

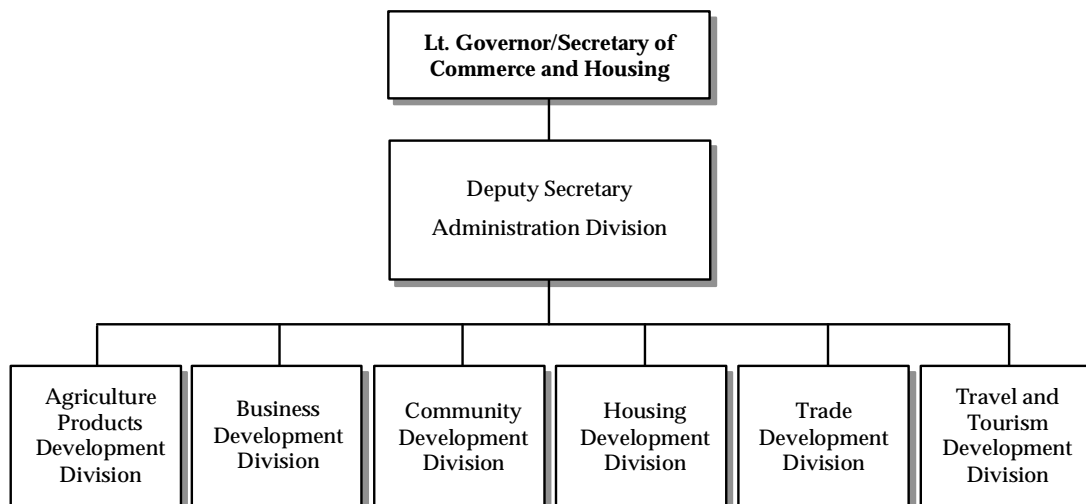
## 4.0 Institutional Analysis

This section provides a detailed institutional analysis of the economic development organizations in Kansas. For each, attempts are made to identify the central mission of the agency, the clients they serve, the interaction they have with other economic development organizations, and program descriptions. Identified strengths and weaknesses, as well as annual funding levels by division, are also presented for the three major state economic development agencies. The information presented is largely based on interviews conducted with agency and division directors (see List of Participants). The analysis is split between three major groups: (1) KDOC&H, KTEC, and Kansas, Inc., (2) other state agencies charged with economic development goals, and (3) other non-state government economic development entities. In addition, this section examines economic development funding in other states.

### 4.1 Kansas Department of Commerce & Housing (KDOC&H)

KDOC&H houses six divisions that deliver economic development services to the state's communities and businesses, and each division is described below. In addition, there is a separate administrative division. The Secretary of Commerce is appointed by the Governor, and is currently also the Lieutenant Governor (see Figure 4.1 for a depiction of how KDOC&H and its divisions are structured). The overall agency mission is to provide leadership to ensure economic opportunity for Kansans.

**Figure 4.1 Organizational Chart**  
*Kansas Department of Commerce and Housing*



## **Agriculture Products Development**

**Mission:** To help improve the economic conditions of Kansas producers, while boosting the prosperity of rural communities.

A premise for the program is that the local processing of agricultural commodities translates to higher demand for local inputs and thereby provides agricultural producers with at least marginally higher prices. By increasing the value-added activities taking place within the state, Kansas can leverage its leadership role in agricultural commodity production for greater economic gain.

**Clients and Customers:** Producers of Kansas commodities and processors of agricultural products are the primary clients of the program. The division assists farmers in forming cooperatives, securing financing, forming legal business structures, commercializing products, and assessing market feasibility. In the cooperatives, each participating farmer has a share in the production of higher value-added goods (e.g., soy ink) which use the commodities produced by the farmers.

**Staff:** The Agriculture Products Development division has a 10-employee staff. Most have agriculture-related backgrounds (e.g., feed science, agricultural economics, animal science, and agronomy).

**Funds:** \$1.2 million, with the EDIF accounting for 93 percent of this amount.

**Interaction:** Division takes a clearinghouse role with participating companies and links them with appropriate programs, both inside KDOC&H (Business Development, Community Development, Trade, and Travel & Tourism) and outside the agency (Mid-America Manufacturing Technology Center, Kansas Department of Agriculture, Kansas State University, Small Business Development Centers, and Kansas agriculture commodity and producer groups). The division has funded projects in which both KTEC and KDOC&H are involved.

**Evaluation Criteria:** The division determines its performance by measuring the achievements and results of its clients. These results may include: (1) increase in sales, (2) premiums going back to the producer, (3) producer's equity resulting from co-ops, and (4) commodities sold internationally.

**Strengths:** The division has shown a strength in developing new products using Kansas commodities, such as an ink that is 100 percent soy, as commercially available soy ink up to this time has had a much lower soy content. If pilot programs are successful, they would result in more processing of agricultural commodities within the state and would increase regional crop prices. The division's familiarity with intra- and extra-departmental agricultural programs helps it direct clients to the program(s) that are most salient to their needs, and allows Kansas agricultural producers to better take advantage of the many programs that are available to them.

**Weaknesses:** A program, "From the Land of Kansas," to market Kansas agricultural products and crafts is difficult to focus in terms of the types of services it delivers because of the diversity of its clients. Due to the different types of companies partaking in the

program it is problematic to fashion initiatives that can have an impact on all participants (e.g., there is no specific type of training that can be undertaken to assist the variety of companies involved in the program). Although this relatively new division has a successful early track record, there may be a concern that with four objectives and 19 strategies, the services offered by the APDD are at risk for becoming too watered down due to the division's limited staff size and budget.

## **Business Development**

**Mission:** To stimulate the Kansas economy, increase capital investment, expand existing businesses, and attract new businesses to the state.

**Programs:** The Business Development Division administers a number of programs, including business recruitment, workforce training, private activity bonds, business assistance (to increase contract opportunities for minority- and women-owned businesses), and business finance (includes tax credits, loans, and grants to encourage companies to locate, expand, or stay in Kansas). Export finance was recently transferred from Business Finance to KDOC&H's Trade Development Division.

**Clients and Customers:** Small- and medium-sized companies to Fortune 500 corporations, exporters, minority- and women-owned businesses, recruitment services, and entrepreneurs are the primary clients of the program. The division targets specific industries for recruitment that will have immediate impacts, ideally with statewide effects. Current targets include value-added agriculture, plastics, aviation/avionics, distribution, back office operations, and inbound call centers.

**Staff:** The Business Development division has a staff of 25 to 30 employees and two contract offices in Chicago and New York. Staff has economic development experience with accounting, marketing, and finance backgrounds.

**Funds:** \$28.8 million (\$17.3 million from EDIF; \$4 million from federal sources).

**Interaction:** Within the agency, the division works with Agriculture Products Development, Travel and Tourism, and Trade Development. Outside the agency, division works closely with MAMTC, especially on issues regarding training. Kansas State University has written letters of support to assist with the division's recruiting efforts. The division also cooperates with the departments of Human Resources, Transportation, Environment, and Education. The division has ties with KCCI and is particularly involved with its affiliate, the Kansas Industrial Developers Association (KIDA).

**Evaluation Criteria:** Depending on the program, the Business Development Division's evaluation criteria include jobs created, jobs retained, capital investment, jobs impacted by training programs, the percentage of companies participating in training programs that have not previously received funding for training, satisfaction with training, export sales leveraged, loan amounts, loan guarantees originated, company investments resulting from financing, jobs impacted by financing, dollars leveraged, and projected payroll.

**Strengths:** The division's KEIOF (Kansas Economic Opportunities Initiatives Fund) program, which offers incentives for strategic economic development-related projects in Kansas, is highly regarded by economic development practitioners within the state.

Training programs, KIT and KIR, are oriented to export or base industries. The average wage levels for the employees using the training is relatively high, another indication that the training is focused on jobs that are likely to have a greater impact—beyond the individual being served—on the Kansas economy.

