

2018

Orman for Kansas
Problem Solving Platform
Plan 2 of 8



Rebuilding the Middle Class: Our Path to Shared Prosperity



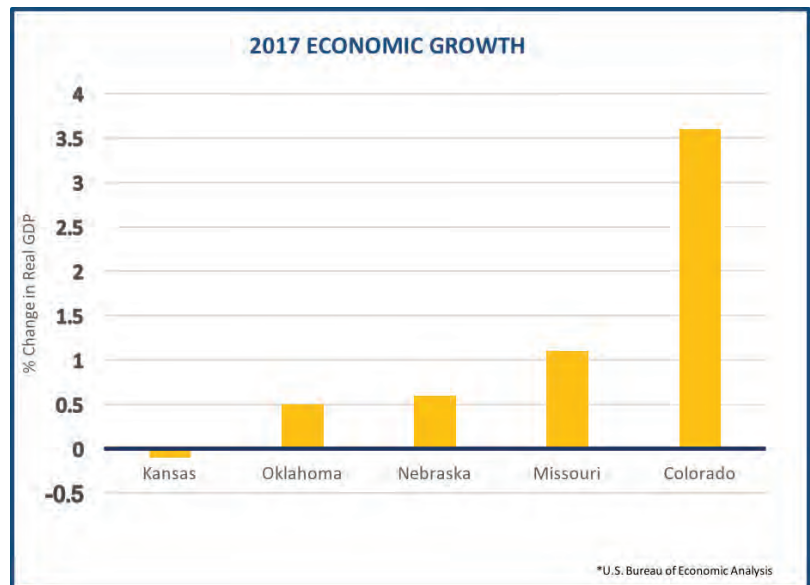
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REBUILDING THE MIDDLE CLASS

Even before becoming a state in 1861, Kansas has been a leader. Driven by an abundant work ethic, commitment to family and community, and an independent spirit, Kansans have been able to continually improve our state. Successive generations of Kansans have chosen to build their lives here because of the work of so many prior generations.

Recently, it's become clear that way of life is at risk. We have been falling behind economically. Since 2010, Kansas' economy has grown by 1.1% annually, while our four neighboring states have grown on average 1.75%. In 2017, our economy actually shrank. Our kids are leaving the state and our population is aging. Today, roughly 25% of Kansans are 18 or younger, while 14.6% are 65 or older. Within 15 years, it is estimated that the number of Kansans 65 and older will be equal to the number 18 and younger.

If we want to protect our way of life, provide for an increasingly dependent population, and create the jobs and opportunities that keep our kids here, we have to approach things very differently. Simply put, the economic development approach of the past was lazy. Cutting taxes across the board and hoping for the best ignored many important things that drive growth. Kansans deserve better. We paid a significant economic price for this approach as the economy and wages lagged behind our neighbors.



States, like businesses, need vision, strategy, leadership and alignment to grow. In addition, we must make smart investments. This doesn't mean imposing onerous tax burdens. It means wisely investing the dollars that Kansans entrust us with. It means identifying our strengths and leveraging them. It means recognizing that for Kansas to succeed, all Kansans need an opportunity to improve their lives.

This is exactly what I've been doing in the private sector. I've spent the last 27 years growing businesses and helping them chart a positive path to the future through proactive strategies. From start-ups to turnaround businesses, I've been in leadership roles in numerous companies across a dozen different industries and various stages of development. I have experience with small companies and Fortune 500 businesses. I can build on this experience to grow the Kansas economy by creating the right environment, making the right investments, and eliminating barriers to job creation and economic growth.

It's time for Kansas to take control of its economic future!

My Plan

With the right leadership, we can help Kansans build a powerhouse economy that will be the winning example for all of our neighbors. We'll do this by leveraging our strengths, developing the Kansas workforce, eliminating obstacles to economic development, and addressing our reputational deficit. I'm ready to roll up my sleeves and work collaboratively across the state with our cities, counties, economic development agencies, and other institutions that are looking for Topeka to be a positive force in the process of building our economy. Working together, we can do this!



