

Kansas, Inc.
Board of Director's Meeting Minutes
November 20, 2007

The November 20, 2007 meeting was held at the Kansas Bankers Association Office, 610 S.W. Corporate View, Topeka, Kansas.

Members Present: Gene Argo, Patti Bossert, Rep. Tom Burroughs, Rep. Lana Gordon, Donna Johnson, Sen. Laura Kelly, Sec. David Kerr, Don Landoll, Wil Leiker, John Pilla, and Donald Schnacke

Members Present via Conference Call: Lawrence McCants

Members Not Present: Reginald Robinson, Gov. Kathleen Sebelius, and Sen. David Wyszong

Staff Present: Stan Ahlerich, Debby Fitzhugh, Daniel Korber and Jacquelyn Koehler

Others Present: Lisa Hoopes, Kansas Legislative Division of Post Audit (LPA)

At 10:05 a.m. Argo called the meeting to order. A quorum was present.

Approval of Minutes – September 5, 2007

Argo referred to the minutes from the September 5, 2007 meeting. A motion was made by Schnacke to approve the minutes of the September 5, 2007 meeting. Seconded by Johnson. Motion carried.

Financial Report

Ahlerich provided the Financial Report for the period ending October 31, 2007, noting no major anomalies. Ahlerich noted during the current fiscal year one contribution had been received, and fundraising efforts would be enhanced in the upcoming months. Ahlerich noted the Board's assistance with fundraising would help facilitate efforts.

A motion was made by Bossert to approve the Financial Report for the period ending October 31, 2007. Seconded by Schnacke. Motion carried.

Ahlerich deferred to Fitzhugh regarding the FY 2009 Budget enhancements. Fitzhugh referred the Board to the letter from the Division of the Budget, which did not recommend Kansas, Inc.'s \$94,000 enhancement request, citing the lack of uncommitted funds in the EDIF.

Co-Chair Report

Argo noted Kansas, Inc. staff had prepared a draft of the *2007 Kansas Economic Development Strategic Plan* for the Board to review at this meeting.

Legislative Report

Rep. Gordon referred to several topics discussed during the legislative interim, including: the tourism industry, incentives, and workforce development. Gordon noted an additional meeting had been requested by the Joint Committee on Economic Development to further discuss these topics, and the *2007 Kansas Economic Development Strategic Plan* would be a potential topic of discussion at this meeting.

Sen. Kelly highlighted some of the recommendations made by the Math and Science Advisory Committee and the Kansas Health Policy Authority. Sen. Kelly noted the State Employee Compensation Oversight Commission would recommend revamping the current system into a system designed to attract and retain quality employees with competitive compensation based on relevant labor markets.

At 10:20 a.m. Rep. Burroughs joined the meeting.

Rep. Burroughs highlighted several potential issues for the upcoming legislative session, including energy issues, the Supreme Court's decision regarding gaming, eminent domain in disaster areas and the funding of higher education.

President's Report

Ahlerich provided an update on the *Indicators of the Kansas Economy* (IKE) project with Wichita State University (WSU), noting their interest in securing funds to further market IKE. Ahlerich noted this project is being funded through a grant from the Information Network of Kansas (INK).

At 10:30 a.m. McCants joined the meeting via conference call.

Ahlerich provided an update on in-house research, including: *Economic Development Legislation in Kansas: A Chronological History*, *County Economic Vitality and Distress, Kansas, Inc. Annual Report*, and the *Grants and Loans Report*.

Ahlerich provided an update of the report *Strategic Analysis of Economic Development Expenditures by Kansas State Government and Five Surrounding State Governments: FY 1989 - FY 2007*, completed by Dr. John Wong, Wichita State University. According to the study, Ahlerich noted of the six states included, Kansas was the only state to increase economic development spending by less than 40 percent – increasing by only 4.1 percent during FY 2007. Discussion ensued regarding the study.

Ahlerich provided an update on *An Evaluation of the Kansas Center for Entrepreneurship* (NetWork Kansas), completed by Richard Caplan & Associates. Discussion ensued regarding the evaluation.

Bossert requested clarification regarding the funding of evaluations. Ahlerich noted the Center for Entrepreneurship evaluation was jointly funded by Kansas, Inc. and NetWork Kansas, and funds for both the Kansas Department of Commerce (Commerce) and Kansas Technology Enterprise Corporation (KTEC) evaluations were appropriations reallocated from their respective budgets.

Ahlerich provided an update on the *Evaluation of the Kansas Department of Commerce* completed by Dr. Justin Marlowe, Institute for Policy and Social Research, University of Kansas. Ahlerich noted the report did not include workforce development programs, as LPA had recently conducted a comprehensive evaluation of workforce programs and the major structural reorganization (ERO 31) would make long-range tracking difficult due to lack of historical comparisons, at least within the context of this evaluation.

Sec. Kerr noted he had not fully reviewed the evaluation. In reference to ERO 31, Sec. Kerr noted in his career at AT&T, six major mergers had occurred and cultural differences are expected as a part of this process; it would be a matter of time before the results of ERO 31 would be realized.

Ahlerich provided an update regarding *Positioning Kansas for Competitive Advantage: Aligning Key Industry Clusters and Occupations with Postsecondary Education and Workforce Development*. Discussion ensued regarding the study.

