

**Strategic Analysis of Economic
Development Expenditures by Kansas State
Government and Five Surrounding State
Governments:
FY 1989 – FY 2007**

Condensed Edition

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About the Condensed Edition

To use State resources more efficiently, due to its length, the report *Strategic Analysis of Economic Development Expenditures by Kansas State Government and Five Surrounding State Governments: FY 1989 – FY 2007* has been formatted into a *Condensed Edition*. Included are the Executive Summary, Chapter 1 (Introduction), Chapter 3 (Strategic Analysis of Economic Development Expenditures by Kansas State Government and Five Surrounding State Governments: FY 1989 – FY 2007), and Chapter 10 (Recommendations and Conclusions). To view the full report visit our website at www.kansasinc.org or contact the Kansas, Inc. Office at ksinc@ink.org or (785) 296-1460.

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The findings and views presented in this report are those of the authors and do not necessarily reflect those of Kansas, Inc. or Wichita State University.

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Executive Summary

No state can rest on its laurels when it comes to economic development and jobs. No policymaker wants to be seen creating the sort of business climate that drives firms away and discourages employment creation and private investment. But investing scarce public monies unwisely can harm state economies. *Citizens have a right to know if they are getting their money's worth.* (Mejia, Nordstrom, and Schweke, 2007: 4)

Overview

The purpose of the study was to determine (1) the overall funding for economic development programs in Kansas and five neighboring states and (2) the distribution of funds across six areas of economic development program activity.

Five comparison states were chosen based upon geographic location (contiguous to Kansas), similarity in funding sources i.e., lottery funds), or aggressive economic development policy. The six states included in the study were Colorado, Iowa, Kansas, Missouri, Nebraska, and Oklahoma. Budget data were collected for individual programs. State budgets for economic development provide a good indicator of the emphasis states give different economic development activities. Thus, it is nearly impossible to develop standard budget-reporting categories to distinguish economic development functions from the more traditional activities of many state agencies (Bradshaw and Blakely, 1999: 233). Because of the diversity of programs, no attempt was made to compare states at the level of individual programs. Rather, programs were categorized by function or activity and a descriptive analysis of categories of programs was done. The main focus of the descriptive analysis was on broad categories of economic development programs. The types of programs included in the study were those that fell into the following categories:

- *Business environment,*
- *Financial capital,*
- *Human capital,*
- *Infrastructure development,*
- *Quality of life,* and
- *Technology/innovation.*

Role of Government in Economic Development

According to Bartik (2004: 1-2), economic development is “the process by which wealth is created in a national, state, or local economy.” Recently, there has been an increasing awareness that economic development must focus on more than financial issues. Munnich (1995: 19) concludes that “the fundamental purpose of economic development policy should be to increase productivity so as to bring economic benefits to an area.” Seidman (2005: 5) broadens the definition to include:

A process of creating and utilizing physical, human, financial, and social assets to generate improved and broadly shared economic well-being and quality of life for a community or region.

According to Koven (2003: 59) “[o]ne useful way of thinking about recent economic development policy is as a changing set of strategies, sometimes referred to as waves.”

- *First wave strategies* began in the South in the 1930s with industrial recruitment, known as Smokestack Chasing, to lure branch plants from the industrialized North.
- *Second wave initiatives*, which started in the 1980s, sought to fill perceived market gaps and imperfections through government programs that directly provided economic development services to individual business.
- *Third wave strategies*, which are a new approach to economic development, advocate a radical restructuring of state programs based on the principles of increased scale, flexibility, leverage and accountability.

Concerning the role of government in economic development Bradshaw and Blakely (1999: 243) caution that “[t]he nature and purpose of the economic development programs in each state are unique to that state and, for the most part, an appropriate response to its particular economic and political context..” Kane (2004: 15) goes on to add that “public-sector economic development efforts often fail to yield true, positive impacts. In order to avoid wasteful initiatives, policymakers must pursue economic development with an understanding for both the appropriate public-sector role in the regional economy and the drivers of regional economic growth.” Furthermore, Bradshaw and Blakely (1999: 236) have found that:

The emphasis at the statehouse is shifting away from attraction programs, as indicated by state priorities, budget categories, and tax policies. The budget data also provide a clear picture of what the alternative is becoming. State government increasingly helps substate regional areas compete and structures relations with both local governments and the private sector. The new state role is leadership for a broad-based and diversified economic development effort.

Impact of Incentives on Business Location

According to Koven (2003: 62) research shows that with few exceptions, incentives will not effectively influence firm location decisions. The truly important factors in business location decisions are transportation considerations, labor quality, and markets.

Impact of Incentives on Employment and Income

According to Bartik (2002: 7) agency reports sometimes claim that this job creation is a “program impact,” which erroneously assumes that none of the economic activity would have occurred “but for” the program assistance. The under-lying economic issue is whether incentives stimulate output or simply reallocate resources. Eisinger (1988) found that economic development incentives had at best an ambiguous impact on growth, but probably little to no impact at all. McGuire (1992) is skeptical of any consensus position because of the difficulty researchers have had reproducing results across time periods and geographic regions. According to Bartik and Bingham (1997) “most economic development programs are so small relative to the community, any impact will be difficult to detect, but the impact may be large relative to the size of the program.”

Opponents of incentives believe that they are a form of *corporate welfare*, implying that government subsidizes business without causing real, independent economic growth. Some economists have argued that even successful incentive programs can be an inappropriate use of state funds (Oberhelman and Doss, 1997: 5-6). Gabe and Kraybill (2002: 724) conclude that “[i]t is likely that incentives are offered in some cases primarily to give politicians “talking points” or “bragging rights” regarding their role in expansions whose true cause cannot be clearly identified by the electorate.”

Impact of Incentives on Interjurisdictional Tax Competition

The prevailing view is that, at best, this war among the states is viewed as a “zero-sum” game. Some economists argue it is a “negative-sum” game because public spending for business incentives means fewer public resources for other public services.

Impact of Taxes on Economic Development

Concerning the impact of taxes on economic development, Lynch (2004: ix) concluded that “[a] review of the hundreds of survey, econometric, and representative firm studies that have evaluated the effects of state and local tax cuts and incentives also makes clear that these strategies are unlikely to stimulate economic activity and create jobs in a *cost-effective* manner. . . . *The bottom line is that state and local taxes, at their current low levels, may be largely irrelevant to business investment decisions.*”

Impact of Public Services on Economic Development

According to Oates (1972) “[t]he result of tax competition may well be a tendency towards less than efficient levels of . . . local services. In an attempt to keep taxes low to attract business investment, local officials may hold spending below [optimal] levels”. Oates concludes that in a world where every government offers incentives, the game is zero-sum from the point of view of global welfare and negative-sum from the point of view of governments.

Bartik (1996a) found that increases in higher education and health spending, financed by property tax increases, would increase state manufacturing output in the long run. Bartik (1989) also found that increases in state and local taxes increased the rate of small-business creation if the additional tax revenues were spent on local schools and fire protection. Likewise, Munnell (1990) found that state and local tax increases used to finance improvements in highways, sewerage, and other infrastructure increased the growth rate of private employment. Similarly, both Bartik (1991) and Fisher (1997) point out that some public services, such as roads and highways, stimulate economic activity by reducing private-sector production costs.

Targets of Economic Development

According to Atkinson and Correa (2007: 51-2):

. . . the new economic development model recognizes the fundamental insight that innovation and entrepreneurship are key, and that both take place in the context of institutions. This means that the new economic development focuses much more extensively on promoting technological innovation, supporting dynamic acquisition of workforce skills, spurring entrepreneurship, supporting industry cluster and knowledge networks, and also lowering business costs, but in ways that at the same time boost quality of life.

Atkinson and Correa (2007: 52) go on to suggest that:

. . . most states should not focus on job growth alone. Instead, they should focus on boosting productivity, creating better jobs, and raising standards of living for all residents. To do this, states should replace, or at least supplement, the sole metric of success used today—job creation—with a new one: income growth.

However, Burnier (1992: 22) cautions that “practical experience tells them [elected officials] that incentives are important because firms routinely request them as a condition for location and expansion.” Further, offering incentives, generally “allows practitioners to do something concrete and thereby build a record of tangible accomplishments” (Burnier, 1992: 22). Notwithstanding, Florida and Smith (1990) warn that increasing the volume of venture capital in areas that lack other necessary inputs is unlikely to have any significant effect on their technological capabilities.

Economic Development Strategic Planning in Kansas

Support of technology and innovation initiatives have been a consistent goal throughout the history of Kansas strategic planning. Business assistance has been another constant throughout the economic development planning process in Kansas.

Another priority recommended in the economic initiatives is increased value-added agricultural business. Continuing support would be given to enhance the vitality of the production agricultural industries such as farming and livestock operations. Both initiatives are consistent with all incarnations of Kansas strategic planning since the late 19th century.

Comparison of Kansas' and Other States' Economic Development Funding

States were compared to determine the strength of their commitment to economic development and the distribution of resources across six strategic foundations or areas. Survey results showed that:

- For FY 2007, state funding of economic development averaged \$128.3 million in the six-state region. Kansas was below average with funding at \$98.7 million. Kansas (\$98.7 million) ranked fourth among the six states in total state dollars budgeted in FY 2007.
- Per capita funding in the six-state region averaged \$35.49. Kansas' per capita funding was slightly above average at \$35.69 in FY 2007. Kansas ranked third out of six states in per capita funding in FY 2007.
- Kansas was the only state that did not increase state funding for economic development by at least 40 percent. The FY 2007 increase of \$3.9 million was a 4.1 percent increase over FY 2006 funding. Other states increased support in FY 2007 by an average of 54.1 percent.

Two patterns of strategic foundation funding occurred across states: two- and three-level patterns. Kansas has a three-level funding pattern. Business environment has been the primary focus for many years. Technology/innovation has also emerged as a secondary focus. Nebraska has also exhibited a three-tiered funding pattern over recent years. Historically, Oklahoma (ranked first in size of economic development budget) and Iowa (ranked second) followed two-tiered funding patterns until FY 2007, when a third tier began emerging. Colorado and Missouri have generally followed a two-tiered spending pattern. With the exception of Nebraska, states with smaller economic development budgets tended to have two-level funding patterns. This tended to create a more highly focused economic development funding pattern, as a larger share of the state's investment was concentrated in one or two strategic areas.

Conclusion

All states in the study have developed comprehensive plans for economic development, indicating the significance of the strategic planning process in policy formation. Generally, states in the study have shifted away from business attraction and business retention policies toward developing a state industrial policy. States have also tended to shift away from direct subsidies toward foregone tax revenues or tax expenditures as a means of funding economic development. It should be kept in mind that:

- Expenditures are a necessary, but not sufficient condition of economic development. Funding does not provide a direct measure of the success or failure of an economic development program.
- Tracking expenditures may provide an indication of the relative priorities of the various strategic foundations.
- The lack of consistent reporting and budgeting makes it very difficult to assess the actual performance of economic development programs.
- Large fluctuations in funding may be an indication that economic development expenditures are not necessarily deemed by the legislature as being essential. As such, expenditures may be subject to changes in the business cycle, the evolving global economy, and the ever changing political landscape.

However, further study of the legislative histories and performance assessments of the respective states is needed to establish the linkage between economic development expenditures and economic growth.

* * *

The most fundamental problem is that many public officials appear to believe that they can influence the course of their state or local economies through incentives and subsidies to a degree far beyond anything supported by even the most optimistic evidence. We need to begin by lowering their expectations about their ability to micromanage economic growth and making the case for a more sensible view of the role of government—providing the foundations for growth through sound fiscal practices, quality public infrastructure, and good education systems—and then letting the economy take care of itself. (Peters and Fisher, 2004: 35)

Chapter 1

Introduction

No state can rest on its laurels when it comes to economic development and jobs. No policymaker wants to be seen creating the sort of business climate that drives firms away and discourages employment creation and private investment. But investing scarce public monies unwisely can harm state economies. *Citizens have a right to know if they are getting their money's worth.* (Mejia, Nordstrom, and Schweke, 2007: 4)

The use of economic development incentives by states and localities to attract and retain businesses has become increasingly controversial (Poole, 1999: i). A recent article in *USA Today* concluded that “[g]enerous tax breaks given to companies that threaten to take their business elsewhere are coming under increasing scrutiny from state and local officials who say taxpayers aren’t getting their money’s worth (Cauchon, 2007).” In March, North Carolina agreed to provide \$212 million in state and local assistance to secure a \$600 million Google server facility to Lenoir. Recently elected mayor of Kansas City, Missouri is quoted as saying: “There’s an entitlement mentality about tax breaks today. Every developers thinks it’s his right not to pay property taxes (Cauchon, 2007).”

Like the U.S. economy, the Kansas economy is in a state of transition, with the Kansas economy performing below national averages based on many indicators. To encourage growth, the state of Kansas initiated an economic development strategy in 1986. Kansas is not alone in its efforts to encourage economic growth through economic development programs. Other states are also funding economic development initiatives to encourage economic growth. To determine how funding for Kansas economic development compares to funding in other states, a study of Kansas’ economic development programs’ expenditures (FY 1989 – FY 2007) were compared with expenditures made by selected states.

The purpose of the study was to determine (1) the overall funding for economic development programs in Kansas and five neighboring states and (2) the distribution of funds across six areas of economic development program activity. This enabled the determination of how economic development foundations were being funded in Kansas and other states. Data were collected for individual programs. The diversity of programs makes it difficult to compare individual state programs, so programs were categorized by function or activity and a descriptive analysis of program categories was done. Thus, the main focus of analysis was on broad categories of economic development programs.

Economic Development Strategic Planning in Kansas

Kansas began a strategic planning effort in 1963, to address the evolving nature of economic conditions facing the state. Throughout the early 20th century, Kansas' economy was primarily agrarian. Manufacturing industries took root to support the American war effort in World War II and the Korean War. Thriving economic conditions allowed the Kansas economy to function relatively efficiently without a comprehensive action plan at the state level. In 1963, Governor John Anderson commissioned a study to examine the state of the Kansas Economy. The report found that population migration and economic diversification would be critical factors to consider in the development of a comprehensive strategic plan (Governor's Economic Development Commission, 1963).

Finds in the report indicated that employment in agricultural and mining industries had tapered during the 1950's. Manufacturing, excluding defense manufacturing had not significantly increased from 1950 to 1960. Governor Anderson's committee predicted that technological, "space age," industries would need to be recruited to ensure the viability of the manufacturing sector through the 1960's. A net loss of job opportunity would result if Kansas was unable to adapt to the changing economy.

Governor Anderson's committee recommended the formation of the Office of Economic Analysis and the Kansas Economic Finance Authority. Both agencies would address the need for comprehensive research about economic trends affecting the state. The Finance Authority would unify the state effort to support economic development. The report also underscored the significance of continuing vocational education efforts at the state level. Modern manufacturing industries required an advanced workforce, surpassing the estimated average of the 1963 workforce. Resulting legislation created the Kansas Department of Economic Development. The new agency wasted no time commissioning further study into developing a comprehensive strategy for state economic development.

In February of 1965, Smith and Wise submitted an analysis of possible strategies for legislative consideration (Smith and Wise, 1965). Though developmental planning was not new to the state, the Smith and Wise report attempted to distill analytical research on Kansas current economic practices, natural resource holdings and agricultural endeavors into a focused developmental strategy. The report proposed coordination of state development efforts under the umbrella of the newly created Kansas Department of Economic Development. Consolidation would take place in three phases designed to develop specific economic goals, promote regional control of efforts, establish data collection apparatus, and provide better natural resource planning.

The Smith and Wise report remained the prevailing practice until the comprehensive strategy was revisited in the mid-1970's. The evolving nature of the state and national economy promoted scrutiny of the existing programs (Lujan, Galloway, and Jackson, 1974). Movement toward more regionalized efforts indicated an understanding

that the population and manufacturing trends identified in the 1963 report were coming to fruition. Rural areas in Western Kansas were experiencing continued population adjustments as the agricultural industry consolidated and manufacturing became more prominent.

Updates to the Kansas State Development Plan indicated that regionalization efforts could more effectively implement development programs than state efforts. More experimentation was needed in development programs and better utilization of the ample natural resources of the state could be achieved through planning. Economic indicators reflected slow growth in key industries and continued rural flight to urban areas. Recommendations included creating of a venture capital network, increased funding for public infrastructure development and enhancement of general quality of life through community level funding on arts (Kansas Department of Economic Development, 1975). Broadly drawn goals allowed for flexibility through the strategic planning process.

Major revision to the Kansas economic development policy occurred in 1986-87. A performance audit conducted by the Legislative Post Audit Committee in March of 1986 revealed that the state spent approximately \$3.7 million on programming in 1986 and anticipated expenditure totaling more than \$5.7 million for fiscal year 1987 (Legislative Post Audit Committee, March 1986). Survey research indicated that local entities spend far more than the state on development programs, estimating expenditures well over \$100 million. Research also found that success of the developmental programs was the result of a combination of environmental factors and taxation policy (Legislative Post Audit Committee, March 1986). Inconsistencies in reporting mechanisms and difficultly collecting data foreshadowed problems with the states economic development programs.

Later in 1986, a major economic development research projected, commissioned by Governor Carlin, was presented to legislators. Commonly known as the Redwood-Krider Report, the study found that Kansas' economy would continue its sluggish rebound from the national economic depression of the early 1980's if prevailing policy continued. The result would be a diminished quality of life for Kansans if a more dynamic strategic plan was not adopted. Redwood and Krider anticipated the rise in technology driven enterprise and suggested that the state attract technological industry with innovative capital formation while stemming the erosion of the existing economic base. A series of 50 recommendations addressed the totality of Kansas' economic development programs, including capital formation, labor force, public infrastructure, arts programs, secondary education, tourism, debt financing, international trade, and a myriad of additional policy modifications aimed at reversing the downward economic trends (Redwood and Krider, 1986).

The most significant alterations were recommendations in taxation policy. Redwood and Krider recommended implementing a sales/use tax exemption for all manufacturing and computer related business purchases. Reducing corporate income tax liability was also recommended along with providing tax credits for investment in state identified venture capital funds. The report also supported the proposed constitutional

amendment eliminating property tax on inventories. The most significant recommendation allowed for local taxing entities to grant tax abatements to industries that demonstrated potential for job creation.

