

Approved Thomas F. Walker 1-88  
Date

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Thomas F. Walker at  
Chairperson

9:00 a.m. ~~9:00~~ on Wednesday, January 20, 1988 in room 522-S of the Capitol.

All members were present except:

- Representative Sebelius - Excused
- Representative Peterson

Committee staff present:

- Avis Swartzman - Revisor
- Carolyn Rampey - Legislative Research Department
- Mary Galligan - Legislative Research Department
- Jackie Breymeyer - Committee Secretary

Conferees appearing before the committee:

Harland Priddle, Secretary, Department of Commerce

Chairman Walker called the meeting to order. The minutes of the previous meeting were approved. He introduced Paul West, Legislative Research Department, whose area is Commerce.

The Chairman introduced Harland Priddle, Secretary, Department of Commerce, who was present to tell about the Department. He distributed two attachments. The first was an organizational chart. (Attachment 1) The second attachment was the Annual Report-1987. (See Attachment 2) Secretary Priddle introduced his Deputy Secretary, Wayne Zimmerman. He also introduced Jack Montgomery, Director, Existing Industry Development Division; and Lou Atherton, Industrial Development Division. Other Division Directors not present and shown on the chart were Harry Salisbury, Director, Trade Development Division; LewJene Schneider, Director, Travel & Tourism Development Division and Don Gragg, Director, Community Development Division.

The regional field offices of the department are located in Hill City, Garden City, Salina, Wichita, Overland Park, and Pittsburg.

Fiscal year '88 authorized level of funding if \$22,322,550; fiscal year '87 was \$20,952,114. Approximately \$15 million was contained in federal funds allocated to the department for the Small Cities Block Grant Program.

The Secretary is an active member of the Kansas Cavalry, Kansas Chamber of Commerce and Industry, Securities Commission Advisory Committee, and Task Force on Marketing in the Midwest. He is also on the Board of Directors for Kansas Inc., Kansas Technology Enterprise Corporation, Kansas Development Finance Authority, Pooled Money Investment Board, and the National Association of State Development Agencies.

The Secretary spoke of the Rental Rehabilitation Program, which is designed to assure adequate housing which will be affordable to lower-income tenants. Grants will be awarded beginning next calendar year.

The Low Income Tax Credit Program is designed to encourage investment into the supply of low income rental housing through the use of tax credits. A credit ceiling of \$1.25 per person has been allocated to the state. This amounts to a dollar figure of \$3,000,000. 1987 tax credits have been reserved for 24 housing projects. In all, over \$2,123,200 in tax credits have been allocated for the owners/investors who are making more and improved housing available to low income persons.

The Secretary went through the Main Street and Pride programs. He mentioned how the City of Manhattan had done a good job with the new msl and the businesses leading to it on Poyntz Avenue. With regard to the Pride Program, over 365 Kansas communities have been involved.

Next, Enterprise Zones were discussed. One hundred fifty-eight of these zones have been designated in cities and counties throughout the state. The program provides incentives such as income tax credits and sales tax exemptions to qualified businesses within these zones. There have been some problems in this area but they are being addressed. The department works with the legislature on laws that will clarify and help this area.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

room 522-S, Statehouse, at 9:00 a.m./~~p.m.~~ on Wednesday, January 20, 19 88

The Department is taking on new functions relating to venture capital and seed capital. It is encouraging the formation of this type of risk capital investment for businesses in Kansas. A 25% tax credit has been authorized for investment in venture capital companies.

The Secretary Priddle stated that Southwestern Bell had loaned an executive for a year. Secretary told them that he didn't want someone attending speeches with him - he wanted an agenda. This promotes and serves small businesses in the state.

Minority business plays an important part in the Department. The Department promotes minority business development.

The Secretary commented that many people would like to know the requirements of starting and operating a business in Kansas so a publication entitled "A Guide to Starting a Business in Kansas" has been published to explain these requirements.

In addition to those programs which support economic growth in Kansas, the use of national and international advertising has been concentrated which directs its focus on those companies which can achieve benefits for Kansas. The Kansas Cavalry has made several out-of-state trips which has produced substantial prospects for the state. A chart showing the trips of the Kansas Cavalry was shown. Other marketing efforts include: a national advertising campaign, promotional materials, computerization, a business recruitment video, target industry study and promotional awards.

The Secretary spoke at length on international activity. He said Kansas is selling a good work force, horse sense and a quality of life.

The accent is on trade promotion and trade services. He mentioned the Japanese department store, Daiei. Secretary Priddle called it "the Sears of Japan". A number of promotional activities to feature Kansas beef have been done. Activities occurred which featured Kansas beauty queens. A picture was passed around which showed two of these ladies in western apparel. The Lieutenant Governor has traveled to Japan with staff and has met with various government officials and future promotional efforts are being defined. Europe and South America will also have sales representatives to achieve Kansas' interests. The reason for the accent on Asia is because of the heavy concentration of population.

Secretary Priddle mentioned that there is 5½ million in the line item budget for infrastructure for the Department; there is 6½ million budgeted for funds for the agency in '89.

With regard to tourism in Kansas, Secretary Priddle mentioned the signs that tell people to stop and get a free jug which has had the effect of getting information to people and good response back to the Department. Tourism promotions & the Kansas Film Commission was mentioned. The super collider efforts were also discussed. There is a meeting soon to be held and it is important to critique the efforts made in trying to get the supercollider in Kansas. It is important to analyze the failures as well as the successes of the endeavors.

Praise was given to Kansas magazine and many members commented it is a great gift and promotional tool.

The Secretary ended his presentation by inviting the committee to tour the Department. He and his staff will be available to the committee for any service they can render in the study of the Department.