**Weaknesses:** The business recruitment program demonstrates success in its efforts, but the ease of measurement may magnify the program's results. Mainly this regards jobs and payroll associated with either expanding or relocating companies that have used KDOC&H's services. It is not clear when KDOC&H has been influential in a company's decision to either expand or locate in Kansas.

KIT and KIR grants are fully extended each year (\$3.6 million in FY 2000). Although it is free money to companies for training, only requiring a match, additional funds and a rethinking of employee threshold requirements may result in providing training to a larger number of companies and/or increase the scope of training available to program participants.

The Training Equipment Grants (TEG) program, while serving a legitimate purpose (grants for the purchase of training equipment), has such limited funding (\$277,500 in FY 2001) that it is questionable whether the program could have a significant impact—although its outcome measure, jobs impacted by TEG, was 1,684 in FY 2000—on the state.

At the state level, there is limited coordination among the agencies of Social and Rehabilitation Services, Kansas Department of Human Resources, KDOC&H's Workforce Training program within Business Development, and the Board of Regents dealing with education, training, and workforce initiatives. Recent efforts to combine Human Resources and Workforce Training programs and staff is a positive step.

## **Community Development**

**Mission:** To preserve and enhance the livability of Kansas communities by increasing their capacity to meet their needs.

**Programs:** The Community Development Division administers the National Main Street, PRIDE, Community Capacity, CDBG, Disaster Recovery, Flood Mitigation, and Main Street Incentive Without Walls programs.

**Clients and Customers:** Local units of government.

**Staff:** The Community Development division has a 21-person staff.

**Funds:** \$24.8 million (\$647,000 from EDIF; \$22.7 million from federal sources with \$17.4 million earmarked for the CDBG program).

**Interaction:** CDBG funding is coordinated with other state and federal agencies, including the Kansas Department of Health and Environment and USDA Rural Development.

**Evaluation Criteria:** Measures depend on the program and include the following:

- **Main Street Program:** Designated cities, net new businesses, net new jobs, business expansions, business retentions, public reinvestment, and private reinvestment.
- **PRIDE:** Community enrollments, awards, reinvestment, and private sector sponsorship.
- **Community Capacity:** Communities meeting planning standards, implementing plans, updating plans.
- **CDBG:** People benefiting, jobs created, hires, houses rehabilitated, substandard houses demolished, capital investment.
- **Disaster Recovery:** People benefiting, jobs retained, houses repaired.
- **Flood Mitigation:** Communities benefiting, structures protected.

**Strengths:** Outcome measures are clear for some initiatives (e.g., measuring the number sewer and water lines added).

**Weaknesses:** Other initiatives within the program are more difficult to measure (e.g., the measurement of disaster mitigation efforts.)

## **Housing Development**

**Mission:** To provide housing opportunities to Kansans through the development of resources, partnerships, and technical assistance.

The Housing Development Division works with the private sector and the Treasury Department in bringing private capital into the housing market and to encourage developers to build mixed-income projects. There is a 2000 legislative initiative to break Housing Development out of KDOC&H.

**Programs:** Housing Development administers the Weatherization Assistance, Community Services Block Grant (CSBG), Housing Assistance, Housing Tax Credits, Interim Development Loan Fund, Private Activity Bonds, Home Investment Partnership, Kansas Accessibility Modifications and the State Housing Trust Fund programs.

**Clients and Customers:** Lower-income workers and families, developers, lenders, non-profits, contractors, city and county officials, and community development officials.

**Staff:** The Housing Development division has a staff of 25 employees, many with housing management and finance backgrounds.

**Funds:** \$24.3 million (includes only \$113.00 from EDIF; \$1.8 million from fees; \$21.8 million from federal sources).

**Interaction:** Economic development initiatives frequently do not include a housing component, although housing is a key foundation for an economically vital community. Housing's interplay with economic development includes: (1) upper management and workers need appropriate housing options. Poor housing is a deterrent to employers and is a major quality of life issue; and (2) a lack of investment in housing shifts the property tax burden to businesses, which may limit a community's appeal to prospective companies.

**Evaluation Criteria:** Measures include homebuyers assisted, homes constructed, homes rehabilitated, capital investment generated, income generated, rental units constructed, rental units rehabilitated, homeless persons assisted, homeless situations prevented, families achieving self sufficiency, and housing units weatherized.

**Strengths:** The division and KDOC&H have an acute sense of housing's contribution to economic development, especially in rural areas. However, the absence of a housing finance agency limits the resources that are available to improve housing conditions.

**Weaknesses:** Kansas cannot subsidize housing beyond federal resources because the state does not have a housing finance agency. Many states have dedicated sources of funding for housing trust funds, but Kansas lacks this mechanism.

## **Trade Development**

**Mission:** To increase international sales of Kansas products and services and to increase the number of international corporations located in Kansas.

**Programs:** Trade Development administers the Kansas Trade Show Assistance Program (KTSAP) and has several initiatives (tied to specific objectives) to increase exports and foreign direct investment in Kansas. The agency's Export Finance program moved from the Business Development to the Trade Development division in FY 2000. Trade Development manages the state's four foreign offices.

**Clients and Customers:** Typical customers are small- to medium-sized firms, often manufacturing-oriented, as well as overseas companies with the potential to establish or expand operations in Kansas.

**Staff:** The Trade Development division has an 11-person staff, with most having masters degrees and language skills.

**Funding:** \$1.4 million (entirely EDIF, with the exception of a very small volume of fees).

**Interaction:** The division works closely with Agriculture Products Development, Business Development, and Tourism Divisions within KDOC&H. Outside the agency, Trade Development has significant interaction with KTEC and assists MAMTC in finding export opportunities for manufacturers. The division coordinates with Kansas, Inc. on their ASKME survey (Annual Survey of Kansas Manufacturers and Exporters). Other state agencies with which Trade Development interacts include the Department of Health and Environment, Department of Revenue, Department of Agriculture, Board of Regents, the Governor's Office, and the Department of Transportation. The division works with the

Kansas Trade Center, U.S. Department of Commerce trade assistance programs in Kansas City and Wichita, the Small Business Administration, and the Ex-Im Bank in Chicago (the regional office of the Export-Import Bank of the United States).

**Evaluation Criteria:** Company export sales, companies counseled, companies new-to-program, ROI for KTSAP grants, leads generated at trade shows and trade missions, attendees at presentations, marketing stories generated in foreign media, total new dollars invested in the state by foreign companies and new jobs created by foreign companies as a result of division's services.

**Strengths:** The Kansas Export Finance Program leverages about \$8 in exports annually from every \$1 in its export finance fund.

The KTSAP program is innovative and affords opportunities to companies to gain greater exposure to international markets. The division considers KTSAP, as well as its foreign offices, to be its most successful programs.

Outreach efforts are strong to ensure that program services reach companies throughout the state.

**Weaknesses:** It is difficult to measure with precision how KDOC&H's activities have increased state exports. Although efforts are made to obtain results from KTSAP participants, the lag time between a trade show, an order placement, and an export makes it problematic to confidently quantify sales that result from the program. Funds for KTSAP are very limited, so the capacity for the program to have substantial impact is less than what program directors believe could be achieved.

Although the Export Finance Program does well at leveraging exports, its impact on the state economy is marginal due to the size of the fund (\$800,000) and the paucity of actual export loans made. Only three loan guarantees were issued in FY 2000.

Many of the division's outcome measures (e.g., number of companies counseled by the program) would be more suitably classified as output measures.

It is unclear what criteria were used to select overseas office locations and how the success of each of these offices is measured. Either for export or foreign direct investment opportunities, the offices in London, Hong Kong, and Japan seem sensible. As a medium-sized market for both exports and foreign investment, Australia does not seem to be as robust of a choice.

The division may be overextended with an 11-person staff responsible for discrete efforts to finance exports, counsel companies about exports, market Kansas to international companies, supervise foreign offices, and manage a trade show assistance program.