Structural changes also resulted from the Redwood-Krider report. The Kansas Department of Economic Development was restructured into the Kansas Department of Commerce. Kansas, Inc., a public-private research and planning agency, was created along with Kansas Technology Enterprise Corporation (KTEC) and Kansas Venture Capital, Inc. (Warren, 1992). Legislation created permanent committees in both chambers of the Kansas Legislature to deal with economic development issues. Tax incentives for business and a significant highway maintenance and construction plan emerged from legislative efforts. Constitutional amendments abolished the inventory tax, allowed for local property tax abatements and liquor-by-the-drink, and constructed a state lottery. This combination of legislative action advanced the State's planning process and formed the basis of future economic development legislation (Regents' Task Force on Economic Development, 1992).

Five years after the Redwood-Krider study, Governor Joan Finney commissioned an evaluation of the Kansas economy. The report issued by the Regents' Task Force on Economic Development indicated that population growth remained sluggish from 1980 to 1990; increasing on 4.8% over the decade. Depopulation of Western Kansas and economically depressed regions in Southeastern Kansas continued despite comparatively higher levels of economic development funding in those regions. Tax receipts declined across the board and Kansas lagged behind Colorado, Missouri, and the national average for increasing business presence (Regents' Task Force on Economic Development, 1992). Included in the report was a survey of Wichita businesses that indicated that 43% of medium sized firms rated the labor force as Below Average or Poor (BEST Newsletter, 1991). Not surprisingly, the Regents' Task Force recommended increased expenditures for workforce training and shift to a global competitiveness orientation for future development programs.

Governor Finney reorganized the Department of Commerce to incorporate the Department Housing under the umbrella of the States' strategic policy. A legislative post audit report from 1994 indicated that the Department of Commerce and Housing did not have adequate measurement devices to evaluate the success of its programs (Legislative Post Audit Committee, 1994). Systemic problems with performance measures and data collection protocol made effective evaluation of the Department's economic development programs incomplete and inconclusive (Legislative Post Audit Committee, 1995).

In 1993, Kansas, Inc. created *A Kansas Vision* to serve as the strategic cornerstone for future planning. That strategic plan, *A Kansas Vision for the 21st Century* was released in 1997 after an extensive development process. Five goals anchored the plan: creation of positive business climate, improving the education of the future workforce, enhance the opportunities of the current workforce, maintain and improve the public infrastructure, and enhance economic development capacity (Kansas, Inc., 1997).

Key to improving the business climate was reducing property taxes levied against business property. Stability and competitiveness within the region were paramount concerns. Efforts to reduce the property tax burden on individual taxpayers lead to an effective tax rate on business that was higher than all other states in the region (Oslund, 1996). Better administration of tax policy in areas of workers compensation, compliance, appraisals and management of the environmental regulations were also recommended to improve the business environment in Kansas.

Workforce development focuses on building stronger educational institutions to meet the growing demand for technologically advanced labor. Recommendations for K-12 education included basic skill mastery, construction of technology programs in all school districts, revised skill assessment programs and development of school-to-career programs. The strategic plan also called for increased funding for adult basic education and job training. Sweeping changes were also advocated for the states secondary educational programs, though few details aside from improving efficiency and funding are provided to guide action.

According to the Kansas Department of Transportation, Kansas ranks in the top ten in public road miles, bridges, public use airports per capita, and miles of railroad among all fifty states (Kansas Department of Transportation, 1995). Preserving and increasing the transportation advantage of Kansas was critical to the 1997 strategic plan. Telecommunication development was a focal point of the plan, reflecting a desire to become more technologically advanced. Affordable housing options would be increased in rural and medium sized communities through public-private partnerships. Preservation of the water supply was also named as guiding principal in infrastructure development.

The final goal of the 1997 strategic plan involved building economic development capacity. Funding in eight key initiative areas would increase the capacity of the state's economic development engine. Technology industries would be funded to attract new high technology firms, support existing firms and further the transfer of technology to industries in need. Support of technological initiatives has been a consistent goal throughout the history of Kansas strategic planning. Another constant throughout the planning process is business assistance. The 1997 strategic plan advocates increased business financing assistance, exportation assistance and coordination of all the states efforts through the creation of business development centers. Inline with these recommendations is the continuation of efforts to recruit new industrial sites to the state to diversify the economic base.

Another priority recommended in the economic initiatives is increased value-added agricultural business. Rather than shipping simple raw materials, efforts should focus on the exportation of finished agricultural goods. Continuing support would be given to enhance the vitality of the production agriculture industries including livestock and farming operations. Both initiatives are consistent with all incarnations of Kansas strategic planning starting in the late 19th century.

At the local level, the 1997 strategic plan recommended continuation of state support for community oriented strategic planning and implementation. Development at the community level can enhance the marketing of the entire state. The plan also recommended increased funding for travel and tourism promotion. Stemming from those efforts, the final initiative recommends the intangible goals of forming a better image of Kansas. Moving away from the Wizard of Oz perception of Kansas would greatly enhance the economic development efforts of the state by altering perceptions and making Kansas appear to be a modern, forward thinking state.

A 2001 legislative post audit report indicated that results of the strategic planning effort were mixed and inconclusive. The role originally envisioned for Kansas, Inc. as the lead agency in coordination had not been realized. Interagency coordination was suboptimal and measurable outcomes were unclear or non-existent. Overall, the Department of Commerce and Housing and the Kansas Technology Enterprise Corporation had both fulfilled their respective missions adequately (Legislative Post Audit Committee, 2001).

The Kansas Technology Enterprise Corporation (KTEC) posted returns on initiative spending of \$1 million in cash receipts and a gain of 600 jobs in the 1990's, but failed to live up to lofty legislative expectations. In the year 2000 the efforts of KTEC had increased Kansas company profits by an estimated \$125 million and affected 384 jobs. The audit found that KTEC was generally accountable for all the programming money spent. Recommendations for KTEC focused on improving information gathering procedures and enhanced internal controls on accounts.

The Department of Commerce and Housing reported \$1.2 billion in economic benefits, including the creation of 9,200 jobs, resulting from its programs in fiscal year 2000. Internal reporting problems found by the audit committee raise questions about the quantifiable impact of department programming, consistent with performance measurement problems associated with economic development funding. Auditors concluded that the Department of Commerce and Housing was generally accountable for the funds spent on initiatives, but cautioned that accounting practices for the Economic Development Initiative Fund were weak and in need of improvement. Recommendations for the Department of Commerce and Housing suggest standardized reporting mechanism and more stringent internal accounting for program expenditures.

State law capped the amount of money available in the Economic Development Initiative Fund at \$42.4 million. The removal of available funds from the State General Fund for economic development programs increased competition for available resources. Despite this, Kansas ranked 10th in per capita funding and 8th in percentage of total budget allocated to economic development expenditures when compared to a pool of 27 other states (Legislative Post Audit Committee, 2000). In FY 2000, Kansas spent approximately \$103 per resident for economic development, amounting to just over 1% of the total state budget. In order to remain competitive on a national level, auditors recommended legislative exploration of funding alternatives to reduce internal

competition among economic development programs. (Legislative Post Audit Committee, 2001).

Procedures

Five comparison states were chosen based upon geographic location (contiguous to Kansas), similarity in funding sources i.e., lottery funds), or aggressive economic development policy. The six states included in the study were Colorado, Iowa, Kansas, Missouri, Nebraska, and Oklahoma. Budget data were collected for individual programs. State budgets for economic development provide a good indicator of the emphasis states give different economic development activities. Thus, it is nearly impossible to develop standard budget-reporting categories to distinguish economic development functions from the more traditional activities of many state agencies (Bradshaw and Blakely, 1999: 233). Because of the diversity of programs, no attempt was made to compare states at the level of individual programs. Rather, programs were categorized by function or activity and a descriptive analysis of categories of programs was done. The main focus of the descriptive analysis was on broad categories of economic development programs. The types of programs included in the study were those that fell into the following categories:

- *Business environment* (business/community support)—state programs which foster business development and create a favorable business climate by directly reaching communities and businesses. In addition, the state's image, both in-state and abroad, may be enhanced through trade offices and tourism efforts. Business support programs focus upon business creation, expansion, and recruitment in rural and urban areas. Promotion and development of a state's key industries and economic base are included. Also included in the budget data were expenditures or appropriations for economic development infrastructure, the institutional capacity to support these programs (i.e., divisions within the Department of Commerce).
- *Financial capital assistance*—state programs designed to provide businesses in various growth/development stages with adequate capital. Improving business' access to financial capital encourages economic expansion, modernization, and innovation. Capital may be used in a variety of areas: purchasing facilities and equipment, general operations, working capital, development of prototypes, or general start-up needs. In addition, specific projects/areas may be targeted, such as export assistance, small businesses, or high technology.
- *Human capital* (development of labor resources)—state programs which assist in the long-term investment and development of labor resources. Efficient and responsive training, retraining, and general education programs are a central part of this category, including programs which target and assist new/expanding/existing businesses utilize new processes and technologies, train, and improve employees' performance. Programs may also offer training/retraining to adults who may be unemployed or have skill deficiencies. Financial support and business/education linkages may also be provided and encouraged.

- *Infrastructure development/assistance*—state programs which assist communities in creating and maintaining public infrastructure systems, such as site development for business/industrial parks.
- *Quality of life*—state programs which seek to develop and maintain a positive cultural milieu within the state. Programs may increase the availability and diversity of cultural, artistic, recreational, environmental, and historical activities in order to improve the quality of life and economic potential of the state.
- *Technology/innovation*—state programs which stimulate technology development, coordination, application and transfer. The goals of these programs include improving the competitiveness and efficiency of manufacturing and service industries within the state, as well as diversifying and building on the current economic base. Industry education linkages may be fostered with the focus on improving research and development of new technologies and commercialized products. Technology centers, offices, and information may be available to small businesses and entrepreneurs who wish to develop, produce or utilize new or higher levels of technology.

Excluded from the analysis were programs that did not receive state dollars, and programs that granted tax adjustments/credits/exemptions/etc. Also excluded were highway projects, water projects, bond-funded programs, and historical preservation programs.

Figures reported represent total actual expenditures for given fiscal years. Expenditures for fiscal year 2007 reflect estimated actual expenditures taken from FY 2008 budgets for each state. Estimated actual expenditures were used if gaps in available data existed; these expenditures are noted in the data. To classify expenditures, the primary purpose of the program was examined using budgetary notes, legislative references, or other departmental sources. After careful examination of the specific program mission, the program was placed in the appropriate subdivision. In order to preserve continuity across fiscal years, the program remained in the same category unless significant mission changes were explicitly noted in available sources or the program was terminated.

Programs placed in the Business Environment focused on improving the business climate in the state through broad based program. Community or urban improvement expenditures designed to improve the economic viability of a community through advisement or strategic assistance were placed in Business Environment. Similar programs targeted at rural communities were also included in the category. Expenditures for business incubation, research, and liaison services were identified and regarded as attempts to impact business climate. Tourism efforts also fell into the Business Environment category, due to the systemic impact on the overall business climate of a state. All efforts to promote the use of the state as film destination are also reported in the Business Environment.

Included in Business Environment are administrative expenditures. Administrative expenditures reported in aggregate and not specifically connected to a

program were placed in the Business Environment as administrative. Business Environment as a category broadly defines economic development consistent with commonly held practices and norms, making it a logical choice for unassociated administrative expenditures. Whenever possible, administrative expenditures were attributed to the appropriate program or suitable subdivision, such as Technology/Innovation or Financial Capital Assistance. Due to the historic nature of the data, little documentation existed to inform decisions on administrative expenditures. Variation in reporting practices within and across surveyed states required aggregate reporting of unassociated administrative expenditures to ensure internal validity. The administrative expenditures reporting standard was consistently applied to all states for all fiscal years. Utilizing this method accurately captures all funding for state economic development programs and allows for comparison between states.

Financial Capital assistance focused on programs designed to finance business ventures in the state. Financing options, including loan or bond programs, venture capital, small business formation capital and export financing, were all reported independently. The primary mission criterion was applied to programs providing these services. Actual expenditures were reported in the appropriate category based on the type of financing provided.

Human Capital programs enhance the quality of the workforce through education and productivity assistance. Production assistance for states reported consisted of advisory efforts and limited intervention by states in controlled environments. Workforce development efforts accounted for the majority of expenditures in this category. Often the distinction between assistance provided to new companies and existing companies was difficult to ascertain from available information. Researchers identified the primary function of the program and categorized accordingly. In the case of missing or insufficient information on specific program expenditures, researchers labeled the expenditure as existing business assistance. Erring in favor of existing business assistance captures a broad scope of service. Theoretically, existing business assistance could include businesses in developmental stages.

Infrastructure Development or assistance captures programs designed to improve the physical conditions of an area, making the area more hospitable for business. Community Development Block Grants (CDBG) constitute the primary infrastructure development tool used in all states surveyed. State expenditures in the form of grants or loans to communities typically were packaged with Federal CDBG. Included in grant or loans to communities are administrative costs associated with executing infrastructure projects. Another component of the infrastructure development is business site assistance and development. Primary purpose criterion was used to determine what advisory or administrative expenditures could be attributed to the infrastructure development category.

Technology and innovation programs attempt to grow the technological industry of the state by assisting business modernization and development of new technologies. Grants and financial support for research and development, inventors, and value-added

programs target specific projects. Technological financial assistance differs from general financial assistance because of specific eligibility requirements and limitations on funding. Expenditures were placed in the technology and innovation category based on the primary mission of the originating program. Other forms of assistance in the category include advisement and assistance with technology transfer, data management, and research and development facilities. Any expenditure associated with business and university partnerships related to the state are included where available.

Quality of Life, as a category, focuses on improving living conditions in the state. Efforts to enhance the quality of life for citizens contribute the state overall attractiveness, an increasingly important factor for businesses. Primary expenditures in this category are attributed to community arts programs. All states surveyed funneled primary expenditures through a statewide arts council. Also included in this category are state expenditures to support public television and radio. Other programs were evaluated using the primary mission criteria. Not included were expenditures for art education associated with public school art programs.

Key Findings

General Characteristics of Economic Development Funding

The assumption underlying state funding of economic development programs is that government programs can be used to change the nature of the marketplace. Because government cannot do it alone, the best economic development strategy involves a partnership between the public sector and the private sector and requires a dynamic process. The survey results showed that:

- Most states do have some economic development programs that rely upon partnerships between state and local government and between the public and private sectors.
- States' economic development strategies involved much more than "smokestack chasing." States have evolved toward a more sophisticated mix of programs that focused most heavily upon business environment, technology/innovation, and human capital activities.
- Economic development must be a dynamic, rather than a static, process that anticipates and adjusts to changing economic forces. Because of the mix of economic development programs, numerous organizations in both the public and private sectors were involved in program administration. While each state's Department of Economic Development or Commerce was heavily involved, that department was not the only player. Other state agencies, public-private organizations, and private-sector groups and organizations were involved. The mix provided versatility and flexibility and allowed for experimentation, specialization, and integration of activities.
- Some states were evaluating and/or adjusting their economic development programming to improve the state's competitiveness by recognizing and taking advantage of changes in economic forces (local, national, and global).

Comparison of Kansas' and Other States' Economic Development Funding

States were compared to determine the strength of their commitment to economic development and the distribution of resources across six strategic foundations or areas. Survey results showed that:

- For FY 2007, state funding of economic development averaged \$128.3 million in the six-state region. Kansas was below average with funding at \$98.7 million. Oklahoma invested the most in economic development (\$230.8 million) and Nebraska invested the least (\$30.0 million).
- Kansas (\$98.7 million) ranked fourth among the six states in total state dollars budgeted in FY 2007. (Oklahoma, \$230.8 million; Iowa, \$222.2 million; Missouri, \$113.2 million; Colorado, \$75.0 million; and Nebraska, \$30.0 million).
- Per capita funding in the six-state region averaged \$35.49. Kansas' per capita funding was slightly above average at \$35.69 in FY 2007. Kansas ranked third out of six states in per capita funding in FY 2007. (Iowa, \$74.50; Oklahoma, \$64.48; Missouri, \$19.37; Nebraska, \$16.97; and Colorado, \$15.78).
- Kansas was the only state that did not increase state funding for economic development by at least 40 percent. The FY 2007 increase of \$3.9 million was a 4.1 percent increase over FY 2006 funding. Other states increased support in FY 2007 by an average of 54.1 percent (range: 42.3 percent to 93.2 percent).

Two patterns of strategic foundation funding occurred across states: two- and three-tier patterns. Kansas has a three-tier funding pattern. Business environment has been the primary focus for many years. Technology/innovation has also emerged as a secondary focus. Nebraska has also exhibited a three-tiered funding pattern over recent years. Historically, Oklahoma (ranked first in size of economic development budget) and Iowa (ranked second) followed two-tiered funding patterns until FY 2007, when a third tier began emerging. Colorado and Missouri have generally followed a two-tiered spending pattern. With the exception of Nebraska, states with smaller economic development budgets tended to have two-tier funding patterns. This tended to create a more highly focused economic development funding pattern, as a larger share of the state's investment was concentrated in one or two strategic areas.

Business environment, technology/innovation, and human capital emerged as the highest funded strategic foundations for the largest number of states. All states' funding emphasis was business environment, with the exception of Missouri which ranked it third, after human capital and infrastructure development. Kansas' funding emphases were business environment and technology/innovation. Kansas' lowest funded strategic foundations were financial capital and quality of life strategic foundations.

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Chapter 3

Strategic Analysis of Economic Development Expenditures by Kansas State Government and Five Surrounding State Governments:

FY 1989 – FY 2007

Although data were collected at the program level, program by program comparison was not done because of the diversity of programs. Rather, program descriptions were used to categorize programs by function or activity so comparisons could be made across states by categories of similar (but not necessarily identical) programs.

Strategic Foundations

Six strategic foundations were established in order to classify economic development funding by type of activity or support:

- Business environment,
- Financial capital,
- Human capital,
- Infrastructure development,
- Quality of life, and
- Technology/innovation.

These six foundations are based on a typology developed by Stella and Krider (1990) that comprise the underlying basis of this study.

Business Environment

The business environment strategic foundation includes the following categories:

- Out-of-state industrial recruitment;
- International promotion, recruitment, representation;
- Business export (e.g., trade shows, marketing, planning);
- Small Business Development Centers funding;
- Business retention and expansion;
- Community/urban development;
- Rural development;
- Tourism and image promotion;
- Major industry support (e.g., assistance, promotion);
- Economic development research;

- Economic development liaison (regional offices);
- Database development;
- Business incubators;
- Film promotion; and
- Administrative/other programs.

Financial Capital

The financial capital strategic foundation includes the following categories:

- Loan/bond financing (composite/umbrella);
- Risk financing/equity investments (venture or seed);
- Small business financing (CDC, ESOP, general);
- Export financing; and
- Other programs.