Building a Proactive Economic Development Strategy

Developing a proactive economic development plan will require us to engage stakeholders from across the state. There are over 300 local and regional economic development organizations that need to be brought together to develop a robust, proactive economic development plan that leverages our strengths.

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Communities that work together thrive—this means the cities, counties, economic development agencies, local Chambers of Commerce, school districts, higher education institutions, and industry all having a seat at the table and working together to drive economic growth.

The goal of the plan is to encourage cooperation among Kansas communities, leverage our strengths as a state, and position Kansas for maximum economic growth in the future. Traveling the state, I've found that communities that work together thrive. This means the cities, counties, economic development agencies, local Chamber of Commerce, school districts, higher education institutions, and industry all have a seat at the table and work together to drive economic growth. They also have local business leaders who invest in their community. I have seen examples of this from Garden City to Humboldt to the Kansas City area.

As Governor, I will convene this group and manage a process to build a real strategy to move our state forward economically. These processes are most productive when we start with a framework—a strawman, which can be picked apart, added to, and ultimately improved. In the following, I have outlined some of the initial approaches constituting that strawman strategy.

Working together, we will build a path to greater prosperity for all Kansans!

Leveraging Our Strengths: Logistics, Renewable Energy & Agriculture

The first question I ask when I'm thinking about how to grow a business is what are the strengths that I can leverage. We should take that same approach in thinking about our state's economic development strategy. Kansas has a number of strengths that can be used as part of a proactive economic development plan.

Geographic Center of the United States

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We should be the distribution capital of America. We're already seeing some progress in this area, but could dramatically accelerate growth with the right policies.

When Governor Brownback tried to sell his tax experiment, he said, "I don't have oceans and I don't have mountains," so he needed low taxes. His comments undersold the benefits to being in the middle of America, particularly now. We are at the geographic center of the United States at a time when our economy is quickly moving from a brick-and-mortar economy to a digital economy. **We should be the distribution capital of America.** We're already seeing some progress in this area, but could dramatically accelerate growth with the right policies.

We also have three Class 1 railroads that travel through Kansas. The largest short haul railroad in America is headquartered in Pittsburg. Finally, we have access to low cost manufacturing inputs in the form of agricultural products and renewable energy. **We should be the inter-modal manufacturing capital of America.**

In order to accomplish this, I am proposing the following policies:

We should enter into local regulatory compacts to streamline the permitting and regulatory processes at the local level. In order to be the place where manufacturers and distribution companies want to locate, we need to give them regulatory certainty. This allows them to know when the millions of dollars they are investing in Kansas become productive investments. As much as Kansas would like to believe it's a business-friendly state, senior executives have pointed out this issue to me and suggested that Kansas lags behind other states in regulatory matters. For local governments that are willing to commit to regulatory timeframes, the state of Kansas will commit to target economic development and infrastructure dollars to their areas.





When companies evaluate Kansas as a potential place to invest, they will also evaluate our state's commitment to infrastructure. This is simply good business. If a company is going to locate a manufacturing facility in Kansas, they are often making an investment which they hope pays off over 30 years or more. They need the roads and bridges that they rely on to move their product to market to be in good condition, not just today, but well into the future. **We will look to add \$80 million a year to our infrastructure spending over the next four years.**

Finally, we will establish job functions within the Department of Commerce to specifically recruit internet and manufacturing companies that will clearly benefit from the geographic centrality of Kansas and the other advantages described above. In order for that function to be effective, we need to empower them with information. The Department of Commerce should create a locational economics and site selection research center. Other states have created such entities. For example, the Kansas Turnpike Authority knows the weight and contents of every truck that travels on the turnpike. That data isn't compiled in a way that supports economic development. Industry needs to fully understand the flow of goods to make good site selection decisions. In the 1980s, business recruitment and relocation was fundamentally based on marketing. Now, it's based on quantitative analysis. A booth at a trade show is no longer sufficient. You have to be able to analytically illustrate to industry where the best site is, why it is the best site, and the money they will save by moving there.

