

POLICY ACTION RECOMMENDATIONS

These Policy Action Recommendations have been prepared by the staff of Kansas, Inc., in collaboration with the Board of Directors of Kansas, Inc. The policy recommendations were prepared subsequent to the finalization of the Comprehensive Strategic Plan Update, and were approved by the Board of Directors on September 12, 2001.

Introduction

The 2001 Kansas economic development strategy, *Making the Knowledge Economy Work for all Kansans*, is designed to help stimulate a higher level of wage and employment growth in Kansas' rural, small town, suburban, and urban areas for the long run. Success will be fostered by public and private organizations working together with a common vision to improve the standard of living and quality of life for all Kansans. This report acknowledges that market forces drive the economic growth of any region, but that sound public policy plays a vital role in supporting entrepreneurship and innovation by encouraging and fostering business development. This report, too, will challenge Kansas' leaders now to move boldly forward to prepare Kansas for continued economic prosperity.

The Mission and Vision of a Knowledge Economy

To ensure the highest possible quality of life and standard of living by:

fostering innovation and cooperation;
creating a healthy economic environment;
investing strategically in our people, communities, and business;
educating people for high skills jobs and;
competing successfully in the global economy.

The History

In 1986, at the time of Kansas' first strategic plan, *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy*, known as the "Redwood-Krider Report," all Kansans felt a shared sense of urgency regarding economic development. As a result of their concerted actions, much was accomplished. The first economic development strategy addressed the weaknesses of the Kansas economy that were apparent from the two recessions of the early 1980's. It was during these recessions that the state's inability to compete for jobs with most states in the nation was revealed. The 1986 strategy recommended a number of initiatives designed to narrow this gap. For the most part, these initiatives bore successful results. From 1987 to 1991, Kansas' employment increased 8.3%, an increase that outpaced both the nation (6.1%) and the region (7.8%).

The second economic development strategy released in 1993, *A Kansas Vision*, revealed a new weakness in the state—low growth in manufacturing productivity and low personal income growth. The third economic development strategy published in 1997, *A Kansas Vision for the 21st Century*, was designed to be a framework, not a blueprint. The 1993 and 1997 state

strategies became themes that were not implemented fully, in large measure because the nation, region, and state of Kansas were experiencing the longest period of economic expansion in the history of the United States.

Making the Knowledge Economy Work for all Kansans

Today, the nation's economy has significantly slowed, unemployment rates have begun to rise, and the Federal Reserve has lowered interest rates nine times this year in an effort to head off a recession. Yet, as a slowing economy results in state revenue shortfalls, Kansans cannot afford to rely on federal policy makers to ensure a bright future. We must accelerate economic growth. Yesterday's complacency has been replaced by a sense of urgency and, with it, recognition that there are serious challenges that must be overcome. These challenges require that the state make hard policy choices on politically-sensitive issues necessary to support the vision of what Kansas can become in the next decade. Consequently, *Making the Knowledge Economy Work for all Kansans* represents the most ambitious look at state strategic planning in nearly fifteen years.

Challenges

This report addresses serious challenges that require specific policy recommendations. These challenges, and the recommendations designed to meet them, include:

1. The need for sufficient, sustainable enhancement in economic development.
2. The importance of a better-educated, better-trained, and adaptable workforce.
3. Implementation of a strong information technology and communication plan that will bring the benefits of cutting edge technology to all Kansans.
4. Policies to stabilize and rebuild rural Kansas.
5. The enhancement of Kansas through:
 - a. Globalization of markets.
 - b. Improved tax policies for business and individual taxpayers.
 - c. Increased tourism promotion.

Strategic Objectives

To address these challenges, this synthesis of the 2001 Kansas Strategic Plan for Economic Development provides five strategic objectives, and forty-seven policy recommendations designed to hasten Kansas' diversification away from low value-added occupations and commodity-dominated markets to a more prosperous and dynamic Knowledge Economy.

The proposed strategic objectives that address these challenges include:

1. Integrated framework for statewide economic development.
2. Workforce development.
3. Enhanced technology and commercialization.
4. Rural, environmental, and natural resources improvement.
5. Making Kansas industries and communities more competitive.

Challenge One: Enhancing Economic Development

In the years since its inception, the Economic Development Initiative Fund (EDIF) has fallen prey to a diversion of dollars to fund programs that may only marginally be defined as “economic development” and to the replacement of State General Fund support for economic development agency operations and salaries. This is contrary to the original intent of *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy*, which stated on page 7:

12. To achieve a significant long-term improvement in the economic base, the state will need to make a large and sustained funding investment over the next decade to support a well-designed package of economic development initiatives. This will be necessary not only because the economic problem facing Kansas is a difficult one, but also because most other states are already making large investments in economic development and have been doing so for several years...

While the challenge facing Kansas is not an insurmountable one, it will be difficult, and it will require substantial investment. A strong commitment will be necessary in funding by the Legislature, in planning by the executive branch, and in-cooperation by Kansas organizations.

EDIF monies need to be fully recommitted as the near term source for this necessary state investment. The increasingly competitive environment for Kansas and the intense competition for limited EDIF dollars necessitates a renewed commitment on the part of all Kansas stakeholders. In the long term, a consistent benchmark of increasing investment is required to sustain existing economic development programs and allow for the introduction of innovative and creative new programs detailed herein.

