



## ***An analysis of state-level economic development contingency funds***

Kansas, Inc. performed a survey of 49 states regarding the enactment and use of a state contingency fund for economic development. The findings indicated Kansas is not as competitive as a majority of other states offering discretionary financial incentives for recruiting businesses and recommended the state establish a multi-year contingency fund.

The benefit and value of a contingency fund program is to enhance existing tax incentives, credits, training grants and other statutory economic development incentives. Contingency funds are designed to strengthen, not supplant existing incentive packages. Establishing a multi-year commitment for a Kansas economic development contingency fund could enhance Kansas' competitive position among states by demonstrating willingness to financially support business expansion.

Key findings from the survey included:

- A majority of states have contingency funds – a total of 30 states have discretion over an economic development fund beyond statutory programs, tax credits and grants;
- The median amount available for economic development contingency fund programs is between \$7 and \$10 million annually;
- Although a range of state revenue sources are used to fund these programs, a majority of states use general fund revenues to fund contingency programs;
- While there is wide variation in public officials and citizen appointed boards that participate in contingency fund decisions, state appointed officials are most commonly responsible for determining recipients of contingency funds.

While current economic conditions are challenging, the strategy recommended in the Kansas Economic Development Strategic Plan to eventually establish a discretionary fund for economic development is warranted and will position Kansas to more effectively compete in the national and global marketplace. [Click here to access the full report.](#)

The Kansas, Inc. eREPORT provides analysis intended to stimulate discussion in order to identify policy options and build consensus essential for concerted action on vital economic issues. Discussion points from several resources have been compiled in this publication; therefore some points brought forth may not necessarily represent the consensus views of the entire Kansas, Inc. Board, but are simply provided as a starting point for discussion.

If you have any questions or comments, or would like further information, contact us at:

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## ***KTEC Evaluation***

As the principle standard-bearer for technology-based economic development (TBED) in Kansas, KTEC has a statutorily defined mission to foster an entrepreneurial business climate that leads to the creation of new entrepreneurial businesses and the research that supports its creation. Thomas P. Miller and Associates (TPMA) was engaged by Kansas, Inc. to conduct an objective evaluation of KTEC using a number of qualitative and quantitative sources and techniques to explore its impact on the economy of Kansas and its compliance with enabling statutes.

Based on the study, KTEC and Kansas may be at a crossroads with respect to TBED. While one can easily make the case that Kansas would not be as far along as it is with respect to technology without the presence of KTEC, it may be time for the function and operation of KTEC to evolve to the next level in terms of advancing innovation and commercialization in the state.

*Technology is no longer an enterprise in and of itself, it is the thread that must be woven through the entire economy with innovation*

- Kansas, Inc. Strategic Planning

Leadership in the state and on the KTEC Board has a responsibility to support a strategic focus for KTEC and elevate it to the next level of sophistication and to establish aggressive, yet realistic expectations about what it can and should deliver for Kansas.

Conversely, during difficult economic times, economic development activities are a popular cost-cutting target. In the case of KTEC, rolling its function into another organization or eliminating the function altogether may force Kansas to relinquish its place in the technology race and risk falling further behind. A failure to support the specialized talent required to advance TBED and provide adequate resources may consign Kansas to the back of the technology pack for many years to come. **Access the full report on our website** [www.kansasinc.org](http://www.kansasinc.org)

## Indicators of the Kansas Economy

*Value can be created and measured in several ways – tell us how to measure it and we will tell you how to perform*

- Kansas, Inc. Strategic Planning

The Indicators of the Kansas Economy (IKE) project has the goal of identifying critical variables that explain the current condition of the Kansas economy relative to its surrounding states and the U.S. The project concept was the result of a perceived need for a single source of objective and consistent information that allows public and private leadership, as well as all interested Kansans to better understand the economy and enhance decision-making capacity.

Kansas, Inc. has also partnered with the Information Network of Kansas to significantly advance the sophistication, outreach and quality of the IKE project to develop the framework for several variables to be displayed both interactively and electronically on a county, state, regional and national level.

Based on the data in the IKE report, the Kansas economy tends to track with both surrounding states and the national economy; however, several indicators illustrate trends where the Kansas economy has lagged or outpaced other states and the national economy, which can have a considerable impact over time.

For example, the population of Kansas has grown at a rate of 5.3 percent since 1998 to approximately 2.8 million citizens in 2008. If the population had grown at the U.S. rate of 10.2 percent since 1998, the population of Kansas would have been 2.93 million citizens.

Another example – Gross Domestic Product by State (GSP), commonly referred to as the “value-added” in production by the labor and property in a state. Since 1997, the Kansas GSP has grown 62.8 percent to \$117,305 million in 2007, while if GSP had grown at the U.S. rate of 66.8 percent, Kansas GSP would have been approximately \$120,214 million, a difference of nearly \$3 billion.

Another example – Kansas manufacturing employment, comprised of establishments engaged in the mechanical, physical or chemical transformation of materials, substances or components into new products. Since February 1999, manufacturing employment in Kansas has decreased by 14.3 percent to 176,900 individuals in February 2009. If manufacturing employment would have decreased at the U.S. rate of 28.6 percent, manufacturing employment would have been approximately 147,000 individuals in Kansas.

These few examples illustrate the impact small variances can have on long-term economic trends in Kansas. Benchmarking these and other trends can provide decision-makers with the necessary tools to better understand the economy and enhance decision-making capacity. The IKE report, published quarterly contains several indicators that address many facets of the Kansas economy. [Click here to access the latest report.](#)

## An overview of recent Kansas, Inc. reports

Kansas, Inc. regularly compiles several reports on an annual basis intended to assist decision-makers with information regarding various aspects of economic development. (Click on the report title to access the latest report)

[Economic Development Legislation in Kansas – A Chronological History from 1986 to 2008](#) This report provides a historical perspective of legislation that has directly or indirectly influenced economic development in Kansas from 1986 to 2008. Updated annually, an understanding of past economic development legislation is critical to strategically addressing current and future economic development issues.

[Grants and Loans Report – Fiscal Year 2008](#) Since 1990, Kansas, Inc. has prepared an annual report detailing the statewide allocation of grants and loans awarded by state agencies. This report details grants and loans activity in four major categories, including: Economic Development; Community Development; Community Development Block Grants (CDBG); and Natural Resources. During FY 2008 the following amounts were reported:

[County Economic Vitality and Distress – 2007 Report Update](#) Since 1989 Kansas, Inc. has prepared the County Economic Vitality and Distress Report, a report designed to look at the relative economic performance of Kansas’ 105 counties. Within this report, eight social and economic variables are grouped into three categories: wealth, growth, and dependent population. These variables are then analyzed and ranked on a county, regional and population group basis to better understand each county’s economic condition and strength relative to other counties in Kansas.

The top ten economically vibrant counties during 2007 included: 1-Johnson, 2-Pottawatomie, tied at 3-Coffey, Butler, and Miami, 6-Riley, 7-Haskell, 8-Ellis, 9-Gray and 10-Chase. Within the top ten counties, three were Metropolitan, four were Micropolitan and three were Rural. Of these counties, two are located in the East Central Region, two in the Southwest Region, three in the North Central Region, and one each in the Northwest Region, Southeast Region and South Central Region. It should be noted that overall rankings rely on percentage changes in certain variables, which may overemphasize small numerical changes in less populated counties.

Category	Awarded Statewide	Per Capita
Economic Development	\$ 61,811,835	\$ 22.27
Community Development	130,299,006	46.94
Small Cities CDBG	17,983,789	6.48
Direct Entitlement CDBG	10,371,883	--
Natural Resources	13,691,143	4.93