## **Travel & Tourism Development**

**Mission:** To generate additional tourism and film expenditures in Kansas by developing and marketing Kansas as a desirable tourism destination and film location.

The Travel & Tourism Development division is responsible for developing tourism marketing campaigns, publishing a travel magazine, attracting the film industry, and providing travel information services.

**Programs:** Travel & Tourism administers the marketing-oriented initiatives of advertising, Travel Information Centers, and the publication of a magazine, *KANSAS!*, to attract visitors to the state. The division also handles two programs, Attraction Development Grants to enhance attractions throughout the state and the State Sales Tax Reimbursement for film projects.

**Clients and Customers:** Domestic and international travelers, communities and tourist attractions, and the film industry.

**Staff:** The division has a staff of 20 employees.

**Funding:** \$4.8 million (\$2.9 million from EDIF, \$0.5 million from general fund, \$1.5 million from fees). Kansas' state tourism advertising budget of \$520,000 is the second lowest in the country.<sup>1</sup>

**Interaction:** The division works with trade, especially with efforts to attract international businesses. There is potential for the agency's Business Development and Trade Development divisions to use more tourism materials for marketing to prospects. Tourism Development has met with Kansas, Inc. to discuss challenges and funding issues facing the industry, as well as to review the role of tourism in the state's economy.

**Evaluation Criteria:** Inquiries from advertising campaign, travel expenditures influenced by ad campaigns, advertising sales in travel guide, Leisure Ad Campaign return on investment (ROI), revenue generated by *KANSAS!* magazine, subscriptions, dollar value of media exposure, group tours planned to Kansas, film production dollars, film leads generated, film jobs generated, visitors to Travel Information Centers (TIC), TIC return on investment, travel revenue and number of British and German visitors, project dollars for Attraction Development Grant Program, increase in visitation at funded attractions, and the number of entities provided with technical assistance.

**Strengths:** The division uses clear measurement practices to evaluate its programs and is careful not to overstate its results. Beyond marketing initiatives to attract visitors to the state, the division also assists communities in implementing tourism enhancement initiatives to foster economic development.

**Weaknesses:** The division operates with one of the lowest state marketing budgets for tourism promotion in the country. Increased competition from Canada is making it more difficult to attract film production to Kansas.

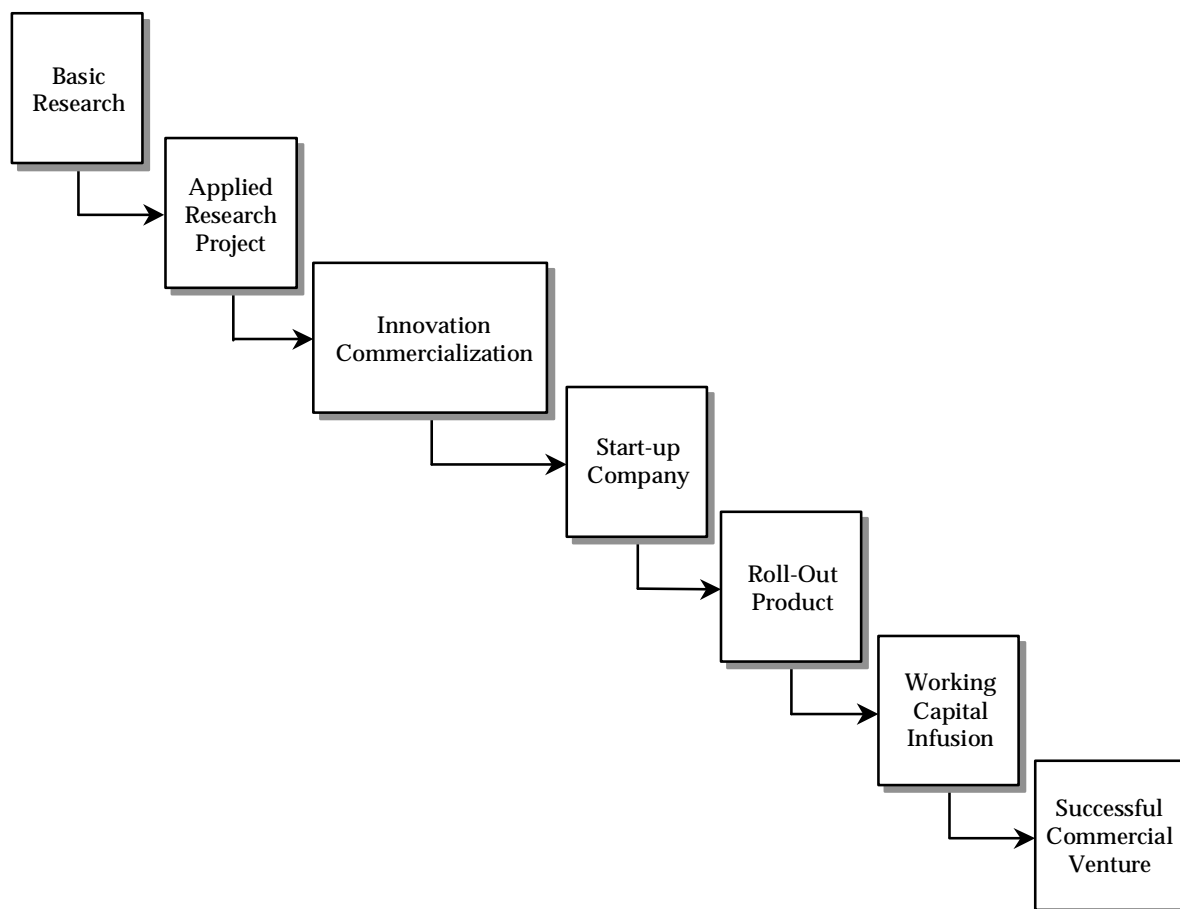
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<sup>1</sup>According to the Travel Industry Association of America, Kansas was the second-lowest (Delaware was lowest) among 45 states reporting in terms of state advertising budgets. Data are for 1999-2000.

## 4.2 Kansas Technology Enterprise Corporation (KTEC)

KTEC is a quasi-public entity established to stimulate economic development in Kansas by fostering innovation and the development of technology. KTEC and its programs provide businesses with an integrated system of services ranging from basic research to technology commercialization and improving manufacturing processes related to existing products. KTEC also assists with business planning, financing, and licensing to more fully take advantage of the opportunities arising from technologies developed in Kansas. See Figure 4.2 for a schematic showing the stages involved in transforming basic research into commercially viable products.

**Figure 4.2 KTEC Science and Technology Life Cycle**



KTEC administers 11 programs: Access to Capital Electronic Network (ACE-Net), Applied Research Matching Fund, Centers of Excellence, Experimental Program to Stimulate Competitive Research (EPSCOR), Industrial Agriculture-USA, Innovation & Commercialization Corporations, Innovation Research, Information Research Corp., an Intern Program, Mid-America Manufacturing Technology Center (MAMTC), and Special Projects.

This overview includes specific information about the Centers of Excellence, Innovation & Commercialization Corporations, and Mid-America Manufacturing Technology Center programs.

## **Centers of Excellence**

Kansas has five Centers of Excellence located at four of the state's universities, each center with its own technology focus. These centers conduct applied research designed to spawn marketable products and serve the technical research needs of start-up and mature Kansas companies. They are:

1. Advanced Manufacturing Institute, Kansas State University.
2. Higuchi Biosciences Center, University of Kansas.
3. Information and Telecommunication Technology Center, University of Kansas.
4. Kansas Polymer Research Center, Pittsburg State University.
5. National Institute for Aviation Research, Wichita State University.

This overview provides detailed descriptions of three of these centers, the Higuchi Biosciences Center, the Information and Telecommunication Technology Center, and the Kansas Polymer Research Center.