In addition, successful economic development requires a broad sharing of the most current economic analysis. This includes discussion on the impact of local, regional, and national trends. It will require that the state act upon recommendations that respond to current needs and lay the groundwork for the future. States enjoying the greatest success have found that organizing effectively for economic development purposes means: creating a shared vision for the future, effective communications, long-term vision achieved through short-term results, establishing effective public/private partnerships, identifying and nurturing the emergence of leaders, and utilizing existing resources, such as regional universities, to support economic development objectives. These goals, foreshadowed in the 1986 *Redwood-Krider Executive Report: Basic Findings, Implications and Strategy*, and strongly urged in the 1997 *Kansas Vision for the 21st Century*, are addressed in Strategic Objective One.

Strategic Objective One: Integrated Framework for Economic Development

Policy One:¹ Remove the cap on lottery funds available for economic development programs. Transfer non-economic development programs currently financed from the lottery by moving them into the state general revenue fund. Renew funding of operational and salary expenses for economic development agencies from the State General Fund.

¹ Chapter: 1-2, 5-11, 5-12, 6-4, 7-7, KCCI, KDOC&H, page 17, and KTEC
Kansas Inc.

Outcomes: Investment in economic development keeping pace with the rate of inflation.

Responsibility and Accountability: Governor's Office, Kansas Legislature, Kansas Department of Commerce and Housing (KDOC&H), Kansas, Inc., Kansas Technology Enterprise Corporation (KTEC), and Kansas Chamber of Commerce and Industry (KCCI).

Policy Two:² Convene a Governor's Economic Development Summit.

Outcomes: Increase government and business interaction among high-level officials by fostering economic development coordination and a practical approach to meeting current challenges locally, nationally, and internationally.

Responsibility and Accountability: Governor.

Policy Three:³ Establish an Economic Development Cabinet that meets periodically (at least quarterly), under chairmanship of Kansas' Governor.

Outcomes: Meetings of high-level public and private sector leaders will foster economic development coordination, and set an agenda for the annual legislative session. Develop agreed-upon policies for addressing challenges and opportunities.

Responsibility and Accountability: Governor, by Executive Order, and Kansas, Inc. At a minimum, members to include KTEC, KDOC&H, Kansas, Inc., Human Resources, Board of Regents, Department of Education, and appropriate private sector leaders.

Policy Four:⁴ Develop and implement at a central location (Topeka) economic development orientation programs for legislators. Develop leadership education and training models that include best practices review, analysis of regional and local economic issues across the state, and analysis of local and regional strategy coordination.

Outcomes: Increase efforts to better inform the Kansas Legislature on the importance of economic development, based on broad understanding of the inter-relatedness of statewide issues.

Responsibility and Accountability: President of Senate and Speaker of the House, Kansas Chamber of Commerce Executive and Kansas Industrial Developers Association (KIDA).

Policy Five:⁵ Identify and remove all legal impediments to inter-governmental cooperation, and develop recommendations to remove obstacles for collaboration.

² Chapter: 1-2, 5-5, 7-3, Appendix: 5, and Strategy

³ Chapter: 1-2 and 7-3

⁴ Strategy

⁵ Chapter: 5-8, 5-9, 7-9, Appendix: 4

Outcomes: Achieve economies of scale consistent with the demonstrated need for public services. Enable reduction in taxing units, and more efficient utilization of collected revenues by local communities redrawing their own governmental service delivery boundaries. Increase disposable income through a reduced mil levy.

Responsibility and Accountability: Kansas, Inc. is responsible for the study to identify the impediments, with assistance from Kansas Association of Counties and League of Kansas Municipalities. Legislature is responsible for enacting new policy.

Policy Six:⁶ Implement performance-based budgeting and management for state agencies.

Outcomes: Increase state agency accountability, improve budgetary process, and increase public confidence in government.

Responsibility and Accountability: Legislature.

Policy Seven:⁷ Increase multi-county initiatives that promote innovative service delivery through the use of performance-based incentives.

Outcomes: Application of e-government; coordination of emergency/medical care, waste recycling, and law enforcement; collaboration of Convention and Visitor Bureaus (CVBs) and tourism promotion; encouragement of multi-county strategic planning, workforce development, and transportation initiatives.

Responsibility and Accountability: Legislature and local governments.

Policy Eight:⁸ Develop a matching grant program that will help finance infrastructure and speculative commercial and/or industrial development in rural communities.

Outcomes: Creates user-ready infrastructure and/or buildings.

Responsibility and Accountability: KDOC&H, Legislature, and local communities.

Policy Nine:⁹ Kansas Inc. remains an independent objective and non-partisan organization that builds consensus among industry and private sector leaders. With increased funding, the agency focus is on research, evaluation, and long-range strategic planning related to the issues affecting state, national, and global conditions. Kansas, Inc. sets aside the coordination function for economic development agencies.

Outcomes: Agency broadens its base of activities in the areas of research and information dissemination related to trends and conditions affecting Kansas. Agency increases focus on public and private dialog and leadership development.

