ECONOMIC OPPORTUNITIES & CHALLENGES FOR KANSAS

2019 STATEWIDE RURAL PROSPERITY TOUR RESULTS:
WHAT BARRIERS PREVENT FUTURE PROSPERITY?

- Lack of quality, affordable housing
- Workforce development
- Quality roads & bridges
- Insufficient funding & resources
- State rules & regulations
- Limited access to healthcare/lack of Medicaid expansion
- Lack of quality, affordable broadband

- Rural stigma & mindset
- Low wages
- Declining & gaining population
- Limited job opportunities
- Taxes in general
- Negative attitudes
- Access to quality, affordable Child Care
- Property taxes

KANSAS CITY & WICHITA SHARE SOME OF THESE CONCERNS TOO WHEN THEY IDENTIFIED BARRIERS TO ECONOMIC PROSPERITY

KC Economic Development Strategy Plan:

- Lack of low-cost ==housing and affordable== housing near suburban job centers

- Large number of ==adults without necessary skills== to fill in-demand available jobs.

- Low state support for ==education== — pre-K, K-12 and higher education

Wichita Regional Growth Plan:

- Need a competitive, sustainable, adaptable and skills rich ==workforce==

- Lack of high-speed ==broadband== has been cited as one of the biggest challenges affecting the greater Wichita region's economic competitiveness

- ==Career focused education== & training programs

Only 3 counties in Kansas meet the need for Child Care

UNIVERSITY OF KANSAS INSTITUTE FOR POLICY & SOCIAL RESEARCH INVESTMENT RECOMMENDATIONS:

- Robotics to support advanced manufacturing

- Transmission lines for Kansas wind energy

- High tech agriculture

- Safer meatpacking manufacturing

KANSAS FRAMEWORK FOR GROWTH IDENTIFIED THESE OPPORTUNITIES:

Opportunities	Rationale for segment	Conditions for success
1. Doubling down on headquarters	▪ Headquarters comprise the largest employment base (over 28k jobs in 2018), and created the greatest outperformance (over 10k jobs more than would have been expected if following US average growth rates) ▪ Kansas has competitive labor costs for headquarters ($14k less than US average)	▪ Sufficient talent is available in industries represented by HQs ▪ Connectivity to target regions ▪ Improving quality of living and placemaking to attract talent and executives
2. Supporting regional service hubs	▪ Industry trends are moving towards more automated solutions and higher skill centers of excellence enabled by computer services ▪ Kansas' strong talent pipeline (>7k professional and business services graduates in 2018) and growing computer services industries will help support and sustain digitally-enabled business processes and automation in the State	▪ Build and retain high skill digital talent specializing in business process automation
3. Investing in a digital backbone	▪ National growth has been driven by computer services (4.5% annual growth between 2013 and 2018) and consulting segments (4% annual growth the past five years) ▪ There is opportunity if the state can address competitive challenges, including lowering operating costs and improving access to key infrastructure (e.g., broadband and airport connectivity)	▪ Improve productivity to reduce unit labor costs ▪ Retain high quality talent

KANSAS FRAMEWORK FOR GROWTH IDENTIFIED THESE OPPORTUNITIES CONTINUED:

| Opportunity	Rationale
1 Become a hub for Manufacturing 4.0 by embracing digital manufacturing	▪ **The commoditization of hardware and price pressure from strong players in the Asia-Pacific region** make it imperative for manufacturers to use digital manufacturing to improve operational efficiency and lower costs ▪ As hardware becomes commoditized, **high-tech players have found an entry point in the sector through offering valuable software services** that are a less mature market with no clear leader ▪ **Kansas is specialized in several major advanced manufacturing subsectors** and is forecasted to have a higher 5-year employment growth than both peers and the U.S., positioning it to become a leader in digital manufacturing ▪ Kansas should **leverage its existing specialization in major subsectors** to help transition local manufacturers to digital manufacturing, attract high-tech players that could bring high-wage jobs, and invest in local innovators who will become the next-generation digital manufacturers
2 Prepare and reskill workers for automation and software tools	▪ **Digitization will change the workflow of manufacturing processes**, displacing lower-skilled jobs and requiring workers to have the know-how for managing software products ▪ **Kansas' major advanced manufacturing subsectors are currently labor-intensive**, suggesting that it needs to train and reskill a diverse set of workers to work with digital technologies and automated machines
3 Invest in R&D for digital manufacturing	▪ Investing in developing innovative digital products such as augmented reality and IoT could allow **businesses to evolve from a hardware- to software-centric model** that produces higher margins ▪ **Kansas has outperformed the U.S. and peers in the past 5 years in machinery, chemical, and fabricated metal products manufacturing**, suggesting existing players have the potential for capturing additional growth through providing customers with digital products