Kansas needs to grow great businesses that create great jobs.

Leadership in Renewable Energy

Kansas has abundant wind and solar resources. We are currently the fifth leading producer of wind energy in the country, but given our wind resources we could be second only to Texas if we fully leveraged those resources. Likewise, we have abundant sunshine in Western Kansas. This solar resource is the flip-side of the prolonged drought that we're experiencing in much of Kansas.

Fully developing these resources, however, will require us to expand markets for renewable electricity. Currently, we have excess renewable power due to the intermittency of wind energy and its location relative to where we demand electricity. The net result of this has been higher energy costs as we continue to pay for renewable energy capacity that isn't fully utilized. So, the key to optimizing the economic opportunities associated with these resources is to build more demand for it. In order to do that, we should do the following:

Kansas should evaluate creating an interconnect between Kansas and Mountain West to allow us to export renewable energy into Colorado. The power grid is actually made up of three separate systems that allow very limited amounts of energy to flow between them. The dividing line for two of these systems is the Kansas/Colorado border. So much of our renewable energy is actually trapped and can only move to the east. It is technically feasible to move power west with some infrastructure investment. If we could export our renewable energy west, it would increase the value of that energy, reduce the excess renewable energy on our system, and ultimately encourage the development of more of our wind and solar resources.

We should give our electric utilities the freedom to enter into renewable only electric tariffs with their customers. Today, our utilities can enter into these agreements, but the size is capped. Many consumer packaged goods companies (CPGs) want to be able to tell their customers they are environmentally friendly. The same applies to internet companies with large data centers. In fact, many businesses have committed to being "zero waste" by some future date. Microsoft, GM, Procter & Gamble, and Google have all made zero waste commitments. To accomplish this, they need to be able to power their facilities with renewable energy. If we give our utilities the freedom to enter into renewable only tariffs, we make Kansas more attractive to CPG companies, while at the same time helping to grow our renewable energy sector. We need to do this in a way that doesn't increase energy costs for other customers, rather reduces it by adding users to the system who will consume some of our excess renewable energy.



We should evaluate the creation of massive electric semi recharging stations to reinforce our leadership in transportation and logistics and create demand for off-peak wind energy. Currently in the U.S., Mack Truck, Freightliner, and Tesla have announced plans for the development of electric semis. The ranges that these trucks are expected to achieve – between 250 to 500 miles on a single charge – are going to enable them to travel across country if the right infrastructure is in place. While these vehicles are all in the pilot stage, they are expected to be in full production by 2020. The pursuit of this sort of investment will require private sector participation. However, the state can be the catalyst in evaluating and presenting the opportunity.

Finally, we need to prepare our infrastructure for the coming move to self-driving trucks. While this process may be several years away, it is inevitable. These vehicles will likely be limited to four-lane traffic ways. If we want goods and services to flow into and out of Kansas economically, our infrastructure needs to be ready to service self-driving trucks.



Leadership in Agriculture

Forty percent of Kansas' economy is agriculture based. We are leaders in animal health, life sciences, and production agriculture. Much of the grain that we grow is exported to other markets and to value-added manufacturers in other states. There's no reason those value-added industries shouldn't be located in Kansas. If we're able to accomplish moving some of that capacity to Kansas, it will increase the net value of our crops, add jobs, and ultimately increase investment throughout Kansas. This would also lead to increased tax revenues for local, county, and state governments.

In order to encourage the development of value-added agriculture in Kansas, **I propose establishing a financing mechanism that uses the income taxes generated from increased farm incomes to help pay off the debts related to the investment in agricultural processing capacity.** This would be modeled off of traditional tax increment financing or STAR Bonds. Instead of relying on increased property or sales taxes to pay off the debt, it would rely on increased state income taxes from the impacted area. The goal isn't to fully pay for the costs of these investments through this mechanism, but to provide an added source of cash flow to support the investment.

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My running mate, Sen. John Doll, has been a leading advocate for giving farmers the freedom to farm industrial hemp. As federal law evolves to allow for the commercial production of hemp, Kansas needs to be a leader in creating tools that allow us to quickly capitalize on this opportunity.