Responsibility and Accountability: Kansas, Inc. and Legislature.

⁶ Appendix: 6

⁷ Strategy

⁸ Chapter: 5-9, Appendix: 4, Strategy, and KDOC&H, page 4

⁹ Chapter: 1-5 and 5-12

Challenge Two: Educated, Trained and Adaptable Workforce

While the workforce development programs of the KDOC&H have achieved success, programs could be even more successful if funding limitations or program eligibility rules were addressed, and if the state's workforce training system were appropriately targeted and coordinated. Good policies in individual industry sectors and better utilization of technology and other resources will have a significant impact on the economy if the state's labor force is even better qualified, motivated, and more technically competent as a result of a more flexible, multi-functional educational system. This system must be staffed with the best and brightest teachers, provide seamless integration of educational opportunities at all levels, continually adapt technical preparation to evolving private sector needs, and emphasize a strong commitment to lifelong learning. Knowledge workers are the basic competitive advantage in the new global economy.

Strategic Objective Two: Workforce Development

Policy Ten:¹⁰ Enhance the Kansas Training Equipment Grant program by increasing the size of the fund.

Outcomes: Allows award size to increase; generates greater interest among training institutions; and enables institutions to provide training that better meets the needs of businesses.

Responsibility and Accountability: KDOC&H and Legislature.

Policy Eleven:¹¹ Starting in fiscal year 2003, with the expiration of federal funding, Kansas should assume responsibility for the School-to-Career program. The state should provide enhancements over and above the federal funding levels available in previous years. The policy must include benchmarking to measure our level of success.

Outcomes: Continue development of local partnerships that have a track record of success, improve service to students, and allow for creation of new local programs.

Responsibility and Accountability: KDOC&H and Legislature.

¹⁰ KDOC&H, page 12 and KCCI

¹¹ KDOC&H, page 12

Policy Twelve:¹² Support implementation of a workforce development infrastructure that: (1) develops a seamless regional system of appropriate education resources applied to vocational and technology education, (2) emphasizes remedial adult education, (3) addresses the need for increased math, technology and science in K-12, (4) encourages lifelong learning, (5) recognizes the need for immigrant education, (6) provides soft skills training, (7) assures adequate early childhood care, education and health, and financing, (8) provides business incentives for training, (9) provides career information including wages and benefits, (10) supports development of career fairs, (11) activates interactive online training, and (12) builds a reliable system that identifies employer needs and worker availability.

Outcomes: Increases wages and education. Retain younger workforce.

Responsibility and Accountability: Kansas Workforce Investment Partnership (KWIP), Kansas Board of Regents with help of the Board of Education, Kansas Legislature, and Kansas Economic Development Cabinet.

Policy Thirteen:¹³ Adopt a technical education system that is market-driven and recognizes business as the primary consumer of the services.

Outcomes: State and local workforce agencies and business community leaders will make logical choices about public policy and where to focus expenditures.

Responsibility and Accountability: Kansas Board of Regents with help of the Board of Education and the Kansas Legislature.

Policy Fourteen:¹⁴ Assure, on a going-forward basis, that the current state funding formula for community colleges and vocational schools supports employment growth and enhances the Kansas economy.

Outcomes: Improves economic development funding and targeting.

Responsibility and Accountability: Kansas Board of Regents and Legislature.

Policy Fifteen:¹⁵ Invest in a state-of-the-art training center with which to assure sufficient workforce to meet industry needs of Wichita's world-class aviation manufacturing center.

Outcomes: Creates a world-class training center to meet the aviation industry's workforce needs.

Responsibility and Accountability: Public and private sector leaders.

¹² Chapter: 1-3, 5-12, 5-13, 7-7, 7-8, Appendix: 9, 10, 11, 12 and Strategy

¹³ Strategy

¹⁴ Strategy

¹⁵ KDOC&H, page 12

Challenge Three: Information Technology/Communications Plan

Many Kansas firms and communities, especially those based in rural areas, are not growing at the same rate as the United States average. Many of these communities do not have access to advanced information technology infrastructure nor, in too many instances, is there recognition that the development and application of new technologies benefits all of Kansas. While Kansas is not widely recognized for world-class research institutions, it is home to a number of world-class researchers. Yet, institutions that have leading researchers do not offer strong incentives for commercializing research technologies. Local industry does not, therefore, benefit to the extent possible from the research capabilities that exist as a result of state investments. Promising technologies that utilize agricultural resources to produce new materials, energy sources, and food products, are under-exploited because of inadequate commercialization infrastructure. Currently, Kansas, with 1% of the national population, does not receive its fair share of the federal competitive research dollar. Between 1998 and 2000, the state's share amounted to only about 0.5% of available federal research funds from National Science Foundation (NSF).

One example of an ambitious initiative, echoing Senator Pat Roberts' challenge issued in the Spring of 2001, calls for the state to offer and guarantee \$120 million in construction bonds for research infrastructure. In his July 13, 2001 testimony to the Joint Committee on State Building Construction, Board of Regents' Chairman Clay Blair stated that a strategic partnership is needed "to be maximally effective in securing additional federal dollars." He proceeded to outline specific guidelines for participation of both the state and the Board. On July 29, 2001, Senate President Dave Kerr announced his support for the Board of Regents' proposal, extending the challenge to lawmakers to move forward with "creative ideas."

