



In the early 2000's the Kansas Chamber set about to make Kansas 'one of the best states to do business'. It committed to undertaking an annual intelligence report, the Annual Competitiveness Index, which compares Kansas to the other 49 states. **This year's ACI is a special expanded edition encompassing an in-depth 10-year review.**

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**The Kansas Chamber wants to know the ingredients for economic success in a fast changing world ... viable growth models for sustained business, income and job opportunities.**

*1) Over the past 10 years, 'has the state been bettering itself?'*

**Answer: YES!**

*2) Has Kansas been gaining on other states, i.e. becoming more competitive over the 10 years?*

**Answer: YES, somewhat but very slowly!**

*3) Can Kansas be counted among the winning states for economic prosperity and growth?*

**Answer: NO, but it's a runner up!**

*4) What can the state do to improve its competitive position?*

**Answer: Kansas has a good track record on a number of fronts: good schools, competitive regulatory and legal climates, high marks on Workers Compensation and Unemployment Insurance and improving business taxation, good broadband access and physical infrastructure, above average workforce, and healthy international trade.**

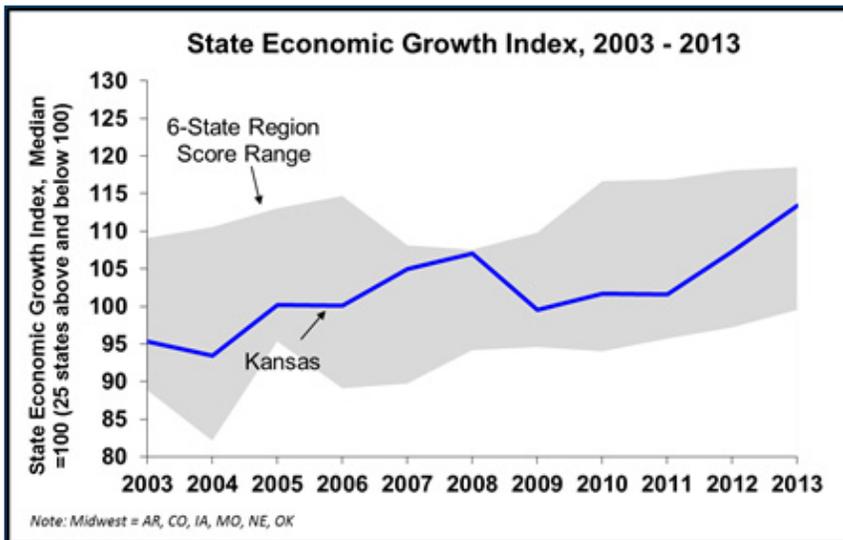
## **THREE BIG CHALLENGES REMAIN:**

- **The Entrepreneurial Challenge:** small/mid-size and young business growth has been disappointing.
- **The Productivity Challenge:** variable productivity performance is attributable in part to low scores in Innovation and Technology and workers not adapting fast enough to changing skill demands.
- **The Strategy Synergies Challenge:** A hallmark of winning states (Colorado, Massachusetts, Iowa, Nebraska, North Dakota, Texas, Utah, Washington, and Wyoming) is that they combine business climate, human capital and entrepreneurship strategies in creative and strategic ways.

## **Kansas Overall Economy 2004-2013**

'Gradually gaining competitive position and with less disruption during the Great Recession than occurred in most states and with very positive signs of an uptick over the last three years.'

# ANNUAL COMPETITIVE INDEX: EXECUTIVE HIGHLIGHTS



Kansas currently ranks in the top 10 states on the State Economic Growth Index (a composite of recent change in net earnings, non-labor income, business income, jobs, self-employment, and growth in the share of the population with sustainable income). The Index shows continued improvement except from 2008 to 2009. Kansas growth in the past two years has ranked above most 6-State region neighbors: Kansas 10-year GDP growth from 2002 to 2012 -- 51.5%; the six surrounding states -- 48.4%; the nation -- 47.2%. Kansas improved in per capita income relative to the U.S. from 95% in 2003 to 99% in 2013.

## On Job, Business and Population Growth

Job creation has underperformed the U.S and surrounding states because business growth has been slow. And since business growth has underperformed, it is not surprising that Kansas population growth at 6.3% would be slower than the 6-state Region at 9.1% and the U.S. at 8.9% in the 10 year period.

However, the fact that the state has improved competitively in income and GDP growth indicates that it has been making good on value creation (higher value-added goods and services – one sign of productivity improvement).

## Its Workforce Remains a Plus

Three out of four state report cards rank Kansas above midpoint on workforce/human resources: Beacon Hill Institute rank 11; CNBC rank 13; and GrowthEconomics rank 17. Further, Kansas ranks 27 on its 'knowledge' (technical and scientific) workforce according to the New Economy Index by the Kauffman Foundation / ITIF. Its metrics on percent of high tech workers rank well.

## The Case for Breakaway

Kansas is in its best position in a decade to join the league of top economic growth states. New or envigorated Business-Business, Business-Education and Business-Government partnerships could be forged to address gaps in targeted growth drivers. A plan of action over the next 2-3 years should focus on:

- Getting the most out of Business Tax Reform
- Containing rising Energy Costs
- Maintaining the Quality of Education but with Greater Efficiencies
- Improving state Fiscal Condition
- Fostering Entrepreneurship and Business Dynamism
- Capitalizing on Existing Talent
- Expanding STEM Talent

**Most notably in 2012 and 2013** the state initiated major individual and business tax reforms. While long-run effects for growth are anticipated, in the short run tax cuts and structural imbalances are showing up in state finances and a bond rating downgrade. This is primarily attributable to state spending as yet not adjusting to changing revenue. To ensure achievement of growth goals these tax reforms must be complemented by greater efforts to balance the state budget in the short term while improving the climate for human capital and entrepreneurial development (drivers 5, 6 and 7 above) for the long haul.