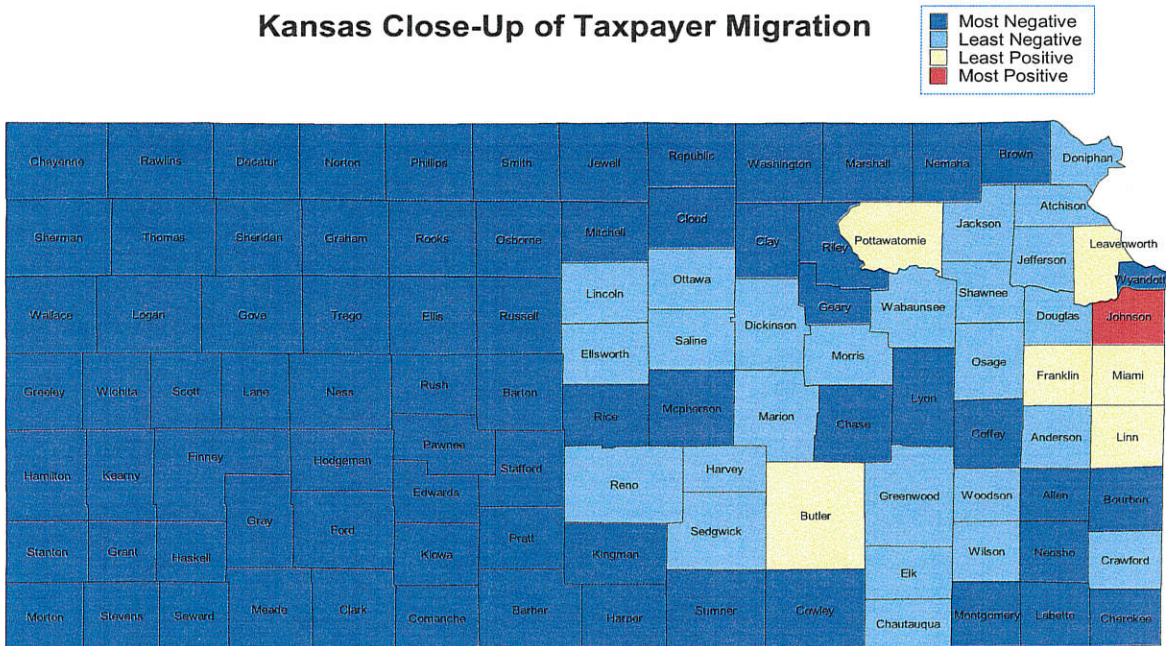




### Migration of Taxpayers, 1995-2006



### Kansas Close-Up of Taxpayer Migration

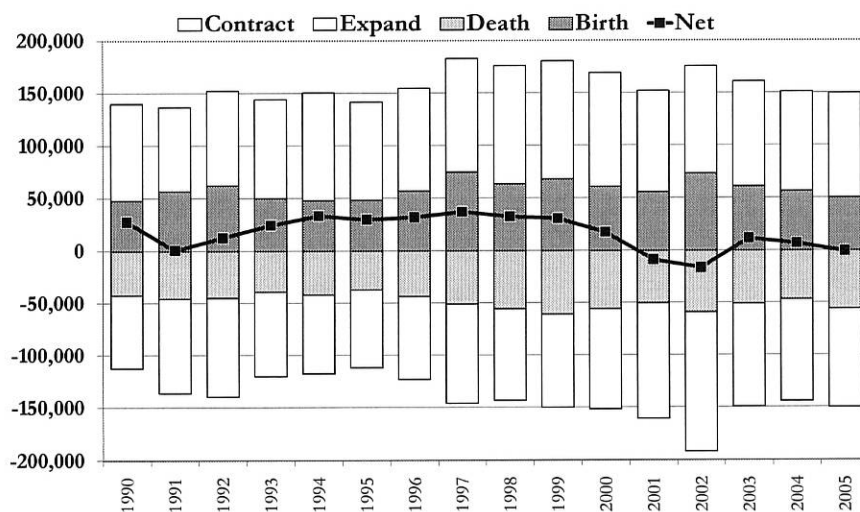




Kansas Ranking among the States, Measures of Growth for Select Time Periods	1967 to 2007	1977 to 2007	1987 to 2007	1997 to 2007
Manufacturing Output (GDP)	18	18	15	9
Manufacturing Employment	15	11	9	5
Manufacturing Payroll	14	12	16	18
Manufacturing Productivity	44	42	48	31
Manufacturing Capital Investment*	18	28	14	18
Manufacturing Establishments	17	32	27	23

\*Endpoint is 2006 not 2007.  
Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau; U.S. Bureau of Labor Statistics