Strategic Objective Three: Enhanced Technology and Commercialization

Policy Sixteen:¹⁶ Design and implement, supported by sufficient funds, a program to diffuse broadband Internet statewide as a part of the integrated information and communications plan. Provide a digital assessment of Kansas' information technology to build creative, linked communities. Identify all resources in the state that can be leveraged as a part of the state broadband network. Develop incentives for industry and government to create the network. If private industry cannot be motivated by existing policies, consider policy changes to assure availability of this resource.

Outcomes: Extend broadband Internet access to every town, farm and ranch in Kansas. Build "creative communities" connecting families and communities.

Responsibility and Accountability: Board of Regents, State's Chief Information Technology Officer and Committee, and Information Network of Kansas (INK).

KTEC, in coordination with the Kansas research universities, has already completed a foundational plan outlining a statewide integrated strategic technologies direction.

¹⁶ Chapter: 1-3, 5-7, 5-14, 7-4, and Strategy. Cost is \$13 million to implement. KAN-ED legislation enacted by 2001 Legislature provides funding in the amount of \$450,000 for development of implementation plan.

Published as the *2000 Kansas Strategic Technology Cluster Assessment and a Plan for the 21st Century*, this initiative identifies four strategic technology areas: (1) information technology, (2) aviation, (3) human biosciences, and (4) agricultural biotech. Its funding has been proposed in the form of an annual \$19.7 million KTEC budget enhancement. The proposal of the Board of Regents, supported by Senate President Dave Kerr, parallels the 2000 Kansas Strategic Technologies Initiative in total dollars and strategic targets.

Policy Seventeen:¹⁷ Assure funding for the current Kansas Strategic Technologies Initiative, a five-year program of \$19.7 million annually, for a total of \$98.5 million. Increase investment in research infrastructure by targeting areas of existing and emerging cluster technology opportunity strategic to the state. Update the plan regularly.

Outcomes: Creates a shared understanding of fundamentals necessary for healthy economic growth, and new/improved programs that support industry growth. Implementation of the policy will (1) adopt a consistent benchmark level of investment specified to maintain, increase and sustain competitive positioning in the global economy, (2) maximize a return on investment from all science and technology cluster activities, (3) capitalize on existing strengths such as aviation and energy and emerging innovative capacities and opportunities such as nanotechnology and polymers, (4) establish a diversified Kansas economic base, and (5) attain higher levels of innovative capacity and productivity in areas such as composites, avionics and micromanufacturing.

Further, it will (1) support efforts to identify emerging global opportunities where Kansas researchers are proven innovative leaders, such as in nanotechnology and polymers, (2) propose competitive strategies for continued leadership in existing industries including aviation and energy, (3) recommend the ongoing levels of appropriate investment in existing and emerging strategic areas, (4) provide ongoing cluster development plans and new definitions that would be more consistent with long term new economy strategy for Kansas, (5) propose recruiting and retention programs to complement the redefined cluster strategy for Kansas, (6) and develop a strategically-focused state research investment policy based upon redefinition of the Kansas Center of Excellence Program that will assure sustained research competitiveness on national and global levels.

Responsibility and Accountability: Legislature, in conjunction with the KTEC recommendation, and appropriate direction, oversight and review from the current Centers/EPSCoR Committee and others.

¹⁷ Chapter: 1-3, 5-11, 5-14, 7-4, 7-7, 7-8, A: 12, Strategy, and KTEC. Cost is \$19.7 million per year for five years.

Many large corporations shelve patents that do not fit within their core business strategy. Kansas has the opportunity to become the clear national leader in acquisition, development and commercialization of acquired patents. KTEC and the Mid-America Commercialization Corporation are currently national leaders in this emerging business opportunity, having acquired more than 150 patents from corporate America.

Policy Eighteen:¹⁸ Increase KTEC commercialization funds to allow for expansion of the current statewide Technology Acquisition and Development and Commercialization (TADAC) program administered through the Innovation-Commercialization (ICC) network.

Outcomes: The program will selectively identify specific patents that play to Kansas' resources and capacity, target them for acquisition, and subsequently develop and commercialize them through Kansas universities and companies.

Commercialization will create new start-up companies with robust market potential, resulting in new job creation, revenue, and investment as those companies grow; provide royalty receipts from licensing to third parties; leverage capital and resources from donating companies; and increase the number and value of patents held in Kansas.

Responsibility and Accountability: KTEC, ICC's and Legislature.

Policy Nineteen:¹⁹ Develop a low-interest revolving loan fund to be used for telecommunication infrastructure purposes by communities whose percentage of low-to-moderate income (LMI) residents does not meet the threshold for Community Development Block Grant (CDBG) eligibility. Funds would become available on a competitive basis in the form of grants to qualifying communities.

Outcomes: A telecommunications infrastructure fund, used in conjunction with CDBG, will help finance locally-initiated telecommunications projects.

Responsibility and Accountability: KDOC&H and Legislature.