Chairman Walker thanked the Secretary and adjourned the meeting.



DEPARTMENT OF COMMERCE -- OFFICE OF THE SECRETARY  
Harland E. Priddle / 296-3480

Mission: The Department of Commerce shall act as lead agency of the State for Economic Development for the promotion of business, industry, trade and tourism.

DEPUTY SECRETARY  
Wayne Zimmerman / 296-3481  
GENERAL ADMINISTRATION  
Policy Analysis & Research Unit  
Fiscal Accounting & Personnel

EXISTING INDUSTRY DEVELOPMENT  
DIVISION

Jack Montgomery / 296-5298  
Director

Mission: To promote and encourage the growth, diversification, and retention of business and industry in Kansas.

Major Activities:

- \* Small Business
- \* Minority Business Devel.
- \* One Stop Permitting
- \* Field Offices
- \* Local Community Technical Assistance
- \* Community Development Block Grants--Economic Development
- \* Liaison with Small Business Development Centers, Certified Development Companies, Venture Capital Companies

INDUSTRIAL DEVELOPMENT  
DIVISION

Lou Atherton / 296-2652  
Acting Director

Mission: To attract new business and industry from outside the state, thereby creating jobs, attracting new capital investment, and expanding and diversifying the state's economic tax base.

Major Activities:

- \* Domestic Business Recruitment
- \* International Business Recruitment
- \* Targeted Marketing Program
- \* National Promotion Campaign

TRADE DEVELOPMENT DIVISION

Harry Salisbury / 296-4027  
Director

Mission: To increase sales of Kansas agricultural and manufactured products worldwide, thereby creating jobs, bringing new dollars into the state, and enhancing the growth and expansion of the state's economic base.

Major Activities:

- \* Domestic Trade Development
- \* International Trade Development
- \* Agriculture Trade Development

TRAVEL & TOURISM  
DEVELOPMENT DIVISION

LewJene Schneider / 296-7091  
Director

Mission: To increase the number of visitors to Kansas by promoting the state as a travel opportunity to both Kansans and non-Kansans alike.

Major Activities:

- \* Promotion
- \* Tourist Information Centers
- \* Kansas Magazine
- \* Film Services

COMMUNITY DEVELOPMENT  
DIVISION

Don Gragg / 296-3485  
Director

Mission: To provide grants, loans and technical assistance to Kansas communities to stimulate and support economic development activity.

Major Activities:

- \* Community Assistance
- \* Mainstreet Program
- \* PRIDE Program
- \* Community Development Block Grants--Small Cities
- \* Enterprise Zones
- \* Certified Cities Program

ATTACHMENT 1  
G.O. COMMITTEE

1/20/88



KANSAS DEPARTMENT OF COMMERCE  
ANNUAL REPORT--1987

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# Kansas Department Of Commerce

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ATTACHMENT 2  
G.O. COMMITTEE

1/20/88

KANSAS DEPARTMENT OF COMMERCE

ANNUAL REPORT--1987

Harland E. Priddle  
Secretary of Commerce

I N D E X

FOREWORD

GENERAL ADMINISTRATION

COMMUNITY DEVELOPMENT

EXISTING INDUSTRY

INDUSTRIAL DEVELOPMENT

TRADE DEVELOPMENT

TRAVEL AND TOURISM

SPECIAL PROJECTS

SUPERCONDUCTING SUPER COLLIDER

# ANNUAL REPORT

## SECTION I

### GENERAL ADMINISTRATION

#### Secretary's Comments and Observations

The Department of Commerce was established officially on January 12, 1987. Many of the functions previously administered by the Kansas Department of Economic Development were transferred to the new Department of Commerce. In addition, there were new programs established and expanded activities in many areas. The Trade Development Division was officially established with the beginning of the Department of Commerce on January 12, 1987. The Existing Industry Division realized major changes with the addition of 6 regional office locations and staffing to support this concept. The Kansas Advanced Technology Commission, formerly under the Kansas Department of Economic Development, was removed, and its functions were contained in the new Kansas Technology Enterprise Corporation.

The year of 1987 has been a year of implementation and organizational adaptation of programs and activities. The sections within this annual report outline specific accomplishments within each area (i.e. The Trade Development Division is fully staffed and has completed its first trade mission as well as establishing many other activities in the trade area. The Existing Industry Division's field offices became officially operational on August 19, 1987. The Secretary's activities were dedicated to management and organizational activities with many associated agencies, such as Kansas Inc., in addition to Department of Commerce.

One of the major tasks undertaken during this year was the establishment of partnerships and linkages to provide communications to communities, economic development entities, and other associations and organizations (i.e. Three letters have been forwarded to chambers of commerce outlining the activities of the department and its planned programs for the future, and all mayors have been contacted as well as economic development planning organizations in the state). Approximately 70 visits were made to communities and organizations during this year by the Secretary in an effort to establish communications for future program administration.

An urgent need to establish a method of managing our activities and communicating with the communities of Kansas was identified at an early time in the year. Through rearrangement of resources, progress has been made in establishing a data automation system which will provide a means to contact communities and interact directly on issues related to the Department of Commerce functions. We have completed an inventory of buildings and sites for all counties and cities in the state. This information is available through our automation system for comparison and review. We



intend to do tax structure comparisons and other comparisons to assist communities in recruiting new businesses. Closely associated with automation is the need for economic development coordination councils. Three such councils were established this year. They are: International Trade Coordinating Council, Rural Development Coordinating Council, and Regents Universities Economic Development Coordinating Council. These were chaired by the Secretary or his designated representative in an effort to communicate with the players in economic development throughout the state of Kansas. The Kansas Coal Commission, established by the 1987 legislature and chaired by the Secretary of Commerce, was appointed and began its work during the latter part of the year.