### ***Higuchi Biosciences Center (HBC)***

**Missions:** The HBC has dual missions, reflecting support from the University of Kansas and KTEC. Its university mission is “to provide the best environment possible for research in the biomedical sciences,” while its KTEC mission is “to conduct product discovery and development research on technologies discovered or invented by University scientists and then to advance the potential products or services to the level of commercial development.”

**Clients and Customers:** Pharmaceuticals industry. HBC's specialty is perfecting mechanisms to deliver drugs. These mechanisms can form the basis of spin-offs from the center or can be licensed to pharmaceutical companies.

**Staff:** The HBC presently has 25-30 faculty participants, an additional 15 to 20 staff scientists/research professors, and 13 support staff, not including part-time undergraduate hourly workers. Altogether, there are between 100 and 125 post-doctoral fellows and graduate students who are full or partial participants in the HBC.

**Funds:** \$9.75 million (\$1.25 million from KTEC for technology transfer and applied research; \$0.5 million from the University of Kansas; and \$8.0 million from the National Institutes of Health for basic research).

**Interaction:** Within KTEC, the HBC is continuing its efforts with the Kansas Innovation Corporation (KIC) to jointly develop an incubator. The goal would be to have KIC incubate

several HBC companies in the future. The HBC interacts with other Centers of Excellence both in terms of providing complementary technological expertise and on issues regarding intellectual property management and protection. The HBC also works with KDOC&H's Trade Development division assisting international companies seeking technological partnerships, site selection or some other potential trade relationship.

**Evaluation Criteria:** The goal of the HBC is to develop products that can serve as a foundation for new business. If a product cannot serve as a platform for a new business, options to license out the technology will be explored. An input measure for the HBC is the ability of scientists associated with the center to attract external funding. An outcome measure is the commercial success of companies spun out from HBC.

Oread is the most successful HBC spin-off. The Lawrence-based company employs 250 and specializes in transitioning compounds from the discovery to the commercialization phase. Another HBC spin-off, CyDex in Overland Park, has licensed compounds used for delivering drugs to four companies, including Pfizer.

The KTEC portion of the HBC's budget is earmarked for technology transfer and applied research. Without this funding, the HBC would still exist but its economic development component would be reduced as the center's funding would be directed almost entirely to basic research. If this had been the case, neither Oread nor CyDex would likely have been formed.

**Strengths:** The HBC, and the other Centers of Excellence, serve a critical role by supporting and funding applied research that can elevate basic research conducted at the universities/centers into marketable products. This is a key step in the product development cycle and encourages processes and products invented in Kansas to seed additional development (e.g., new companies, new production) in the state. The HBC seems to have found a specific, marketable niche by isolating drug impacts on the body and delivering them safely. HBC has spun off new companies with the creation of Oread in Lawrence and CyDex in Overland Park. Biosciences is a future industry with significant upside potential.

**Weaknesses:** The specialized nature of the HBC and the other Centers of Excellence results in geographically isolated impacts, potentially creating political pressures. Spin-offs do not occur at consistent intervals and HBC will likely require big hits such as Oread to ensure future support.

### ***Information and Telecommunication Technology Center (ITTC)***

**Mission:** To provide an interdisciplinary research environment that capitalizes on partnerships with industry and government entities to advance knowledge and develop technologies in all aspects of information and telecommunication technologies. The center's expertise and resources are applied to benefit Kansas and the nation.

The ITTC program produces trained graduates familiar with private industry and commercial quality standards. Students assist real companies during their time at the ITTC. A goal is to get technologies off the research shelf and into commercial use. Staff works to transition research from the prototype to commercial prototype stage.

**Clients and Customers:** Corporations including NEC, Nortel, and Sprint, as well as federal agencies such as the Defense Advanced Projects Research Agency (DARPA). Other clients include small businesses and entrepreneurs.

**Staff:** There are 30 active faculty associated with the ITTC, and about 130 masters and Ph.D. students.

**Funding:** \$6 to \$7 million. In an average year, 33 percent of funding is from private resources, 50 percent federal (DARPA, NASA, NSF), and 10 to 15 percent from KTEC. Royalties also account for a portion (\$209,000 in FY 1999) of the ITTC's funding. ITTC can get royalties or an equity stake in the companies it serves and is part of the University of Kansas's 501(c)(3).

KTEC grant funds are not used to fund basic research and have traditionally not been used to support faculty salaries for research. However, KTEC grant funds are used to pay staff and student salaries working to support the ITTC's KTEC efforts, such as for preparing products for market, obtaining patents, and allowing the ITTC to take risk positions with start-ups.

**Interaction:** The ITTC cooperates with the Business Development Division at KDOC&H to assist in attracting companies to Kansas. ITTC also works with other programs at KTEC (e.g., Kansas Innovation Corporation) and with other economic development initiatives such as Silicon Prairie.

**Evaluation Criteria:** Centers of Excellence are evaluated on industry and federal funds attracted, licenses, technologies commercialized in Kansas, and royalty streams.

Through KTEC, ITTC has worked in early stage, high-risk, high-reward projects. Profusion and DiscoverMe are two ITTC success stories. DiscoverMe is a human resources tool for online recruiting that resulted from a transfer of ITTC technology to a start-up company. Profusion is an Internet meta-search engine and was recently acquired by a Cincinnati company, but still has a presence in Kansas.

**Strengths:** Like the HBC, the ITTC provides applied research that can bring innovations to market. The ITTC is regarded highly enough to attract the attention and be used as a resource by large telecommunications firms. The ITTC provides an underpinning to Kansas's key telecommunications cluster located primarily in the Kansas City area. The ITTC bestows Kansas with an institution that can provide technological leadership in a major growth industry.

**Weaknesses:** Program is geographically concentrated with benefits accruing primarily in the northeastern quadrant of the state, with fewer benefits likely to accrue in the rest of the state. Like HBC, big hits may be required to ensure future support. Evaluation criteria are not directly linked to economic outcomes (e.g., sales and employment).

### ***Kansas Polymer Research Center (KPRC)***

**Mission:** To provide polymer research and technological assistance with the objective to develop new products and new companies in Kansas.

The KPRC specializes in bio-based materials development, general corporate polymer R&D, and polymer gels.

**Clients and Customers:** The KPRC's principal clients can be divided into three categories: 1) industry consortia (e.g., Kansas Soybean Board, Missouri Soybean Merchandising Council, United Soybean Board); 2) government R&D contracts (e.g., U.S. Department of Energy, U.S. Department of Agriculture); and 3) corporate (e.g., Cessna Aircraft, B.F. Goodrich, and Titleist-Footjoy).

**Staff:** 1 full-time staff, including four core positions and seven varied duration positions (e.g., post-doctorates and visiting professors with stays ranging from six months to two years).

**Funding:** \$675,000 (excludes in-kind contributions in the form of building and lab space from Pittsburg State University). This funding is divided between KTEC (\$325,000), Pittsburg State University (\$50,000 in hard money), and corporate R&D (\$300,000). Annual funding is expected to rise to about \$1 million by FY 2002, as a substantial Department of Energy contract, with B.F. Goodrich as a corporate partner, will go into effect.

**Interaction:** The KPRC is integrated with regional economic development planning efforts (at both the strategic and administrative levels) in southeast Kansas. A component of the region's economic development strategy capitalizes on the presence of the center (e.g., the Polymer Prairie Regional Development Strategy). The strategy has resulted in the development of an R&D park and the KPRC cooperates with the City of Pittsburg to attract plastics companies to the area. The KPRC also spearheaded the formation of Southeast Kansas, Inc., an organization established to coordinate economic development planning in the 12-county sub-state region (see page 4-21 for a separate profile of Southeast Kansas, Inc.).

The KPRC is increasing its interaction with Kansas State University and the two have submitted joint proposals to the Department of Energy. The KPRC works with Kansas, Inc. and encouraged the development of this study to update the state's economic development strategy. The director of the KPRC is a member of KTEC's Center Directors Management Council and also directs the Business & Technology Institute (BTI) at Pittsburg State University. The BTI coordinates a range of economic development, business assistance, applied research, and technology commercialization services (including a MAMTC office, an SBDC, a KDOC&H regional office, and the KPRC, among others) with an overall focus to improve the quality of jobs in southeast Kansas.