¹⁸ Strategy and KTEC

¹⁹ KDOC&H, page 4

Strong and competitive clustering activity within and across strategic technologies is a critical component of a high-quality business environment and the driving force behind innovation, rising productivity and the future prosperity in a region. This activity is sustained by strengthening the cooperative partnership among private sector leaders, institutions of higher learning, and governmental policy makers. Top leadership within the academic system must aggressively reach out to facilitate linkages with government and the private sector.

Policy Twenty:²⁰ Develop collaborative economic development initiatives and programs that encourage private-public partnerships that stimulate the economy.

Outcomes: It will (1) strengthen linkages among academia, government and the private sector in order to accelerate diffusion of technologies across the state, (2) increase the adoption of better business practices statewide, (3) create and establish meaningful alliances encouraging emergence of true clusters, (4) expand opportunities for Kansas businesses to compete in their existing and emerging markets, (5) increase worker productivity through greater efficiencies and less duplication of efforts, (6) augment financial support for Research and Development (R&D) at research universities, (7) attract faculty and students, (8) ensure a continuing skilled labor pool and cultivate future entrepreneurs; stimulate and sustain greater innovative capacity, (9) produce regional growth sustained by competitive advantage in world-class R&D.

Responsibility and Accountability: Primary responsibility rests with Kansas Board of Regents, KTEC, KDOC&H, and Kansas, Inc. As this entails a private/public partnership for successful implementation, state and community leaders from all three sectors—academia, government and private business—need to step up to the table.

Policy Twenty-One:²¹ With a balanced focus on carrier and community needs, consider the development of SATS (Small Aircraft Transportation System) supported by appropriate development of airport facilities infrastructure.

Outcomes: Expands air service statewide made affordable through assistance from National Aeronautics and Space Administration (NASA) and the National Institute of Aeronautics (NIA).

Responsibility and Accountability: Division of Aviation and NIA.

²⁰ Chapter: 1-2, 5-11, 5-13, 7-6, Appendix 7, 9, Strategy and KTEC

The Applied Research Matching Fund (ARMF) fund has been in existence since KTEC's inception, providing companies R&D money to ready their technology for commercialization. Award recipients must match KTEC dollars at a ratio of 1.5 to 1 and pay back a percentage of sales on resulting products. However, the annual funding level has remained unchanged for 15 years, and there is an artificial maximum on the total awards to a single company. Budget limitations translate into a limited number of participants.

Therefore, the program has failed to keep pace with the increasing costs of R&D, increasing speed to market, and the continued lack of early-stage seed and venture capacity in the region. Increased funding will give emerging companies the resources needed to prove their technology, and increase the speed to market of new Kansas-developed products, thereby accelerating the success rate and royalty return on projects.

Policy Twenty-Two:²² Increase funding for applied research and product development (ARMF) administered by KTEC.

Outcomes: The program has proven successful as measured by return on investment. Additional funding will increase private company leverage, increase the number and quality of patents filed, increase the number of successful company start-ups, create high-wage jobs for Kansas graduates, enhance company revenues resulting from new products, and augment royalty returns to the program that may be reinvested.

Responsibility and Accountability: Legislature in conjunction with KTEC recommendation.

²² KTEC
Kansas Inc.

Challenge Four: Rebuilding Rural Kansas

One historic strength is that Kansas has a good mix of rural, suburban, and urban areas. The small towns and rural areas of Kansas, in particular, have long been viewed as the backbone of the state. In recent years, however, it has become clear that rural areas are facing daunting challenges. Infrastructure is eroding, particularly in the areas of housing and health care. Recent figures from the United States Census Bureau show that most small towns and rural counties in Kansas continue to lose population. Economic opportunities in much of rural Kansas are limited, forcing residents of these areas—particularly young adults—to move to urban areas or out of the state to find fulfilling work opportunities. The challenge for the state is to bolster rural areas so that they can share in the good fortune that the state’s metropolitan areas have been experiencing. The future of agriculture-based rural communities depends upon implementation of improved production methods, development of new product lines, and our ability to enhance a brand identity for Kansas’ agricultural products as being of the highest nutritional value and food safety standards.

Kansans are increasingly aware of and concerned about looming shortages of basic resources—mainly energy and water resulting from the depletion of the Ogallala Aquifer. In addition, there are excellent opportunities available in both the oil and gas sector, and from renewable energy sources (wind, solar, biomass, energy cells). Many of these opportunities are best situated for commercial development in rural Kansas. To take advantage of these opportunities will require a cohesive state energy policy and an enduring commitment to its implementation. Among others, the policies should include incentives for the utilization of biotechnology in plants which use less water, use of technology to incorporate water systems which are efficient in water use, and promotion of sound land use, water use, and air quality. These issues are addressed in Strategic Objective Four.

Strategic Objective Four: Rural, Environmental and Natural Resources Improvement

Policy Twenty-Three:²³ Expand/create funding source for soft financing to subsidize first-time homebuyers.

Outcomes: Increase rural communities’ tax base and revive local housing markets. Homebuyers’ personal wealth increases through the purchase of an appreciable asset.

Responsibility and Accountability: KDOC&H and Legislature.

