



Evolution of the Kansas economy

Kansans must be mindful of where we have been, where we are currently and where we want to go. . .

Historically, Kansas was built on three primary industries that drove the state's economy – agriculture, oil and gas and aviation. These industries built the foundation of the Kansas economy and while they remain inherent strengths, they are ever-changing as we transition into an integrated global economy. **While this represented a preverbal three-legged stool, Kansans must change their mindset, as our current economy has evolved into an incredibly dynamic five-legged table.** In many ways, today's global economy is increasingly reflected by the characteristics that make up the Kansas economy, which are our inherent and emerging strengths – **Rural Development and Agriculture; Energy and Natural Resources; Manufacturing – Aerospace and General; Professional, Scientific and Technical Services; and Biosciences.**

Through the course of their work, policymakers and their initiatives must be mindful of these attributes and the opportunities they create for Kansas, as other states and regions are actively pursuing these businesses and opportunities with the sole purpose of attracting them to their own areas.

Rural Development and Agriculture – Agriculture continues to be a significant contributor to the state's economy – in 2007 cash receipts from farm marketings totaled nearly \$12 billion, while exports of agricultural products were valued at more than \$3.8 billion. However, it is unlikely that we will repopulate and grow rural Kansas with the agriculture sector alone, thus rural development and entrepreneurship must become the focal point in rural areas. Initiatives such as NetWork Kansas and other state- and local-level efforts can provide the framework for success in rural Kansas communities.

Energy and Natural Resources – Kansas has vast energy and other natural resources. Within energy, we can use our current energy assets, such as oil and gas to build a bridge to future energy opportunities, such as wind, ethanol, biomass and other sources; however, during this process, we must keep in perspective and have an understanding of how long that bridge actually is. In addition to energy, Kansas also has vast water resources, and we must work to manage, conserve and develop these resources. Maintaining and restoring the state's reservoirs and aquifers is critical to future opportunities in Kansas.

Manufacturing – Aerospace and General – Manufacturing remains an important part of the economy, and Kansas has consistently outperformed the U.S. in growth in value of manufacturing output across several broad categories of manufacturing. Kansas remains well-positioned geographically to capture an increasing share of the manufacturing activity that takes place in the U.S. Within the aerospace industry, supporting efforts such as the National Center for Aviation Training (NCAT) and the National Institute for Aviation Research (NIAR), both in Wichita, recognizes the importance of this industry and sets Kansas apart from other states.

Professional, Scientific and Technical Services – The service sector and the broad industries it encompasses make it a major economic driver of the state. The relative growth of sectors such as financial activities, health care and social assistance and business services demonstrates that much of the state's growth in employment will come from service-providing industries.

Biosciences – In regards to the biosciences, through the Kansas Bioscience Authority (KBA) the state has recognized the importance of this emerging industry with a \$581 million investment intended to stimulate job growth, attract private venture capital, and increase the research and businesses investments in the state. These efforts have already begun paying dividends, whether its through the state's improved bioscience rankings, or the state being chosen for the National Bio and Agro-Defense Facility (NBAF).

While all economies are cyclical by nature, a focused and well-planned framework that recognizes our inherent and emerging strengths within an environment for opportunity will help foster and create business success in the state. A strategic approach to this goal will allow Kansans to take hold of our competitive advantages and truly be positioned to compete in a dynamic global economy.

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.

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Improving broadband in rural Kansas

Technology such as broadband and wireless voice access are crucial for today's business environment and must be considered as essential as traditional utility services. The [Connect Kansas](#) initiative, recently launched by the [Kansas Department of Commerce](#), is designed to increase rural broadband Internet access throughout rural Kansas.

Initially funded by a grant from the [Information Network of Kansas](#) and assistance from the [Kansas Farm Bureau](#), the initiative seeks to be funded primarily by the federal American Recovery and Reinvestment Act (ARRA), which has invested \$7.2 billion to help states expand broadband access to underserved communities. The initial phase of this project is comprised of two key components: 1) mapping Kansas' current broadband capacity; and 2) providing federal grants and loans to qualified organizations involved in expanding broadband to rural areas.

Research has shown a link between infrastructure investments and economic growth, such as investments in highways and telecommunications accelerating economic growth, or in this case investments in information technology contributing to increased labor productivity.

- *The Impact of High-Speed Internet Access on Local Economic Growth, Peter Orazem*

The Kansas, Inc. strategic plan stressed the importance of strategic technology assets such as broadband, and the importance of addressing infrastructure gaps through cross-boundary relationships. This initiative recognizes the importance of providing broadband access throughout the state and the opportunities that exist for Kansas businesses and individuals who compete in the global economy. [Click here](#) for further information regarding the **Connect Kansas** initiative.

Recent Kansas, Inc. reports

Kansas, Inc. regularly compiles several reports on an annual basis intended to assist decision-makers with information regarding various aspects of economic development. (Click on the report title to access the latest report)

August 2009 – [County Economy Vitality and Distress – 2008 Report Update](#) Since 1989 Kansas, Inc. has prepared the County Economic Vitality and Distress Report, designed to look at the relative economic performance of Kansas' 105 counties. Within this report, eight social and economic variables are grouped into three categories: wealth, growth and dependent population. These variables are then analyzed and ranked on a county, regional and population group basis to better understand each county's economic condition and strength relative to other counties in Kansas. It should be noted that overall rankings rely on percentage changes in certain variables, which may overemphasize small numerical changes in less populated counties.