This will also have an impact on our ability to capitalize on changing rules as it relates to growing industrial hemp – a crop that uses half the water of wheat and produces significantly more profit per acre. Industrial hemp literally has thousands of uses including the production of paper, textiles, and construction materials. My running mate, Sen. John Doll, has been a leading advocate for giving farmers the freedom to farm industrial hemp. As federal law evolves to allow for the commercial production of hemp, Kansas needs to be a leader in creating tools that allow us to quickly capitalize on this opportunity. Production facilities for hemp-based products will be built to accommodate this anticipated change in federal law. We want to ensure that many of those facilities get built in Kansas.

We should also revisit the idea of creating an animal health/life sciences corridor in Kansas. In order to have the greatest impact in this area, we need to collaborate with existing companies, our Board of Regents institutions, and other leaders in the industry to determine the best ways through which the state can support the growth and development of these industries.

I will soon be releasing our All of Kansas Plan that is intended to outline strategies to ensure that all Kansans are able to fully participate in the economy of the future. The plan will expand upon some of the ideas outlined here to leverage our leadership in agriculture.

Building the Kansas Workforce

An important part of rebuilding the middle class and growing the Kansas economy is workforce development. The availability of a skilled workforce is one of the highest priorities for a majority of businesses looking to relocate. It's also critical for our existing companies to achieve their growth potential. Finally, workforce development is a pivotal part of helping Kansans advance into higher paying jobs.

As I've traveled the state and spoken with employers, I hear a consistent message—employers can't find enough qualified workers. With an unemployment rate of 3.4% and over 50,000 job openings in Kansas, there is clearly a lack of skilled labor. In order to grow the Kansas economy, we need to attract more workers and help our existing workforce develop their professional skills so that they can do more advanced and higher value work.

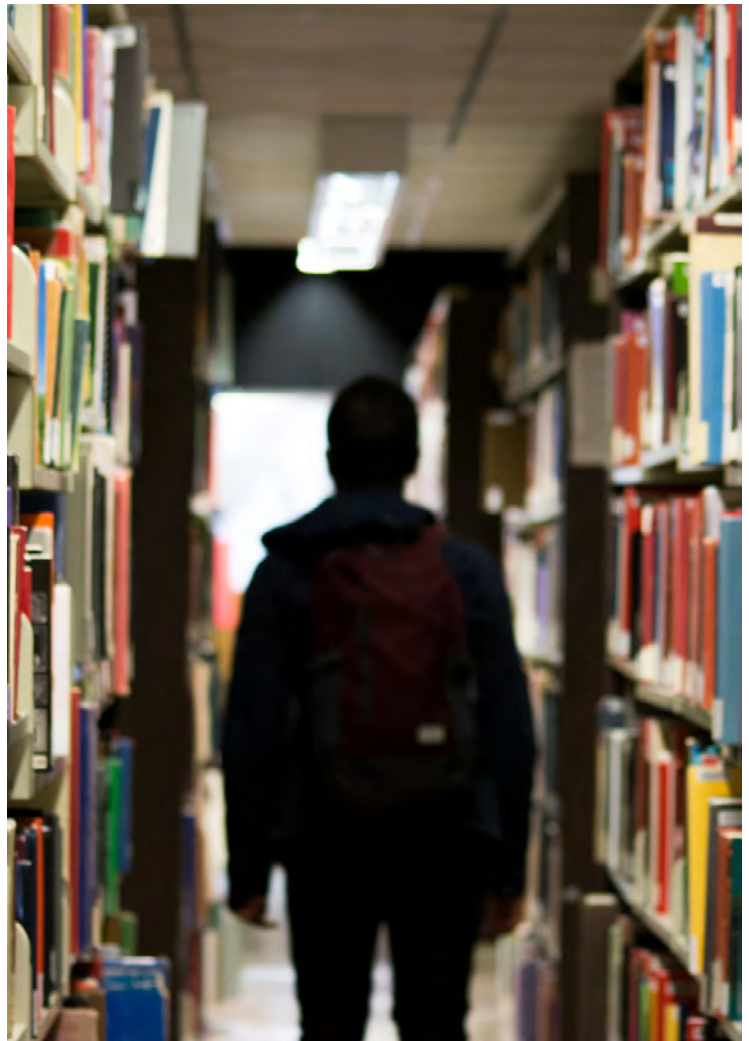
To accomplish this, I propose the following policies:

