

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 16, 2006 in Room 526-S of the Capitol.

All members were present except:

Carl Krehbiel- excused
Kay Wolf- excused

Committee staff present:

Audrey Dunkel, Kansas Legislative Research Department
Renae Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Bill Keeton, Assistant Vice President, Economic Research Department, Federal Reserve Bank of Kansas City

Chairperson Gordon announced a sub committee would be appointed to look more indepth into some of the issues that came out of the discussion regarding **HB 2194**.

Committee was provided written testimony from the Department of Commerce pertaining to: Information request/House Bill 2194 ([Attachment 1](#)), Executive Order No. 01-06 ([Attachment 2](#)), and an Annual Report for Program Year 2003 Older Kansans Employment Programs (OKEP) This report can be obtained by e-mail: dallen@kansascommerce.com

A motion was made by Representative Treaster and seconded by Representative Horst to approve the minutes from the meetings of February 7 and 9, 2006. A vote was taken, motion passed.

Chairperson Gordon welcomed Bill Keeton from the Federal Reserve Bank of Kansas City who gave a review and outlook of the Kansas economy.

The Kansas economy has performed solidly during the last year. Jobs and income has risen at rates close to the national average.

Job growth has been strongest on the Kansas side of the Kansas City metro area. Data shows that year over year job growth on the Missouri side of the Kansas City metro area has lagged behind job growth on the Kansas side.

More people have been moving out of Kansas than moving in. The net outflow of people from Kansas to other states were predominantly people with college or advance degrees. There was a substantial inflow of people into Kansas of people with less than a high school education. There is a brain drain in Kansas. The challenge for Kansas is going to be to reverse the net outflow of highly educated people. Two factors that will help to achieve this challenge is, 1) the state's economy is catching up with the rest of the nation, and 2) housing costs have risen less than the rest of the nation.

The aviation industry has recovered from the recession. Orders for commercial airplanes at Boeing set a new record for 2005. Activity at smaller manufacturers has been solid despite sharply rising input costs.

Housing activity has remained strong. Single family housing permits are strong. Housing inflation has been more subdued than in the U.S.

Most of the service industries in Kansas are growing solidly. There is a strong growth in the state in professional and business services. This includes services considered "high scale" such as research and development and computer design. It also includes services which are thought of as being low scale, such as call center and janitorial jobs.

Agriculture is of special importance in Kansas. Overall 2005 was a good year for the State's farmers and

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ranchers. The wheat harvest was good. Ranchers benefitted from high cattle prices.

One concern is the drought conditions in the state. Drought is predicted to develop in most of Kansas through the spring, causing deterioration in pastures. Drought could also cause problems with the winter wheat.

A concern for farmers is the rising cost of fuel and fertilizer. Fuel prices have come down, but prices are still higher than they were a year ago. As a result of high fuel and fertilizer costs, the U. S. Department of Agriculture is predicting the U.S. net farm income will be lower in 2006 than 2005. The net farm income will still be slightly above the average for the previous ten years.

Business confidence and cash flow is one of the positive factors in the 2006 Economic Outlook.

A risk factor in 2006 could be another spike in energy prices.

Firms in most areas of Kansas are planning a moderate increase in employment for the coming months.

Most private sector economist predict solid economic growth in 2006 in both the U.S. and Kansas. (Attachment 3)

Chairperson Gordon thanked Mr. Keeton for the informative report.

The meeting adjourned at 4:55 pm. The next meeting is scheduled for March 2, 2006.