As we look to the future, we intend to establish management techniques which will measure our success in all areas. In this regard, the agency completed its first economic development plan and provided it to Kansas Inc. for endorsement and forwarding to the legislature. This is a management document which will be used to identify areas of emphasis and measure our success for the future.

#### Administration Division

During 1987, the Administration Division provided central support services to all programs within the Department of Commerce. The Division is separated into units which include: personnel management, budget and performance monitoring, data base management, policy analysis and research, and a Secretary's office.

During this past year, there has been a concerted effort to consolidate functions previously segregated and isolated within divisions into the centralized control under General Administration (i.e. Research individuals previously placed within the Industrial Development Division have been relocated into the research and policy analysis section in order to be available to the entire agency). Publication of materials through the data automation system will be centralized and not segmented into the different divisions.

With regards to personnel, the agency completed the year with 95.5 full-time employees. This was an increase of 1 over the authorization established by the legislature and was addressed by the Finance Council to assist the agency in administering a new program assigned from Housing and Urban Development.

In the budget and finance area, the agency began the fiscal year of 1988 with an authorized level of funding of \$22,322,550, up from \$20,952,114 in fiscal year 1987. Approximately \$15 million was contained in federal funds allocated to the department for the Small Cities Block Grant Program. The remainder of the budget for the agency was primarily from general fund appropriations through the legislature. The agency has a fee fund supporting the Kansas Magazine and the Manufacturers Directory. These fee funds are dedicated solely to the specific purposes of publication of those two entities and do not contain significant dollars in carryovers or funds available for other uses.



The Database Management Unit completed the planning and began implementation of a department-wide database for use by all programs as well as communities and economic development organizations across the state. Using an IBM System 36 as the base, the department will provide access to buildings and sites information, community profile data, state and national tax comparisons, listings of Kansas products and services and procurement information. Desktop publishing systems will allow the agency to develop and prepare pamphlets, directories, and other reports for use in economic development purposes.

The Policy Analysis and Research Unit provided basic research support for the Department as well as proposing strategies to address issues which impact the agency's mission. Staff dealt with issues which cut across organizational lines, encouraging interaction among the department's divisions and the economic development community. The unit developed and prepared the annual economic development strategy plan for submittal to Kansas, Inc. and the legislature. Other publications included the Directory of Kansas Manufacturers and Products, Firms Headquartered in Kansas, Fortune 500 Facilities in Kansas, Kansas Association Directory, and Directory of Kansas Warehouse and Distributors Centers. In addition, the unit prepared policy reports which dealt with economic development issues such as rural development programs, small business incubators, and state business loan programs.

Coordination with other agencies is also an integral part of the Administration Division. Staff supported activities such as the Kansas Coal Commission, Kansas Occupational Information Coordinating Committee, and numerous state agency task forces and ad hoc committees.

The Secretary's office maintains a network of coordination with such groups as university leaders, international trade experts and rural development specialists. The Secretary is an active member of the Kansas Cavalry, Kansas Chamber of Commerce and Industry, Securities Commission Advisory Committee, and Task Force on Marketing the Midwest. In addition, the Secretary is on the Board of Directors for Kansas Inc., Kansas Technology Enterprise Corporation, Kansas Development Finance Authority, Pooled Money Investment Board, and the National Association of State Development Agencies.

Other functions of the Secretary's office include legislative development and presentation, education of Kansas on economic development issues and providing leadership to Kansas in support of economic development.

COMMUNITY DEVELOPMENT DIVISION

Don Gragg  
Director

(913) 296-3485

COMMUNITY DEVELOPMENT DIVISION  
1987 ACTIVITIES

Executive Summary

Calendar year 1987 for the Community Development Division contained both new program elements and a continued commitment to existing work. Continued growth in the division resulted this year in a 33% increase in staffing, from 18 persons in 1986 to 24 persons at the end of 1987. Two new programs were taken on this year, making the Division responsible for managing and implementing a total of seven programmatic elements.

Both of the new work elements involve the administration of Federal programs and are designed to increase the supply of low income housing in Kansas. One of the programs, the Rental Rehabilitation program provides direct rental assistance to low income persons and also provides funds for the rehabilitation of existing housing. Formerly administered by the Housing and Urban Development Department of the Federal Government, the Division took over administration of these funds this summer. Two staff positions were added to staff this program.

Additional low-income housing was also encouraged through Kansas' administration of the Federal low income tax credit program described below. In less than a year of operation the Division allocated about 70% of the available tax credits for 1987. This far exceeded performance estimates made by the Department. Reports from other states indicates that the Kansas program has been quite effective in encouraging developers of low-income housing. The program is administered by a full-time attorney; the Department's first in-house legal advisor.

Other staff additions were made in support of existing programs. The Community Development Block Grant Program added a Close-Out and Audit position to assist staff in closing the growing number of grants which must be administered. To better manage the program, the Economic Development Specialist who manages economic development grants for the program was transferred from the Existing Industry Division to Community Development. Another position transfer resulted in additional staff support for Main Street, PRIDE, and Technical Assistance programs.

In summary, the Division spent the year helping communities throughout the state develop their potential for economic development. Funds were provided for infrastructure improvements and business financing. Tax benefits were made available to create additional jobs, investment and housing. Numerous visits, and phone contacts were made to assist cities in understanding the process of economic development and to guide them in their efforts. Through the provision this year of both funds and professional expertise, the Community Development Division believes that many communities are a step ahead today.

