

Kansas, Inc.
Board of Director's Meeting Minutes
September 20, 2006

The September 20, 2006 meeting was held at the Kansas, Inc. Office, 632 S.W. Van Buren, Suite 100, Topeka, KS 66603.

Members Present: Gene Argo, Patti Bossert, Rep. Tom Burroughs, Howard Fricke, Rep. Lana Gordon, Donna Johnson, Sen. Laura Kelly, Wil Leiker, Lawrence McCants, Stephen Morris, John Pilla (via phone), Donald Schnacke, Stephen Waite

Members Not Present: Reginald Robinson, Gov. Kathleen Sebelius

Staff Present: Stan Ahlerich, Debby Fitzhugh, Daniel Korber

Others Present: Rae Anne Davis, Steve Kelly, Kansas Department of Commerce; Dr. Art Hall, Center for Applied Economics, University of Kansas

At 10:15 a.m. Argo called the meeting to order. A quorum was present.

Approval of Minutes – June 6, 2006

Argo referred to the Minutes of the June 6, 2006 meeting. A motion was made by Schnacke to approve the Minutes of the June 6, 2006 meeting. Seconded by McCants. Motion carried.

Financial Report

Ahlerich provided the Financial Report for the period ending July 31, 2006. Ahlerich provided details from the report and noted no major anomalies during this period. Information provided included income, expenses, overall account balances for this period. Discussion ensued.

At 10:20 Pilla joined the meeting via conference call.

Schnacke requested clarification on the purpose of the private account. Ahlerich noted that the private account should not be confused with KEDI, the 501 (c)(3). Ahlerich noted KEDI funds were used for research and the private account holds funds collected from INK for administration and rent. Secretary Fricke spoke to the reasons for our KEDI 501 (c)(3) as a way to enlist support from the business community across the state so as a means for independent, unbiased and non-political research.

A motion was made by Waite to approve the financial report for the period ending July 31, 2006. Seconded by Schnacke. Motion carried.

Ahlerich provided information regarding the Fiscal Year 2008 Budget. Ahlerich highlighted several aspects of the budget, including funds and projects in the following areas: evaluation, strategic planning, and research. For clarification, discussion ensued regarding several aspects of the budget.

Several Board members provided insight regarding publication costs, including availability via electronic and CD methods. Ahlerich noted that while there has been increased use of electronic formats in all aspects of government, including here at Kansas, Inc., there is still an important audience

that relies on printed copies of the reports, and thus there is still significant value in producing some printed copies of reports.

Fricke requested clarification of the salary and professional services categories. Ahlerich noted this was a reflection of a shift of expenses between the two categories. Ahlerich noted the budget contained no increase in salary for the President and a percentage increase for staff.

Fricke requested clarification in regards evaluation funds, noting that funds for the evaluation of Commerce had come from Commerce's budget. Ahlerich noted that \$100,000 was requested for the evaluation of the Kansas Technology Enterprise Corporation, and this transaction would be the same as that of Commerce's, with appropriated KTEC funds being routed to Kansas, Inc. for the evaluation.

Gordon and Kelly requested clarification on the timing of the Kansas Center for Entrepreneurship and Kansas Bioscience Authority evaluations. Ahlerich noted that by statute, the Entrepreneurship Evaluation was due on January 1, 2008, and there was no specific date designated for the Bioscience Evaluation, and thus the evaluations were being staged in this order, respectively. Discussion ensued regarding the completion date of the Bioscience Evaluation.

Morris noted that a statute change for either entity could be accomplished easily.

Gordon noted that both the Entrepreneurship and Bioscience evaluations should be funded similar to the Commerce and KTEC evaluation, with funds out of their budgets. Discussion ensued regarding the differences in funding streams for both of these entities compared to the funding streams for Commerce and KTEC.

Burroughs suggested the Board draft a letter to each entity suggesting that they provide financial support in regards to their respective evaluations. Discussion ensued.

A motion was made by Burroughs to have the Board draft a letter to both the Kansas Bioscience Authority and the Kansas Center for Entrepreneurship encouraging financial support for their respective evaluations. Seconded by Kelly. Motion carried.

Ahlerich noted providing no change in statute or Board directive, the current staging of the evaluations would remain in place.

Ahlerich noted the Policy Analyst position had been built into the budget, to be filled during the second half of Fiscal Year 2007.

Argo reported that the Executive Committee had reviewed the existing agreement between Kansas, Inc. and Ahlerich, and had recommended to the Board, effective January 1, 2007 an enhancement, which was not included in the current budget. Discussion ensued.

Morris noted the enhancement could be handled through the Division of Budget.

Burroughs commended Ahlerich's leadership and noted that Kansas, Inc. has been meeting its statutory responsibilities to the Legislature. Burroughs also encouraged the Board to begin to develop a contingency plan so the momentum the agency has built will continue long-term. Discussion ensued.

Bossert noted these efforts will assist in developing a contingency plan, and noted some of the major obstacles the agency had overcome in recent years.

A motion was made by McCants to approve the FY 2008 Budget with the recommended enhancement from the Executive Committee. Seconded by Johnson. Motion carried.

Co-Chair Report

Argo thanked the Board for their attendance and noted the December 12, 2006 meeting would be held in Topeka in conjunction with the kickoff for Strategic Planning.

Legislative Report

Gordon provided an overview of several Legislative topics that had been addressed during the Interim Committee meetings, including: STAR Bond Legislation, the Kansas Bioscience Authority, the Kansas Center for Entrepreneurship, the Animal Science Corridor, the current Worker's Compensation Structure, and upcoming Workforce Development discussions.