HEALTH
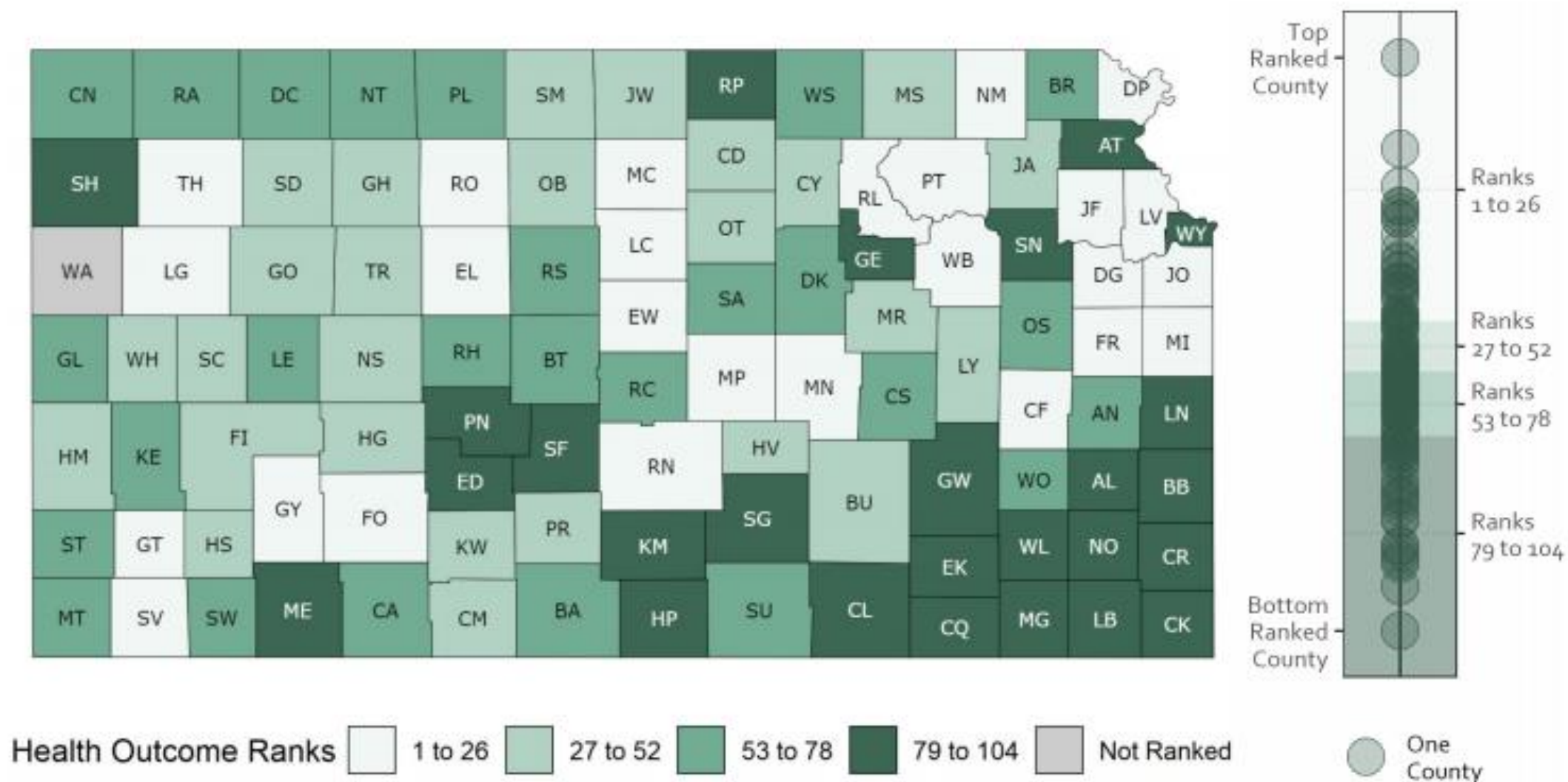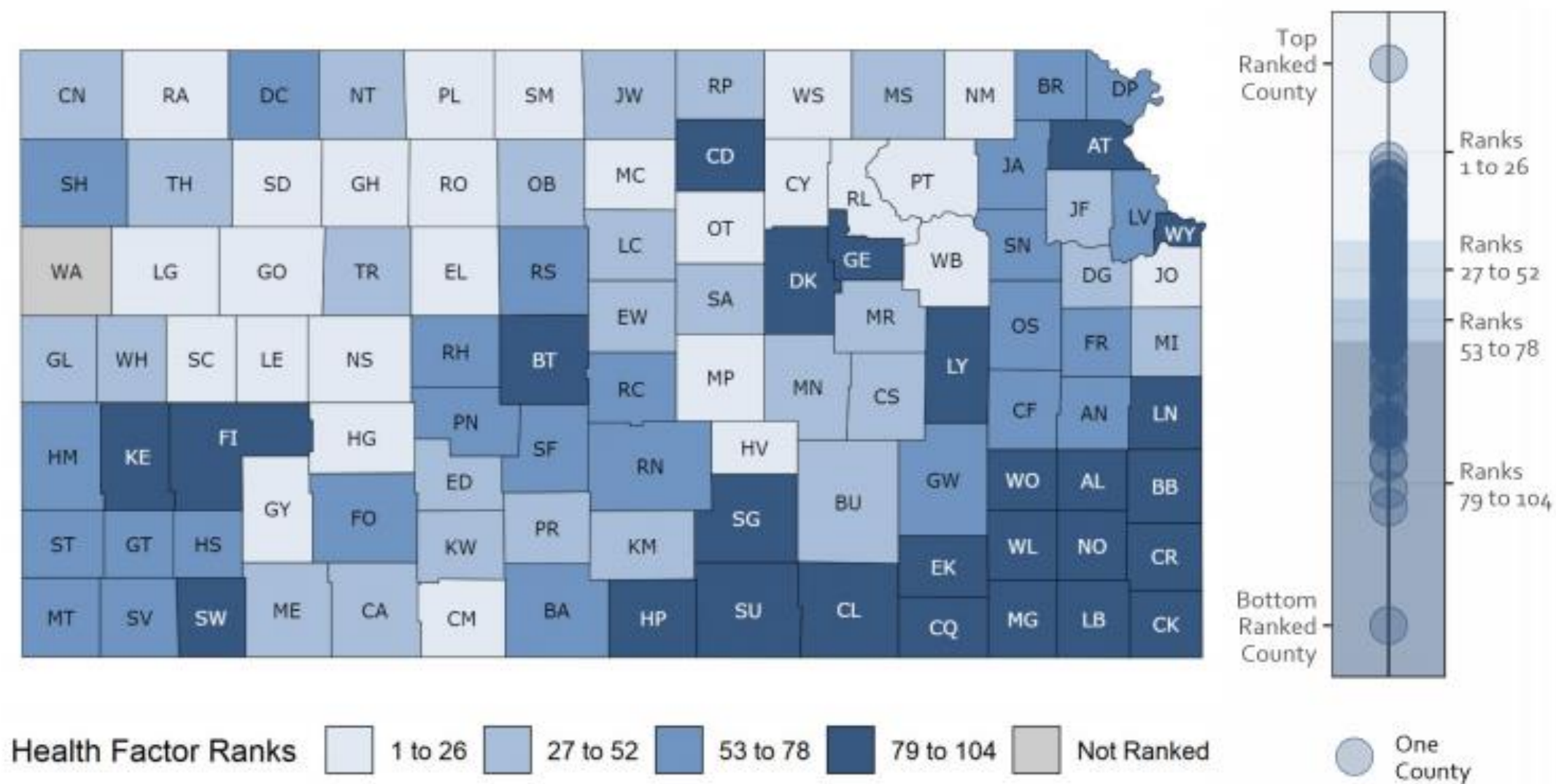