SMALL CITIES  
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Community Development Division administers the non-entitlement portion of the Federal Department of Housing and Urban Development Community Development Block Grant (CDBG) program. This program provides grants to units of local governments for community improvement and economic development projects which primarily benefit low and moderate income persons. Grant awards are provided in three categories; discretionary (includes planning and urgent need), economic development and community improvement (includes public facilities and housing rehabilitation). The pie charts display the distribution of grants and grant funds by these categories.

In 1987, over \$15 million dollars in grant funds has been made available to communities ranging in size from fewer than 150 persons to over 40,000. The \$15 million is used in partnership with other public and private funds to maximize benefits to each community. In allocating these funds the division reviewed 255 applications which requested a total of nearly \$46 million for project improvements.

In addition to awarding and administering these new grants the CDBG program also manages active grants previously awarded throughout the state, amounting to nearly \$37.5 million in grant funds. The bar chart shows the staff workload in grant administration. Seventeen grants were successfully completed and closed out this year. The CDBG staff also provides assistance in application preparation. Over 400 people attended four application workshops held throughout the state this year.

1987 Planning grants:

Grants assist the efforts of local government in providing funds for technical assistance, comprehensive planning and capital improvements planning. Six cities were awarded planning grants totaling \$131,495 for this year.

Economic Development Grants:

These grants provide supplemental or "gap financing" for business which create or retain jobs for persons of low and moderate income. Economic Development grants are awarded 3 times during the year in April, July, and December. Twenty Kansas cities and four counties were awarded \$6,751,000 for economic development. The \$6.75 million will leverage approximately \$65.3 million in private sector investment. Over 1,600 jobs will be created and retained.

Types of businesses receiving assistance through this program included manufacturers of die cast metal buildings, resin transferring mold boats, agricultural equipment, kitchen counters, industrial equipment,

whirlpools, glass and electronics. Other businesses funded were a nursing care facility, a wheat straw crafter, foundries, a feedlot, a transportation service, direct mail services, and volcanic ash processor.

1987 Community Improvement grants:

Funds are used for public facilities projects (water, sewer, streets, community buildings, housing rehab, misc.) which primarily benefit persons of low and moderate income and housing rehabilitation projects exclusively for low and moderate income Kansans. A summary of 1987 Community Improvement awards follows.

Water projects	16 awards	2,757,010
Sewer projects	5 awards	834,845
Street projects	5 awards	658,087
Community Buildings	10 awards	1,554,147
Housing rehabilitation	7 awards	1,379,375
Miscellaneous	3 awards	333,000
TOTAL	46 awards	\$7,516,464

1987 Discretionary grants:

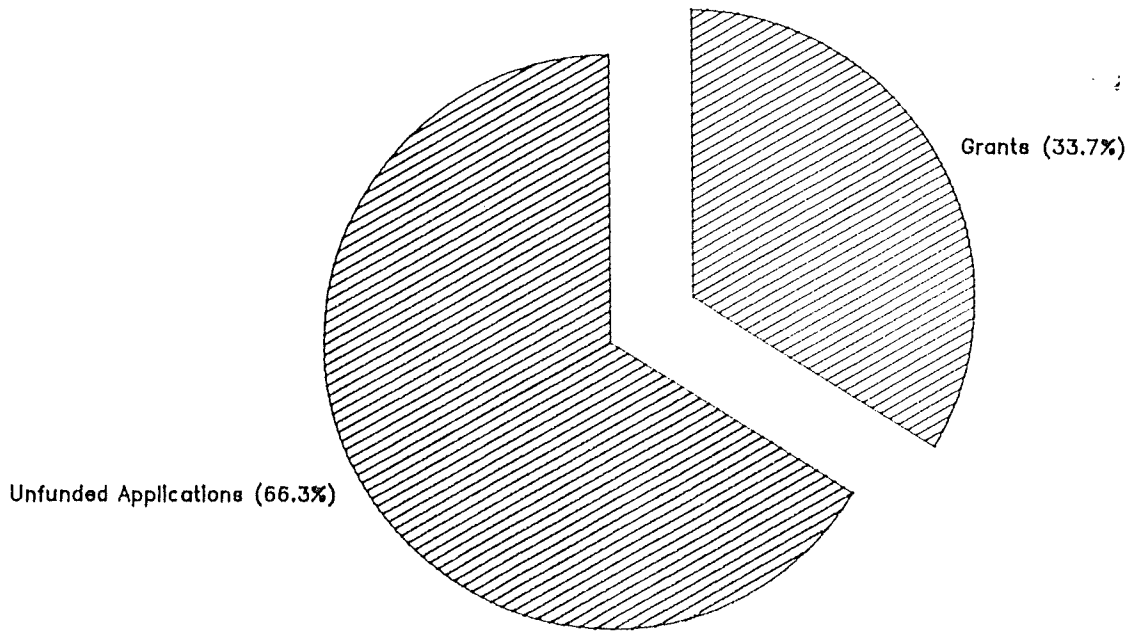
Discretionary funds are used throughout the year for projects considered to have a high priority because of urgent need. Three communities this year have been awarded discretionary funds because of urgent need situations.

Two of the recipients qualified for urgent need because of contaminated water systems. Garden Plain was the recipient of \$300,000 in for water system improvements. Doniphan County received \$210,000, also for their water system. Heavy flooding in the Southeast Kansas area affected Fort Scott's storm drainage system which will be improved using \$272,000 of CDGB funds.



