

Kansas, Inc.
Board of Director's Meeting
March 9, 2010

The March 9, 2010 meeting was held at the Kansas, Inc. Office, 632 S.W. Van Buren, Ste 100, Topeka, KS 66603. At 12:15 p.m. Co-Chair Johnson called the meeting to order. A quorum was present.

Members Present: Patti Bossert, Rep. Tom Burroughs, Rep. Lana Gordon, Sen. Tom Holland, Donna Johnson, Don Landoll (p), Lawrence McCants (p), Sen. Roger Reitz, Donald Schnacke, and Stephen Waite

(p) – via phone

Members Not Present: Gene Argo, Gov. Mark Parkinson, John Pilla, Reginald Robinson, and Sec. William Thornton

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

Others Present: Steve Kelly, Kansas Department of Commerce; Blake Flanders, Kansas Board of Regents

Johnson introduced Sen. Reitz and brief introductions were provided.

Action Items – FY 2011 Budget

Ahlerich provided an overview of the FY 2011 budget submission, noting the House Committee had adopted the Governor's recommendation of a five percent cut, and the Senate Committee was currently reviewing the agency's budget recommendations.

At 12:20 p.m. Landoll joined the meeting via phone.

Action Items – January 6, 2010 Minutes

Johnson referred the Board to the January 6, 2010 Minutes and requested corrections. A motion was made by Bossert to approve the January 6, 2010 Minutes. Seconded by Schnacke. Motion carried.

Action Items – FY 2010 Financials

Ahlerich provided an overview of the FY 2010 Financials, noting no major anomalies within the report.

Ahlerich requested Board input regarding membership and due expenses. Discussion ensued. The Board's consensus was to direct Ahlerich to minimize expenses where necessary in this area.

A motion was made by Sen. Reitz to approve the FY 2010 Financials. Seconded by Schnacke. Motion carried.

At 12:27 p.m. Rep. Burroughs joined the meeting.

President's Report – Outsourced Research

Ahlerich provided background information regarding the report *Embracing Dynamism: The Next Phase in Kansas Economic Development Policy*, completed for Kansas, Inc. by the Center for Applied Economics, University of Kansas School of Business. Discussion ensued.

Sen. Holland asked about the review process for the report. Ahlerich noted similar to all Kansas, Inc. research, the report was extensively vetted by the agency, as well as by the contracting organization(s). Ahlerich noted the report was sent to the Board early to ensure adequate review time prior to the meeting.

At 12:40 p.m. Gordon joined the meeting.

McCants noted the report built upon the concepts heard throughout the state during the strategic planning process and provided relevant information that had the potential to transform the state's economy. McCants also noted as a part of his review process, he vetted the concepts brought forth within the research with various private industry leaders, and feedback was overwhelmingly positive.

Bossert concurred with McCants.

Rep. Burroughs cited several recent and upcoming Legislative Post Audit (LPA) reports regarding tax credits and exemptions, and suggested the Board table action on this report until the LPA reports were released and the Board had adequate time to review them in comparison to the Kansas, Inc. report.

Rep. Gordon recommended the Board take action on the report in order to provide the Legislature and other interested parties with timely information regarding the concepts brought forth within the research.

A motion was made by Bossert to approve *Embracing Dynamism: The Next Phase in Kansas Economic Development Policy* as presented. Seconded by McCants. The motion carried with six voting to approve and three voting to not approve.

Legislative Report

Sen. Holland highlighted the challenges faced with the FY 2011 Budget process, and noted a clearer picture would be available following the release of the April 2010 revenue figures.

Sen. Reitz concurred with Sen. Holland regarding the challenges faced with the FY 2011 Budget process, noting the Governor's State of the State address outlined several priorities for the state.

Rep. Gordon also noted the challenges faced within the FY 2011 Budget process, but cautioned on the implementation of any tax increases without fully understanding the long-term impact on both the private and public sector.

Rep. Burroughs noted the challenges faced within the FY 2011 Budget process, expressing concerns with the use of incentives and credits to encourage business, without knowing whether the intended results are or would ever be achieved. Rep. Burroughs noted several LPA reports were directed towards answering these questions, and a balanced approach may provide a way forward.

At 1:03 p.m. Sen. Reitz and Sen. Holland were excused from the meeting.

President's Report

Ahlerich provided the Board with an article highlighting rural broadband deployment throughout the state, noting it related back to several strategies and recommendations within the strategic plan.

Ahlerich provided the Board with a copy and overview of *Assessing Kansas' Tax Burden Among the Fifty States*.

At 1:30 p.m. Gordon was excused from the meeting.

Ahlerich provided the Board with a copy and overview of *A General Overview of Advanced Computing Technology Issues and Opportunities*.

Ahlerich provided the Board with an update regarding the House Vision 2020 Committee, noting the Economic Development Leadership Team, comprised of leadership from the state's five primary economic development agencies, continued to work towards the Committee's goals and objectives.

Ahlerich provided the Board with an update regarding fundraising efforts, noting several contributions had been received and overall efforts would be increased.

Ahlerich provided the Board with an update regarding the Agency's office lease, noting the potential of moving would depend on the outcome of the Facilities Management process.

Co-Chair Report

Johnson noted that Board members should have received a letter from the Governor's Office regarding reappointment.

Schnacke requested clarification regarding the Board's vacant agriculture position. Johnson noted the Board initially decided to leave the position open; however, may want to reconsider this decision.

Business, Labor and Educational Reports

Waite noted the financial industry continued to experience decreased lending levels overall; however, consumer lending may be increasing. Waite noted there appeared to be conflicting signals from the federal and local level with regards to regulation and lending, and while the industry may be through the worst of this current cycle, the industry is still at least a year away from moderation.

McCants noted regulations continued to be a concern within the financial industry, and further consolidation may be on the horizon. McCants noted commercial real estate values had decreased, and may be showing signs of returning. McCants noted land values may resemble housing values and their cycle of a few years ago.

At 1:50 p.m. Burroughs was excused from the meeting.

Landoll noted the manufacturing industry in northeast Kansas continued to perform well due to diversification.

Flanders noted higher education continued to see major reductions as a result of the state's current fiscal situation. Flanders noted that while there is demand for individuals with postsecondary training, the education system has major funding issues that will need to be addressed, whether through a user pay system or continued public support by the state.

Kelly noted that while Commerce continued to address fiscal challenges through the Legislature, Commerce was active with several new business location projects, as well as existing company expansions.

At 2:00 p.m. Kelly was excused from the meeting.

Schnacke noted the oil and gas industry had seen slightly positive growth, but the current economic situation was still influencing the industry.

Johnson noted the technology industry, more specifically the biotechnology industry was doing well. Johnson noted that based on current projections, the Manhattan area was expected to double in size during the next ten years because of the bioscience presence.

Adjourn

With no further business, at 2:05 p.m. Johnson requested a motion to adjourn the meeting. A motion was made by Waite to adjourn the meeting. Seconded by Schnacke. Motion carried.

Respectfully submitted,

Stan Ahlerich
President