Human Capital

The human capital strategic foundation includes the following categories:

- Productivity improvement/production assistance;
- Training assistance for new and expanding companies;
- Training assistance for existing companies;
- Business/education training partnership (e.g., equipment); and
- Other programs.

Infrastructure Development

The infrastructure development strategic foundation includes the following categories:

- General loans/grants to communities;
- Site development/business park loans/grants; and
- Other programs.

Quality of Life

The quality of life strategic foundation includes the following categories:

- Community arts programs (facilities, resources);
- Public television/radio grants/support; and
- Other programs.

Technology/Innovation

The technology/innovation strategic foundation includes the following categories:

- Research/product assistance loans/grants;
- Applied technology centers; R&D centers;

- Small business research loans/grants/assistance;
- University/business partnership;
- Inventor/royalty grants;
- Patent information and assistance;
- Technology offices;
- Value-added programs and assistance;
- Technical/technology assistance; technology transfer; info/network; and
- Other programs.

State Funding

Total State Funding

When planning an economic development strategy, a state must decide how many dollars to commit to economic development programs. To determine the size of each state's commitment to economic development, states in the six-state region were compared by the level of state funding for economic development programs.

Exhibit 1 shows budgeted state economic development funding, funding per capita, and the percentage change in funding for FY 2007. Average budgeted state economic development funding was \$128.3 million in FY 2007. On average, budgeted state funding for economic development increased 54.1 percent from FY 2006 to FY 2007. For FY 2007, Kansas ranked fourth with budgeted expenditures of \$98.7 million. Oklahoma led the six-state region with budgeted expenditures of \$230.8 million, followed by Iowa with budgeted expenditures of \$222.2 million, and Missouri with budgeted expenditures of \$113.2 million. Nebraska had the lowest budgeted state economic development funding of \$30.0 million.

Exhibit 1

Budgeted State Economic Development Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

	Business Environment	Financial Capital	Human Capital	Infrastructure Development	Quality of Life	Technology/Innovation	Total State Expenditures	Population
Kansas	\$72,715,911	\$0	\$4,465,270	\$5,112,373	\$2,245,717	\$14,111,637	\$98,650,908	2,764,075
Colorado	\$34,997,237	\$0	\$33,896,846	\$0	\$725,000	\$5,386,469	\$75,005,552	4,753,377
Iowa	\$138,237,091	\$40,785,399	\$18,130,000	\$13,109,118	\$1,450,000	\$10,500,000	\$222,211,608	2,982,085
Missouri	\$31,666,485	\$1,862,104	\$36,905,605	\$32,924,829	\$1,698,300	\$8,105,036	\$113,162,359	5,842,713
Nebraska	\$14,983,183	\$1,099,530	\$586,000	\$9,802,831	\$2,860,741	\$673,264	\$30,005,549	1,768,331
Oklahoma	\$86,029,000	\$19,718,000	\$34,072,000	\$56,058,000	\$14,346,000	\$20,581,000	\$230,804,000	3,579,212
Average	\$63,104,818	\$10,577,506	\$21,342,620	\$19,501,192	\$3,887,626	\$9,892,901	\$128,306,663	3,614,966
Percentage Change								
Kansas	0.5%	N/A	6.9%	367.4%	6.9%	-6.4%	4.1%	2,764,075
Colorado	115.5%	N/A	5.5%	N/A	1.3%	488.2%	50.0%	4,753,377
Iowa	75.4%	161.3%	-19.0%	49.5%	-67.1%	83.6%	63.7%	2,982,085
Missouri	-32.9%	N/A	97.2%	518.7%	0.0%	41.5%	43.9%	5,842,713
Nebraska	18.5%	232.5%	16.5%	83.5%	55.3%	56.2%	42.3%	1,768,331
Oklahoma	31.9%	290.4%	478.0%	192.0%	38.8%	49.1%	93.2%	3,579,212
Average	29.5%	202.4%	52.8%	194.5%	10.6%	42.4%	54.1%	3,614,966
Per Capita								
Kansas	\$26.31	\$0.00	\$1.62	\$1.85	\$0.81	\$5.11	\$35.69	2,764,075
Colorado	\$7.36	\$0.00	\$7.13	\$0.00	\$0.15	\$1.13	\$15.78	4,753,377
Iowa	\$46.36	\$13.68	\$6.08	\$4.40	\$0.49	\$3.52	\$74.52	2,982,085
Missouri	\$5.42	\$0.32	\$6.32	\$5.64	\$0.29	\$1.39	\$19.37	5,842,713
Nebraska	\$8.47	\$0.62	\$0.33	\$5.54	\$1.62	\$0.38	\$16.97	1,768,331
Oklahoma	\$24.04	\$5.51	\$9.52	\$15.66	\$4.01	\$5.75	\$64.48	3,579,212
Average	\$19.66	\$3.35	\$5.17	\$5.51	\$1.23	\$2.88	\$37.80	3,614,966

Source: State Budgets, FY 2007

In FY 2007, Kansas was the only state in the six-state region to increase budgeted economic development expenditures by less than a double-digit percentage. Kansas only increased budgeted state economic development funding by 4.1 percent or \$3.8 million in FY 2007, compared to a 93.2 percent or \$111.3 million budgeted increase for Oklahoma, and a 63.7 percent or \$86.5 million budgeted increase for Iowa. Over the time period FY 1989 to FY 2007, Kansas typically ranked in the middle of the six-state region in terms of percentage increase in economic development funding. However, as recently as FY 2005 Kansas led the region in percentage growth in state economic development funding.

Exhibit 2 shows state economic development funding for FY 1989 through FY 2007. Values for FY 1989 through FY 2006 reflect actual expenditures, while FY 2007 values reflect budgeted expenditures as reported in each state's respective budgets. In addition to expenditures in each of the states, a trend line reflecting the six-state average over this time period is also plotted. The trend line was derived by estimating a log-linear regression of the natural logarithm of average funding as the dependent variable and time as the independent variable.

$$\ln(\text{Average Funding}) = \alpha + \beta(\text{Time}) + \varepsilon$$

Alpha (α) is the intercept term, beta (β) is the slope term, and epsilon (ε) is the random error term. In a log-linear regression the coefficient of the slope variable is an estimate of the average annual rate of change. Therefore, each value on the trend line reflects average funding in a given period, while the trend line itself reflects the growth trend over the entire time period.

Exhibit 2

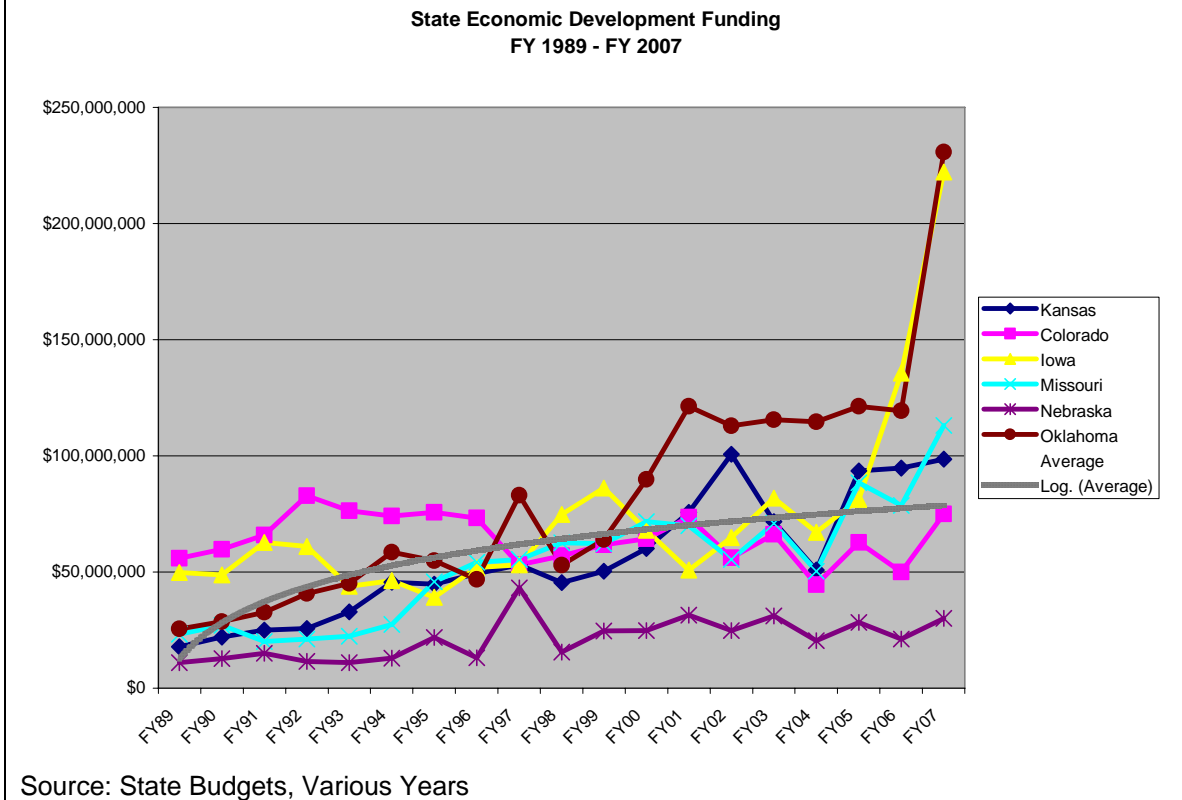
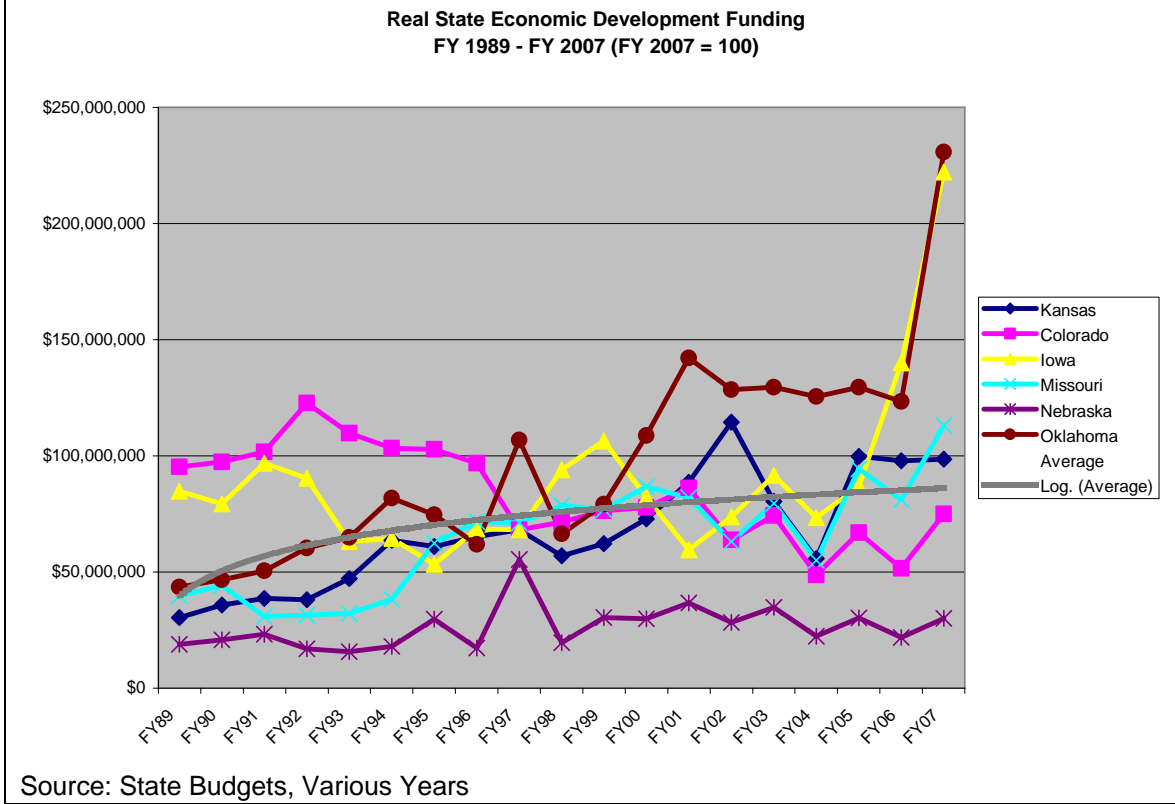


Exhibit 2 shows that in FY 2007 Oklahoma and Iowa significantly out-budgeted Kansas and its other neighboring states in total economic development funding. In FY 2007, Kansas ranked fourth overall behind Oklahoma, Iowa, and Missouri. It is noteworthy that the spread in economic development funding in prior years was much smaller, with Oklahoma and Iowa nearly doubling budgeted expenditures in FY 2007. Over the time period FY 1989 to FY 2007 Kansas tended toward the middle of the pack in terms of total state economic development funding, with the state ranking as high as second in FY 2005. For most of this time period, economic development funding for Kansas was below the six-state average, however, the state has been above the trend line since FY 2005.

Exhibit 3 shows real state economic development funding for FY 1989 through FY 2007 in 2007 dollars. Real funding reflects economic development funding adjusted for inflation. Economic development expenditures were adjusted for inflation using the Consumer Price Index for all Urban Consumers (CPI-U). These values were then subsequently benchmarked such that past expenditures are reflected in the 2007 equivalent purchasing power. This graphic shows that after adjusting for inflation economic development funding for Kansas has generally increased since FY 1989, but funding has been flat since FY 2005. After adjusting for inflation, economic development funding in Iowa, Missouri, and Oklahoma has generally been increasing, while funding in Colorado, Missouri, and Nebraska has been flat. However, both Iowa and Oklahoma significantly increased budgeted expenditures in FY 2007.

Exhibit 3

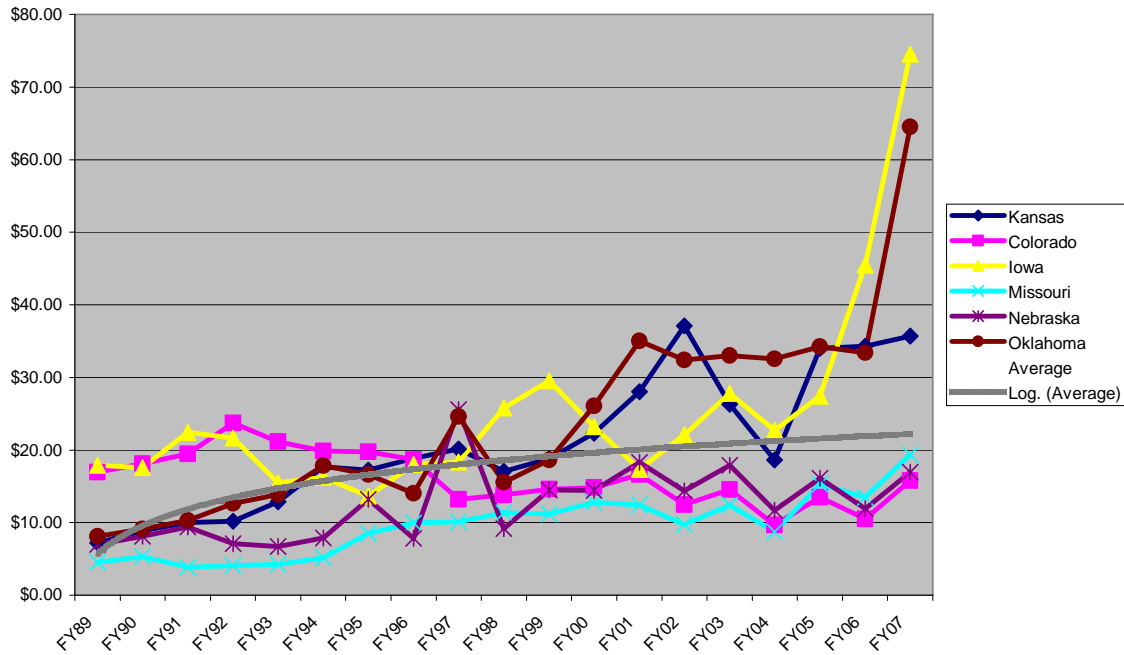


State Funding Per Capita

State economic development funding per capita was computed to take into account differences in population among the states in the six-state region. Exhibit 4 shows state economic development funding per capita for FY 1989 through FY 2007. Generally, there is not a high degree of correlation between state population size and funding per capita. For example, Kansas ranked fifth in population size, but third in per capita funding in FY 2007, while Colorado and Missouri are two most heavily populated states in the region, but among the lowest spenders per capita. In FY 2007, Kansas budgeted \$35.69, ranking third in the six-state region. Although Kansas is clearly above the six-state average trend line in per capita funding, budgeted expenditures for Kansas were less than one-half of that of the leading state. Iowa led the six-state region budgeting \$74.52 per capita, followed by Oklahoma with \$64.48 per capita. However, as recently as FY 2002 Kansas led the six-state region in per capita economic development expenditures with nearly twice the per capita expenditures as the present funding leader, Iowa.

Exhibit 4

**State Economic Development Funding Per Capita
FY 1989 - FY 2007**

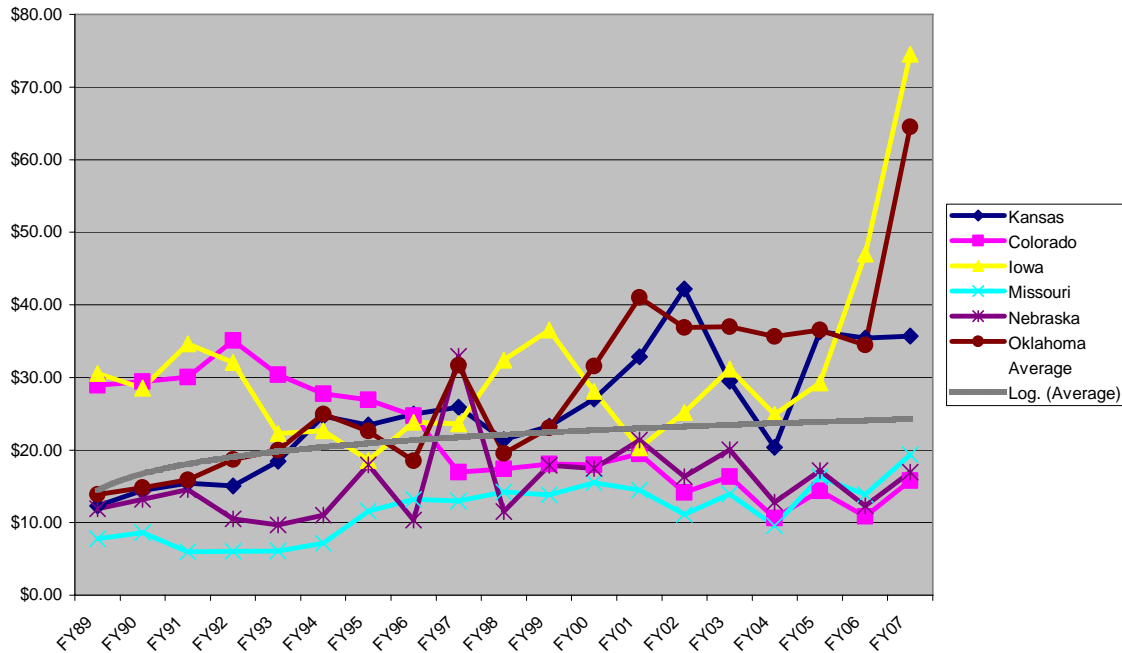


Source: State Budgets, Various Years

Exhibit 5 shows real state economic development funding per capita for FY 1989 through FY 2007. This graphic shows that after adjusting for inflation economic development funding per capita for Kansas has generally increased since FY 1989, but funding has been flat since FY 2005. After adjusting for inflation, economic development funding per capita in Oklahoma has generally been increasing, while funding in Colorado has been decreasing, and funding in Iowa, Missouri, and Nebraska has been flat. However, both Iowa and Oklahoma significantly increased budgeted expenditures per capita in FY 2007.