Policy Twenty-Four:²⁴ Create a new disaster recovery fund that will bridge gaps in existing coverage for communities and business as they seek to recover from natural disasters.

Outcomes: Small business not currently eligible for existing programs would become eligible for assistance under a new enhanced benefit plan.

Responsibility and Accountability: KDOC&H and Legislature.

²³ KDOC&H, page 5

²⁴ KDOC&H, page 4

Policy Twenty-Five:²⁵ Create a separate funding stream targeted for training nursing and health care workers in order to meet the needs of an aging rural populace and to support the advent of telemedicine delivery systems. Trainee recipients would be required to serve a period of time in a rural community setting as a qualification for funding their training.

Outcomes: Increases pool of nurses, nurse aides, and technicians, to provide for workforce shortages in the field.

Responsibility and Accountability: Kansas Board of Regents, KDOC&H, and Legislature.

Policy Twenty-Six:²⁶ Expand access to Kansas Industrial Training/Kansas Industrial Retraining (KIT/KIR) programs by: (1) reducing the minimum number of employees required to participate, (2) including preference points for rural projects in the funding factors for these programs, (3) setting aside a portion of KIR funds for rural training initiatives, and (4) increasing level of involvement and discussion between rural businesses and KDOC&H training and field staff.

Outcomes: Broadened rural participation in Kansas Industrial and Retraining (KIT/KIR) programs will support revival of small rural business, create new jobs, and increase local tax base.

Responsibility and Accountability: KDOC&H and Legislature.

Policy Twenty-Seven:²⁷ Establish and fund a grant program that will enable local communities to derive the full benefit of an emerging new generation of leadership.

Outcomes: At-risk communities will be revitalized by strong local leadership (one that complements new investment in physical infrastructure and marketing).

Responsibility and Accountability: KDOC&H and Legislature.

Policy Twenty-Eight:²⁸ Implement a local enterprise development program using CDBG technical assistance funds matched by private industry and local sources. Restructure the micro-loan program to operate jointly with the local enterprise development process. Communities establishing such programs would receive CDBG micro-loan awards for use in encouraging the growth and development of small businesses.

Outcomes: Through this process, communities help fledgling businesses identify their needs and use a broad cross-section of community resources to help meet those needs. New businesses would be incubated and mentored as a result.

Responsibility and Accountability: KDOC&H and Legislature.

²⁵ KDOC&H, page 6

²⁶ KDOC&H, page 6

²⁷ KDOC&H, page 6

²⁸ KDOC&H, page 7

Policy Twenty-Nine:²⁹ Support small communities by establishing a consolidated marketing campaign that targets companies with a specific interest in locating in rural areas.

Outcomes: Create business awareness of opportunities in small-town Kansas.

Responsibility and Accountability: KDOC&H and Legislature.

Policy Thirty:³⁰ Create and fund programs to provide technical and financial assistance to Kansas' agricultural producers and distributors in the development of value-added products. Develop a marketing system that will increase producer participation in value-enhanced direct marketing. Provide funding for consultants to deliver technical assistance in such areas as business and financial planning, market analysis, business structure, and capitalization.

Outcomes: Based on sound business practices, increase new jobs and investment in rural Kansas. Maximize prospects for success.

Responsibility and Accountability: KDOC&H, Kansas Department of Agriculture, and Legislature.

Policy Thirty-One:³¹ Create effective and adequately fund policies to provide for conservation, protection and proper use of natural resources.

Outcomes: Develops and implements consensus-based and sustainable water use policies. Air and water quality are enhanced.

Responsibility and Accountability: Kansas Department of Health and Environment, with assistance from the Conservation Commission, Department of Agriculture, Parks and Wildlife, and Legislature.

²⁹ KDOC&H

³⁰ KDOC&H, page 8

³¹ Section: 2-1, and Chapter: 5-15

Policy Thirty-Two:³² Create a state energy policy council that will provide strategic focus on opportunities in the expansion of existing and development of new energy resources. This should lead to a statewide strategic plan for development and utilization of Kansas' energy resource base (oil and gas, electricity generation and transmission, wind, solar, biomass, other alternative sources and technologies).

Outcomes: Kansas supports its traditional oil and gas industry while ramping up alternative energy source capabilities. Kansas perpetuates its position as a net exporter of consumer-ready energy. Kansas prepares itself for the day in which oil and gas is no longer the significant force in the economy. The state is positioned to be a net exporter of end-use energy supplies in the 21st century. Kansas is a leader of new technology in oil and gas production, and through support for the development of new energy technology, establishes itself as a national resource center in areas of energy and production. Kansas continues to be a net energy exporter.

Responsibility and Accountability: Governor, Legislature, and Congressional delegation.

Policy Thirty-Three:³³ Support Kansas agriculture by creating and funding research and development programs at various Regents' institutions, targeting new product development, food safety assurance, and maximization of nutritional value.

Outcome: Diversifies commodity agricultural product base while developing new value-added products that have a highly-marketable Kansas brand identity.

Responsibility and Accountability: Department of Agriculture, KDOC&H, and Board of Regents.

Policy Thirty-Four:³⁴ Increase funding for agricultural products marketing within the Department of Commerce and Housing.