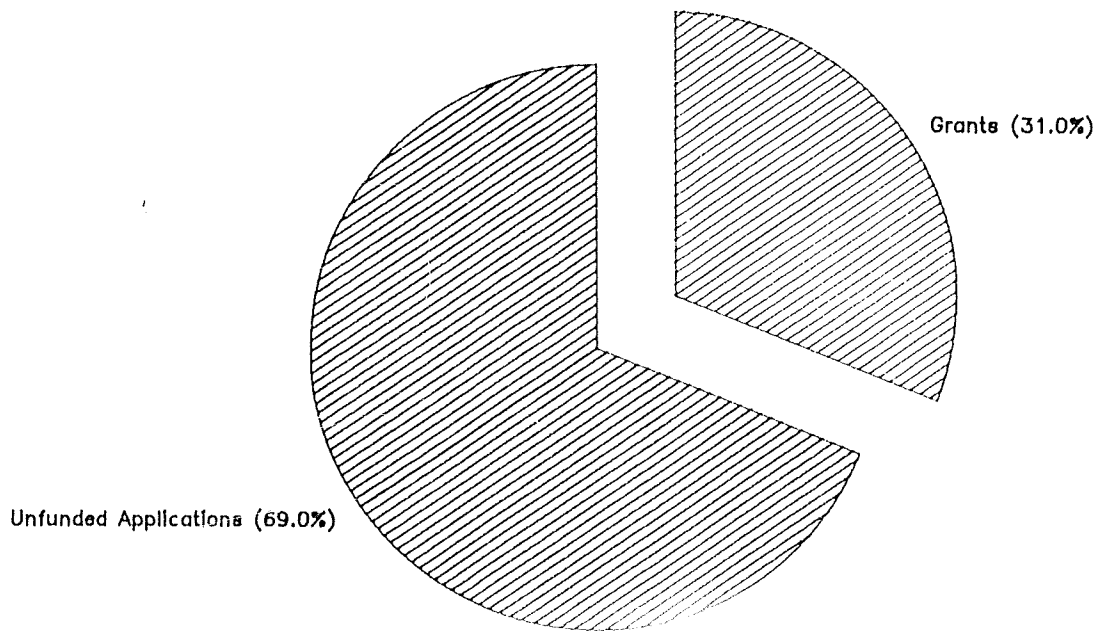
# 1987 Community Development Block Grants

Funding Requests of \$45,697,149



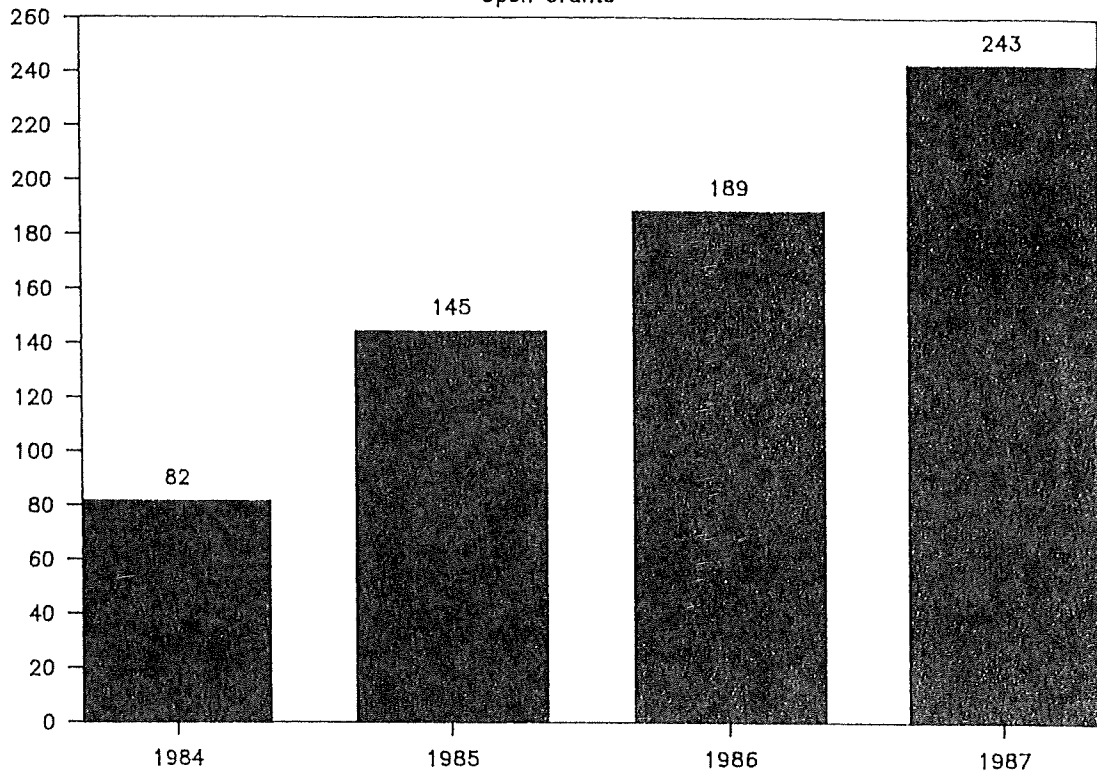
# 1987 Community Development Block Grants