Exhibit 5

Real State Economic Development Funding Per Capita
FY 1989 - FY 2007 (FY 2007 = 100)



Source: State Budgets, Various Years

Distribution of States' Funds Across Strategic Foundations

In addition to determining the overall economic development funding, each state must decide the distribution of funding among the strategic foundations. In order to determine the respective funding priorities of the states in the six-state region, the distribution of funds *across* the six strategic foundations was compared. Exhibit 6 shows state strategic foundation funding priorities for FY 2007. Business environment was the top funding priority for five of six states in the region. The only state that did not fund business environment as their highest funding category was Missouri, which funded human capital as its top priority. Kansas funded technology/innovation as the second highest priority, while Missouri, Nebraska, and Oklahoma funded infrastructure development as the second highest priority. Kansas funded infrastructure development as its third higher priority, while human capital was funded as a high priority in most states. The strategic foundations receiving high levels of funding in a majority of the states were business environment, technology/innovation, and human capital. The strategic foundation receiving the lowest funding was quality of life (three states).

Exhibit 6

State Strategic Foundation Funding Priorities, FY 2007

State Spending by Category: Kansas			State Spending by Category: Colorado		
	Business			Business	
1	Environment	\$72,715,911	1	Environment	\$34,997,237
2	Technology/ Innovation	\$14,111,637	2	Human Capital	\$33,896,846
3	Infrastructure		3	Technology/ Innovation	\$5,386,469
3	Development	\$5,112,373	4	Quality of Life	\$725,000
4	Human Capital	\$4,465,270	5	Financial Capital	\$0
5	Quality of Life	\$2,245,717	6	Infrastructure	\$0
6	Financial Capital	\$0	6	Development	\$0

State Spending by Category: Iowa			State Spending by Category: Missouri		
	Business			Business	
1	Environment	\$138,237,091	1	Human Capital	\$36,905,605
2	Financial Capital	\$40,785,399	2	Infrastructure	\$32,924,829
3	Human Capital	\$18,130,000	2	Development	\$32,924,829
4	Infrastructure		3	Business	\$31,666,485
4	Development	\$13,109,118	3	Environment	\$31,666,485
5	Technology/ Innovation	\$10,500,000	4	Technology/ Innovation	\$8,105,036
6	Quality of Life	\$1,450,000	5	Financial Capital	\$1,862,104
			6	Quality of Life	\$1,698,300

State Spending by Category: Nebraska			State Spending by Category: Oklahoma		
	Business			Business	
1	Environment	\$14,983,183	1	Environment	\$86,029,000
2	Infrastructure		2	Infrastructure	\$56,058,000
2	Development	\$9,802,831	2	Development	\$56,058,000
3	Quality of Life	\$2,860,741	3	Human Capital	\$34,072,000
4	Financial Capital	\$1,099,530	3	Technology/ Innovation	\$34,072,000
5	Technology/ Innovation	\$673,264	4	Innovation	\$20,581,000
6	Human Capital	\$586,000	5	Financial Capital	\$19,718,000
			6	Quality of Life	\$14,346,000

Source: State Budgets, FY 2007

Comparison of States' Funding Within Strategic Foundations

State allocations were compared by strategic foundation to determine the range of investment across states and the level of investment made in FY 1989 through FY 2007.

Business Environment. Business environment was the top funded foundation in FY 2007 for all states in the six-state region except Missouri. Exhibit 7 shows state business environment funding, funding per capita, and the percentage change in funding for FY 2007. In 2007, Iowa led the six-state region in business environment funding at \$138.2 million, followed by Oklahoma at \$86.0 million, and Kansas at \$72.7 million. The six-state average funding was \$63.1 million. Likewise, Iowa led the region in funding per capita at \$46.36, followed by Kansas at \$26.31 per capita, and Oklahoma at \$24.04 per capita. Colorado had the highest growth rate in funding at 115.5 percent, followed by Iowa at 75.4 percent, and Oklahoma at 31.9 percent. The six-state average growth rate was 29.5 percent. Budgeted funding in Kansas only increased 0.5 percent, the smallest increase in the region, with the exception of Missouri, which decreased funding 32.9 percent.

Exhibit 7

Business Environment Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

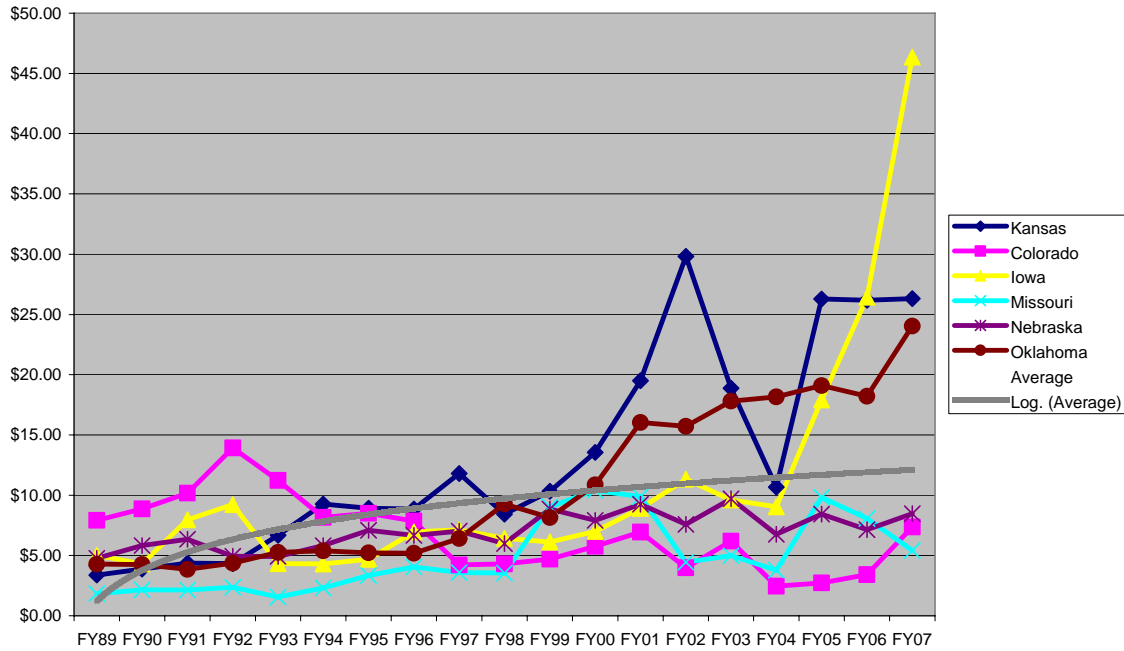
	State Funds	Per Capita	Percentage Change
Kansas	\$72,715,911	\$26.31	0.5%
Colorado	\$34,997,237	\$7.36	115.5%
Iowa	\$138,237,091	\$46.36	75.4%
Missouri	\$31,666,485	\$5.42	-32.9%
Nebraska	\$14,983,183	\$8.47	18.5%
Oklahoma	\$86,029,000	\$24.04	31.9%
Average	\$63,104,818	\$19.66	29.5%

Source: State Budgets, FY 2007

Exhibit 8 shows state business environment funding per capita for FY 1989 through FY 2007. In FY 2007, budgeted expenditures for business environment programs averaged \$63.1 million or \$19.66 per capita in the six-state region, with an average growth rate of 29.5 percent compared to FY 2006. Kansas ranked second in per capita funding of business environment programs and third in state dollars allocated. Within the six-state region, only Iowa had a higher per capita funding level. Iowa's large funding increase in FY 2007 placed it well ahead of all other states. In FY 2007, Iowa budgeted \$46.36 per capita for business environment, followed by Kansas with \$26.31, and Oklahoma with \$24.04. Missouri (\$5.42), Colorado (\$7.36), and Nebraska (\$8.47) budgeted the least per capita for business environment in the six-state region. However, Kansas only increased budgeted expenditures of business environment by 0.5 percent in FY 2007, compared to budgeted increases of 75.4 percent for Iowa, and 31.9 percent for Oklahoma.

Exhibit 8

**State Business Environment Funding Per Capita
FY 1989 - FY 2007**

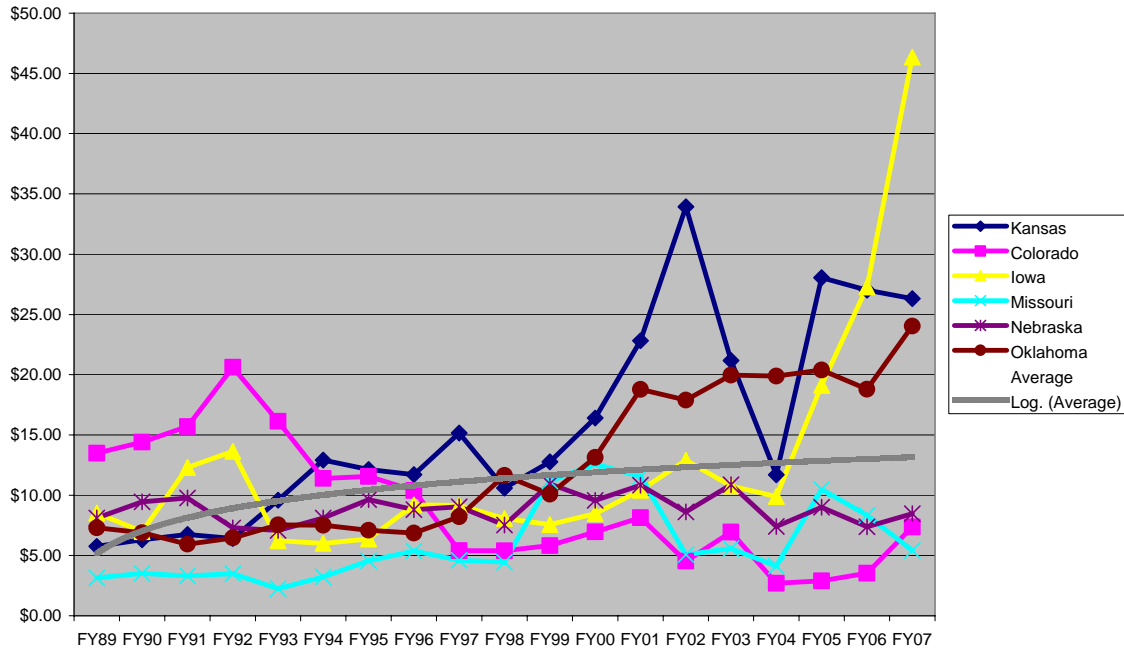


Source: State Budgets, Various Years

Exhibit 9 shows real state business environment funding per capita for FY 1989 through FY 2007. Adjusted for inflation, business environment funding has generally been increasing over time in Kansas and Oklahoma, while it has generally been decreasing in Colorado. Funding has generally been flat in Iowa, Missouri, and Nebraska. However, Iowa has significantly increased funding since FY 2005 and its funding per capita is nearly twice that of Kansas, the next highest state in the region.

Exhibit 9

**Real State Business Environment Funding Per Capita
FY 1989 - FY 2007 (FY 2007 = 100)**



Source: State Budgets, Various Years

Financial Capital. None of the six states in the region funded financial capital as the category of top emphasis. Iowa was the only state to prioritize financial capital as one of its top three priorities. Of the remaining states, four funded it as their lowest or second lowest category. In FY 2007, budgeted expenditures for financial capital programs averaged \$10.6 million or \$3.35 per capita in the six-state region, with an average growth rate of 202.4 percent compared to FY 2006. Iowa led the region with \$40.8 million in funding in FY 2007, followed by Oklahoma with \$19.7 million. Missouri and Nebraska each budgeted less than \$2.0 million, while Kansas and Colorado did not explicitly budget any funding for financial capital programs. Iowa also led the six-state region in per capita funding, allocating \$13.68 for financial capital programs in FY 2007, followed by Oklahoma with budgeted expenditures of \$5.51 per capita. Both Oklahoma (290.4 percent) and Iowa (161.3 percent) budgeted large increases for financial capital programs in FY 2007. Nebraska (\$0.62) and Missouri (\$0.32) both budgeted less than \$1.00 per capita to financial capital programs in FY 2007. However, Nebraska did increase financial commitments 232.5 percent in FY 2007. Exhibit 10 shows state funding, funding per capita, and the percentage change in funding for financial capital programs for FY 2007.

Exhibit 10

Financial Capital Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

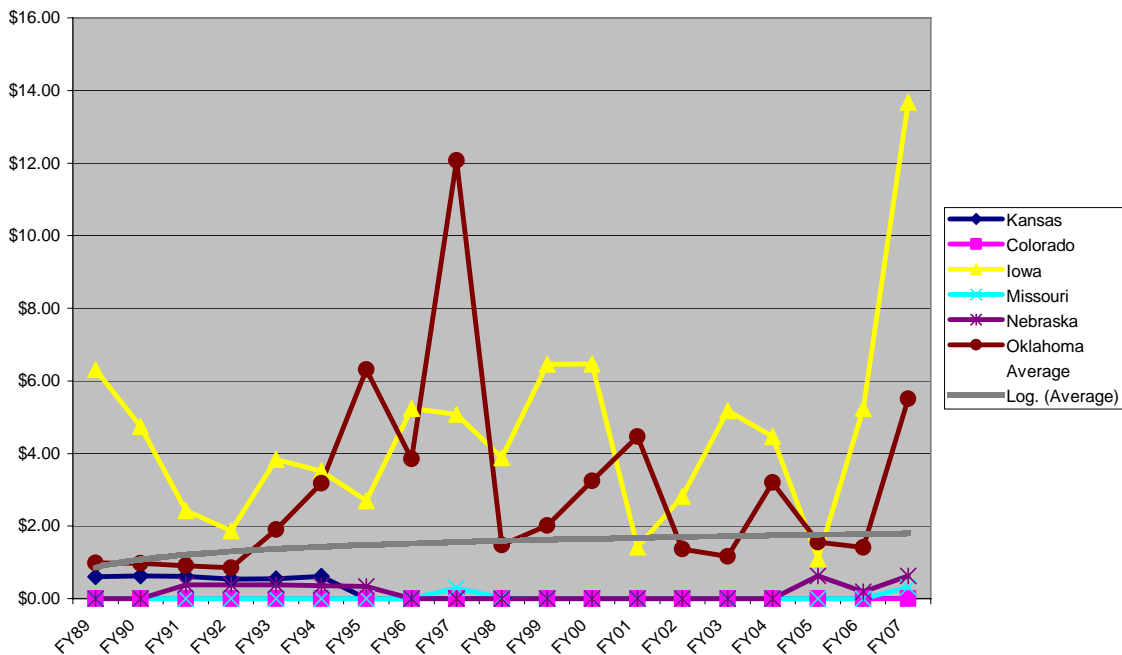
	State Funds	Per Capita	Percentage Change
Kansas	\$0	\$0.00	N/A
Colorado	\$0	\$0.00	N/A
Iowa	\$40,785,399	\$13.68	161.3%
Missouri	\$1,862,104	\$0.32	N/A
Nebraska	\$1,099,530	\$0.62	232.5%
Oklahoma	\$19,718,000	\$5.51	290.4%
Average	\$10,577,506	\$3.35	202.4%

Source: State Budgets, FY 2007

Exhibit 11 shows state financial capital funding per capita for FY 1989 through FY 2007. During most of this time period, only Iowa and Oklahoma have allocated significant resources to financial capital programs, with both states budgeting significant increases in FY 2007. Kansas has not explicitly allocated funding for financial capital since FY 1994.