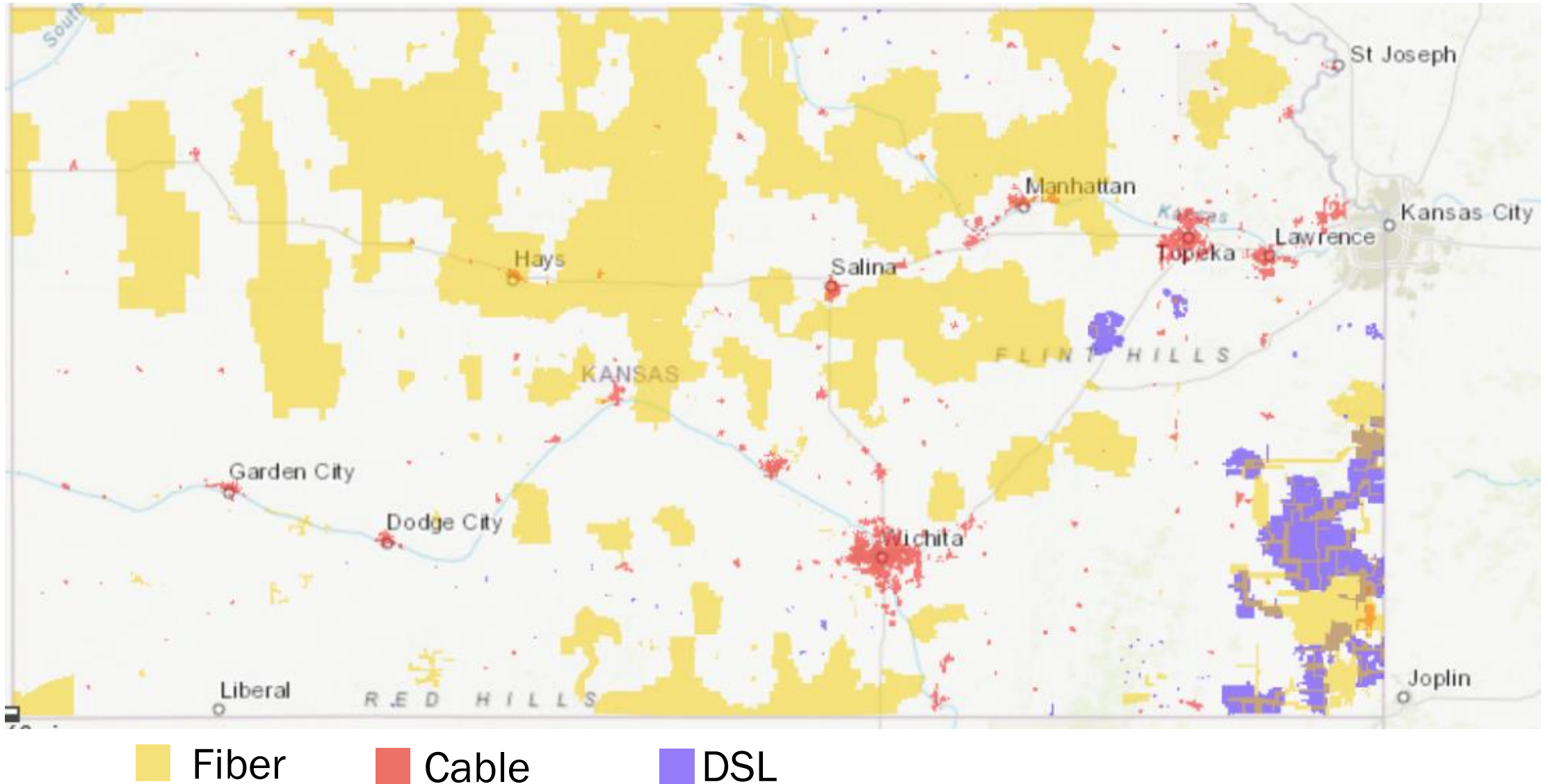Figure 1. Health outcome ranks displayed using quartiles (map) and underlying health outcome scores (chart)