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The data on young people returning to school after entering the workforce isn't encouraging. If we want our kids to be able to develop the skills that allow them to fully participate in the workforce, we need to give them the tools to pursue that path.

The state of Kansas will establish a revolving loan fund to help our students afford career training that doesn't qualify for federal student loans. The data on young people returning to school after entering the workforce is not encouraging. If we want our kids to be able to develop the skills that allow them to fully participate in our workforce, we need to give them the tools to pursue that path. While the Kansas Works program has some funding available for some of these programs, the availability is limited and doesn't fully address our existing needs.

I want to encourage alignment between industry and our community and technical colleges. To do this, **I propose a 33% tax credit for investments made by companies partnering with community or technical colleges to create career education programs.** While this tax credit won't pay for the full cost of these career readiness programs, I want to demonstrate to companies willing to invest in our workforce that we will also invest with them. Additionally, I plan to establish a framework for our community and technical colleges to further solidify their roles as drivers for workforce development.



We also need to change attitudes about technical education. Throughout the industrialized world, there seems to be a belief that an academic education is far superior to a technical education. In fact, Germany stands alone as a country that values them equally. It's no surprise that they have a \$300 billion trade surplus (including a \$65 billion trade surplus with the United States). I have begun referring to "technical" education as "professional" education to reflect my belief that these jobs (plumbers, welders, machinists, etc.) are equally professional and can lead to successful and fulfilling careers. We should consider changing the name of our technical schools to incorporate the word "professional" and encourage the professional schools to consider affiliating with one of our Board of Regents institutions. Wichita State University already did this with Wichita Area Technical College – giving students attending these professional schools the sense of school pride that comes with the affiliation.



As mentioned, the Kansas Works website lists over 50,000 jobs that need to be filled in Kansas, and there are roughly 50,000 unemployed Kansans. The implication of this is that there are skill and locational mismatches in our state. While providing incentives to industries for filling skills gaps through public/private partnerships will allow the private sector to fill much of the divide, **the Department of Commerce needs to focus on monitoring these mismatches and suggesting corrective actions when warranted.**

Finally, we need to continue to support the workforce development initiatives that are starting to become a part of our K-12 public education system, including success academies, programs related to Senate Bill 155, and the outcome measurements in the Kansas Can program championed by the Department of Education. I will outline more of my positions related to these programs in my upcoming policy on Public Education.

All Kansans can attain the professional skills needed to prosper.

Eliminating Obstacles to Economic Development

Roughly six years ago, the Kansas City business community, with the help of the Kauffman Foundation and the Greater Kansas City Chamber of Commerce, identified a problem—promising young companies were moving from the region. Recognizing that 100% of job growth in America has been driven by start-up companies, this clearly was an issue.

After speaking with entrepreneurs, it became clear what the problem was. As emerging businesses looked for capital to grow their businesses, they were finding it primarily in three places: Boston, New York, and Silicon Valley. Often the money came with strings attached – the young businesses had to move their companies to be closer to their source of funds. I understand this instinct on the part of investors. As someone who has invested in many businesses, I understand the value of having the management team close to me. It allows me to be more involved in business decisions and makes it easier to collaborate on strategy and to fully participate in the problem-solving process.

The Kansas City area is addressing this issue by pulling together local investors and encouraging them to pool their capital to invest in these young companies. They have also seeded a number of venture capital firms that have a specific mandate to invest in local companies. **As Governor, I will lead a statewide effort to create a collaborative network to invest in Kansas-based companies.**

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Making it easier for companies to commercialize new technology, and having the capital ready to fund promising new businesses, could lead to many of the best graduates returning home.