Exhibit 11

**State Financial Capital Funding Per Capita
FY 1989 - FY 2007**

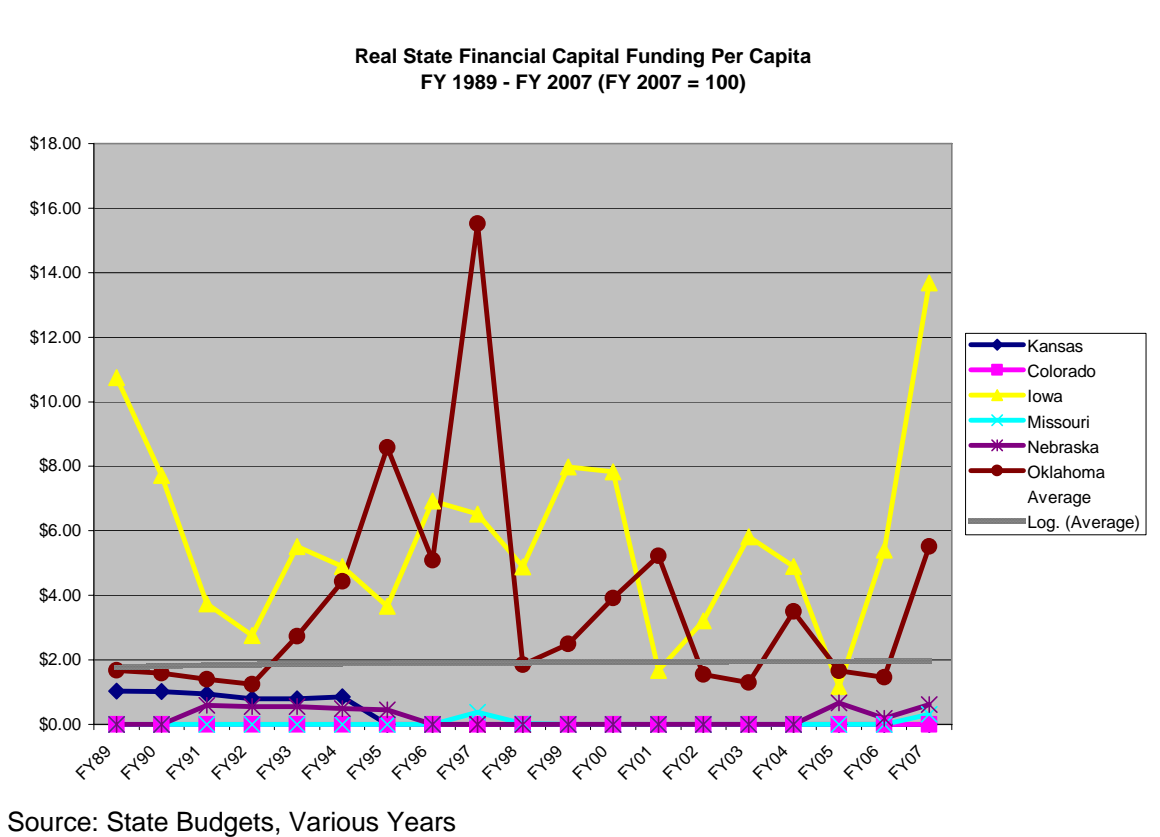


Source: State Budgets, Various Years

Exhibit 12 shows real state financial capital funding per capita for FY 1989 through FY 2007. Adjusted for inflation, the states in the region have generally

decreased funding for financial capital programs over this time period, with the exceptions of Iowa and Oklahoma. Iowa has significantly increased funding for financial capital programs since FY 2006 and Oklahoma significantly increased funding for this foundation in FY 2007.

Exhibit 12



Human Capital. Human capital was the top funded strategic foundation in FY 2007 for Missouri, and was the second or third category of emphasis for Colorado, Iowa, and Oklahoma. In FY 2007, budgeted expenditures for human capital programs averaged \$21.3 million or \$5.17 per capita in the six-state region, with an average growth rate of 52.8 percent compared to FY 2006. Missouri led the region budgeting \$36.9 million in human capita funds in FY 2007, followed by Oklahoma with \$34.1 million, and Colorado with \$33.9 million. Kansas budgeted \$4.5 million, surpassing only Nebraska which allocated only \$586,000 in FY 2007. On a per capita basis, Oklahoma (\$9.52) led the six-state region in FY 2007 after a significant funding increase (478.0 percent). Following Oklahoma in human capital funding in FY 2007 was Colorado (\$7.13), Missouri (\$6.32), and Iowa (\$6.08). Kansas ranked next to last in the six-state region with budgeted per capital human capital expenditures of \$1.62. However, Kansas did increase budgeted expenditures for human capital in FY 2007 by 6.9 percent. For FY 2007 only Nebraska budgeted less at \$0.33 per capita. Iowa was the only state to reduce budgeted expenditures for human capital in FY 2007. Exhibit 13 shows state funding, funding per capita, and the percentage change in funding for human capital program in FY 2007.

Exhibit 13

Human Capital Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

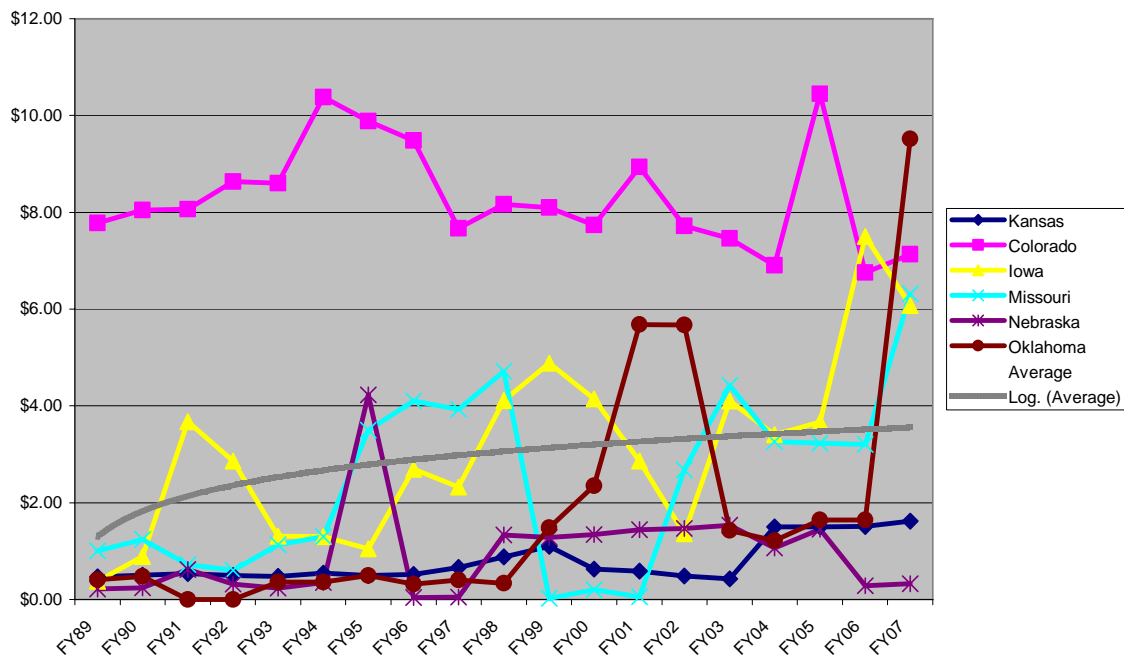
	State Funds	Per Capita	Percentage Change
Kansas	\$4,465,270	\$1.62	6.9%
Colorado	\$33,896,846	\$7.13	5.5%
Iowa	\$18,130,000	\$6.08	-19.0%
Missouri	\$36,905,605	\$6.32	97.2%
Nebraska	\$586,000	\$0.33	16.5%
Oklahoma	\$34,072,000	\$9.52	478.0%
Average	\$21,342,620	\$5.17	52.8%

Source: State Budgets, FY 2007

Exhibit 14 shows state human capital funding per capita for FY 1989 through FY 2007. For most of this time period Colorado consistently led the region in human capital funding per capita. Colorado was overtaken as the leader in human capital funding in FY 2007 when Oklahoma significantly increased funding by 478.0 percent. Iowa and Missouri have also consistently spent more on human capital program than the other states in the region. Kansas and Nebraska have spent significantly less than the trend average for this foundation during the entire time period.

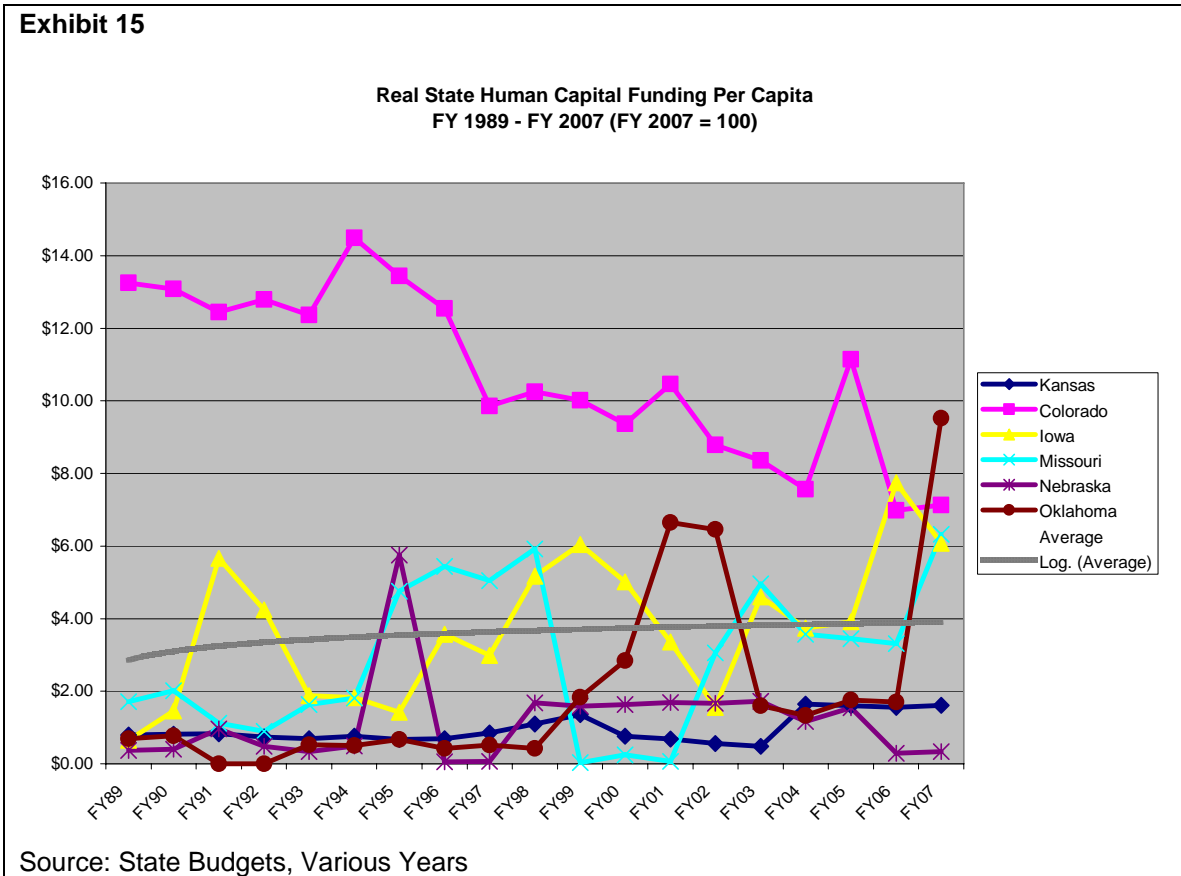
Exhibit 14

**State Human Capital Funding Per Capita
FY 1989 - FY 2007**



Source: State Budgets, Various Years

Exhibit 15 shows real state human capital funding per capita for FY 1989 through FY 2007. Adjusted for inflation, Kansas, Iowa, Missouri, and Oklahoma have increased their expenditures for human capital programs over this time period. Albeit, Kansas has allocated much lower funding than the other three states. Although Colorado has consistently led this foundation in expenditures, its overall trend since FY 1989 is clearly downward. Nebraska has consistently allocated low funding for this foundation.



Infrastructure. In FY 2007, infrastructure development was the second category of emphasis for Missouri, Nebraska, and Oklahoma. Kansas ranked it third. Budgeted expenditures for infrastructure development programs averaged \$19.5 million or \$5.51 per capita in the six-state region, with an average growth rate of 194.5 percent compared to FY 2006. In FY 2007, Kansas ranked next to last in per capita funding and total state dollars allocated for infrastructure. Oklahoma led the six-state region with budgeted expenditures of \$15.66 per capita in FY 2007, followed by Missouri with budgeted expenditures of \$5.64 per capita, and Nebraska with budgeted expenditures of \$5.54 per capita. Missouri significantly increased budgeted expenditures for infrastructure development by 518.7 percent, while Oklahoma increased budgeted expenditures by 192.0 percent in FY 2007. Although Kansas increased budgeted funding by 367.4 percent in FY 2007, the state was still next to last with \$1.85 per capita in infrastructure development funding. Colorado did not explicitly allocate funding for infrastructure development in FY 2007. Exhibit 16 shows state funding, funding per

capita, and the percentage change in funding for infrastructure development programs in FY 2007.

Exhibit 16

Infrastructure Development Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

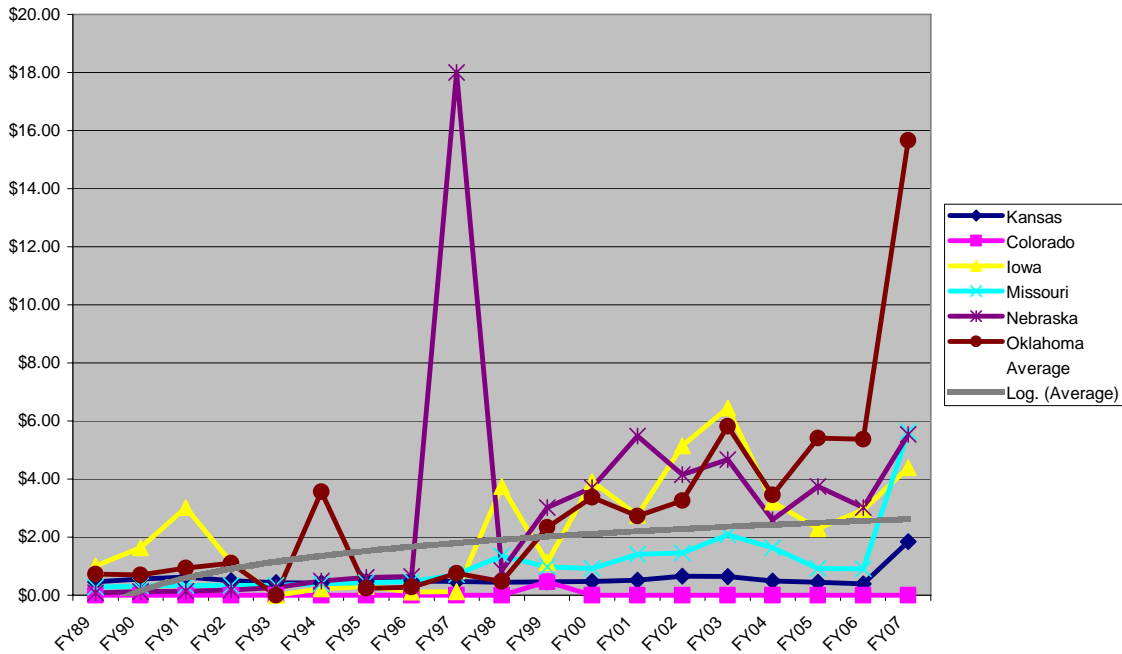
	State Funds	Per Capita	Percentage Change
Kansas	\$5,112,373	\$1.85	367.4%
Colorado	\$0	\$0.00	N/A
Iowa	\$13,109,118	\$4.40	49.5%
Missouri	\$32,924,829	\$5.64	518.7%
Nebraska	\$9,802,831	\$5.54	83.5%
Oklahoma	\$56,058,000	\$15.66	192.0%
Average	\$19,501,192	\$5.51	194.5%

Source: State Budgets, FY 2007

Exhibit 17 shows state infrastructure development funding per capita for FY 1989 through FY 2007. For most of this time period Oklahoma, Iowa, and Nebraska have had above average expenditures per capita on infrastructure development, while Colorado, Kansas, and Missouri have had below average funding on infrastructure.

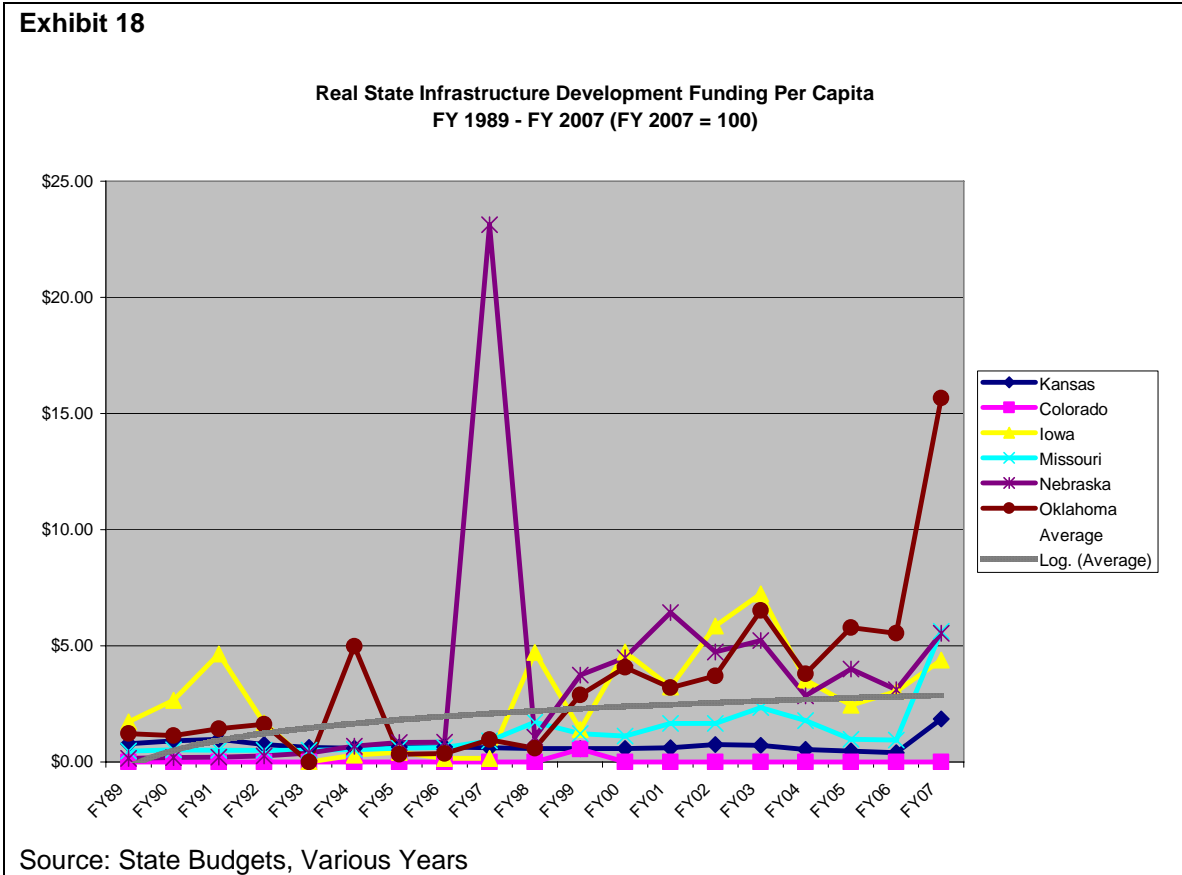
Exhibit 17

**State Infrastructure Development Funding Per Capita
FY 1989 - FY 2007**



Source: State Budgets, Various Years

Exhibit 18 shows real state infrastructure development funding per capita for FY 1989 through FY 2007. Adjusted for inflation, infrastructure development funding per capita in Iowa, Nebraska, and Oklahoma have generally increased over this time period, while expenditures in Colorado, Kansas, and Missouri have remained relatively flat. Funding in Kansas has been below the six-state average trend line for the entire period.



