

# Chapter 1: Executive Summary

This report, an update of the Kansas Strategic Plan for Economic Development, comes at an opportune time. The Governor's Vision 21<sup>st</sup> Century Task Force released its report in December 2000, and the Legislative Division of Post Audit completed its Performance Audit Report of the economic development agencies in January 2001. The National Council on Competitiveness is scheduled to publish its study of the Aerospace and Plastics Clusters in Wichita in the fall of 2001. More importantly, after a long expansion, the U.S. economy is teetering on the brink of recession, and Kansas legislators have recently found that tax revenues are insufficient to cover the education, technology, and economic development expenditures they had promised their constituents this year.

This is a good time to be moving from the planning phase to the implementation phase of the Comprehensive Strategy Plan for Kansas, because the state is again focusing on the issue: how can Kansas do better?

Granted, Kansas has many blessings. The unemployment rate is still low, and many areas of the state are thriving, most notably Johnson county. Employers prize the work ethic of Kansans, whether it be in aviation factories, advanced office services or in the field. Similarly, the state's major economic development agencies, charged with enhancing Kansas' economic welfare, are run with a level of professionalism that makes them the envy of many states.

However, a long-range strategic plan should go beneath the surface and identify the underlying trends that will affect the future prosperity of every Kansan. Is there a case to be made that a fundamental change is required in the way Kansas goes about the business of economic development? Despite the tremendous progress that has been made since 1986, when the *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy* was issued, and the largely successful implementation of existing policies by the two main programmatic agencies (KDOC&H and KTEC), we have identified four underlying trends that, taken together, signal a major challenge, and will require a strategic response:

- The crisis affecting the traditional rural economy.
- The critical need for a trained workforce.
- The potential erosion of economic foundations for competitiveness of the aerospace cluster.
- The over-concentration of Kansas' workforce in low-growth industries.

In the face of these negative trends, two more findings take on special concern:

- Kansas lacks a clear information technology and telecommunications plan—a requirement in today’s knowledge economy.
- Funding for economic development has been declining, showing no sign of a reversal.

## **A Knowledge Economy Strategy**

This report lays out the case for vigorous adoption of a new strategy. The report provides an **analysis** of the existing economic base, Kansas’ competitive position, and the spectrum of economic development agencies and programs in Chapter 3, and identifies the **issues** for economic development in Chapter 4. The report then lays out a set of five **strategies** in Chapter 5, makes **institutional recommendations** in Chapter 6, and proposes an **action plan** for implementation in Chapter 7.

The core strategy is no more and no less than the conversion of Kansas to a Knowledge Economy, in which the majority of the jobs and income in the state are derived from the application of knowledge. This is already occurring to some degree, but now will apply to every aspect of the economy, from how agriculture is conducted, to advanced service jobs, to how Kansas’ aerospace cluster stays competitive. Existing core values in Kansas regarding education and consensus-based decision making are central to the Knowledge Economy. The third and fourth major elements of the Knowledge Economy, IT-based interconnectivity and entrepreneurial, innovation-based thinking, are more challenging and will require concerted effort to implement.

The strategic response for Kansas can be summarized in 12 key initiatives, which are part of five broader strategies:

### **Strategy #1: Integrated Framework for Statewide Economic Development Efforts**

An annual Economic Summit will fulfill the widely-recognized need for greater awareness of Kansas’ economic development challenges and initiatives, while increased use of an Economic Development Cabinet will improve coordination between key economic development agencies. There is universal agreement regarding the need for increased funding for economic development—whether consistent with the level recommended by the Governor’s Vision 21<sup>st</sup> Century Task Force (\$1 for every \$1,000 of state output), or by elimination of the EDIF cap and transfer of non-economic development programs from EDIF to the State General Fund.

Rural areas in particular will benefit from a measure designed to streamline government services, identifying and removing obstacles to greater cooperation and aggregation of those services. Communities would voluntarily utilize this

opportunity when convinced of the competitive benefits of lower-cost government services.

Additionally, serving primarily rural areas, the role of universities and community colleges in regional economic development would be enhanced, expanding the mission and capabilities of key Knowledge Economy programs that can serve as catalysts for regional collaboration on economic development initiatives. Without imposing solutions from outside the region, this approach will allow multi-jurisdictional councils to benefit from local expertise while forming public/private partnerships designed to serve local needs.

### **Strategy #2: Workforce Development**

In this area, existing efforts are making progress, but there is a need for a five-year Comprehensive Workforce Development Plan. Greater integration of efforts can be achieved by establishing a seamless regional system of workforce training from K-12 to vocational to college education, embodying the principle of lifelong learning that is key to implementation of the Knowledge Economy.

### **Strategy #3: Enhanced Technology and Commercialization**

Central to the Knowledge Economy is the provision of advanced information technology infrastructure. Kansas urgently requires an integrated information and communications plan. This plan would improve the telecommunications infrastructure in line with the needs of firms, research institutions, the education system and government, linking them for greater efficiency and inter-connectivity. Again, the greatest beneficiaries of a stronger telecommunications backbone may be rural areas, whose economic competitiveness will depend on their ability to use technology to overcome the effects of relative isolation.

The Board of Regents will implement the policy directives of House Bill 2035 (KAN-ED) passed by the 2001 Kansas Legislature. The bill calls for the creation of an educational and hospital network, which interconnects K-12, higher education, community colleges, libraries, and hospitals.

Finally, the state should expand its retargeted Centers of Excellence program, utilizing an integrated science and technology plan.

### **Strategy #4: Environmental and Natural Resource Improvement**

Kansas should adopt a statewide energy strategic plan, designed to insure effective use and ongoing maintenance of Kansas' strong energy resource base (oil and gas, electricity generation and transmission, wind, solar, biomass, other alternative sources and technologies) and prepare for transition to a restructured electric utility industry.

## **Strategy #5: Making Kansas Industries More Competitive**

The plan outlines strategies for six of Kansas' major industries, and proposes a framework that will allow the elaboration of these strategies, along with the creation of similar strategies for other Kansas industries. The three key economic development agencies should work together to develop these strategies in concert with new industry alliances, and where appropriate, cluster working groups. The strategy emphasizes the need for:

- More competitive business taxes, and improved attraction and retention incentives, based on a study commissioned by Kansas, Inc.
- Raising the budgetary priority of tourism, as directed in the Governor's Vision 21<sup>st</sup> Century Task Force.
- Stronger statewide mobilization to support the aerospace cluster, including targeted research, workforce development initiatives, a supplier development initiative, and high-level attention to air access issues.
- Full commitment of the state to value-added agriculture, featuring greater research funding and loan guarantees, and creation of an agricultural value-added research and development center.

The twelve key steps to implement the Knowledge Economy in Kansas, summarized in Figure 1.1, are detailed in the Action Plan in Chapter 7.

## **Institutional Recommendations**

Of the three key economic development agencies that had their genesis in the *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy*, both KDOC&H and KTEC are widely acknowledged to be well-managed and fulfilling their mission effectively, given the severe budget constraints under which they are operating. It is anticipated that, if economic development funding can be raised (Recommendation #VII), many of the current coordination struggles between the two agencies will be mitigated.

Kansas, Inc., however, has been less effective over the years—although even the authors of *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy* concede that the goal of pioneering an effective public/private partnership and sustaining interest in strategic economic development planning was an ambitious goal. This report recommends that Kansas, Inc.'s role be narrowed, setting aside either the evaluation function or the coordination function, and that funding be expanded, in particular, to allow for more activities in the area of research and information dissemination on economic development in Kansas.

Figure 1.1: Key Initiatives in the Comprehensive Strategy Plan