Figure 2. Health factor ranks displayed using quartiles (map) and underlying health factor scores (chart)

INFRASTRUCTURE

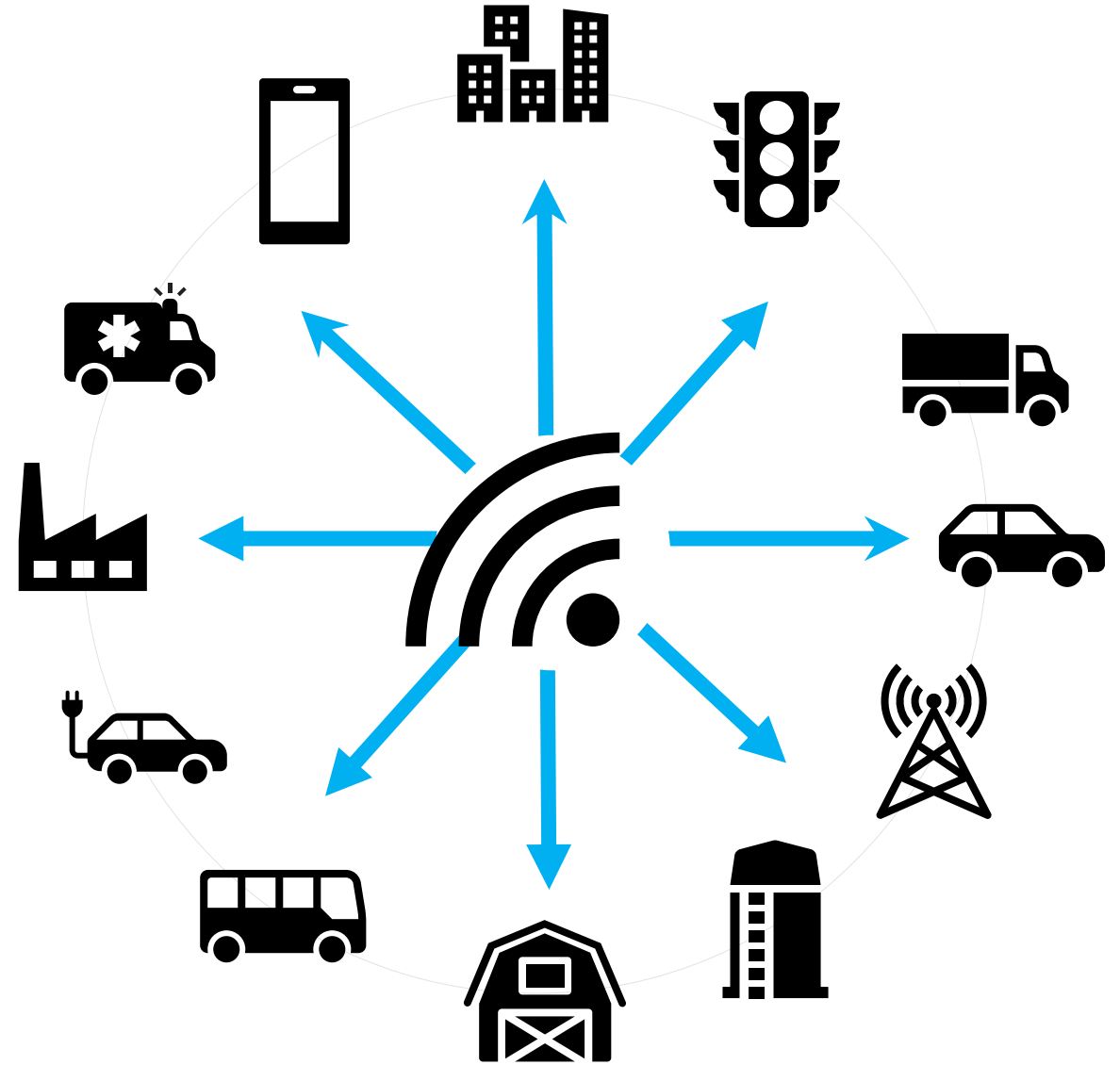# Current