Quality of Life. None of the states in the six-state region ranked quality of life as their top FY 2007 funding category. Five of six states placed this strategic foundation in the lower half of their funding priorities. Quality of life was the third highest funded strategic foundation for Nebraska. In FY 2007, budgeted expenditures for quality of life programs averaged \$3.9 million or \$1.23 per capita in the six-state region, with an average growth rate of 10.6 percent compared to FY 2006. Oklahoma’s budgeted funding (\$4.01 per capita in FY 2007) was well above the other states. Oklahoma was followed by Nebraska (\$1.62 per capita) per capita and Kansas (\$0.81 per capita). Noteworthy, Nebraska increased budgeted quality of life expenditures by 55.3 percent in FY 2007, and Oklahoma increased budgeted expenditures by 38.8 percent, while Kansas only increased budgeted expenditures for quality of life by only 6.9 percent. Exhibit 19 shows state funding, funding per capita, and percentage change in funding for quality of life programs in FY 2007.

Exhibit 19

Quality of Life Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

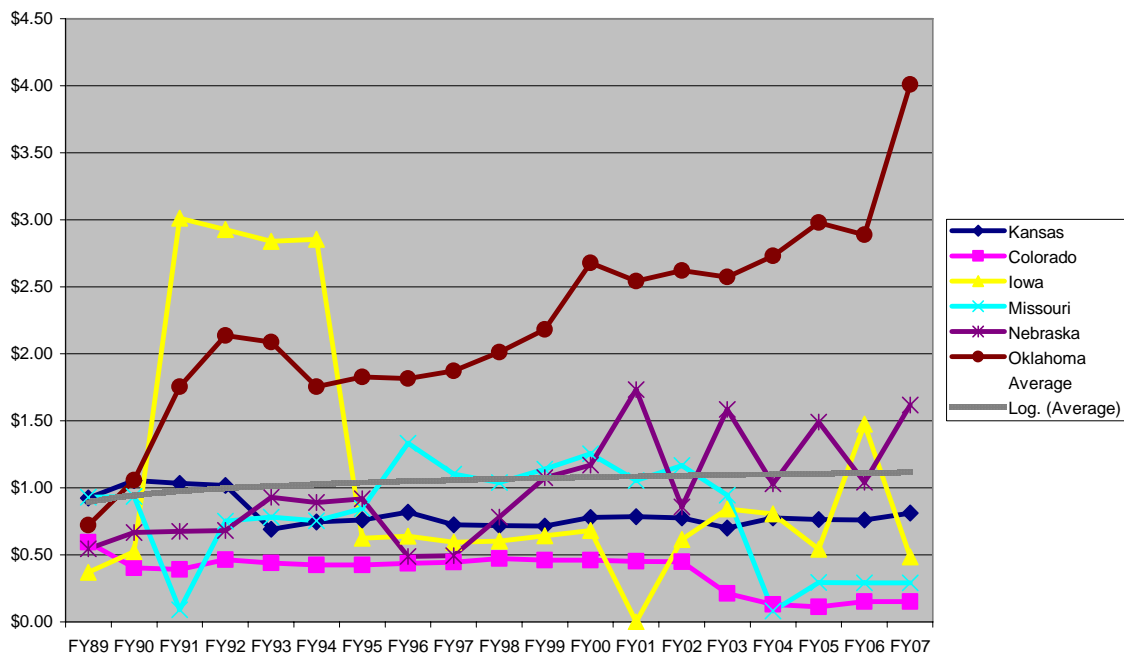
	State Funds	Per Capita	Percentage Change
Kansas	\$2,245,717	\$0.81	6.9%
Colorado	\$725,000	\$0.15	1.3%
Iowa	\$1,450,000	\$0.49	-67.1%
Missouri	\$1,698,300	\$0.29	0.0%
Nebraska	\$2,860,741	\$1.62	55.3%
Oklahoma	\$14,346,000	\$4.01	38.8%
Average	\$3,887,626	\$1.23	10.6%

Source: State Budgets, FY 2007

Exhibit 20 shows state quality of life funding per capita for FY 1989 through FY 2007. Over this time period, Kansas has been in the mid-range in the six-state region in terms of quality of life expenditures. Only Oklahoma has consistently been a high funding state for this foundation. Conversely, Colorado has consistently been a low funding state, while Iowa, Missouri, and Nebraska have alternated above and below the six-state average trend line. Although Kansas has been in the mid-range, state per capita funding on quality of life programs has been below the average trend line since FY 1993.

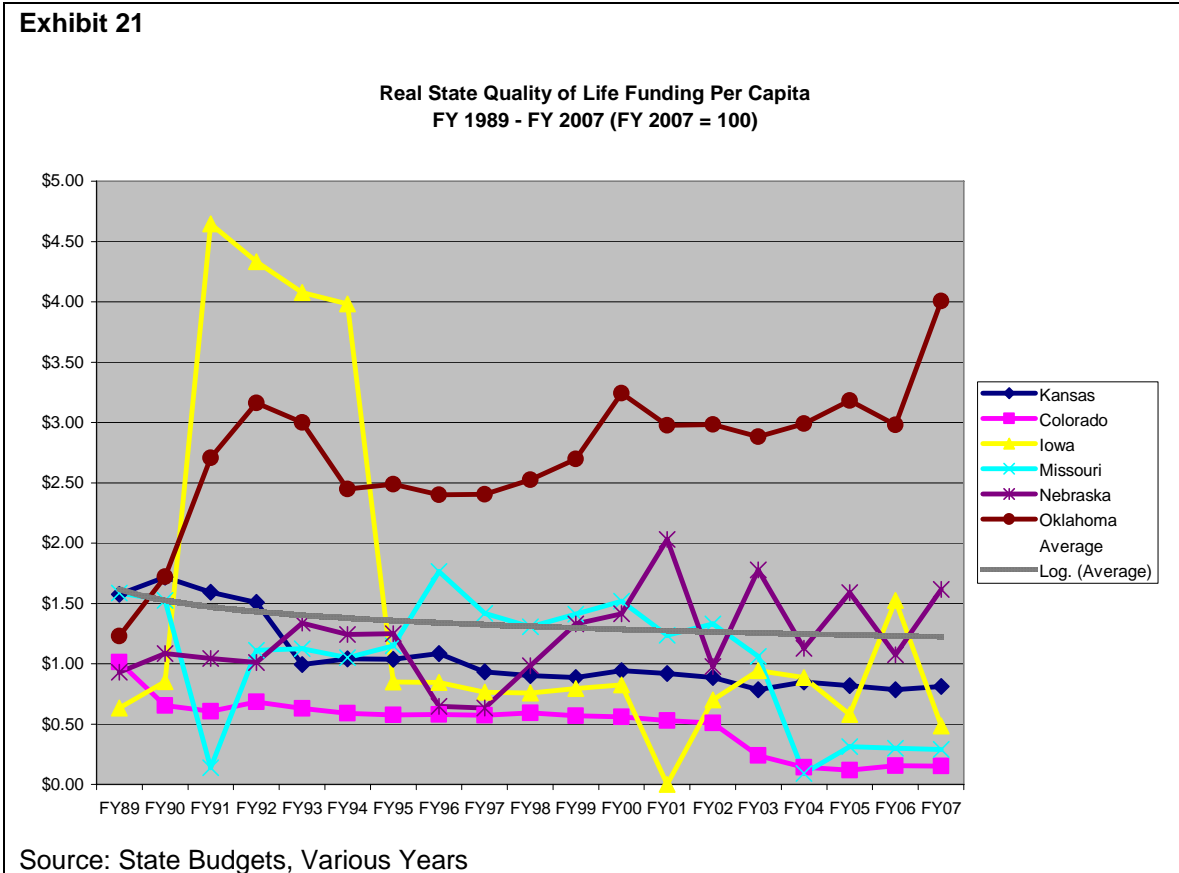
Exhibit 20

**State Quality of Life Funding Per Capita
FY 1989 - FY 2007**



Source: State Budgets, Various Years

Exhibit 21 shows real state quality of life funding per capita for FY 1989 through FY 2007. Adjusted for inflation, only Oklahoma has consistently increased funding on this foundation over this time period. Nebraska has generally held funding steady, while Colorado, Iowa, Kansas, and Missouri have all generally decreased per capita funding over this time period.



Technology/Innovation. Technology/innovation was the second most highly funded strategic foundation for Kansas and the third highest funded strategic foundation for Colorado in FY 2007. In FY 2007, budgeted expenditures for technology/innovation programs averaged \$9.9 million or \$2.88 per capita in the six-state region, with an average growth rate of 42.4 percent compared to FY 2006. Kansas budgeted over \$14.1 million or \$5.11 per capita. Although Kansas was the second highest spending state, Kansas decreased funding 6.4 percent in FY 2007. At the same time, Oklahoma allocated nearly \$20.6 million or \$5.75 per capita on technology and innovation. In FY 2007, Kansas ranked second in both total and per capita funding of technology/innovation. Iowa came in third budgeting \$10.5 million or \$3.52 per capita in FY 2007. Although Colorado allocated only \$5.4 million for technology and innovation programs in FY 2007, this is a 488.2 percent increase over FY 2006. Iowa increased funding 83.6 percent, while Nebraska increased funding 56.2 percent, Oklahoma increased funding 49.1 percent, and Missouri increased funding 41.5 percent. Exhibit 22

shows state technology funding, per capita funding, and percentage change in funding for FY 2007.

Exhibit 22

Technology/Innovation Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

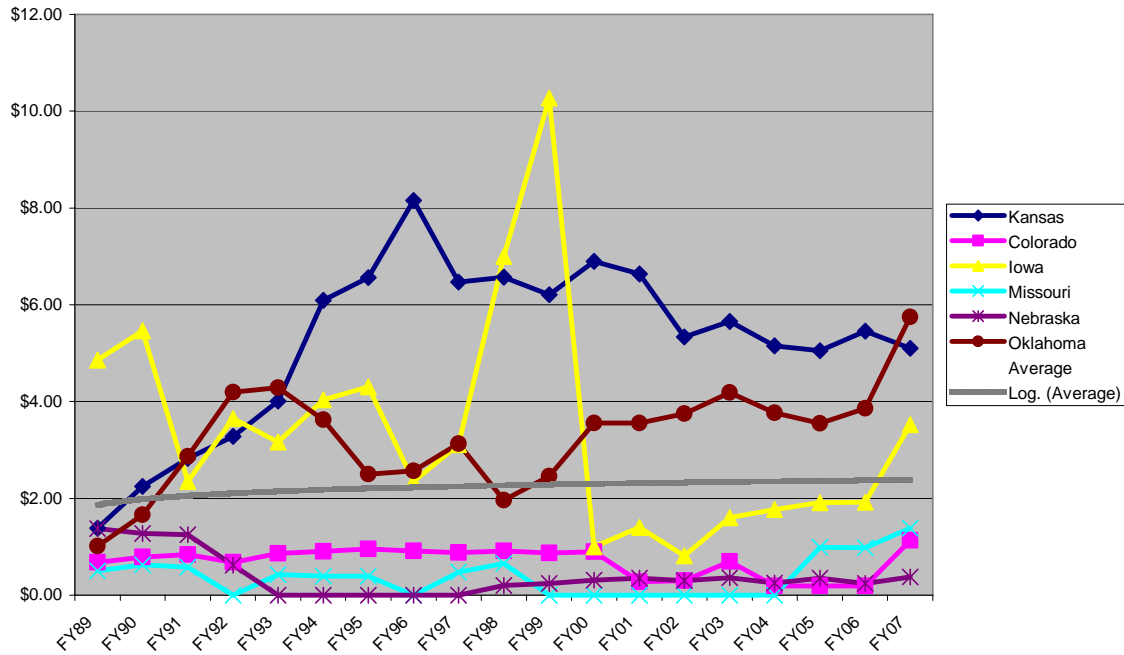
	State Funds	Per Capita	Percentage Change
Kansas	\$14,111,637	\$5.11	-6.4%
Colorado	\$5,386,469	\$1.13	488.2%
Iowa	\$10,500,000	\$3.52	83.6%
Missouri	\$8,105,036	\$1.39	41.5%
Nebraska	\$673,264	\$0.38	56.2%
Oklahoma	\$20,581,000	\$5.75	49.1%
Average	\$9,892,901	\$2.88	42.4%

Source: State Budgets, FY 2007

Exhibit 23 shows state technology and innovation funding per capita for FY 1989 through FY 2007. Although Kansas has consistently led the six-state area in per capita funding for technology and innovation over most of this period, the state was overtaken by Oklahoma in FY 2007. Kansas and Oklahoma have both consistently funded technology and innovation programs at levels significantly above the six-state average trend line for most of this time period, while Colorado, Missouri, and Nebraska have funded this foundation at levels well below the average trend line for the entire period. Although Iowa surged above the six-state average in FY 2007, the state has alternated from funding above the trend line during the first half of this period, then below the trend line during the second half of this period.

Exhibit 23

**State Technology/Innovation Funding Per Capita
FY 1989 - FY 2007**

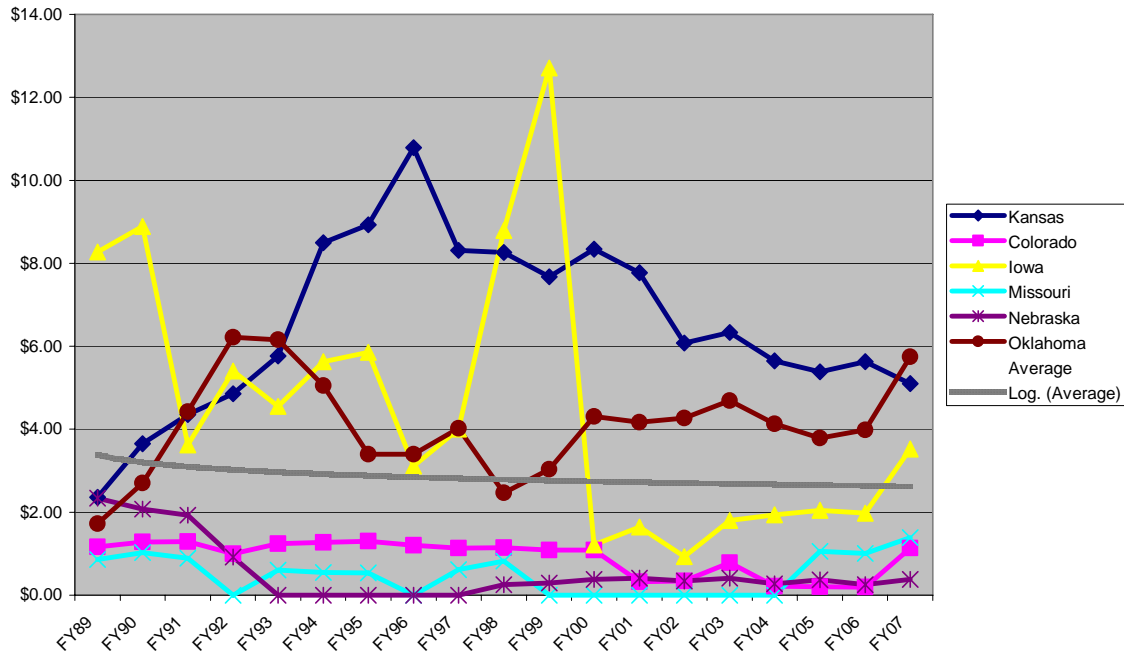


Source: State Budgets, Various Years

Exhibit 24 shows real state technology and innovation funding per capita for FY 1989 through FY 2007. Adjusted for inflation, Oklahoma is the only state in the six-state region to consistently increase per capita funding for technology and innovation over this time period. Kansas consistently increased funding for this foundation until FY 1996, but since that time has consistently decreased funding. Iowa has also for the most part decreased funding over this time period, while funding in Colorado, Missouri, and Nebraska has essentially been flat.

Exhibit 24

**Real State Technology/Innovation Funding Per Capita
FY 1989 - FY 2007 (FY 2007 = 100)**



Source: State Budgets, Various Years

Total State Funding

Exhibit 25 shows total state funding, funding per capita, and the percentage change in funding for FY 2007. Total state economic development funding averaged \$128.3 million or \$37.80 per capita. Kansas ranked fourth in total funding and third in funding per capita. The average budgeted increase for economic development funding for the six-state region was 54.1 percent. Oklahoma budgeted the largest funding increase for FY 2007 at 93.2 percent, while Iowa budgeted a 63.7 percent increase, and Colorado budgeted a 50.0 percent increase.

Exhibit 25

Total Funding, Funding Per Capita, and Percentage Change in Funding, FY 2007

	State Funds	Per Capita	Percentage Change
Kansas	\$98,650,908	\$35.69	4.1%
Colorado	\$75,005,552	\$15.78	50.0%
Iowa	\$222,211,608	\$74.52	63.7%
Missouri	\$113,162,359	\$19.37	43.9%
Nebraska	\$30,005,549	\$16.97	42.3%
Oklahoma	\$230,804,000	\$64.48	93.2%
Average	\$128,306,663	\$37.80	54.1%

Source: State Budgets, FY 2007

Exhibit 26 shows total state economic development funding per capita for FY 1989 through FY 2007. No state has been consistently above the six-state average trend line during this entire time period. Kansas generally tracked the six-state average trend line until FY 2001. Since 2001, Kansas has funded economic development at above average levels, with the exception of FY 2004. Oklahoma has generally followed the pattern of Kansas, with the exception that Oklahoma budgeted a 93.2 percent funding increase for FY 2007, while Kansas only increased funding 4.1 percent. Iowa has generally alternated above and below the trend line, but has surged to the top of the six-state region in per capita funding with significant increases in FY 2006 and 2007. Initially Colorado funded economic development at above average levels, but since FY 1997 the state has funded at below average levels. Missouri and Nebraska have consistently funded economic development at below average levels for much or all of this period.