**Evaluation Criteria:** Measures include dollars generated from fees for service; number of patents obtained or in the pipeline; products, processes, or materials being commercialized; licensing and royalty revenues; companies started; and number of companies assisted.

**Strengths:** A recently-landed \$2 million contract with the Department of Energy/B.F. Goodrich will help the KPRC leapfrog into a national class bio-materials research center. This will put the center into a more competitive position to garner a larger share of contracts from the DOE and the U.S. Department of Agriculture for bio-materials research. National funding for this type of research is expected to rise substantially over the next five years. The KPRC developed and obtained a patent for a soybean-based

polymer that has the potential to replace over 50 percent of the now petroleum-based polyurethane foams used in the world.

The KPRC is well-integrated into the economic development framework of its region and makes efforts to leverage its strengths as an economic catalyst for southeast Kansas.

**Weaknesses:** The KPRC is at capacity and needs one to two additional principal investigator scientists in order to expand its polymer laboratory. The benefits resulting from each of the Centers of Excellence, including the KPRC, are likely to be concentrated in the areas in which they are located. This may make it more difficult to secure statewide support for the centers.

## **Innovation and Commercialization Corporations (ICC)**

The Innovation and Commercialization Corporations (ICC) provide business development and pre-seed financing to start-up, technology-based businesses. Each ICC is structured as a tax-exempt 501(c)(3) company whose for-profit management company also manages a for-profit seed capital fund.

An overview of one the state's three ICC offices, the Kansas Innovation Corporation in Lawrence, is summarized below. Other ICC offices are located in Manhattan (Mid-America Commercialization Corporation) and Wichita (Wichita Technology Corporation).

### ***Kansas Innovation Corporation (KIC)***

**Mission:** To stimulate the creation and growth of technology-based, high-impact businesses in northeast Kansas, and to facilitate technology transfer from the region's academic and entrepreneurial communities.

Through a formal client relationship, KIC provides these companies with strategic and operations assistance, including market research, business plan writing, and financial planning.

**Clients and Customers:** Entrepreneurs. The ICCs provide a range of technical and business services, office space, and managerial support to start-up companies.

**Staff:** KIC has an eight-person staff. Five student-interns provide advice to companies. All have MBAs or are in the process of obtaining an MBA. The interns also have technical backgrounds in such fields as engineering, information technology, and law. In addition to the interns, there is a president, business development specialist, and an administrative assistant.

**Funding:** \$300,000 (primarily from KTEC with additional funding from the University of Kansas and the Lawrence Chamber of Commerce). In addition, KTEC provides funds to be used as seed capital. KIC manages a for-profit seed capital fund, Kaw Holdings, which has raised \$5.3 million (as of 1998).

**Interaction:** KIC interacts with the entire network of KTEC programs, particularly with the Centers of Excellence programs, HBC and ITTC, located at the University of Kansas. Companies needing manufacturing assistance are referred to MAMTC. Beyond KTEC, KIC also works with Silicon Prairie, the KU Medical Center, and the Enterprise Center of Johnson County. The KIC tries to pair up its clients with larger businesses to exploit potential synergies. KIC clients have used KDOC&H's trade show assistance program (KTSAP) and have found it to be beneficial.

**Evaluation Criteria:** Job creation, sales, patents, and dollars leveraged to client companies. The quality of jobs resulting from the KIC program is also important. The average annual wages paid by companies participating in the program (\$40-\$45,000) are much higher than state averages.

KIC worked with the ITTC to develop a telemedicine company, HELP Innovation. The company was acquired by a Florida-based company in late 1999. With the acquisition, KIC receives a portion of the return as it had an equity investment in the company.

**Strengths:** KIC fills needs (business plan development, marketing assistance, and financing) to complete the product development cycle, which complements the applied research taking place at the Centers of Excellence (and complements other technology developments in Kansas as well). Synergies with the University of Kansas (e.g., use of interns) help to control costs.

**Weaknesses:** The program is very small and may not have the critical mass necessary to achieve substantially greater impacts on the Kansas economy.

## **Mid-America Manufacturing Technology Center (MAMTC)**

**Mission:** To provide affordable technical assistance to small- and medium-sized manufacturers (those with fewer than 500 employees).

MAMTC is a network affiliate of the National Institute of Standards and Technology's (NIST) Manufacturing Extension Partnership (MEP) program. MAMTC is headquartered in Overland Park and manages MEP activities in Kansas, Missouri, Colorado, and Wyoming. In Kansas, MAMTC delivers its services to all regions in the state through field offices located at Pittsburg State, Wichita State, Kansas State, and the University of Kansas. MAMTC-Western Kansas has locations in Hays, Great Bend, and Garden City.

**Clients and Customers:** Manufacturers with fewer than 500 employees.

**Staff:** MAMTC employs 32 field engineers, five regional office directors, and five support staff. All field staff have degrees in engineering or business administration.

**Funding (for Kansas activities):** \$5.0 million (includes \$1.9 million from KTEC, \$2.0 million from NIST, and \$1-\$1.2 million generated from fees).

**Interaction:** MAMTC subcontracts 30 to 40 percent of the work it secures to private consultants. MAMTC works with commercialization centers such as KTEC when they

have companies that have a product ready for market. MAMTC represents a next step on the commercialization chain—manufacturability.

MAMTC has regular contact with KDOC&H, especially its Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) programs. MAMTC works with environmental agencies to assist manufacturers with compliance issues. MAMTC's field offices are located at universities throughout the state (Pittsburg State, Wichita State, Kansas State, and the University of Kansas). Services to manufacturers are also delivered from offices in Overland Park, Hays, Great Bend, and Garden City.

**Evaluation Criteria:** MAMTC's clients are surveyed by NIST to evaluate customer satisfaction and the impacts of program's services. Outcome measures (FY 2000) include increases in sales (\$22.2 million), decreases in costs (\$5.5 million), increases in capital investment (\$8.6 million), and jobs created or retained (189).

**Strengths:** MAMTC has excellent statewide coverage through its field offices. These offices enable the program to efficiently deliver services to manufacturers throughout Kansas. MAMTC is widely-regarded as one of the most successful regional centers in NIST's MEP program. Manufacturing is generally an export industry that provides relatively high-wage jobs.

**Weaknesses:** The MEP program is relatively new, as it was established in the early 1990s, and has not cemented long-term federal support. Similar to other MEP centers around the nation, MAMTC depends on federal dollars for a substantial portion of its funding.

### **4.3 Kansas, Inc.**

**Mission:** Kansas, Inc.'s mission is to build a strong, diversified economy that promotes new and existing industries. To attain that goal, it undertakes three primary activities: 1) planning and policy research to formulate and update a statewide economic development strategy, 2) recommending program and public policy initiatives, and 3) conducting oversight and evaluation of strategy implementation.

**Clients and Customers:** Kansas, Inc. provides a forum in which business and industry, local leaders, and state executive and legislative officials can debate issues directly with one another. Through analysis and open dialogue, Kansas, Inc. identifies policy options and builds consensus for action on vital economic issues.

**Staff:** The current staff size is four, with positions for a president, a director of research, an operations manager, and a staff assistant.

**Funding:** \$378,000 (\$196,000 from EDIF, remaining revenues from state general fund during FY 2000). Operations revenues are entirely from EDIF. Kansas, Inc. also receives funding from the private sector (about \$20,000 in 1999).

**Evaluation Criteria:** With its policy and research orientation, Kansas, Inc. is unique in that it does not offer specific economic development assistance-type programs. As evidenced in its annual report, measures of economic health and vitality in the state of Kansas reflect on Kansas, Inc.'s priorities and ultimately, its success.