areas with broadband access

Fiber   Cable   DSL

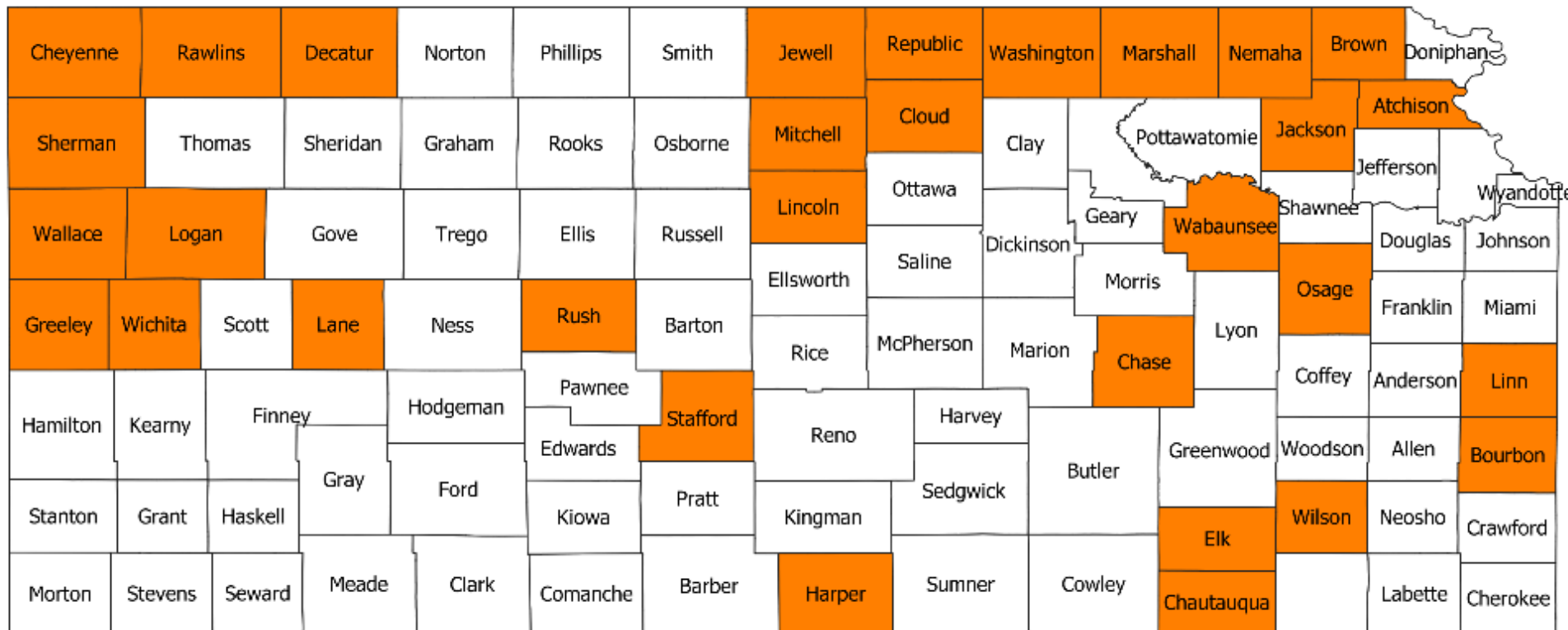Source: Connected Nation, Kansas Broadband Map