255 Applications



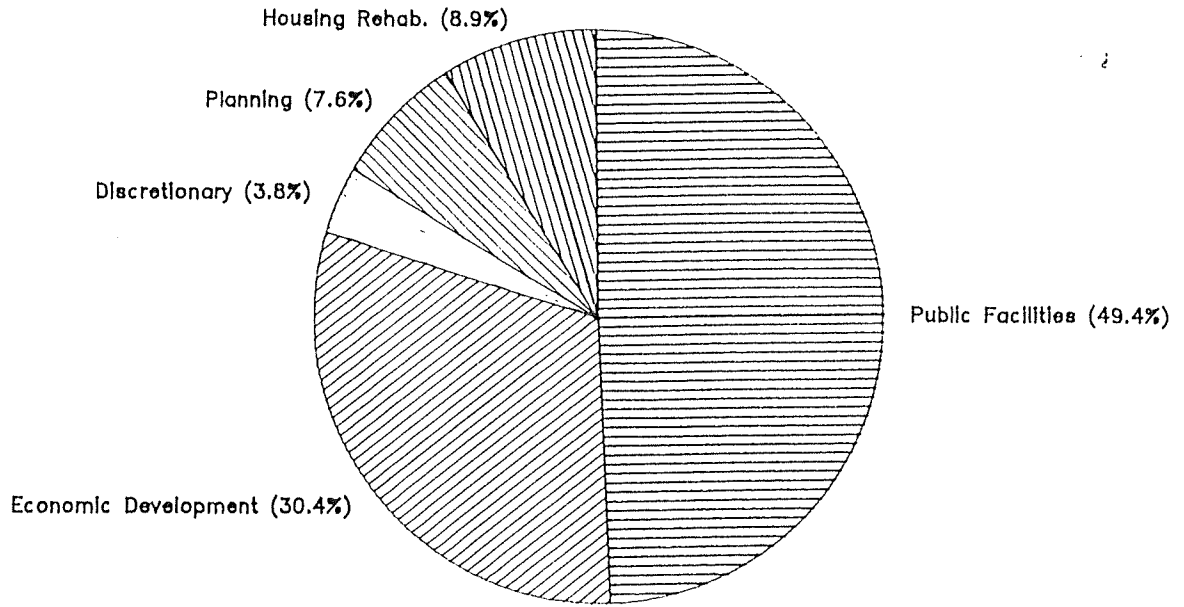
# CDBG Grant Administration

## Open Grants



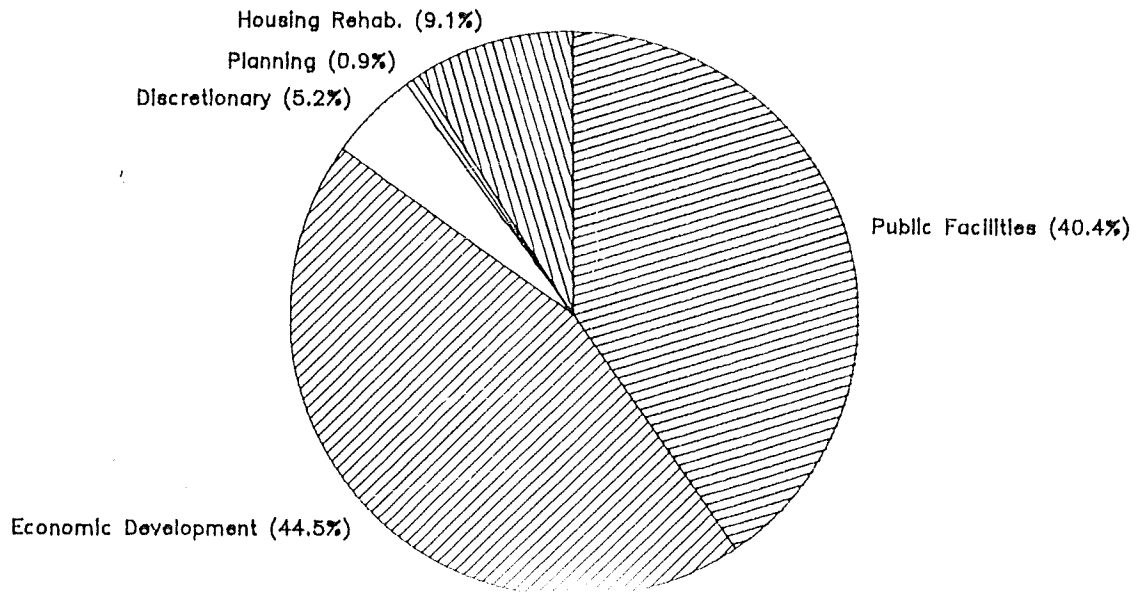
# 1987 Community Development Block Grants

## Distribution of Grants



# 1987 Community Development Block Grants

## Distribution of Funding



## RENTAL REHABILITATION PROGRAM

1987 brought several new programmatic responsibilities to the Community Development Division. The Department of Commerce agreed in June of 1987 to take over administration of the Federal Department of Housing and Urban Development's Rental Rehabilitation program. This program is designed to assure an adequate supply of standard housing affordable to lower-income tenants. Federal funds are offered both to rehabilitate existing low-income rental units and to provide direct rental assistance to lower income persons. Cities or Counties under 50,000 in population which are not eligible to receive certain other types of housing assistance and have an established public housing authority may apply for a portion of the \$700,000 currently available through the Kansas program.

To date, the division has hired staff and initiated contacts with eligible communities. Grants will be awarded beginning next calendar year.

## LOW INCOME TAX CREDIT PROGRAM

The Community Development Division also started management of the new Federal Low Income Tax Credit program for Kansas this year. This program is designed to encourage investment into the supply of low income rental housing through the use of tax credits. Three types of tax credits are available to qualified applicants: new construction, acquisition, and rehabilitation. The state is allocated, by formula, a credit ceiling of \$1.25 per person (or about \$3,000,000). Ten percent of the state ceiling must be set-aside for exclusive use by qualified nonprofit organizations. This program, initiated this year, will expire on December 31, 1989.

To date, 1987 tax credits have been reserved for 24 housing projects. These projects will create 196 buildings with 1,195 housing units. Seventeen of these projects are new construction. The remaining seven are new acquisition and rehabilitation. Over \$2,123,200 in tax credits have been allocated for the owners/investors who are making more and improved housing available to low income persons.



