

Chapter 6: Institutional Recommendations

Each of the three main economic development agencies whose missions were defined in 1986, with the release of the *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy*, now have a 14-year track record of performance, allowing for evaluation of both the strength of the original concept, as well as the implementation of that concept.

The gap from visions and strategies to implementation can be an enormous one unless organizations and structures are put in place, to ensure that the tasks that are laid out are truly accomplished.

Looking back to the implementation of the *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy*, it is tempting to imagine that if the logic is compelling enough, implementation will take place on its own. In fact, the process of implementing those recommendations was long and arduous. The authors of the report, and a variety of concerned stakeholders in and out of government, testified repeatedly to the legislature, both during the regular session and in special joint committee meetings during the summer and fall when the legislature was out of session. Because of the critical nature of economic development as an issue in people's minds and in the press, there were constant reminders of the urgency of the situation—of the need for decisive actions. The results were no less than revolutionary, in a state that prides itself on its conservatism, as even the legislators were astonished at the changes that they had wrought. Looking back, there is little debate about the appropriateness of what was accomplished.

And yet, some of the key goals of the *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy* have not yet been achieved. Diversification of the economy, while well underway, has not moved forward quickly enough in all parts of the state, and these regions are still mired in relatively low-growth industries.¹ And the role for Kansas, Inc. as a key coordinating agency for economic development has not come to fruition, according to the January 2001 Performance Audit Report conducted by the Legislative Division of Post Audit.

¹ Some of the economic pain of this condition has not been felt because of the strong national economy over most of the past decade. Unemployment has remained at record lows, and nearly all sectors have registered some growth. However, the strong national economy has merely masked some of the underlying structural imbalances, and under a less buoyant national economy, the consequences of this structural imbalance on employment, incomes, and quality of life will be felt rather more sharply. The fact that the state is having difficulties balancing its budget at a time when unemployment has been at record lows should serve as an ominous warning to all legislators, public officials and concerned private citizens with the courage to look even a few years into Kansas' economic future.

Revitalizing Kansas, Inc.

To understand why this hasn't happened so far in Kansas, despite sixteen years of having it as an explicit objective of the main agency (Kansas, Inc.) tasked with fostering this kind of development, it may be useful to quote from the Performance Audit Report:²

“Kansas, Inc. was created as an independent, non-partisan agency to oversee the formulation and implementation of economic development policy for the state. A quasi-governmental agency, Kansas, Inc. was intended to be a mechanism for the business, government, and university communities to meet and build a common strategy for economic development.

“To accomplish this overarching purpose, Kansas, Inc. was charged with the following responsibilities:

- Developing a strategic plan for the economic development of the state using input from various stakeholders and research it conducts affecting the Kansas economy.*
- Evaluating the effectiveness of the state’s economic development policies and programs, including programs that are administered by the Department of Commerce and Housing and KTEC.*
- Coordinating the state’s economic development strategy and serving in an advisory capacity to the major economic development stakeholders, including the KDOC&H, KTEC, the Governor, the Legislature, and private organizations.”*

“Kansas, Inc. hasn’t been the key coordinating agency for economic development that originally was envisioned, mostly because it lacks the statutory authority to direct the other agencies. In reviewing the law and discussing Kansas, Inc.’s activities with various officials, we identified several factors that may have limited Kansas, Inc.’s ability to become a leading force in coordinating and evaluating economic development activities in the state:

- Kansas, Inc. has no statutory authority over the other two agencies, so it really can’t coordinate programs and resources. [...]*
- Kansas, Inc. has a small staff and lacks the financial resources to do a significant amount of evaluation work. [...]*
- Kansas, Inc.’s dual role as evaluator and coordinator seems to be in conflict.”*

This study’s findings (see Chapter 3) are basically consistent with the audit’s assessment and imply the need for a clearer definition of the Kansas, Inc. role in economic development. One possible step would be to remove Kansas Inc.’s role as evaluator of economic development programs, allowing it to focus more on coordination, issues identification, and strategic planning, or to delete the coordination role, thereby enabling the agency to focus its effort on strategic analysis, planning, and evaluation.

However, one of the key features of the *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy* recommendations that ought to be preserved is the independence and autonomy of both Kansas, Inc. and KTEC. Only by maintaining that principle can the distinct missions of the three agencies be most effectively pursued. Given the clear primacy of the Department of Commerce and Housing, in terms of budget, staffing, and

² Performance Audit Report, Legislative Division of Post Audit, State of Kansas, January 2001, p. 12-14.

breadth of responsibilities, it would appear more practical to remove Kansas, Inc.'s statutory responsibility to coordinate economic development activities of the other two agencies—this is better left to the Economic Development Cabinet recommended in the action plan below—and to maintaining instead the evaluation function, a role that takes better advantage of Kansas, Inc.'s independence.

Clearer guidelines regarding mission and funding will help to solidify these roles and ensure compatible relationships between the three economic development agencies.

Roles for KDOC&H and KTEC

Unlike Kansas, Inc., KDOC&H, and KTEC do not require restructuring. Both agencies are highly-rated by other economic development agencies, and by academic and business leaders that were polled in our surveys and interviews. Respondents cited the professionalism of their staffs and the quality of management. Obviously, many individual programs run by these agencies need upgrading and realignment, but both agencies are aware of the major requirements, and are already working in many ways consistent with this strategy.

The biggest concern raised from respondents both inside and outside these agencies was the emergence of rivalry between them for funding of economic development activities. Uncertainty regarding funding has led in some cases to lower than optimal levels of collaboration between them.

This situation is not in Kansas' best interest. Both agencies are absolutely fundamental to Kansas' economic future, and both have distinct, well-delineated roles—they do not step on one another's toes in the normal course of events. However, it is quite natural that a rivalry would develop when the overall level of economic development funding kept falling each year. By and large, their staff should be commended for maintaining their professional interactions as well as they have when they felt threatened by the budgetary requirements of their sister agencies.

This rivalry is one additional indicator of the severity of the funding crisis in economic development. The solution to this problem is not to cope with this level of funding, by proposing special new funding mechanisms and ground rules designed to resolve these issues by fiat. The solution to the problem is to fund economic development as originally recommended by the Vision 21st Century Task Force³—at roughly \$1 for every \$1,000 of state output, equal to \$72 million in the year 2000.

³ Note that this report has recommended adoption of 31 of the 33 Task Force recommendations. The only exceptions were the recommendations advocating greater centralization of control in one agency. This is a managerial response to a structural problem. If the economic development agencies are funded at the levels recommended by both reports, many of these issues will recede into the background. If funding continues to fall, centralization may be the only "efficient" solution, but it is not a recommended future for Kansas.