**Interaction:** Kansas, Inc. works closely with KTEC and both currently support legislation for venture capital. Kansas, Inc. does have connections to KDOC&H, working with its Trade Development Division on export surveys and Kansas Trade Show Assistance Program reporting—plus, the Secretary of Commerce is on the Kansas, Inc. Executive Board. Still, interviews indicate that coordination and cooperation are rather limited. Kansas, Inc. worked with the Department of Education on an initiative to connect schools to the Internet. Kansas, Inc. is building a relationship with the Board of Regents and has established relations with the private sector, economic development organizations, and the state's higher education institutions. The president of Kansas, Inc. is on the board of directors for the Information Network of Kansas (INK), the Kansas Industrial Developers Association (KIDA), and the Kansas Business-Education Coalition.

**Strengths:** By serving its intended functions, Kansas, Inc. provides an objective platform to identify Kansas' economic development challenges and opportunities, as well as to formulate policies to guide the achievement of the state's economic development goals.

**Weaknesses:** Kansas, Inc. is regarded for high-quality and objective research, as well as its ability to create greater awareness of issues such as economic development difficulties and opportunities in rural areas. Its reputation for objectivity, however, has been tainted by problems with the Ad Astra fund and an earlier automobile taxation study (objectivity of the report was perceived as compromised because of industry funding to Kansas, Inc.). In addition, Kansas, Inc. has had difficulties clearly defining its role within the state's economic development system. Its legislatively-mandated functions (e.g., to coordinate the state's economic development priorities as well as to evaluate and provide non-partisan oversight over the state's economic development activities) are difficult for the agency to accomplish without having explicit legislative language guiding the scope of its ties with KTEC and KDOC&H.

Kansas, Inc. will have difficulty serving the functions for which it was formed if the state's highest officials do not include it in at least an advisory capacity in decision-making critical to economic development.

With the decline of private funding and the elimination of the state general funds as a revenue source, Kansas, Inc. has become entirely reliant on EDIF funding. Kansas, Inc. will be competing with KTEC and KDOC&H for larger shares of this non-growing and capped funding source.

## **4.4 Other State Agencies**

Although core economic development functions in the state of Kansas are housed in KDOC&H, KTEC, and Kansas Inc., several other agencies have initiatives that are relevant to the state's economic development efforts.

## **Kansas Department of Transportation (KDOT)**

**Economic Development-Related Activities:** KDOT uses economic development contributions as an evaluation criteria when reviewing roadway system enhancement projects and economic development enhancement is one of the goals listed in the long-range plan. The contribution towards economic development is weighted at 20 percent for project selection. KDOT also has a \$12 million fund dedicated to highway and bridge construction projects intended to enhance economic development in the state. This is a local partnership program in which a project's cost is shared by the state and a local unit of government. Local support must account for 25 percent of a project's total cost. Eligible projects must have the potential to significantly enhance the income, employment, sales receipts, and land values in the surrounding area. KDOC&H assists in evaluating the projects.

**Interaction:** KDOT has a relationship with Kansas, Inc. and involved Kansas, Inc. with the development of the last long-range transportation plan for the state. KDOT has pushed for a discussion of the linkages between transportation and the economy (in the past, KDOT had discussions with KDOC&H about trade corridors and how to most effectively promote them), but this has not generated real action. KDOT works with KDOC&H on tourism development and traveler information centers. Plus, the Secretary of Commerce is on the economic development expert panel that reviews system enhancement projects.

## **Kansas Department of Human Resources (KDHR)**

**Mission:** To provide and encourage development of a workforce to fuel economic development.

**Economic Development-Related Activities:** KDHR is the pass through for \$12 million in funding from the federal Department of Labor's Workforce Investment Act (WIA). The KDHR has 23 offices located throughout the state and most local office employees are involved in workforce training. KDHR also collects and distributes labor market data as a participant in five Bureau of Labor Statistics (BLS) programs. These data form the basis for analyzing trends in the Kansas economy and are used by KDOC&H in their business recruitment efforts.

**Interaction:** KDHR has strong connections with KDOC&H, including working with local governments to package labor market data and training programs for the attraction of firms. KDOC&H is also the biggest user of the Labor Market Information (LMI) data produced by KDHR. KDHR and KDOC&H are working to better coordinate training efforts. KDHR tends to be employee-focused while KDOC&H has a business emphasis. KDHR's interaction with KTEC and Kansas, Inc. is less pronounced than with KDOC&H. The agency would like increased interaction with the Department of Education and the Board of Regents to close the gap between workforce skills and employer demand.

## **Kansas Board of Regents**

**Economic Development-Related Activities:** The Board of Regents is the governing board for the six state universities and the supervising and coordinating board for the 19 community colleges, 11 technical schools, and Washburn University. One of the Board's goals is to get schools aligned to have a positive impact on economic development. They would like to be able to support existing business employment demand, and ultimately, see the quality of the Kansas labor force as a factor capable of attracting businesses to the state. The Board is trying to bring together the system's 37 institutions to improve coordination in preparing Kansas' workforce. A formal workforce training system needs to reflect the demands of Kansas businesses and better understand the supply and demand dynamics of the labor force by occupation.

**Interaction:** The Board has traditionally worked in a highly-decentralized fashion. As a result, most of its interactions with other agencies are through faculty and staff at the various state institutions. For example, KTEC's five Centers of Excellence are housed on four state university campuses (and KTEC's MAMTC program has offices at four state university facilities) although direct connections between the Board and KTEC still appear to be limited. The K-12 and higher education systems also share in numerous joint projects having both a statewide and a regional focus with participation from individuals on myriad campuses. The primary relationship with KDOC&H is in workforce development, especially at the community colleges, and with KDHR through the implementation of the Workforce Investment Act. The Board's relationship with Kansas, Inc. comes principally through the service of its executive director on the Kansas, Inc. Board. The Board of Regents would like to strengthen its relationship with workforce-related agencies as it works to create a new system of post-secondary education in Kansas.

## **Kansas State Department of Education (DOE)**

**Economic Development-Related Activities:** The DOE oversees K-12 education throughout Kansas and plays a direct role in the quality of the state labor force and economic development in general. The DOE leads the technical education team that administers and approves funds for high school technical programs. They also coordinate high school technical education with post-secondary technical institutes. Recently, the DOE has participated in a program that emphasizes the connections between K-12 education and workforce opportunities.

**Interaction:** The DOE works with KTEC on Kan-Ed, an initiative to provide high bandwidth connections to Kansas public schools and libraries. The DOE supports the cooperation between KDOC&H and the KDHR in their workforce development efforts. Systematic coordination is needed to bring together the efforts of K-12 education, higher education, and the business community to improve workforce development in Kansas.

## **Kansas Department of Revenue (KDOR)**

**Economic Development-Related Activities:** The KDOR's primary mission is to administer and collect the revenue generated by the tax laws set by the state legislature. The manner in which they perform this role has a direct impact on economic development and the retention and attraction of businesses in Kansas. The KDOR strives to have a system that is clear, consistent, fair, and uniform. Accomplishing this goal leads to a more healthy business climate. The KDOR has three programs that are aimed at economic development:

1. **Economic Development Outreach:** The KDOR has made a commitment to better communicate to businesses the various tax credits and exemptions that are available.
2. **Policy Information Library:** On the KDOR web site, there is an extensive policy information library that attempts to improve the understanding of Kansas tax laws and issues.
3. **Informal Appeals Process:** A few years back, the KDOR set up an informal appeals process to streamline appeals and more quickly identify issues prior to a lengthy formal appeal.

**Interaction:** The KDOR has close interaction with KDOC&H for two primary reasons. First, staff from the KDOR often joins KDOC&H staff on visits to local areas to communicate the benefits of the existing tax credits and exemptions. Second, by statute, the two agencies work together on the administration of these tax policies. The KDOR also has interaction with Kansas, Inc., primarily related to data sharing for Kansas, Inc. research and evaluations of the effectiveness of tax credits. Interaction with KTEC is not formalized as it is with the other two economic development agencies.

