

Kansas, Inc.
Board of Director's Meeting
March 10, 2009

The March 10, 2009 meeting was held at the Kansas at the Kansas, Inc. Office, 632 S.W. Van Buren, Suite 100, Topeka, KS 66603. At 12:07 p.m. Co-Chair Johnson called the meeting to order. A quorum was present.

Members Present: Gene Argo, Patti Bossert, Rep. Lana Gordon, Sen. Tom Holland, Donna Johnson, Don Landoll, Wil Leiker, Lawrence McCants (p) and Donald Schnacke

(p) – via phone

Members Not Present: Rep. Tom Burroughs, Sec. David Kerr, John Pilla, Reginald Robinson, Gov. Kathleen Sebelius, Stephen Waite and Sen. David Wysong

Staff Present: Stan Ahlerich, Debby Fitzhugh, and Dan Korber

Johnson introduced Holland to the Board and brief introductions were provided.

Approval of December 10, 2008 and January 15, 2009 Minutes

Johnson referred the Board to the December 10, 2008 and January 15, 2009 minutes and requested corrections. A motion was made by Leiker to approve the December 10, 2008 minutes and the January 15, 2009 minutes. Seconded by Schnacke. Motion carried.

FY 2009 Financials

Ahlerich provided the Board with an overview of the FY 2009 Financials, noting no major anomalies except those due to timing issues.

A motion was made by Bossert to approve the FY 2009 Financials. Seconded by Landoll. Motion carried.

Legislative Report

Gordon highlighted several bills regarding tax incentives, withholding taxes, etc that were currently being discussed in the House Economic Development and Tourism Committee. Gordon noted no update regarding the status of Kansas, Inc.'s FY 2010 Budget.

Holland highlighted several bills of interest within the Senate Commerce Committee and Senate Assessment and Taxation Committee, including a community investment district bill, a variation of last year's Cessna Bill and others.

Holland provided an overview of some of the details of the Federal Stimulus package, including approximately \$1.75 billion to help the state address budget issues over the next two years and its potential impact on K-12 and higher education. Holland noted the package may help address state budget issues over the next few years, but further uncertainty could occur if the economy doesn't improve by then. Holland noted using funds to sustain, rather than create additional programs would be prudent.

Leiker noted some aspects of the stimulus package were accessible already, such as unemployment benefits. Leiker noted other areas would require state legislation in order to access.

Gordon requested an update regarding the KTEC evaluation. Ahlerich provided a brief overview of the process and the expertise involved in the process, noting the evaluation would be complete by the end of the month. Ahlerich noted KTEC would be provided an opportunity to review and comment on any findings in the report, and following this step the Board would review and provide final approval of the evaluation.

At 12:42 p.m. Holland was excused from the meeting.

At 12:42 p.m. Leiker was excused from the meeting.

New Business – Research Topics

Johnson provided a handout regarding potential research topics and requested general input from the Board in regards to the agency's upcoming research agenda.

Johnson noted benchmarking and further understanding of the impact of the animal health corridor on Kansas could be useful, given the state's priority on the biosciences.

At 12:47 p.m. Gordon was excused from the meeting.

McCants noted several issues could provide potential topics and highlighted several issues relative to housing, real estate and agriculture.

Bossert noted economic insight regarding individuals who collect unemployment or hold a position long enough to collect unemployment, rather than going back to work could be useful.

Landoll stressed the importance of the state's shared work program; from a business perspective, these types of programs provide a tool for businesses to maintain their workforce foundation during difficult economic times.

Schnacke noted understanding the economic impact of the military on the state was important.

Ahlerich noted this input and more would be considered for future research topics. Several legislators and committees had also provided input to this process and the agency would use this as a starting point for its upcoming research agenda.

President's Report

Ahlerich provided an update on the *Economic Impact Analysis of the Military on Kansas* RFP process, noting the Governor's Military Council had approved the process and the RFP was currently being circulated.

At 1:00 p.m. McCants was excused from the meeting.

Landoll noted the study could provide insight into several indirect impacts of the military, such as private contracts with manufacturing companies.

Ahlerich provided an overview of the broadband initiative, stemming from strategic planning discussions. Kansas, Inc., in partnership with the Kansas Department of Commerce (Commerce), Kansas Corporation Commission (KCC), Information Network of Kansas (INK) and Kansas Farm Bureau secured \$200,000 to contract with Connected Nation to map the state's broadband infrastructure. Commerce would be the lead with this project. This project has the potential to put Kansas ahead of other states when accessing broadband initiatives through the Federal Stimulus package.

Ahlerich provided the Board with an overview of the *Economic Development Legislation in Kansas: A Chronological History from Fiscal Year 1986-2008*.

Ahlerich provided the Board with an overview of the *Analysis of State-Level Economic Development Contingency Funds*.

Ahlerich provided an overview of the Kansas, Inc. website and user statistics.

Ahlerich commended Representative Gordon's efforts in getting the agency's FY 2009 Budget through the House.

Schnacke recommended, with the Board's consensus to formally recognize the Board's appreciation of Gordon's efforts with a written letter.

Ahlerich provided an update on the status of the agency's FY 2010 Budget, noting staff had presented in both House and Senate Committees, and had provided a \$375,000 budget recommendation to House Committees. Ahlerich expected the final decision on the agency's fate to come later in the session, and if the decision to

continue the agency was made, the Board would have to consider the long-term implications of this reduced operating budget.

Co-Chair Report

Johnson thanked staff for their efforts to maintain and move the agency forward during uncertain times.

Business Labor and Educational Reports

Bossert provided a handout highlight national labor trends, hiring expectations and other national indicators of employment. Bossert noted the current economic issues were forcing businesses to address workforce issues through various means, including lowering wages and benefits. Bossert noted the staffing industry remained busy.

Landoll noted many businesses were “preserving their foundation” through various actions, such as cutting payroll, utilizing the shared work program and other actions. The current economic situation was impacting several sectors, and industries such as manufacturing were being adversely impacted by several domestic and international economic issues. Landoll noted some businesses were also adversely impacted by hedging commodity inputs higher than what they are currently available on a cash basis.

Schnacke noted the oil and gas industry had been adversely impacted by the volatility in the energy markets. Schnacke noted 1/3 of the well service rigs in the state were down, new income for producers was down 87 percent compared to six months ago, wages were down 25 percent, drilling rates were down 30 percent, and the rig count in the state was approximately 30, down from 109 in summer 2008. Schnacke noted energy industry extremes adversely impact several parts of the sector, as the expense curve doesn't drop as fast as the income curve. Despite current economic conditions, Schnacke noted efforts were still focused on helping the U.S. become less dependent on foreign sources of energy.

Johnson provided an overview of several technology and innovation indicators from the Kauffman Foundation, comparing Kansas to other states. Comparing 2007 to 1999, Kansas has dropped overall in the rankings, which could be attributed to several indicators.

Argo expressed the private industry Board member's gratitude to the legislators who took the time to attend the meeting, given their busy schedule with the legislature in session.

Adjourn

At 2:07 p.m., with no further business, Johnson requested a motion to adjourn the meeting.

A motion was made by Bossert to adjourn the meeting. Seconded by Schnacke. Motion carried.

Respectfully submitted,

Stan Ahlerich
President