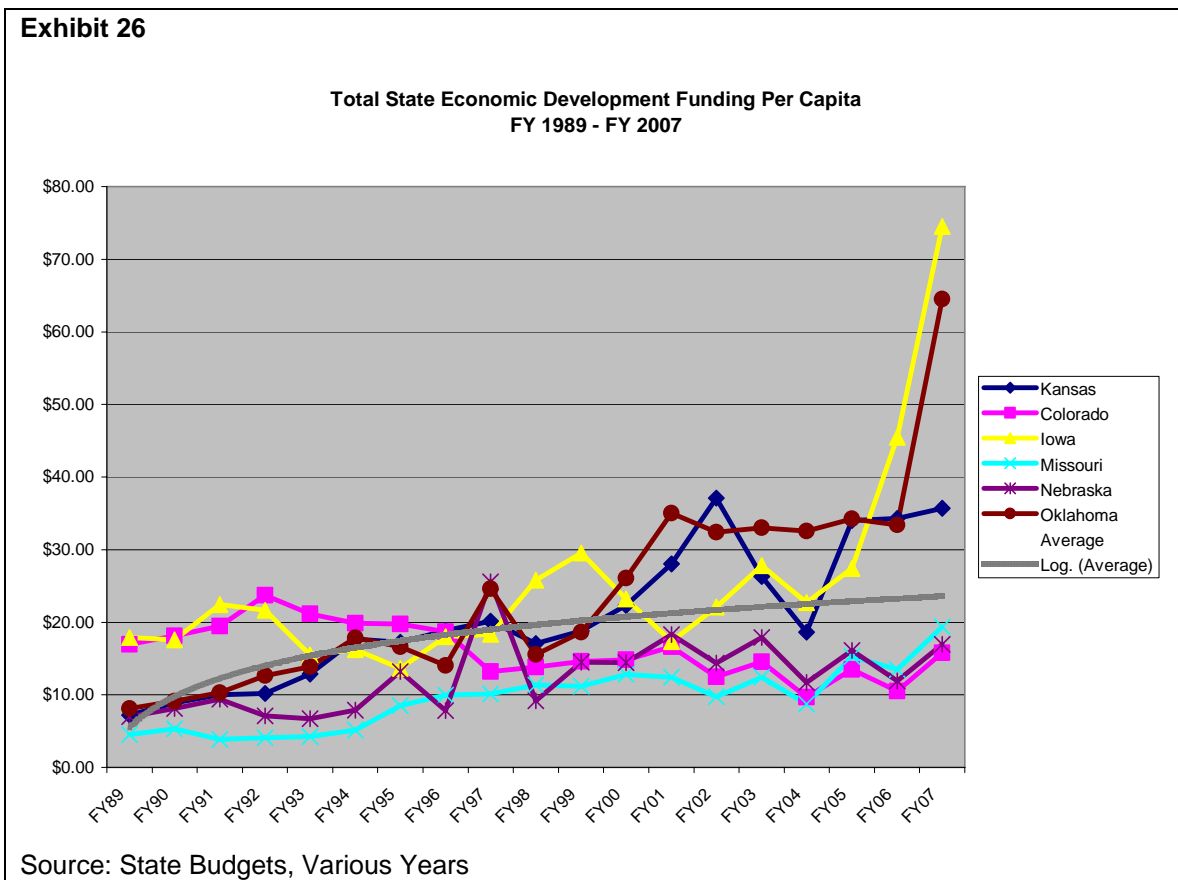
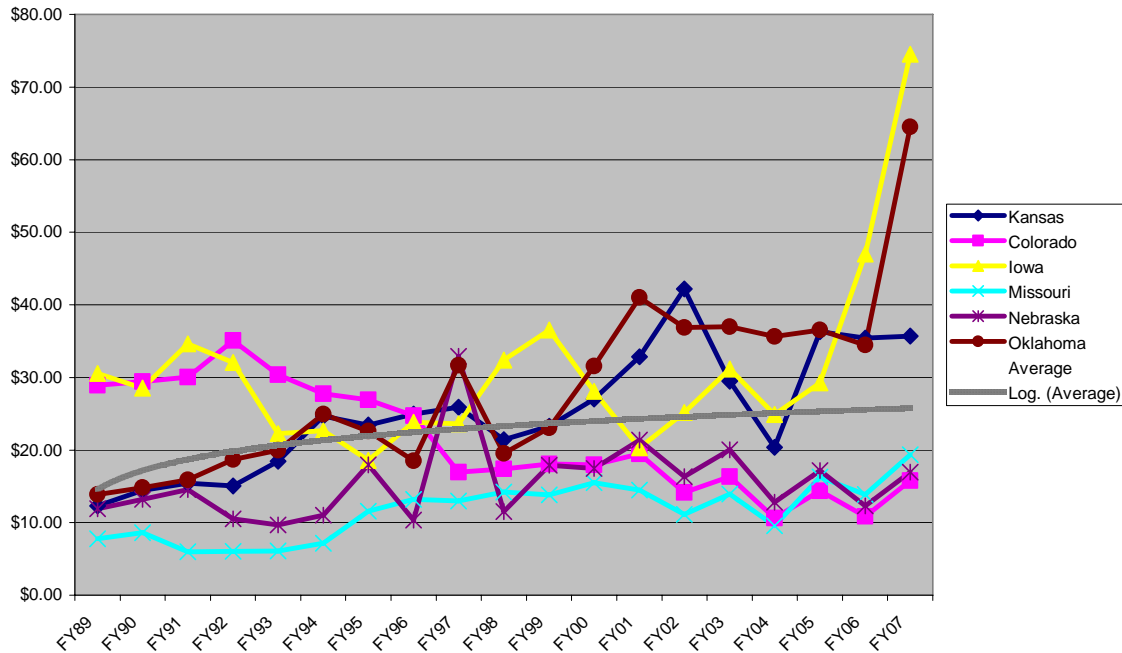


Exhibit 27 shows real total state economic development funding per capita for FY 1989 through FY 2007. Adjusted for inflation, economic development funding has generally been up in Iowa, Missouri, and Oklahoma. Funding in Kansas was generally increasing until FY 2002. Funding has not been at or above that level since that time. Economic development funding in Colorado has generally trended downward over this time, while funding in Nebraska has essentially been flat.

Exhibit 27

Real Total State Economic Development Funding Per Capita
FY 1989 - FY 2007 (FY 2007 = 100)



Source: State Budgets, Various Years

Conclusion

Comparison of states' economic development budgets revealed considerable diversity among the six states, despite common problems. This diversity was reflected in differences in overall state funding for economic development programs as well as in differences in how the strategic foundations and programs within those foundations were funded to achieve different economic goals.

- State funding for economic development programs in the six-state region averaged \$88.3 million in FY 2006. State budgeting expenditures for economic development programs averaged \$128.3 million in FY 2007.
- In FY 2007, Oklahoma invested the most in economic development in the six-state-region, while Nebraska invested the least.
- In 2006, Kansas was above average in state funding of economic development programs, with funding at \$94.8 million compared to a six-state average of \$88.3 million.
- In 2007, Kansas was below average with budgeted expenditures of \$98.7 million compared to a regional average of \$128.3 million
- Kansas was the only state to increase total budgeted economic development expenditures by less than a double-digit percentage in FY 2007.

- Kansas ranked third in the six-state region in economic development expenditures in FY 2006. Kansas ranked dropped to fourth in total state dollars budgeted for economic development in FY 2007.
- Kansas ranked second in the six-state region in per capita economic development expenditures in FY 2006. Kansas dropped to third out of six states in per capita funding in FY 2007.
- In FY 2007 state funding of economic development rankings within the six-state region were: (1) Oklahoma, (2) Iowa, (3) Missouri, (4) Kansas, (5) Colorado, and (6) Nebraska.
- Rankings in per capita funding among Kansas' contiguous states in FY 2007 were: (1) Iowa, (2) Oklahoma, (3) Kansas, (4) Missouri, (5) Nebraska, and (6) Colorado.
- In 2006, Kansas was above average in per capita state funding of economic development programs with funding of \$34.30 per capita compared to a six-state average of \$23.04 per capita.
- In 2007, Kansas was slightly above average with budgeted expenditures of \$35.69 per capital compared to a regional average of \$35.49 per capita.
- Strategic foundations receiving highest funding in a majority of states in FY 2007 were business environment, infrastructure development, and human capital.
- Strategic foundation receiving lowest funding in FY 2007 was quality of life (three states).
- Kansas' funding emphases in FY 2007 were business environment, technology innovation, and infrastructure development.
- Two patterns of strategic foundation funding occurred across states: two- and three-tier patterns. Kansas has a three-tier funding pattern. Business environment has been the primary focus for many years. Technology/innovation has also emerged as a secondary focus. Nebraska has also exhibited a three-tiered funding pattern over recent years. Historically, Oklahoma (ranked first in size of economic development budget) and Iowa (ranked second) followed two-tiered funding patterns until FY 2007, when a third tier began emerging. Colorado and Missouri have generally followed a two-tiered spending pattern. With the exception of Nebraska, states with smaller economic development budgets tended to have two-tier funding patterns. This tended to create a more highly focused economic development funding pattern, as a larger share of the state's investment was concentrated in one or two strategic areas.

Chapter 10

Recommendations and Conclusions

The most fundamental problem is that many public officials appear to believe that they can influence the course of their state or local economies through incentives and subsidies to a degree far beyond anything supported by even the most optimistic evidence. We need to begin by lowering their expectations about their ability to micromanage economic growth and making the case for a more sensible view of the role of government—providing the foundations for growth through sound fiscal practices, quality public infrastructure, and good education systems—and then letting the economy take care of itself. (Peters and Fisher, 2004: 35)

Guiding Principles

Toft (1993: 23) recommends that an economic development strategy must be comprehensive:

- *Do you have a comprehensive economic strategy for your state or region?*
- *Do you have specific goals and action plans for each of the areas that affect your economic foundations work force, physical infrastructure, natural resources, knowledge and technology, enterprise development, fiscal stability, and quality of life?*
- *To what degree are these efforts in alignment?*

Likewise, Fosler (1999) suggests that there are eight characteristics of an effective state economic development strategy:

- Focusing on specific policy outcomes,
- Investing in key economic foundations, such as human resources and physical infrastructure,
- Preventing problems from arising which later will cost even more to remedy,
- Achieving appropriate scale in action to produce real impact,
- Decentralizing responsibility to those closest to the action,
- Leveraging minimum public resources to promote private investment,
- Using market mechanisms where appropriate to enhance performance, and
- Assessing performance and insisting on accountability

Accordingly, the Committee for Economic Development (CED, 1986: 31-2) for New York concludes that seven areas affect a state's economic foundations:

- *A capable and motivated work force* that is well educated and supported by a human resource system that facilitates and assists in finding employment.
- *Sound physical infrastructure*, including transportation, communications, energy, supply and waste management.
- *Well-managed natural resources* for current and future use and development.
- *Universities and other research and development institutions* that are involved in the development, dissemination and market application of knowledge and technology.
- *A system of regulation, capital, and technical assistance* that encourages enterprise development.
- *A quality of life* that is attractive to employees and their families.
- *Fiscal stability* characterized by reasonable tax rates and prudent spending policy.

The Committee recommends that states conduct a diagnosis of their strengths and weaknesses, develop a vision, and implement an action plan taking into account these seven foundations.

Similarly, Bartik (1994b: 7) concludes that there are seven important lessons learned from past experience with state and local economic development programs:

- Labor demand matters.
- Tax subsidies can help, but may be relatively expensive per job.
- Economic development services to small and medium-sized businesses can work.
- Reasonable quality evaluations of economic development programs are feasible.
- It makes sense to reform economic development programs in the general direction of “third wave” programs that is, toward more modest subsidies for quasi-private economic development service providers.
- A strong local influence over the management and design of economic development policies is desirable.
- There are some promising experiments in using economic development subsidies to encourage employers to hire disadvantaged persons, but most economic development officials will not initiate such policies on their own.

In keeping, Atkinson (1995) suggests eight principles for a customer-driven industrial services model of economic development:

- Substantially reduce funding for industrial recruitment and business incentives.
- Provide tangible services to firms that directly improve their ability to compete in global markets.
- Target assistance to manufacturing and technologically-based service industries.
- Establish organizations that respond to customer needs.
- Provide most needed services in one organization.
- Organize assistance around regions and industry sectors.
- Make service delivery contingent on the firm moving in new directions.
- Measure success by increases in firm competitiveness.

According to Munnich (1995: 19-33) ten emerging principles in economic development provide a framework for improving performance in economic development efforts. The ten principles fall within four general categories: *Goals*, *Scope*, *Organization*, and *Process*.

Goals: what are the goals of your economic development efforts?

- Competitiveness
 - Have you identified the competitive advantages and disadvantages of your area?
 - How do you provide information or market your area to prospective or existing businesses that are considering location or expansion in your area?
- Equity
 - How do you address disparities among areas within your state or region?
 - To what extent do you address the problems of the economically disadvantaged in your area?
 - How do you improve the productivity or long-term economic viability of disadvantaged areas or populations?

Scope: being competitive requires thinking beyond traditional economic development concerns

- Global economy
 - Have you assessed your area's competitive advantages and disadvantages in the global marketplace?
 - How do you encourage businesses to take advantage of international opportunities?
 - What are the barriers for businesses to entering the international marketplace and how do you address them?
 - How do your infrastructure, work force, and other investments contribute to your global competitiveness?
- Comprehensive strategy
 - Do you have a comprehensive economic strategy for your state or region?
 - Do you have specific goals and action plans for each of the areas that affect your economic foundations work force, physical infrastructure, natural resources, knowledge and technology, enterprise development, fiscal stability, and quality of life?
 - To what degree are these efforts in alignment?

Organization: insofar as possible, economic development efforts should be wholesale, not retail

- Regional collaboration
 - To what extent is your economic development strategy regionally based (either by substate regions or economic regions that cross state or international borders)?
 - What is the level of cooperation and collaboration among economic development organizations within your region?
 - How do you make the most effective use of resources within your region?
- Industrial focus
 - Have you identified and do you regularly track the progress of key industry sectors or clusters in your area?
 - Have you organized your economic development activities to understand industry linkages and support industry clusters?

Process: how you implement an economic development strategy can be as important as what you do

- Customer orientation
 - Have you identified the customers of your economic development efforts (businesses, communities, citizens, et cetera)?
 - How do you ensure that your programs meet your customers' needs and expectations?
- Partnerships
 - What partnerships have you formed to encourage economic development in your area (public/private, among businesses, among government agencies, with nonprofits and community organizations)?
 - How do you maintain and ensure the effectiveness of these partnerships?
 - Do you use partnerships to combine resources (more than information sharing and networking)?
 - How do you leverage your resources?
- Measurement and evaluation
 - Have you identified and do you measure desired economic outcomes for your area?
 - How do you measure the success of your economic development efforts?
 - How do you evaluate your economic development efforts and ensure accountability?
 - Do you regularly assess the performance of your efforts against the goals you set?
- Learning
 - Do you seek a wide range of input, both internally and externally, on how to improve your economic development strategies, programs, and delivery?
 - Are you flexible enough to make improvements based on what you learn?

- Do you compare your economic development efforts with models in other areas?
- How do you use information you collect to improve your economic development programs?

Mazerov and Schweke (1999) suggest five sets of economic development-enhancing tax policies that will foster the long-term health of an economy and its tax base:

- Mandatory public disclosure by corporations of their actual tax liabilities, the value of the economic development tax incentives they receive, and their economic activity.
- Development and implementation of tax policies aimed at ensuring that multi-state corporations have state corporate income tax and sales tax liabilities as similar as possible to those faced by wholly in-state corporations.
- Development and implementation of model performance contracts to enforce accountability on economic development incentive recipients.
- Development and implementation of a unified development budget that includes all on- and off-budget spending on economic development.

Similarly, Kane (2004: ii) suggests that nine principles should guide public-sector economic development practices:

- Market forces are the dominant drivers of a regional economy.
- Public-sector economic development efforts must focus on factors internal to the workings of the regional economy and under the influence of public policy at any given level of government, be that local, regional, state, or federal.
- Sensible economic development policy must build upon the strengths of the regional economy.
- Economic development should yield real net impacts on growth or, in the short term, the potential for growth.
- The public sector should pursue economic development policies that result in broad benefits for residents and businesses in the region, especially benefits that will continue to have a positive impact even if specific businesses close or move.
- Public-sector economic development efforts should pay attention to the needs of lagging or distressed areas and of groups at the lowest rungs of the economic ladder.
- Public policy should recognize the regional nature of economic development and advance strategies that address challenges and opportunities throughout the regional economy.
- Regional economies will benefit from the production of goods and services that depend upon capital-intensive processes and skilled workers, incorporate high levels of locally added value, and reap strong profits.
- Economic development efforts should address the development potential of places, as well as the needs of people in that place.

Kane (2004: ii-iii) goes on to recommend that the preferred approaches to public-sector economic development involves:

- Carefully and objectively analyzing the structure of regional economies in order to identify comparative advantages, critical industries and occupations, internal linkages, and emerging prospects for development and growth.
- Making sensible investments in the public infrastructure as a way to spur regional economic development and growth.
- Investing in public education and skills training to better the lives of residents and improve the skills and knowledge that those residents bring to their jobs.
- Minimizing firm-specific tax breaks and public subsidies.
- Paying attention to industries and businesses that contribute to the economic base by selling their goods and services outside the region or by competing for local sales that would otherwise go to businesses located elsewhere.
- Pursuing economic development strategies that boost the productivity of key regional industries.
- Improving the quality of life in regions in order to keep and attract people.
- Focusing economic development on industries, occupations, and businesses that provide high-quality, good-paying jobs.
- Looking for ways to encourage higher wages by local industries and businesses.
- Exercising great caution before expending public dollars as financial capital for private ventures.
- Striving for a strong return on investment from any public-sector economic development initiative, program, or action.

Finally, Schweke (2005: 8-9) advocates that the key to creating a better business environment should be based on a broad concept of a positive economic development climate, based on the following ten themes:

- The notion of a good business climate puts firms, their sectors, their actual and potential clusters, their decisions, and the workings of the product cycle, ranging from research and development to commercialization, at the center of policy analysis and policymaking.
- A good environment for business growth provides assets, opportunities, and incentives for firms—from microenterprises to multinationals—to invest productively, create jobs, and expand.
- Location-specific factors for firm success and failure are shaped significantly by government policies and behaviors.
- Companies do react to government policies and behavior and the overall predictability of the investment climate.
- Factors, such as taxation, regulation, public services, infrastructure, workforce skills, educational and training institutions, finance, corruption, and civic conflict are assessed by business as a whole, not in isolation.

- Private investment and entrepreneurship are future-oriented and the role of government in providing the conditions and public investments that ensure both stability and innovation are key.
- Governments have limited influence on certain factors, such as geography, but bigger effects on education, property rights, good governance, tax burdens and complexity, and the physical infrastructure.
- The focus for public action will be on minimizing costs and risks and creating the conditions for competition, innovation, and productivity.
- It is fundamental to a good business climate that efforts to enhance profitability are balanced with other objectives, such as more equitable place-based growth, broadened asset and business ownership by the disadvantaged, lasting escapes from poverty, increased middle-class job and career advancement opportunities, more environmentally-compatible development, and if desired, enhanced and new public goods.
- It must be a business climate where everybody matters and development health is judged not just by profits and patents, but by wages, benefits and the quality of working life.