Rep. Burroughs requested Commerce's view on the study. Sec. Kerr highlighted several recent changes within workforce development, including the work of the Postsecondary Technical Education Authority in regards to aligning postsecondary education.

New Business

Ahlerich deferred to Fitzhugh regarding the KEDI Form 990 Update.

Ahlerich provided an overview of the Strategic Plan entitled: *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance, the 2007 Kansas Economic Development Strategic Plan.*

Ahlerich requested an update from Board members participating in the Strategic Planning process. Bossert indicated there was a very positive attitude and participants were engaged and energetic throughout the process. Argo indicated the process assimilated ample input and many Kansans had been involved in the process. Sec. Kerr indicated there was positive feedback and while Commerce agrees with the analysis, Commerce would have some suggestions for strategies and recommendations.

At 12:15 p.m. the Board adjourned for lunch, McCants was excused from the meeting.

At 12:30 p.m. the Board reconvened to continue discussion of the *2007 Kansas Economic Development Strategic Plan*. Ahlerich provided the Board with an in-depth analysis of the Strategic Plan, welcoming Board input throughout the discussion.

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

Pilla noted the importance of the themes interwoven throughout the plan, highlighting the importance of science, technology, engineering and math education. Pilla noted the importance of the National Institute for Aviation Research (NIAR) and their ability to leverage local, state and federal funds.

Sec. Kerr noted the importance of contingency funds and highlighted Commerce's efforts to address this issue.

Rural Development and Agriculture – Mission – Enhance the prosperity of rural Kansas by developing innovative solutions that recognize local and regional strengths to ensure the quality of life in rural areas.

Johnson noted Strategies 7 and 35 regarding technology infrastructure were identical and suggested the strategy be applied to one section to prevent repetitiveness. Ahlerich noted staff would make the appropriate changes to minimize repetition while ensuring the integrity of each respective strategy.

Sen. Kelly requested clarification regarding Strategy 6 and the Division of Leadership within the Kansas Department of Agriculture (KDA). Ahlerich noted the KDA was primarily regulatory, and the Division of Leadership would enhance their inherent role in rural development. Sec. Kerr noted Commerce had no concerns regarding this part of the proposal.

Professional, Scientific, and Technical Services – Mission – Recognize and support the role of services as a core industry in growing the Kansas economy.

Rep. Burroughs requested clarification regarding tourism initiatives included in the service section. Ahlerich noted tourism was inherently addressed under both the Professional, Scientific, and Technical Services and State Image/Branding sections.

Energy and Natural Resources – Mission – 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.

Schnacke noted the importance of the oil and gas industry to the state.

Johnson requested clarification regarding E-85 and energy efficiency. Ahlerich noted energy efficiency was included in several strategies and distribution infrastructure was a major issue regarding E-85 in Kansas.

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

Johnson noted the importance of being able to work with the KBA and their programs. Gordon and Johnson requested clarification regarding short-term goals and evaluations, including the reference to 2019 with the Kansas Bioscience Authority (KBA). Ahlerich noted Kansas, Inc. would be evaluating the KBA and much of the information within this section was produced through the KBA and the Kansas Bioscience and Innovation Roadmap.

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.

Several Board members requested clarification regarding Strategy 24, universal expensing. Ahlerich noted Dr. Art Hall had conducted research regarding the constitutionality and fiscal impact of this strategy, and potentially phasing in the program could limit the impact. Ahlerich noted the concept could help both small and large businesses, as well as existing and new businesses.

Several Board members requested the wording for Strategy 24-1 be altered to “consider,” rather than “implement.” Ahlerich noted staff would make the appropriate changes.

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

Sec. Kerr noted the proposed system may not be necessary, citing recent improvements to the current workforce development system, including changes to Commerce and the creation of the Postsecondary Technical Education Authority. Ahlerich noted the Strategic Plan addressed several aspects of workforce development, including training, attraction and retention, and portability and lifelong learning.

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

Sen. Kelly requested clarification regarding the Kansas Business Center (KBC). Ahlerich noted the KBC was an online portal designed to enhance the ability for Kansas businesses to thrive.

State Image/Branding – Mission – Enhance the marketing/branding of Kansas.

Sec. Kerr updated the Board on recent changes to Commerce's marketing and branding efforts, highlighting the importance of these efforts for business recruitment, workforce, and travel and tourism. Discussion ensued regarding Strategy 40.

A motion was made by Bossert to approve the *2007 Kansas Economic Development Strategic Plan* making changes as discussed throughout the meeting. Seconded by Gordon.

Further discussion ensued regarding Strategy 40 – State Image/Branding.

A substitute motion was made by Burroughs to table Strategy 40 for discussion later by the Board and approve the *2007 Kansas Economic Development Strategic Plan* making other changes as discussed during the meeting. Seconded by Leiker. Motion carried.

A motion was made by Sec. Kerr to reconvene in 7 to 10 days to discuss Strategy 40. Seconded by Kelly. Motion carried.

At 3:00 p.m. Schnacke was excused from the meeting.

Argo noted the Board would meet on Tuesday, November 27, 2007 at 10:00 a.m. at the Kansas, Inc. Office to make a final decision on Strategy 40 of the *2007 Kansas Economic Development Strategic Plan*.

Adjourn

With no further business, Argo adjourned the meeting at 3:10 p.m.

Respectfully Submitted,

Stan Ahlerich
President