Outcome: Enhances Kansas' brand identity, broadening the markets for its products.

Responsibility and Accountability: KDOC&H.

³² Strategy and Energy Plan of 1992

³³ Kansas, Inc. Board

³⁴ Kansas, Inc. Board

Challenge Five: Compete Successfully in the Global Marketplace, Improve Tourism and Tax Policies

Strategic Objective Five: Make Kansas Industries, Agriculture and Communities More Competitive

Globalization

Because of its exceptional strength in aerospace, basic manufacturing, and agricultural production, Kansas has readily adapted to the new global marketplace. Unlike some states, Kansas has enjoyed a competitive advantage in these industries, and it has more recently emerged as a significant player in the provision of global services. Yet, the state's full global potential remains largely untapped³⁵. To achieve the full potential of the Kansas economy and people in the global knowledge economy, a strong and sustained policy commitment must be made to opportunity identification, skill development, building relationships, and to facilitating transactions that will maximize Kansas' role in the world marketplace. The state must develop programs that will get more companies involved in world markets and help increase the exports of those already selling their goods outside the United States.

Although international business already plays a significant role in the Kansas economy, the export potential of many Kansas businesses remain largely untapped. The proposals in this section are directed to realizing the state's full potential—by making businesses aware of global opportunities for their services or product, making communities more aware of international trade issues, and increasing awareness of Kansas and its products on the part of customers and investors in other counties.

Policy Thirty-Five:³⁶ Work with university global business programs to develop an international business mini-course and expand technical assistance to companies that have the capacity to/or are in the beginning stage of establishing international marketing plans, but may be reluctant to enter export markets for lack of technical assistance. Assistance would be directed toward those from rural areas, and small business owners/managers through online delivery or through availability of “helplines.”

Outcomes: Enables officials to encourage and prepare local business to enter export markets by creation of international programs. Educates companies on export marketing rules and procedures who are more likely to engage in global trade.

Responsibility and Accountability: University of Kansas Center for International Business Education and Research, KDOC&H, and University of Kansas CIBER.

³⁵ Kansas, Inc, Annual Survey of Kansas Manufactures and Exporters, February 1999 and December 1999.

³⁶ KDOC&H, page 9 and 10
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Policy Thirty-Six:³⁷ Expand the presence of Kansas' full-service export marketing services in areas of greatest new market potential.

Outcomes: Expands Kansas' exporter service.

Responsibility and Accountability: KDOC&H.

Policy Thirty-Seven:³⁸ Increase marketing of the state and its services and its agricultural and manufactured products to global audiences through advertising, enhanced trade show participation, and support for local chambers of commerce and economic development groups to join trade missions.

Outcomes: Strengthens Kansas' global presence by increasing sales and creating new jobs in Kansas.

Responsibility and Accountability: KDOC&H.

Policy Thirty-Eight:³⁹ Enhance efforts for university recruitment of international students by linking universities, and KDOC&H's international offices, in order to organize missions for student recruiters.

Outcomes: An expanded recruitment program would result in more international students attending Kansas' universities. Students spending millions of dollars annually in tuition and living expenses will help to globalize local communities. It will also create a positive impression of Kansas in the minds of international students that will long survive their short stay in the state.

Responsibility and Accountability: KDOC&H and Kansas Board of Regents.

Policy Thirty-Nine:⁴⁰ Continue to benchmark exports based on 1999 *Annual Survey of Kansas Manufactures and Exporters* (ASKME) studies.

Outcomes: Systematic market analysis will enable policy makers and business leaders to know what is working in what markets and how to utilize marketing resources to the maximum effect.

Responsibility and Accountability: Kansas, Inc.

Policy Forty:⁴¹ Strengthen and increase emphasis and linkage between the state's global economic development officials and the United States Army Command and General Staff College at Fort Leavenworth, thereby taking advantage of Kansas' unique opportunity to build lasting relationships with senior military officials from around the world, many of whom will likely emerge as their nation's political leaders. This exercise in relationship-

³⁷ KDOC&H, page 11

³⁸ KDOC&H, page 11

³⁹ KDOC&H, page 11

⁴⁰ Kansas, Inc.

⁴¹ Kansas, Inc.

building should engage the state's highest political and business leaders in social and educational interaction with foreign students and their families attending the Command and General Staff College.

Outcomes: Successful trade is predominantly relationship-based. Building and constantly nurturing new relationships with emerging leaders of existing and potential trading partners expands Kansas' trade base and diversifies the market with which we do business. By broadening the portfolio of relationships, risky over-reliance on any single market will be reduced.

Responsibility and Accountability: Governor and KDOC&H.

Policy Forty-One:⁴² Provide seed capital, matched by institutional funding, to establish a Board of Regents program in which public and private organizations partner to attract strategically important grants and contracts building relationships in developing markets.

Outcomes: Create an independent consortium attached to the office of the Executive Director of the Board of Regents to aggregate existing educational and training resources of the state in a neutral site, to identify, pursue, and satisfy the needs of emerging economies for market development assistance and for democratic institution strengthening, and to seek and to obtain contracts supported by multi-lateral and non-governmental organizations. Kansas' educational and training institutions will access new sources of funding into which to expand global relationship-building opportunities. Developing countries will become new markets for the export of Kansas' services, expanding the state's economic base.