## KANSAS NATIONAL MAIN STREET PROGRAM

Kansas' continued participation in the National Main Street Center program has resulted in tangible benefits to the seven project cities selected to participate in the program. The National Main Street program, sponsored by the National Trust for Historic Preservation, is designed to help cities create an atmosphere conducive for attracting reinvestment and new investment into downtown areas. The Center advocates a comprehensive, balanced approach to downtown revitalization which emphasizes local commitment rather than government intervention.

Cities selected must hire a downtown project manager and make at least a three year commitment to the program. In 1986 five cities, Hutchinson, Independence, Lawrence, Manhattan, and Winfield became Kansas' first participant cities. 1987 saw the addition of Dodge City and Fort Scott to the program. Through the Kansas contract with the National Main Street Center reconnaissance visits are made into each of the project cities to visit the sponsoring organization and identify specific needs for subsequent training and resource team personnel. This year's work included 21 on-site visits, and six topical workshops providing comprehensive training for local board members and project managers. Frequent contact with each project city and the Center was maintained to provide consulting assistance. Each program is tailored to address the unique challenges found in that city.

Project managers estimated that between January and October of 1987 over \$4 million was invested in downtown construction, reconstruction and facade renovations in their cities. Business startups and closings were tracked at a net gain of 60 businesses and 528 new jobs.

Other activities of the Kansas Main Street staff included quarterly publication of the Kansas Main Street Newsletter to over 600 persons in the state. The staff also provided technical assistance to numerous communities across the state interested in downtown revitalization and coordinated the annual Main Street Conference. This year's conference, held in October, attracted over 130 persons from 45 cities.

## KANSAS PRIDE PROGRAM

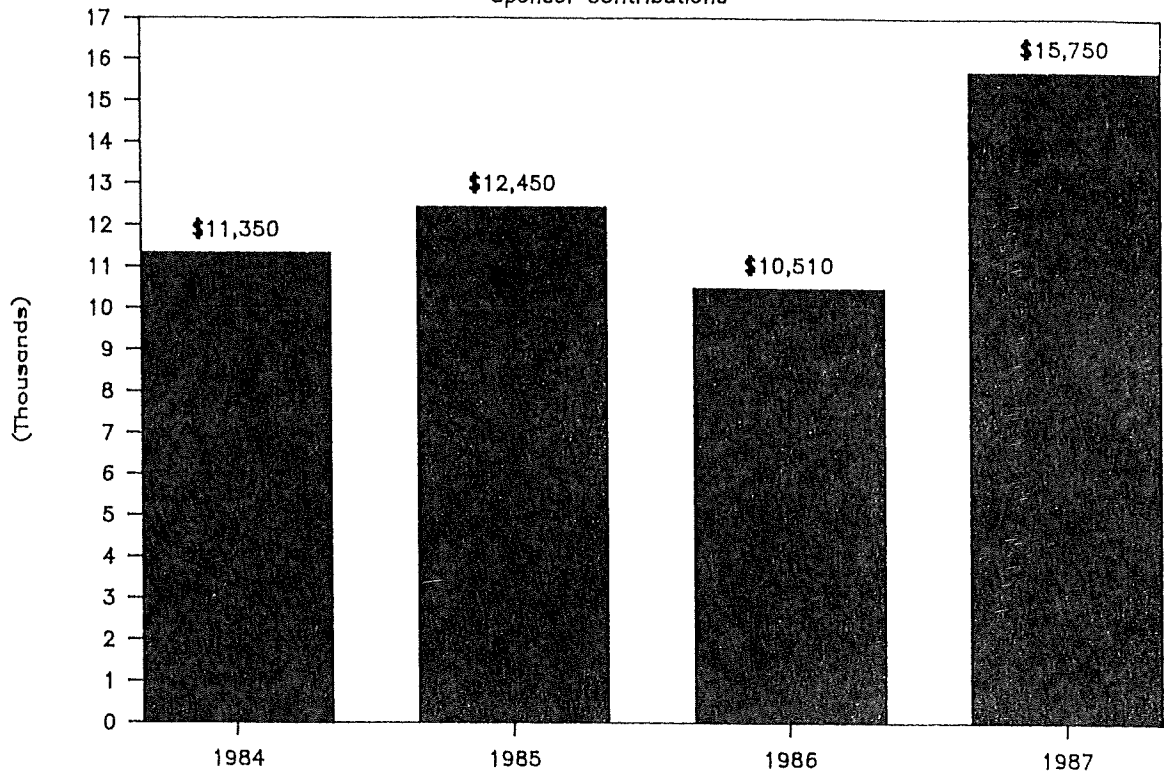
The Kansas PRIDE program successfully completed its eighteenth year of responding to the needs of Kansas communities by providing technical assistance for, and recognition of, their community improvement efforts. Co-administered by the Community Development Division and the Kansas State Cooperative Extension Service, PRIDE assists communities in their effort to develop effective organization and promote citizen involvement to make their communities a better place to live. The program is in two parts. A competitive Cash Awards Recognition for outstanding community improvements is awarded on a yearly basis. The Pacemaker awards are given to communities which document that they have reached high standards in over 19 facets of community development.

Over 365 Kansas communities have been involved in the program since its inception. 1987 saw 82 communities enrolled in PRIDE. Over 252,751 hours of volunteer labor were donated by over 64,700 persons to accomplish over 914 various projects. This effort is conservatively valued at \$1,264,000. Private sector injection from 26 corporate and association sponsors provided \$15,520 for the Cash Awards Recognition. This year saw a significant increase in private sector contributions.

Six communities; Columbus, Courtland, Phillipsburg, Oberlin, Spearville and Sabetha, achieved Pacemaker status in 1987. Recognition of this achievement is culminated by an award presentation by the Governor.