BROADBAND IS AN ENABLING TECHNOLOGY FOR FULLY CONNECTED TRANSPORTATION

LACK OF BROADBAND ACCESS CAN CREATE A "DOUBLE BURDEN" FOR COUNTIES IN KANSAS

Counties where less than 50% have broadband access & more than 10% of adults have diabetes.
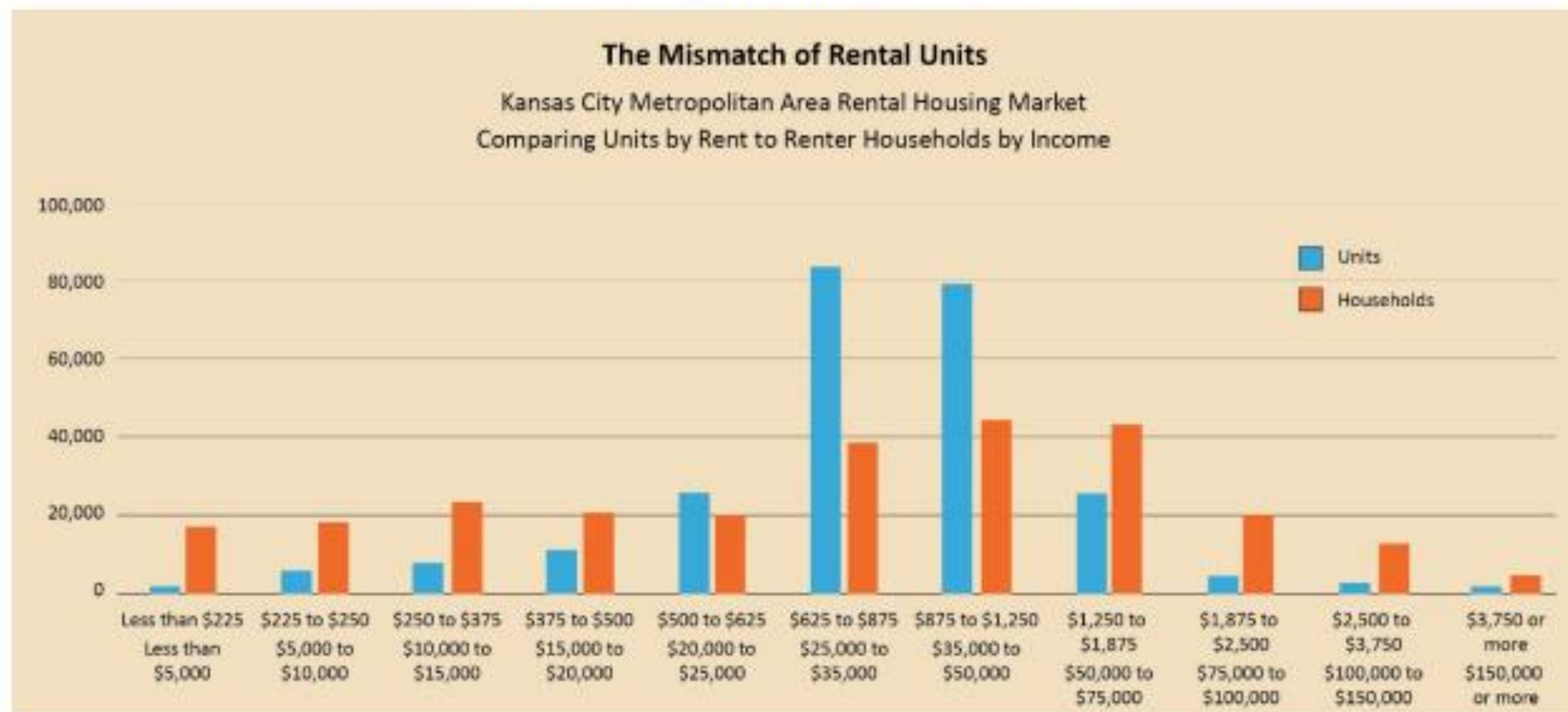

Double burden counties: Low broadband availability & high chronic disease rates.

Source: Federal Communications Commission - Connect2Health

HOUSING

Figure 1: Mismatch of Rental Units

The Mismatch of Rental Units

Kansas City Metropolitan Area Rental Housing Market
Comparing Units by Rent to Renter Households by Income

The chart above, from a 2016 analysis conducted for the Mid-America Regional Council by Dr. Kirk McClure at the University of Kansas, shows households by income group (orange) and rental housing units by monthly rent (blue). There are about 80,000 renter households in the Kansas City metro area that earn $20,000 a year or less. There are 27,052 rental units where