Responsibility and Accountability: Kansas Board of Regents and Legislature.

Tax Incentives

The state of Kansas has used a mix of incentives and programs available to business. These have resulted in an impressive record of attracting investment that creates and retains jobs. Business recruitment efforts, however, often encounter program rules that impair the effectiveness of these programs or tax policies that discourage businesses from locating in Kansas. Changing some programs and policies could help the state attract more businesses.

Policy Forty-Two:⁴³ In advance of the 2004 session, Kansas, Inc. should expand its study on tax impacts and the relative cost of doing business in Kansas to review the state's tax code and to report to the Governor and Legislature its effect on economic development. Aspects of the present code may be called into question by such a review. For example, Kansas, a unitary income tax state, uses a three-factor formula to apportion a company's worldwide income in calculating Kansas' tax liability. Current methodology may be an impediment to business growth within Kansas. The Interim Joint Committee and Taxation should, as part of its continuing charge, study taxes and incentives to determine if tax policies encourage or hinder economic development. Appropriate legislation should follow this review.

⁴² Kansas, Inc.

⁴³ Chapter: 1-4, 5-6, 5-8, 7-5, A-6, and Strategy. Existing Kansas, Inc. funds.

Outcomes: Neutralize tax impacts on industry.

Responsibility and Accountability: Kansas, Inc., Department of Revenue, KDOC&H, KCCI, and Kansas Legislature.

Policy Forty-Three:⁴⁴ Allow the sale or transfer of tax credits among companies or individuals who have sufficient tax liability to use them. For investment that surpasses prescribed threshold levels, create an income tax rebate program that provides direct cash rebates to companies creating jobs, payroll, and investment in Kansas.

Outcomes: Encourages companies to make capital investment in the state.

Responsibility and Accountability: KDOC&H and Legislature

Policy Forty-Four:⁴⁵ Renew commitment to providing incremental relief through increasing the rebate of property tax paid on machinery and equipment.

Outcomes: Increase levels of capital investment.

Responsibility: KDOC&H and Legislature.

Policy Forty-Five:⁴⁶ Enact the venture capital bill (HB 2505 for FY 2001).

Outcomes: Small business growth and economic diversification. Facilitate formation of \$40 million in investment capital gained from a \$20 million tax credit, the fiscal impact of which will be spread over ten years. Additional economic impact will be achieved, as foregone revenues will be offset by broadened tax base.

Responsibility and Accountability: Kansas, Inc., and assistance from KTEC, KDOC&H, and KCCI.

Tax Policy

Taxes are necessary to help fund essential governmental services—but, to inspire public confidence, tax policy must be fair and clear to all taxpayers, and it must respect private economic decisions in order for everyone to benefit from economic growth. State and local tax policy requires tradeoffs since there is no perfect tax or perfect tax system. Therefore, all tax policy has to balance competing principles and criteria. An appropriately-balanced tax system must strive to be: (1) Growth-enhancing: Tax policy should foster strong economic growth, job creation, and a rising standard of living for all Kansans, (2) Efficient: Tax structures should minimize distortions of both household economic decision and capital and labor allocations by business, (3) Economical: Each taxing jurisdiction should set tax collections as low as possible to finance justified levels of public expenditures over time, (4) Clear: Tax structures should be simple, understandable, and predictable, and (5) Equitable: The tax burden should be equitable in impact on all Kansans.

⁴⁴ KDOC&H, page 13

⁴⁵ KDOC&H, page 14

⁴⁶ Chapter: 7-7. Cost is \$20,000,000.

Policy Forty-Six:⁴⁷ Tax rates, such as income and property, should be structured so that they are competitive with neighboring states. The Kansas Legislature should enact recommendations set forth in the December 1998 *Report of the Governor's Tax Review Committee*. The Legislature should provide for permanent analysis of Kansas' tax system designed to instill public confidence in the fairness, efficiency and transparency of the revenue-generating system.

Outcomes: Creates income tax and property tax rates more in line with surrounding states. Reduces the percentage of the state's reliance on business tax revenue.

Responsibility and Accountability: Legislature is responsible. State government is accountable.

Tourism

Policy Forty-Seven:⁴⁸ Bring Kansas' tourism promotion expenditures up to the middle third of all states. This would include enhanced funding for general advertising, tourism alliance grants, trade show assistance, international tourism promotion, increased television advertising, and new travel information centers.

Outcomes: Creates additional revenue for all parts of the state. Enhances the state's external image and allows for stronger domestic and international marketing efforts through increased media exposure. In addition, an increase in foreign tourist visits will globalize Kansas' communities, and raise the profile of the state, which would provide some assistance to our trade promotion efforts.

Responsibility and Accountability: KDOC&H, Legislature, and KCCI.

⁴⁷ Kansas Chamber of Commerce, and Report of the Governor's Tax Review Committee, December 1998

⁴⁸ Chapter: 5-5, 7-9, Appendix: 5, 8, Strategy, KDOC&H, page 3 and 15
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