Similarly, Atkinson and Correa (2007) conclude that a state's economic development effort should link workforce and economic development, proactively use internet to provide business assistance, and empower the private sector and non-profit organizations as economic development service delivery organizations.

Accountability

According to Melkers, Rushing, and Thomas (2001: 6): "The public outcry over decreased revenues from a weakened tax base and subsidization of firms without a compensatory return on investment has led to more accountability (Breslow 1999; LeRoy and Slocum 1999; Parrish 1999; Peirce 1999; Schweke 1999a, 1999b, 1999c, Giloth 1992)." Brunori (2001) concludes that:

[T]here is a growing movement in the state to hold recipients of incentives, whether tax or non-tax, accountable to the public. The state can enact laws that require recipients to meet certain performance standards regarding investment levels job creation, and wages and benefits, and impose penalties on companies that fail to comply. If the corporation does not meet the standards, the money provided by the incentive program must be returned.

Melkers, Rushing, and Thomas (2001: 6) have found that provisions such as sunset reviews ("On the Use of Sunset Reviews" 2000), clawback provisions (Bartik 1996; Ledebur 1990), and specified goals and standards (to ensure fairness and protect the community's interests) have become more prevalent (Parrish 1999; LeRoy and Slocum 1999). Waits and Heffernon (1994) recommend: incentives linked to quality jobs and advancement opportunities; encouraging recipient companies to fill a certain percentage

of new jobs with local people; linking incentives to company investments in technology and human resource development; encouraging companies to offer health care insurance for all employees; insisting that strong environmental management and compliance records be kept; targeting companies important to key clusters, and analyzing the costs and benefits of all incentives packages to ensure the best decision possible. Similarly, Bartik (1995: 3) advocates that incentives should allow for some funds to be recovered if the project does not succeed. Ledebur and Woodward (1990) suggest that provisions of incentive packages be tied to financial recourse should a firm fail to meet negotiated performance standards. They also offer development officials a list of steps they can take should a firm not comply with an agreement. Among the steps are recalibrating subsidy schedules in light of weak or strong performance, reclaiming all or part of a subsidy and penalizing firms by collecting the original unpaid taxes along with interest charges.

According to Oberhelman and Doss (1997: 4) systematic accountability in economic development is necessary to ensure that state funds are directed to programs that are effective and efficient. Accountability measures could help prevent companies from exploiting incentive programs. Without mechanisms for accountability, it is not certain whether goals are accomplished. However, Oberhelman and Doss (1997: 4-5) point out that although both administrators and legislators are bothered by the inability to monitor the effects of economic development programs, there is a reluctance to implement accountability measures for fear of generating a reputation for a bad business climate.

According to Bradshaw and Blakely (1999: 101-2) policy makers should do the following to ensure accountability in the economic development process:

- Require cost-benefit studies prior to (a) making large incentive awards to individual firms, firms in targeted sectors, or firms in certain locations and (b) inaugurating new or revised tax incentive programs
- Require periodic evaluations of all tax incentive programs
- Require sunset provisions for all economic development legislation, terminating programs unless reauthorized by the legislature
- Require truth and disclosure in financing provisions, rendering all aspects of public subsidy of private investment publicly transparent
- Require legally binding performance contracts, penalizing firms for not meeting goals exchanged for incentives
- Embed incentive programs in strategic plans, leveraging as much scarce resource as possible.
- Eliminate entitlements to incentive programs to just any business that wants them. Firms tend to request too much, and states tend to be overgenerous
- Award incentives only if they do not put other businesses in less competitive positions in the market or devastate one local economy at the expense of another
- Avoid redistributing wealth by using incentives
- Concentrate on diverse industrial sectors, not exclusively on manufacturing
- Encourage public participation in and comment on tax incentive use to foster public accountability

According to Charlton (2003: 27-8) the key to accountability is transparency:

It has been argued that “the most effective reform would be informing citizens and policy makers what the costs and the benefits are”. Currently, most citizens and, apparently, many policy makers do not know what is actually spent (on and off budget) on investment incentives. Very few governments have thorough accounting practices, which quantify and consolidate all channels of business assistance. The multitude of government agencies and independent and private agencies that are involved arguably compound the opacity.

Mejia, Nordstrom, and Schweke (2007: 3) suggest a series of subsidy accountability reforms, such as:

- Raising the return on the state’s public investments by targeting more disadvantaged areas, including stronger “clawback” provisions, and requiring “first source hiring.”
- Crafting a unified development budget (UDB) report that identifies and totals all on- and off-budget spending on development to provide policymakers a better understanding of overall spending on economic development.

According to Mejia, Nordstrom, and Schweke (2007: 3) the number one way to run a cost-effective effort is to pay attention to the following facts when developing or reforming an incentive strategy:

- Not all growth is good. If it does nothing to aid those most in need, adds to traffic snarls and other growth management problems, and generates less revenues than were spent, it’s a loser.
- Whenever possible and appropriate, provide training or infrastructure improvements rather than cash or tax incentives.
- Unless federal or international action is taken, corporations will continue to expect incentives to increase, as lower transportation expenses and constantly evolving communication and information technologies make relocations less frequent.
- Tax cuts have only modest effects on location decisions: other factors count for more. Tax cuts and other subsidies matter more on an intra-state than an interstate basis. Within a metro area, particularly, there is a stronger likelihood of beggar-thy-neighbor cuts or subsidies, in which poorer communities and central cities lose out.
- No matter how deep the subsidy, some places will never win much (or ever) from conventional incentive and attraction efforts.
- The state maximizes cost-benefit and fiscal impact when it avoids subsidizing more growth in healthy communities and targets growth to communities with higher rates of joblessness, poverty, inadequate tax bases, and under-utilized public services and infrastructure.

- The more that incentive strategies actually lead to the hiring of the unemployed, the working poor, the ex-welfare recipient, and the displaced worker, the higher the yield on investment will be.
- The state should pursue projects that, all things being equal, match the area's skill base and occupational profile so that fewer jobs are taken by in-migrants and corporate transfers.
- If the wage standard is too low, relative to industry or county standards, the project will not pass a cost-benefit test.

Evaluation

According to Melkers, Rushing, and Thomas (2001: 6):

[t]here is often a gap between the incentives communities offer to companies and the benefits they receive in return. One reason this occurs is because many state and local governments do a poor job of evaluating the value and impact of incentives packages both prior to and subsequent to the enactment of the incentives (Buss 2001; Breslow 1999; Poole 1999; Lynch 1996; Wiewel 1995). The scarcity of good assessment packages, the poor preparation in developing incentives packages suited to communities' needs, and the lack of initial assessment in obtaining answers to these questions leads to less informed decisions in constructing and offering tax incentive packages (Oden and Mueller 1999).

Czohara and Melkers (2004) conclude that “[a]lthough there are a variety of methods in which to evaluate or to measure the success or failure of economic development programs, there is no agreed upon methodology. Further, the lack of agreement on methods of measurement and actual policy goals only compounds the issue of specifying good performance measures (Eisenschitz, 1993). Therefore, efforts to evaluate economic development policy have become “a quagmire of good intentions and bad measures” (Clarke and Gaile, 1992: 193, Smoke, 1997). Furthermore, Mazerov and Schweke (1999) suggest that “[b]oth before- and after-the-fact evaluation of incentive programs and special deals would be aided by developing a “certified” cost-benefit methodology setting minimum standards for what a good assessment should look like.”

Gittell and Kaen (1998) argue that focusing solely on the number of jobs created/saved by economic development assistance programs gives an incomplete picture, at best, of their effectiveness. State-reported job creation and cost-per-job statistics do not indicate the wages paid for each job or the skill level needed to perform the job. Economic development programs should be critiqued on the basis of their cost, their effect on the state's economic base, and whether or not aid recipients become financially self-sufficient. However, Austrian and Norton (2002a: 23) point out that evaluating incentive packages that lure businesses into a region is a particularly difficult task. For starters, the intraregional sample size is much too small to draw statistical

inference; there simply are not enough comparable developments in a single region to statistically determine whether an incentive package has been effective. Secondly, it is difficult if not impossible, to determine what might have occurred had policy not been implemented. This problem is particularly evident when considering incentive programs. Notwithstanding the problems associated with evaluating the effectiveness of incentives, researchers have undertaken a number of innovative approaches to measure their impact. Surveys, regression analysis and case study analysis are among methods used to evaluate incentives (Austrian and Norton, 2002a: 23).

According to Poole (1999: 1) the call for better analysis of the impacts of economic development incentives has increased for several reasons:

- Increased use of economic development incentives has attracted the attention of legislatures, administrative agencies, and other groups to the cumulative costs of these programs.
- Competition for public revenues within government, and among different governmental levels, has sparked interest in understanding the more precise costs and benefits of these programs.
- The offering of incentives to large corporations, which are perceived as not really needing these benefits, has engendered an increasingly negative public view of these programs.
- Poorly designed studies have inadequately defined the comprehensive fiscal and economic impacts of these programs on states and communities.

State incentives are offered to meet various business needs as a strategy for generating positive impacts for economic development. The decision to address each of those needs reflects different policy priorities and suggests different measures for quantifying success. Tax and non-tax incentives are offered because a combination of both programs can respond more readily to different kinds of business needs. For instance, the most common rationale for offering non-tax programs is to meet the capital needs of businesses. In contrast, tax incentive programs tend to be more widely focused on helping firms address challenges related to the costs of purchasing or selling products and workforce development (Poole, 1999: 20).

Poole (1999: 25) suggests that the process of designing or selecting an appropriate approach for analyzing economic development incentives or programs should address six key questions:

- What are the most important policy problems facing key stakeholders to be addressed by the incentive?
- What is the best way to convert those problems from a broad goal into something practical that can be measured and analyzed?
- What strategies and techniques are available that might help assess the influence of the incentive on addressing the policy problem?
- How can the information needed to assess the incentive's impact be collected?

- Which analytic approaches are most appropriate in estimating the question about the incentive's impact?
- How can this effort be managed so the monitoring and evaluation efforts are most effective?

Furthermore Poole (1999: 34-5) recommends that the formulation of the evaluation should focus on practical management needs:

- *First, are current economic development programs helping states and communities take full advantage of new economic opportunities?*
- *Second, how well are economic development programs helping a community compete economically?*
- *Third, who is actually paying for an investment: the firm moving in (through taxes paid by its employees or its vendors or suppliers, for instance) or the community at large?*

Poole (1999: 38) suggests that future economic development incentive research should (1) carefully select appropriate control groups for future studies (i.e., use an experimental evaluation research design); (2) use several economic performance measures and examine trends over the long term (i.e., use time series methods); (3) use net change indicators to judge impact; (4) implement basic cost-benefit analyses as the first step, but incorporate opportunity cost analysis in defining the cost factors; (5) attempt to research externalities and spillover effects resulting from changes or interventions in the economy; (6) examine incentive impacts on business profitability levels; and (7) examine program impacts on particular industry sectors (Poole, 1999: 38).

Likewise, Hatry, Fall, Singer, and Liner (1990) advise that performance monitoring systems in state economic development agencies should focus on:

- Service quality and outcomes,
- Helping program managers improve their operations,
- Providing timely and frequent information updates,
- Focusing on the outcomes accruing to clients of program services,
- Using multiple performance indicators to assess service quality,
- Using outcomes originating from nontraditional data sources,
- Including indicators of both intermediate and end outcomes,
- Attempting to show the extent of the agency's contributions,
- Disaggregating by client characteristics,
- Providing comparisons of performance for previous years, trends, target levels,
- Utilizing both explanatory factors as well as performance data, and
- Designing of the performance monitoring systems must be cost-efficient to insure that protocols can be followed consistently.

Performance Measurement

Benchmarking refers to measurable indicators of progress made toward accomplishing long-run goals, or to both goals and outcomes. Benchmarking has a number of attractive features. First, it forces the state to envision what it wishes to become, an essential element in any long-run plan. Second, it permits progress toward long-range strategic goals to be monitored. There are also important limitations of benchmarking. First, benchmarking does not directly link the amount of progress to specific state programs or policies; it is therefore limited in its ability to serve as an evaluation instrument. Second, much of the variation in benchmarks over time can be attributed to changes in the national economy. Thus, benchmarking efforts can be substantially improved if chosen benchmarks are computed relative to the national average of such benchmarks. In this way, a state's progress can be measured relative to that of other states; and, more importantly, the results of its economic development programs can be better assessed (Ihlandfeldt, 1999: viii, 11). According to Melkers, Rushing, and Thomas (2001: 6) the measurement of incentives remains a more difficult task to address since quantitative measures are so often impacted by qualitative aspects (Burnier 1992; Bachelor 1991). Costs and benefits are difficult to measure because many of the financial incentives occur over a period of time or they may not be easily quantifiable. Contributing to the challenges facing measurement of incentives is that no agreement exists professionally or academically on what criteria, standards, or units of measurement should be utilized.

Oberhelman and Doss (1997: 4) point out that establishing a direct causal link between incentives and job creation is rarely simple. Most programs lack an overall strategic plan tying the various incentive programs together, thus making it difficult to attribute success to one particular program. Accountability systems should be accompanied by an ongoing evaluation of incentive programs. After grants, loans, or tax breaks are awarded, few states have mechanisms in place to determine their effectiveness. Poole (1999: 4) points out that performance-based incentives present two basic problems. First, the available information about how best to evaluate incentives is inadequate. This leads to the second problem: few economic development practitioners have formal training in evaluation methods so they are uncertain about which methodologies are appropriate for their needs.

According to Luger and Stewart (2003: 33) there are three common practices for benchmarking the performance of any organization:

- Comparisons with other places,
- Comparisons with past performance, and
- Comparisons with stated goals.

According to Czohara and Melkers (2004: 14) the most common types of performance measure used by state economic development agencies are: activity or process measures, output measures, outcome measures, input measures, quality or customer satisfaction measures, explanatory measures, benchmarks, and cost or efficiency measures. Based on a study of economic development agencies in Georgia, Czohara and Melkers (2004: 17)

found that about one-fifth of respondents overall described the development and use of performance measures as “very effective” at increasing awareness of, and focus on, results, as well as identifying factors that affect performance results. Respondents also indicated that the process of performance measurement facilitated changes in strategies to achieve desired results, and improvement in overall effectiveness of agency programs.

Hatry, Fall, Singer, and Liner (1990) recommend that performance measures:

- Provide comparisons of performance for previous years, trends, target levels, and categories of clients,
- Provide timely and frequent information,
- Break out by client characteristics,
- Include both intermediate and end outcomes,
- Include indicators that attempt to show the extent of the agency’s contributions,
- Include explanatory factors as well as performance data,
- Focus on service quality outcomes,
- Focus on the outcomes accruing to clients,
- Use multiple performance indicators to assess service quality and outcomes,
- Use non-traditional data sources, such as client surveys and unemployment data,
- Focus on helping program managers improve their operations, and
- Be designed to be cost-efficient.

Comparison of Kansas’ and Other States’ Economic Development Funding

States were compared to determine the strength of their commitment to economic development and the distribution of resources across six strategic foundations or areas. Survey results showed that:

- For FY 2007, state funding of economic development averaged \$128.3 million in the six-state region. Kansas was below average with funding at \$98.7 million. Kansas (\$98.7 million) ranked fourth among the six states in total state dollars budgeted in FY 2007.
- Per capita funding in the six-state region averaged \$35.49. Kansas’ per capita funding was slightly above average at \$35.69 in FY 2007. Kansas ranked third out of six states in per capita funding in FY 2007.
- Kansas was the only state that did not increase state funding for economic development by at least 40 percent. The FY 2007 increase of \$3.9 million was a 4.1 percent increase over FY 2006 funding. Other states increased support in FY 2007 by an average of 54.1 percent.

Two patterns of strategic foundation funding occurred across states: two- and three-level patterns. Kansas has a three-level funding pattern. Business environment has been the primary focus for many years. Technology/innovation has also emerged as a secondary focus. Nebraska has also exhibited a three-tiered funding pattern over recent years. Historically, Oklahoma (ranked first in size of economic development budget) and

Iowa (ranked second) followed two-tiered funding patterns until FY 2007, when a third tier began emerging. Colorado and Missouri have generally followed a two-tiered spending pattern. With the exception of Nebraska, states with smaller economic development budgets tended to have two-level funding patterns. This tended to create a more highly focused economic development funding pattern, as a larger share of the state's investment was concentrated in one or two strategic areas.

Conclusions

All states in the study have developed comprehensive plans for economic development, indicating the significance of the strategic planning process in policy formation. Generally, states in the study have shifted away from business attraction and business retention policies toward developing a state industrial policy. States have also tended to shift away from direct subsidies toward foregone tax revenues or tax expenditures as a means of funding economic development. It should be kept in mind that:

- Expenditures are a necessary, but not sufficient condition of economic development. Funding does not provide a direct measure of the success or failure of an economic development program.
- Tracking expenditures may provide an indication of the relative priorities of the various strategic foundations.
- The lack of consistent reporting and budgeting makes it very difficult to assess the actual performance of economic development programs.
- Large fluctuations in funding may be an indication that economic development expenditures are not necessarily deemed by the legislature as being essential. As such, expenditures may be subject to changes in the business cycle, the evolving global economy, and the ever changing political landscape.

However, further study of the legislative histories and performance assessments of the respective states is needed to establish the linkage between economic development expenditures and economic growth.

KANSAS, INC.

Created by the Legislature in 1986, Kansas, Inc. is an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing competitiveness for economic growth. To attain our mission, Kansas, Inc. undertakes these primary activities: 1) Identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas; 2) To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies; 3) Through collaboration and outreach with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark development efforts in the State of Kansas.

Co-Chaired by the Governor, Kansas, Inc. is governed by a 17-member Board of Directors. Board members, as mandated by legislation, include four members of Legislative leadership, a representative from the Board of Regents, the Secretary of Commerce, the Commanding General of the Kansas Cavalry, a representative from labor, and eight other members from the private sector representing key Kansas industrial sectors. Private sector members are appointed by the Governor and confirmed by the Kansas Senate.

Through analysis and open dialogue, Kansas, Inc. identifies policy options and builds the consensus essential for concerted action on vital economic issues. Kansas, Inc. is designed to be a public-private partnership with expectations that state investments are leveraged with other funds to maintain a strong research portfolio.

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