Rural areas need housing that's affordable

Potential loss of affordable rental units and properties in rural America

Projects & units by anticipated year of affordable subsidy expiration

Legend: Projects (blue bars), Units (orange line). X-axis: Estimated Exit Year (2016–2050). Left Y-axis: Projects. Right Y-axis: Units.
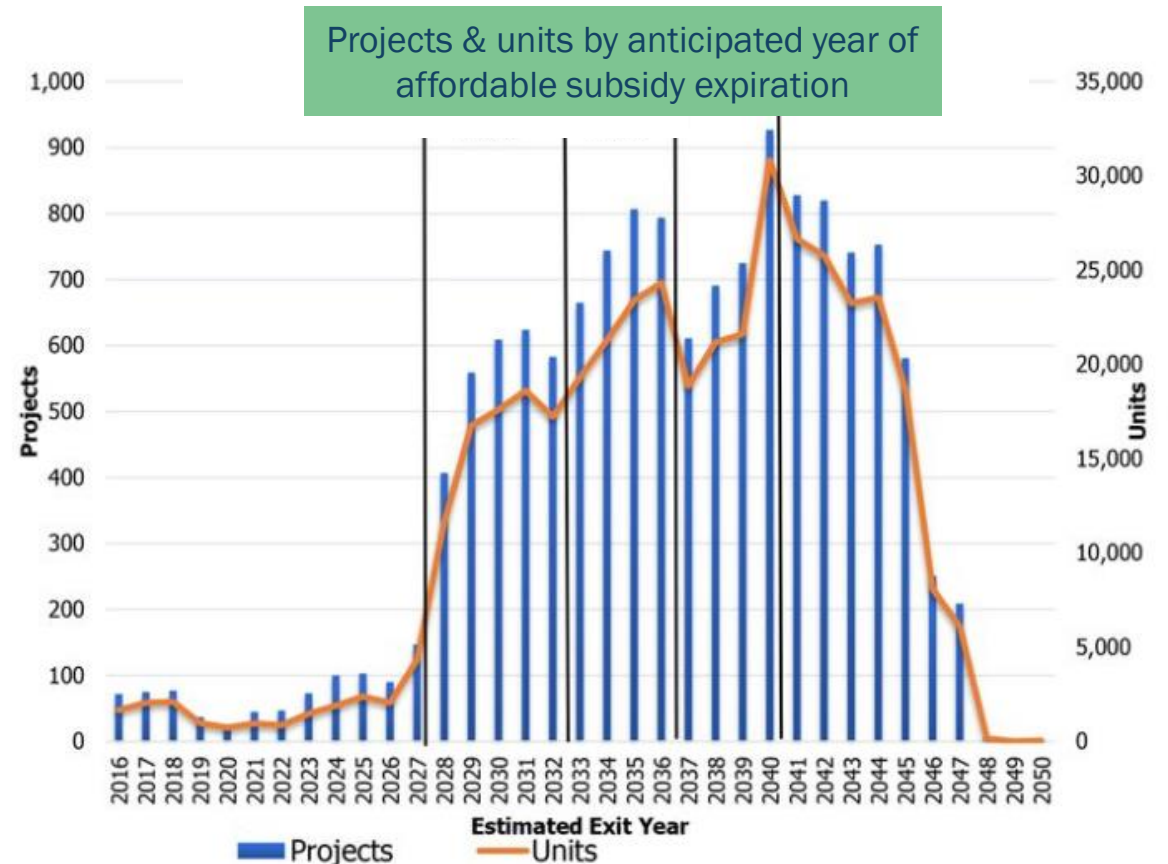
CHILDCARE

CHILD CARE STATS IN KANSAS

3
Counties meet the demand for child care

8%
Of child care facilities offer child care during nontraditional hours

41
Counties fall below 50% of the Extend Desired Capacity Meets Potential Demand

ECONOMIC DEVELOPMENT: WORKFORCE DEVELOPMENT

"TALENT IS THE WORLD'S MOST PRECIOUS RESOURCE" WILLIAM KERR

Research has shown that economies develop only if their people do first.   Economic development efforts must evolve to meet the most pressing concern of existing or potential businesses: workforce quality. Brookings argues economies develop when they invest in and successfully deploy people in the labor market. Their number one suggestion: Realign state economic development spend to invest in proven training solutions, such as customized job training grants and higher education partnerships.[1]

- Turnkey workforce training program focus areas:

    - Coding

    - IT

    - Cybersecurity

    - Automated machinery operation

- Employer Specific upskill/reskill programs (flexible, nimble)

1. https://www.brookings.edu/wp-content/uploads/2019/10/2019.10.15_Brookings-Metro_Talent-driven-economic-development_Parilla-Liu.pdf