## **4.5 Other Economic Development Entities**

Several organizations and associations outside state government play active roles in economic development in Kansas, either by offering economic development-related services or influencing state policy concerning economic development priorities.

### **Kansas Chamber of Commerce and Industry (KCCI)**

**Economic Development-Related Activities:** KCCI, as the state's primary business organization, focuses on advocacy to promote a healthy business climate and has a strong interest in business attraction and retention. It supports business interests and annually submits to the legislature an agenda to enhance Kansas business attractiveness and economic development efforts.

**Interaction:** Through its Kansas Industrial Developers Association (KIDA) affiliate, KCCI has especially strong ties to the Business Development division at the Kansas Department of Commerce & Housing. The director of KDOC&H's Business Development division is a

member of KIDA's board. Kansas, Inc. is represented on the KCCI board as well. Kansas, Inc. provides reports such as a competitive tax study that KCCI can incorporate into its efforts to improve the state's competitive position in economic development.

### **Kansas Independent Oil and Gas Association (KIOGA)**

**Economic Development-Related Activities:** According to data provided by KIOGA, Kansas ranks ninth among the states in oil production and fifth in natural gas. Due to the rural concentration of much of the state's energy production, the oil and gas industry is an important component of rural economic development (especially in southwest Kansas). KIOGA encourages legislation to make the state oil and gas industry more competitive. One example is the push of the removal of a sales tax on labor used in the rehabilitation of old wells and other changes to the tax code.

**Interaction:** KIOGA has utilized reports commissioned or produced by Kansas, Inc. (e.g., an Arthur D. Little study on oil and gas, and a report on taxation) to support its efforts in moving proposals through the state legislature. KIOGA is also working with Kansas' community colleges to train students in oil and gas-related disciplines.

### **Western Kansas Manufacturers Association (WKMA)**

**Economic Development-Related Activities:** Formed over 50 years ago, the Western Kansas Manufacturers Association (WKMA) promotes the general welfare of manufacturing interests in the 50-county western Kansas region. Comprised of active and associate members, the WKMA acts as an educational arm for its members, offering seminars directly related to the needs of small manufacturers focusing on marketing, management, and production. The WKMA strives to introduce and implement new advances in manufacturing, emphasizing the agricultural technologies that reflect the needs of the western Kansas economy.

**Interaction:** WKMA members sponsor and participate in the annual 3i Show, an exposition showcasing products manufactured in western Kansas. The WKMA works with the Department of Human Resources on seminars to benefit area manufacturers. The association also works in cooperation with the KCCI on small business issues. The WKMA is represented on the boards of the KCCI, Western Kansas Technology Corporation (a regional office for MAMTC), and the International Trade Council.

### **Southeast Kansas, Inc.**

**Economic Development-Related Activities:** Formed in 1999 through the merger of the Southeast Kansas Economic Alliance and Mid America, Inc., Southeast Kansas, Inc. (SEK, Inc.) is committed to spearheading economic development planning efforts for southeast Kansas, one of the most economically distressed regions in the state. SEK, Inc. is an initiative of the Business and Technology Institute housed at Pittsburg State University. It is one example of how communities within regions of the state are recognizing the value

of economic development cooperation across political boundaries and in spite of long-standing rivalries.

Southeast Kansas, Inc. has action councils involved in the key industrial, planning, and logistical areas that affect the direction of the region's economy, including agriculture, economic development, education, housing, tourism, and transportation. SEK, Inc. coordinates a regional effort in economic development planning for the 12-county region, promoting the use of appropriate state and federal programs to enhance the area's economy such as KDOC&H's Enterprise Zone program. SEK, Inc. underlines the importance of a regional approach for economic development, especially in the mostly rural parts of the state that have not experienced the robust economic growth enjoyed by Kansas' larger metropolitan areas.

## **Kansas Association of Certified Development Companies**

**Economic Development-Related Activities:** An initiative of the U.S. Small Business Administration (SBA), Certified Development Companies (CDCs) work with the SBA and private-sector lenders to provide financing to small businesses. Beyond financing, some CDCs provide assistance in preparing business plans as well as assistance with housing programs and strategic planning. The Kansas Association of Certified Development Companies (KACDC) counts 12 CDCs in the state (including one serving Northeast Kansas, but operating out of St. Joseph, Missouri).

**Interaction:** As a federal program, CDCs assist businesses and communities in utilizing federal programs that are available to them from the Small Business Administration, the Economic Development Administration, Community Development Block Grants, and the U.S. Department of Agriculture (e.g., Rural Economic & Community Development program). Not limited to being a clearinghouse of federal economic development programs, CDCs also assist their clients with making the most of appropriate state programs.

## **Community-Level Economic Development Efforts**

**Economic Development-Related Activities:** Organized at the community, county, and regional levels, local economic development organizations form a cornerstone for Kansas' economic development efforts. The state's communities use various methods to organize, plan, and fund economic development. In 1999, the Kansas Center for Community Economic Development (KCCED) completed a report highlighting the varying approaches (institutional and strategic) followed by the state's communities in pursuing their economic development goals.<sup>2</sup> The report's findings include:

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<sup>2</sup> "Economic Development in Medium-Sized Kansas Communities: 1989-1998," KCCED, 1999. Funded by an Economic Development Administration grant, the KCCED is a partnership between the Policy Research Institute at the University of Kansas and the Kansas Center for Rural

(Footnote continued on next page...)

- The most common organizational structure for community-level economic development among the 30 communities involved in the study is the public/private partnership model, followed by the government and chamber of commerce models.
- Between 1993 and 1998, the economic development budget total among the 30 communities surveyed increased by 29 percent. General tax revenues, property tax levies, special sales taxes, grants, and bonds were the primary finance instruments used to fund economic development activities.
- Regional cooperation is increasing, with 93 percent of the communities reporting that they work with other cities as part of their economic development efforts.
- Nearly half of the communities report that their primary focus is on existing business strategies, including business retention and assisting in expansion.

**Interaction:** An interview with the Regional Development Association of East Kansas (RDAEK), which serves the Emporia region, demonstrated the types of interaction that often occurs between local economic development organizations and state agencies as well as with privately-sponsored economic development efforts (e.g., utilities). The RDAEK works frequently with KDOC&H for trade shows and marketing materials, and receives industrial recruitment leads from KDOC&H's offices in Chicago and New York. The RDAEK indicated that it does not have extensive interaction with KTEC, but is participating with Kansas, Inc. in economic strategy development. The RDAEK cooperates with Emporia State University on local workforce needs. Utilities (e.g., Western Resources) have become less proactive in their economic development work, and cooperative efforts between them and local economic development organizations, especially in recruiting large facilities, has declined.

## **4.6 Funding for Economic Development**

### **State Funding for Economic Development Varies**

Most states share a common objective in economic development which is to maximize the economic potential of their citizens. Beyond this general goal, however, the approaches promulgated for attaining this end vary greatly by state. Some states, such as Minnesota, have strong state-led economic development programs, while others, such as Texas, have a reduced state role with a greater emphasis on local initiatives (and locally-sourced funding). As a result, state funding per capita for economic development in Minnesota is substantially higher than the figure for Texas.

Adding to these disparities between states, key economic development functions such as workforce development, industrial recruitment, tourism, industry assistance, and technology development are often housed in different agencies, with few, if any, states

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Initiatives at Kansas State University. Its purpose is to bring university expertise in community economic development to rural Kansas.

sharing the same institutional structure in their approach to economic development. In some states, economic development has been further partitioned with functions such as industrial recruitment activities, international trade development, and workforce training being handled by private-public partnerships (e.g., Enterprise Florida) rather than by state agencies.