Kelly concurred with Gordon, and noted the upcoming Workforce Development discussions would be covered during October, as a "round-table" discussion with the Joint Economic Development Committee.

Burroughs noted the exemption on new machinery and equipment legislation passed in the previous session has already provided benefits within his district, citing the GM plant. Burroughs also highlighted some of the potential opportunities associated with the Bioscience Sector and within Workforce Development.

Morris noted the significance of the Animal Science Corridor, and continued efforts with the Workforce Development area and Vocational Education. Morris also highlighted several recent successes involving keeping various companies in Kansas.

President Report

Ahlerich provided an overview of the Strategic Plan, which is scheduled to kick off on December 12, 2006. Ahlerich noted the goal from the last meeting was to populate both the Steering Committee and the Academic Advisory Committee by this meeting, and this goal had been largely accomplished. Ahlerich provided details on several of the members of each committee, and refreshed the Board on the roles of each committee. Discussion ensued.

Ahlerich focused the Board on the Work Cell Committees located throughout the state, and requested the Board's assistance and guidance to populate these committees. Discussion ensued.

Burroughs requested clarification if individuals outside the state could be included, and Board consensus was that if individuals outside the state could make a contribution to the process, then they would be welcome to participate.

Kelly noted a one-page description of the Strategic Planning process would be useful for the Board and their efforts. Ahlerich noted this would be provided.

Fricke noted several individuals that participated in the Prosperity Summits could contribute to the process. Several other Board members provided numerous suggestions and thoughts regarding the Strategic Planning process, and noted they would provide assistance with populating the Work Cells.

Ahlerich provided the Board with an overview of the IKE project, including a preliminary budget based on information proposed by Wichita State University, University of Kansas, and Data Access and Support Center. Ahlerich noted the IKE Advisory Committee had recently met, and there were generally excited about the results and possibilities of this economic tool. Bossert and Johnson, who serve on the IKE Advisory Committee, provided comments regarding the meeting and the groups overall excitement with the project. Ahlerich noted several opportunities that could arise with the project, and described the budget and how the agency would proceed to implement the full economic tool. Discussion ensued.

Ahlerich provided the Board with a draft of the *Kansas Center for Entrepreneurship Evaluation RFP*. Ahlerich noted the RFP had been reviewed by individuals with the Entrepreneurship Center and Commerce. Discussion ensued.

Ahlerich provided the Board with a copy of the *Economic Issues Identification in the State of Kansas Proposal*, through Wichita State University, CEDBR. Ahlerich noted the relevance of this project to the Strategic Plan. Ahlerich noted the Executive Committee had reviewed and approved this contract previously. Discussion ensued.

Fricke noted that Fort Hays State University, Docking Institute of Public Affairs, had provided similar research for the Prosperity Summits.

Ahlerich noted the 2005 update to the *Vitality and Distress Report* had been completed and sent to the Board.

Ahlerich referred the Board to a handout detailing the increase in website traffic since 2004, and highlighted the increasing number of publications that were downloaded.

Ahlerich noted that Kansas, Inc. had estimated 21 complete reports during FY 2006, and had delivered 20. The one report that wasn't completed (*Vitality and Distress, 2005 Update*) was not completed due to the data not being available in a timely manner.

Ahlerich introduced Dr. Art Hall to the Board to provide an overview of the upcoming *County Migration Report*. Hall provided a brief overview of the results, citing several tables and statistics within the report. Discussion ensued.

12:00 p.m. Hall was excused from the meeting.

Ahlerich provided the Board with a copy of the Executive Summary of *Trends in the Kansas Economy*, noting its relevance to Strategic Planning. Ahlerich noted this report was in the process of being printed.

Ahlerich provided the Board with a brief overview of FY 2006 contributions, and noted that \$5,000 had been received during FY 2007.

New Business

Argo noted the Executive Committee had approved the INK Contract for office space and administrative support, at a level of \$21,750. Argo noted this would be forwarded to INK for review and approval.

Old Business

Schnacke noted a copy of a speech delivered by John Hofmeister, Shell Oil, had been enclosed in the Board packets for review. Schnacke noted it provided some insight in regards to the energy industry.

Ahlerich noted the Kansas Bioscience Authority had recently hired an Executive Director, Mr. Thomas Thornton.

Board Member Update

Waite noted the Kansas Cavalry had recently held their annual meeting, which was well attended and generated much interest.

Fricke noted Commerce had an overall good year, making strides in several areas, including Workforce Development and with efforts to change the culture within this area. Fricke noted work in several areas to improve this aspect of the Kansas economy.

Leiker noted several positive labor developments had taken place throughout the state, highlighting some of the efforts in Workforce Development.

Johnson noted several developments within the technology sector, including the recent focus and interest on the bioscience sector. Johnson noted some concern with the bioscience area overshadowing other technology sector areas.

Bossert noted several workforce-related issues and some of the effects of education on this area.

Following up, the Board had an in-depth discussion regarding several aspects of Workforce Development, including local-, state-, and federal-level efforts, educational efforts, and the needs of the business community and how those needs are or aren't being reflected in the workforce. A key aspect in regards to Workforce Development efforts involves a cultural change within several aspects of this issue.

Ahlerich noted addressing several aspects of this issue would be key within the upcoming Strategic Plan.

Other Business

With no further business, Argo adjourned the meeting at 12:30 p.m.

Respectfully Submitted,

Stan Ahlerich, President