We also need to realize that our Board of Regents institutions can be a real source of economic growth if their goals are aligned with the state’s economic development strategy. **We need to encourage our Board of Regents institutions to collaborate with local industry so that their research priorities are better aligned with industry needs.** We have seen examples of this happening on a case-by-case basis, but we need to make sure this is standard operating procedure. **I would also like us to develop a streamlined and uniform approach to technology transfer** to make it easier for the intellectual property that is developed in the university system to make its way into the private sector.

Places like Manhattan would benefit from a combination of these approaches. According to a survey completed in 2014, 55% of K-State graduates who have left the state would return to Manhattan if they received a comparable job offer. Making it easier for companies to commercialize new technology and having the capital ready to fund promising new businesses, could lead to many of the best graduates returning home.

Finally, a lack of quality workforce housing is clearly an impediment to economic development, particularly in rural Kansas. The Kansas Department of Commerce is currently working to ensure that communities understand all the programs available to them for the development of housing in their areas. We need to maintain that focus and make sure communities have access to the right expertise to make decisions about which tools they should use to meet their specific needs.

Address Kansas' Reputational Deficit

William Allen White, the famed Emporia Gazette editor, once said, "When anything is going to happen, it happens first in Kansas." Kansas used to have a reputation as a leader. We used to be a state that other states looked to for answers to their problems. Today, we're viewed more as a cautionary tale — a place where extreme political agendas rule the landscape. We need to change that narrative. We need the rest of the country to stop talking about "what's the matter with Kansas" and start talking about "what's right with Kansas."



This reputational deficit makes it more difficult for our economic development agencies to recruit new industry, our companies to recruit employees, and for us to keep our kids here. Put simply, we need to change the narrative.

As an example, Sprint, which is headquartered in Overland Park, recently made the decision to in-source their digital agency. Instead of paying a company in New York to create digital ads for them, they decided to hire 200 people within the company to perform this work. Unfortunately, they elected to put those jobs in Virginia. One of the reasons stated for choosing Virginia was the difficulty of getting people to move to Kansas.

What I know, however, is that once we get someone to move to Kansas, they generally fall in love with the state. That's because there are a lot of things that are right about our state. We have a great quality of life, with good schools, parks, and natural treasures, like the Flint Hills, as well as a citizenry that's welcoming to all. We are leaders in agriculture, engineering, life sciences, and aviation. Kansas is a place where you can hunt and fish and our kids can ride their bikes safely in our neighborhoods. We need to sell that — we need the rest of the country to understand that Kansas is a great place to work, raise a family, and build their lives.

As Governor, I will see it as one of my primary responsibilities to be the chief spokesperson for our state. I will commit to making sure the nation sees the true Kansas — a leader, a state that is welcoming to all, a place where their children will be inspired to build their lives.

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When anything is going to happen, it happens first in Kansas.

- Former Emporia Gazette Editor, William Allen White

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Plan 2 of 8

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I will also fully engage our administration with TEAM Kansas, an organization made up of business and community leaders to promote the state. If we want our state to grow and attract talented people from across the country, we need a broad set of leaders to come together and collectively make this a priority. I will collaborate with TEAM Kansas on how to position the state. I will also engage them in the recruiting process with a goal of making Kansas a net importer of talented, hard-working people and great new companies.

Finally, we need to make it clear that Kansas welcomes everyone who wants to work hard, participate in our communities, and build their lives in Kansas. We will not tolerate discrimination, but rather embrace diversity and diverse points of view.

***We should get far more credit as a great place to live and work,
a place where great things happen.***

I realize the future can be a bit unsettling. Our economy is changing rapidly. With the right leadership and proactive strategy, we can embrace the future confidently. I have faith in the people of Kansas — in our work ethic, our commitment to families and our communities, and in our willingness to come together to lift up all Kansans. Together, we can create an economy that is the envy of neighboring states. We can create the jobs and opportunities that keep our kids here and allow every Kansan the opportunity to build a better life for themselves and their families.

Greg Orman

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