Due to the range of institutional and structural approaches to economic development, comparing funding for economic development in a consistent manner between states is complicated. Table 4.1 shows per capita state-level economic development funding for Kansas to be \$17.45 in 1999, one of the higher values among the states listed. While efforts were made to present comparable information, it is possible that the funding figures for some of the other states may or may not include all the economic development programs funded by the state. The figures for Kansas economic development funding (the sum of state funding for KTEC, KDOC&H, and Kansas, Inc.) may appear relatively high but this may be partially attributable to the fact that the data for Kansas may be more complete. For example, if any of the comparison states omitted their state match for programs such as the Manufacturing Extension Partnership (MAMTC is the MEP affiliate in Kansas and is definitely included in the Kansas funding figures shown in the table) overall economic development funding levels (as well as per capita funding) would be reduced. Taking these factors into account, state-level economic development funding in Kansas is moderate compared to other states, with several states reporting greater expenditures and many others showing substantially lower levels of funding.

**Table 4.1 Per Capita State Funding for Economic Development, 1999**

	Per Capita Funding (\$)	State Funding (in \$ millions)	Population (in millions)
Pennsylvania	32.52	390.0	11.99
Minnesota	30.06	143.7	4.78
Iowa	19.62	56.3	2.87
Missouri	19.15	104.7	5.47
<b>Kansas</b>	<b>17.45</b>	<b>46.3</b>	<b>2.65</b>
Nebraska	11.28	18.8	1.67
Michigan	11.08	109.2	9.86
North Carolina	9.65	73.8	7.65
Texas	6.44	129.1	20.04
Washington	6.30	36.3	5.76
Virginia	5.31	36.5	6.87
Oklahoma	5.30	17.8	3.36
Colorado	3.72	15.1	4.06
Florida	1.24	18.8	15.11

Source: Individual economic development agencies; National Association of State Development Agencies.

## **4.7 Kansas Economic Development Institutions: Findings**

The economic development framework in Kansas is wide-ranging, encompassing the efforts of three state agencies, the Kansas Department of Commerce & Housing, the Kansas Technology Enterprise Corporation, and Kansas, Inc. In addition, other state agencies such as the Kansas Department of Human Resources, the Kansas Board of Regents, the Kansas Department of Education, and the Kansas Department of Transportation engage in activities that directly affect the state's economic development efforts, such as preparing and training the state's workforce and building or maintaining an infrastructure that abets rather than hinders business activities. Finally, economic development initiatives in Kansas are not limited to state agencies, as community and regional organizations lead local efforts to improve the business climate and attract investment. Based on interviews conducted with officials involved in economic development in Kansas, several concepts surfaced concerning its coordination and the mechanisms used for its funding, including the following:

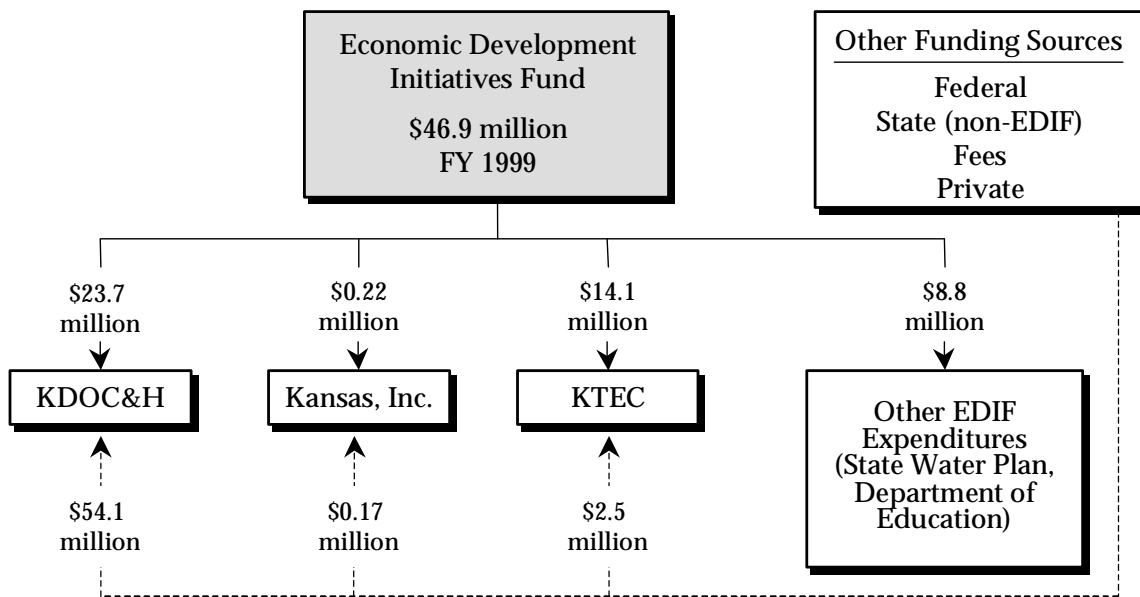
1. There appears to be limited coordination between Kansas agencies involved in all aspects of workforce development. There may be a poor fit between regional business demand for employees and workforce development in Kansas. A formal workforce training system needs to reflect the demands of Kansas businesses and better understand the supply and demand dynamics of the labor force by occupation. A more systematic coordination of efforts to bring together K-12 education, higher education, and business may better provide Kansas with the workforce needs of the future.
2. There is consistent evidence that KTEC and KDOC&H staff cooperate with each other to ensure their clients receive the most appropriate economic development services. Cooperation at the leadership level, however, appears limited.
3. KDOC&H and KTEC provide complementary economic development services that are needed by Kansas individuals, businesses, and communities. The EDIF funding mechanism (shown in Figure 4.3), however, perpetuates an unhealthy competition between the two agencies that is further fueled by their differing approaches to economic development.<sup>3</sup> KTEC emphasizes the development of leading edge technologies while KDOC&H uses traditional but appealing themes of “take the time to experience the uncomplicated life that Kansas offers” to market the state to prospective visitors and businesses. There is a perception that one agency is focused on satisfying the needs of the common folk while the other is geared to bringing the dreams of rocket science Ph.D.'s to fruition. These perceptions do not necessarily reflect the reality of the agencies as KDOC&H administers programs that provide advanced technical training and KTEC has services to assist five-person machine shops by optimizing their floor layouts. Regardless, they both offer distinct services that benefit the Kansas economy, but the competition for funding is a counterproductive distraction.

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<sup>3</sup>Note that the EDIF contributions to KDOC&H, Kansas, Inc., and KTEC are actual expenditures, while the total EDIF budget shown is legislatively-approved funding. This is necessary because of complex budget accounting across agencies, but the point is to show approximate spending amounts and distributions.

4. While KDOC&H and KTEC are the two leading state government providers of economic development services, Kansas, Inc., the third state agency with economic development as its primary function, plays a coordinating role, establishing a cohesive long-term economic development strategy for the state. Past controversies, however, have provoked some skepticism about the credibility of Kansas, Inc., challenging the agency's integrity, especially in the private sector, as an unbiased advisor for guiding the state's economic development efforts. The more pressing issue, however, may be in clearly defining the role of Kansas, Inc. At times, the organization has conducted basic research evaluated economic development programs, outsourced basic research, communicated policy issues, advocated for policy legislation, acted as an advisor to other agencies and the governor's office, and facilitated an economic development round table for private and public interests. To play a significant role in economic development, Kansas, Inc. needs to have a clearly defined role(s) that is easily understood and accepted by other government agencies and the private sector.
  
5. In FY 2001, all economic development funding is being sourced from the Economic Development Initiatives Fund (EDIF). This fund is capped at 85 percent of lottery revenues and is not growing. As a result, Kansas, Inc., KTEC, and KDOC&H are likely to either see their future funding levels decline (in real terms) or remain at existing levels. Intensified competition for these increasingly less dependable funds is probable.

**Figure 4.3 EDIF and non-EDIF Funding Contributions, FY 1999**



Sources: Kansas Legislative Research Department and KDOC&H.