## Kansas Job Dynamics, 1990-2005



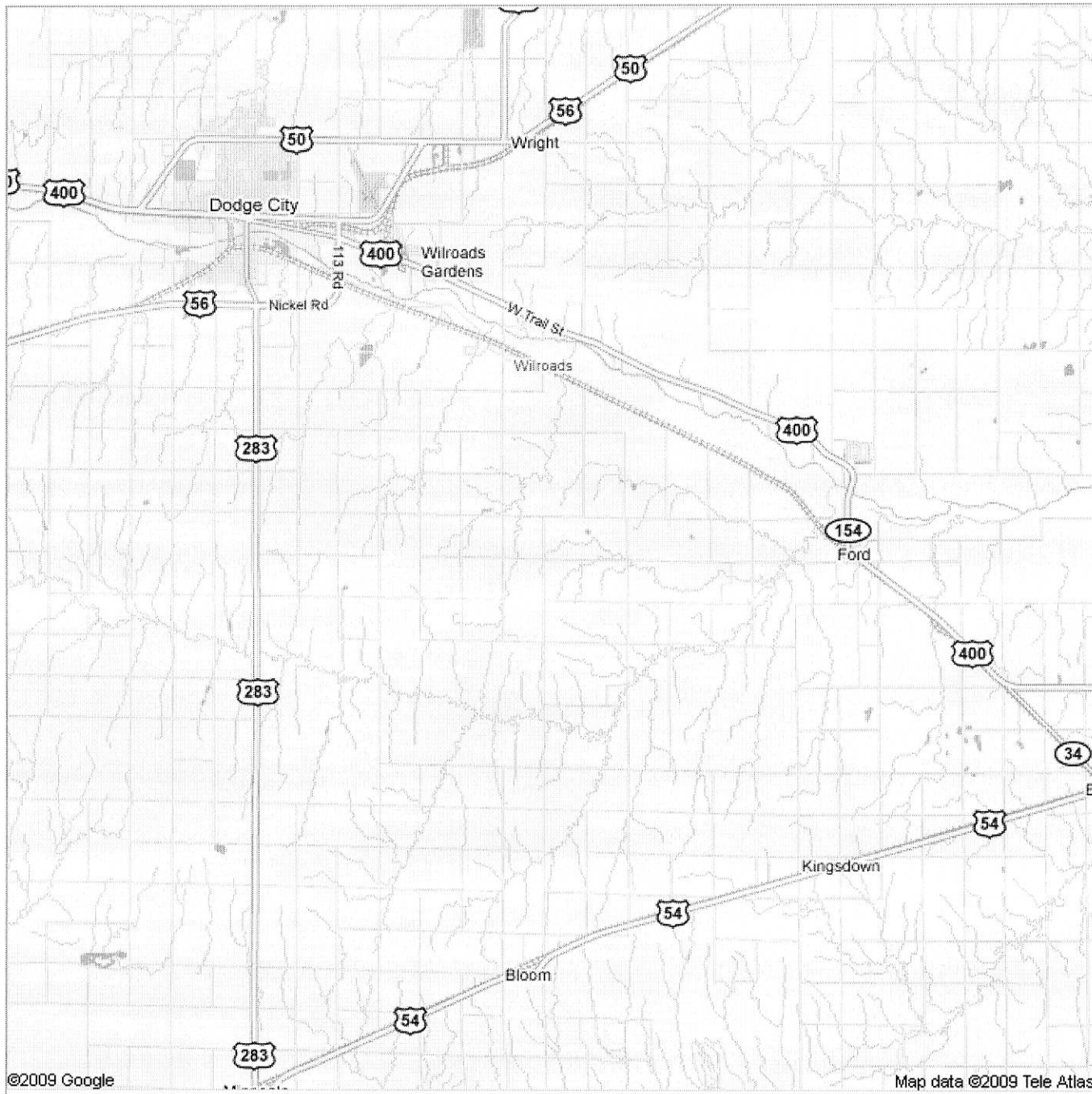
- Kansas consistently outperforms the U.S. in terms of growth in value of manufacturing output over the past 40 years, except for during the decade-long productivity lag that Kansas experienced beginning in 1985. This growth has occurred across several broad categories of manufacturing.
- Despite the large drop in U.S. manufacturing employment, the absolute value of manufacturing output has continued to increase due to the growth of manufacturing productivity. Kansas has retained its output lead primarily because of superior employment growth rather than superior productivity growth.
- The data illustrates that the growth of manufacturing employment and the growth of manufacturing payroll are not well correlated. Each business is different. Economic development policies that focus exclusively on employment can be misguided, and proactive economic development policy should not try to pre-specify the attributes of specific businesses.
- Economic development challenge: employment growth in manufacturing is highly correlated with the birth of new manufacturing establishments—far more highly correlated than employment growth from the expansion of existing manufacturing establishments. Yet, the birth and death of manufacturing establishments are also highly correlated. (The chart above is for all KS industries, but manufacturing is similar in pattern.)



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