



Introduction

The Kansas, Inc. eREPORT provides analysis intended to stimulate discussion in order to identify policy options and build consensus essential for concerted action on vital economic issues. Discussion points from several resources have been compiled in this publication; therefore some points brought forth may not necessarily represent the consensus views of the entire Kansas, Inc. Board, but are simply provided as a starting point for discussion.

If you have any questions or comments, or would like further information, contact us at:

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Links underlined throughout the report can be accessed by pressing the control key and clicking on the link. All Kansas, Inc. reports are available online at www.kansasinc.org

Benchmarking the Strategic Plan

During the 3rd and 4th quarter of 2008 we have seen unprecedented economic and financial challenges, of which the long-term impacts may largely be unknown at this point. While these recent challenges have been at the forefront of recent economic and financial discussions, the importance of an overall economic strategy cannot be overlooked. Grounded in sound, fundamental research and tested with business input throughout the state, the [Kansas, Inc. strategic plan](#) provides 43 strategies accomplished through 98 recommendations intended to strategically position Kansas for long-term growth.

During 2008 several accomplishments regarding economic development and the strategic plan were realized, but much more needs to be done. Kansas, Inc. is in the process of benchmarking several aspects of the plan and prioritizing future efforts, as limited resources require focused efforts with measurable results, especially in a time of economic uncertainty.

Expensing still a viable option for Kansas to consider

Despite the recent downturn in the economy, 100 percent accelerated depreciation, commonly referred to as expensing, may provide an opportunity for Kansas to be positioned for future economic growth. Originally brought forth in the strategic plan and through 2008 HB 2751, expensing creates a simple, low-cost procedure allowing business taxpayers to perceive the same expected investment return that would exist if there were no income tax.

Expensing works by shifting the time value of money from the government to business investors. It makes the government an investment-driven partner with every business in Kansas, regardless of the size or type of business. Government and business become equal partners in both the upside and downside of Kansas-oriented investment risk.

This investment risk-sharing on the part of the state government will produce a fiscal note during the transition period from current rules, but it will also increase the odds of superior economic growth in future years.

To mitigate the fiscal note, the legislative intent of HB 2751 was to provide investors in Kansas the benefits of accelerated depreciation that the federal income tax code does not already provide. The legislation presents a relatively simple administrative process for adapting to (permanent or temporary) changes in federal tax rules—such as the temporary rules enacted with the Economic Stimulus Act of 2008. [Click here](#) for further information regarding the expensing concept relative to Kansas tax policy.

From a strategic standpoint, the implementation of expensing can provide a long-term benefit to the economy that positions Kansas for future opportunities. The short-term cost to the state is the time value of money, essentially from awarding businesses tax benefits up front, rather than over a period of years, as with traditional depreciation. Thus, how Kansas manages that cost, especially in a time of economic uncertainty and budget shortfalls can be problematic, yet rewarding if the concept is implemented in a timely and cost-effective manner.

Kansas must compete with states that offer large incentives

The strategic planning process, driven by sound, fundamental research and tested with business input throughout the state, recommended the creation of a contingency fund to be used at the discretion of the Department of Commerce to provide flexibility and funding above and beyond the current range of incentive programs to compete with other states and countries that provide large incentives for existing and new businesses and projects.

Kansas needs an overall strategy to compete with other states and countries that offer large incentives to attract and retain businesses. We must maintain our current incentive package and look for additional ways to attract and retain businesses in Kansas. A contingency fund would assist the Department of Commerce in achieving this goal.

Based on this recommendation, Kansas, Inc. initiated an analysis of state-level economic development contingency funds to identify best practices and potential recommendations regarding the creation of such a fund. Given the wide range of latitude and levels of sophistication involved in the development and implementation of such funds, the prospect of creating a Kansas-level fund may be possible, even in our current economic conditions.

The results of the analysis will be delivered to the Governor, Legislature and all other interested parties during the 2009 Legislative session. **When complete the report will be available on our website www.kansasinc.org**

Evaluation of the Kansas Bioscience Authority

Kansas, Inc. is required by statute to evaluate the effectiveness of the Kansas Bioscience Authority. The evaluation report is nearing completion, and Kansas, Inc. will present the results and recommendations to the Governor and 2009 Legislature. **When complete the report will be available on our [website](#).**

Created in 2004 by the Kansas Economic Growth Act, the KBA is focused on growing the bioscience sector. The initiative is designed to build world class research capacity; foster the formation and growth of bioscience startups; support the expansion of the state's bioscience clusters; and facilitate industrial expansion and attraction. **[Click here](#) for further information from the KBA's website.**

Further information regarding the bioscience industry in Kansas is also provided through the [Kansas Bioscience Index 2008](#). The Index, produced by the Docking Institute of Public Affairs, Fort Hays State University, is constructed around 23 indicators grouped into five categories: industrial output, research and development capacity, innovation capacity, education capacity and workforce capacity. The indicators describe bioscience industry change in Kansas since 2004.

Since 2007, Kansas, Inc. has completed evaluations of the [Kansas Department of Commerce](#) and the [Kansas Center for Entrepreneurship \(NetWork Kansas\)](#). Both reports are available on our website.

Enhancing rural development efforts in Kansas

During the strategic planning process, rural development and entrepreneurship were highlighted as a focal point to assist rural areas.

In September 2008, the [Governor announced the new Division of Rural Development](#) within the Department of Commerce, designed to elevate Commerce's focus on rural development and encourage seamless collaboration among existing rural development organizations.

The Division is intended to provide an integrated, coordinated and seamless approach for all rural development initiatives.

Positioning the Division of Rural Development at the highest possible level denotes the prominence of the Division as the centerpiece of the Kansas rural development structure.

These efforts work towards the creation of a rural development model that provides a holistic, integrated approach based on four key pillars (capital, access, leadership and benchmarking), using incentives as the engine that drives integration.