During 2008, the top ten economic vibrant counties included: 1-Johnson, 2-Pottawatomie, 3-Haskell, 4-Riley, 5-Miami, 6-Wabaunsee, 7-Pratt, 8-Coffey, 9-Butler, and 10-Geary. The following table highlights average county rank by size and region:

Table 1. Average County Rank, by Size and Region, 2008

County Designation	Number of Counties	Average Rank
Metropolitan	17	35
Micropolitan	19	50
Rural	69	58
East Central	6	26
North Central	19	45
Northeast	8	58
Northwest	18	60
South Central	14	59
Southeast	12	71
Southwest	28	46

August 2009 – [Economic Development Legislation in Kansas: A Chronological History FY 2009 Update](#) An understanding of past economic development legislation is critical to strategically addressing current and future economic issues. This report provides a historical perspective of legislation that has directly or indirectly influenced economic development in Kansas. This addendum to the [Economic Development Legislation in Kansas: A Chronological History from 1986 to 2008](#) contains the 2009 Legislative Session Update.

Business growth and composition

Today, more regions recognize entrepreneurship as a means to stimulate their economies, yet deciding where to focus programs and support is challenging, because timely, in-depth business information is difficult to find. One resource developed by the [Edward Lowe Foundation – YourEconomy.org](#), provides a research tool that enables users to examine business activity in their local communities and across the U.S. YourEconomy provides policymakers with a new way to examine the composition and growth of their business community, by sorting statistics into three unique employer sectors (noncommercial, non-resident, and resident) establishments, and then subdividing resident establishments into four stages that reflect different issues companies face as they grow.

Employer Sectors: *Non-Commercial* – educational institutions, post offices, government agencies, other nonprofit organizations
Non-Resident – businesses located in the areas but headquartered in a different state
Resident – either stand-alone businesses in the area or businesses with headquarters in the same state
 (The stages provided in the tables below only reflect resident employer sectors)

Composition measures how establishments and jobs are distributed according to the three employer categories and the four growth stages. This measure provides a baseline for examining what types of employers and stages exist in a region, and their share of establishments and jobs. Table 2 provides Kansas establishment and job composition information from 1997 to 2007. In particular, notice the concentration of establishments and jobs within the Stage 1 and 2 resident employers, which highlights some of the impact small business has on the state’s economy.

Table 2. Business Composition in Kansas, 1997 to 2007

Establishments	KS 1997	KS 2007	KS Average	Jobs	KS 1997	KS 2007	KS Average
Total	147,493	182,283	164,888	Total	1,550,396	1,555,745	1,553,070
Noncommercial	9.3%	8.9%	9.1%	Noncommercial	19.1%	18.0%	18.6%
Nonresident	7.0%	6.2%	6.6%	Nonresident	25.5%	21.9%	23.7%
Resident	83.8%	85.0%	84.4%	Resident	55.4%	60.1%	57.7%
Stage 1 (1-9 employees)	87.1%	89.5%	88.3%	Stage 1 (1-9 employees)	33.6%	34.5%	34.1%
Stage 2 (10-99)	12.3%	10.0%	11.1%	Stage 2 (10-99)	41.1%	39.0%	40.1%
Stage 3 (100-499)	0.6%	0.5%	0.6%	Stage 3 (100-499)	15.0%	14.8%	14.9%
Stage 4 (500+)	0.1%	0.1%	0.1%	Stage 4 (500+)	10.3%	11.7%	11.0%

The **Growth** measure follows openings, closings, expansions, contractions, move-ins and move-outs of establishments based on the three employer categories and the four growth stages. This measure illustrates how this activity affects job gains and losses, and perhaps most important, looks at what growth occurred in a region while identifying which category was responsible for the changes. Table 3 provides Kansas establishment and job growth information from 1997 to 2007. Once again, notice the impact of Stage 1 and 2 resident employers on the state.

Table 3. Business Growth in Kansas, 1997 to 2007

Establishments	1997	2007	Change	%	Jobs	1997	2007	Change	%
Total	147,493	182,283	34,790	23.6%	Total	1,550,396	1,555,745	5,349	0.3%
Noncommercial	13,645	16,152	2,507	18.4%	Noncommercial	295,639	280,680	-14,959	-5.1%
Nonresident	10,264	11,256	992	9.7%	Nonresident	395,635	340,392	-55,243	-14.0%
Resident	123,584	154,875	31,291	25.3%	Resident	859,122	934,673	75,551	8.8%
Stage 1 (1-9 employees)	107,610	138,545	30,935	28.7%	Stage 1 (1-9 employees)	288,362	322,853	34,491	12.0%
Stage 2 (10-99)	15,160	15,442	282	1.9%	Stage 2 (10-99)	353,322	364,728	11,406	3.2%
Stage 3 (100-499)	729	805	76	10.4%	Stage 3 (100-499)	128,892	138,200	9,308	7.2%
Stage 4 (500+)	85	83	-2	-2.4%	Stage 4 (500+)	88,546	108,892	20,346	23.0%

Grouping establishments into employer sectors, growth factors and business stages doesn’t necessarily mean that one segment is more important than another; however, when analyzing the impact of employers on a community it is important to know what types of employers exist and their impact.

The information provided in this article was primarily sourced from YourEconomy.org. For further information and statistics [click here.](#)