# PRIDE

## Sponsor Contributions



## TECHNICAL ASSISTANCE

One of the primary functions of the Community Development Division is the provision of technical assistance on economic development issues to communities. This assistance frequently takes the form of community assessments. The assessments typically involve a week long visit to the community, where a team of three to four KDOC staff and volunteers interview community leaders and other citizens, and visually assess the area's potentials. At the end of the week the team presents an oral report at a public meeting on its findings and recommendations for improvement. A written report follows containing more detailed information for the community's use.

This year the following fourteen assessment projects were conducted:

- Atwood-Economic Development Assessment
- Russell-Main Street Assessment
- Hoisington-Main Street Assessment
- Harper County-Tourism promotion analysis
- Stockton-Main Street Assessment
- Marshall County-Tourism and Industrial Assessment
- Garnett-Organization Workshop
- Oskaloosa-Economic Development Assessment
- Hays-Main Street Assessment
- Pittsburg-Main Street Assessment
- Marysville-Downtown Building/Architectural Assessment
- Concordia-Economic Development Assessment
- Coffeyville-Economic Development Assessment
- Elkhart-Economic Development Assessment

Twenty-one volunteers and eight staff persons served as team members. Volunteers, who are paid only travel expenses, included agricultural experts from the Soil Conservation office and Extension Service, development professionals from area economic development offices and chambers of commerce, private businessmen, tourism specialists from convention and visitors bureaus, and an economic development specialist from the state of Missouri. Well over 1,000 hours were given in support of this program by these volunteers. The assessments are provided free of charge to the communities, which are responsible for requesting and organizing the team's visit, as well as implementation of the proposed improvements.



## ENTERPRISE ZONES

The Kansas Enterprise Zone program provides incentives to expand and renew the local economy by encouraging businesses to locate and expand in areas designated as an enterprise zone. These incentives include income tax credits and sales tax exemptions to qualified businesses located within these zones. The Division is responsible for management of the designation process, and works with the Department of Revenue in distributing information to businesses on the tax benefits.

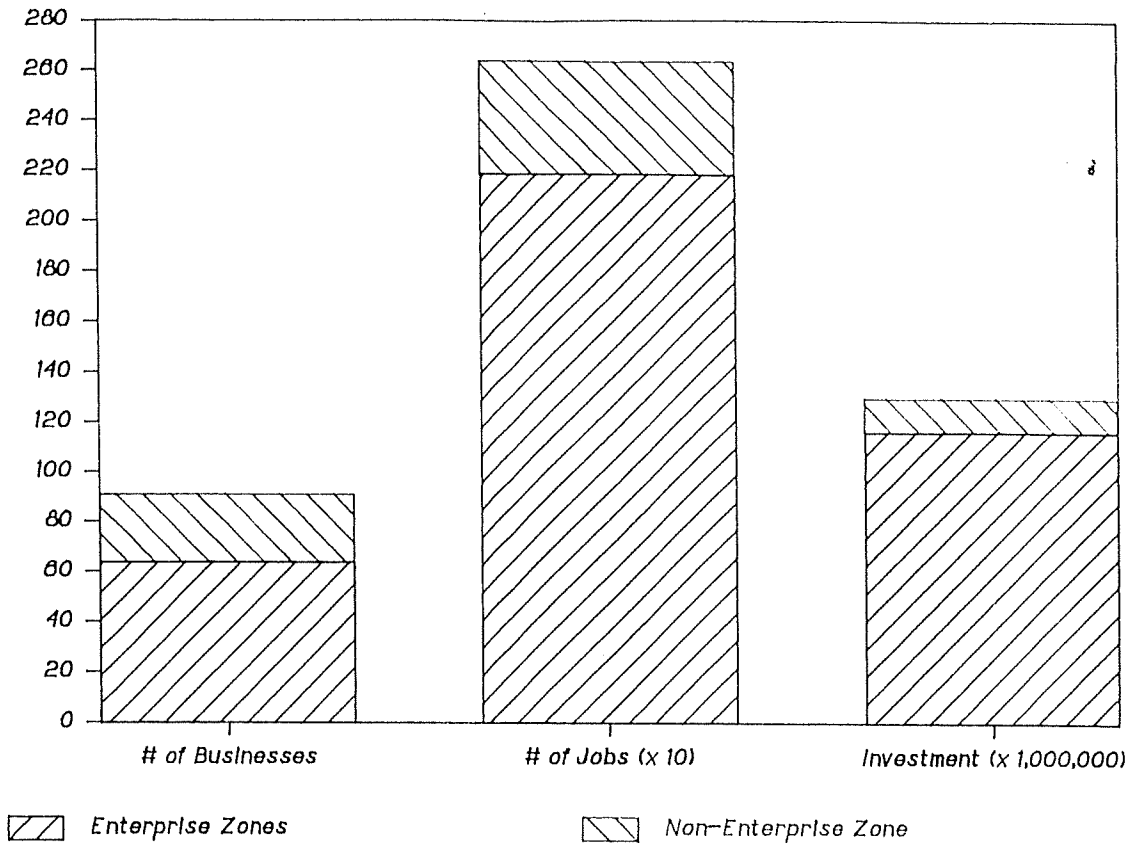
To date, 158 enterprise zones have been designated in cities and counties throughout the state. This year forty-two applications have been received. Twenty-four applications to amend or recertify existing enterprise zone were approved; and seven new cities and seven new counties received enterprise zone designations. Three applications were disapproved and one withdrawn from consideration.

In addition to management of the application process the division has provided assistance to numerous businesses, communities, and other economic development professionals on the application process and tax incentive requirements.

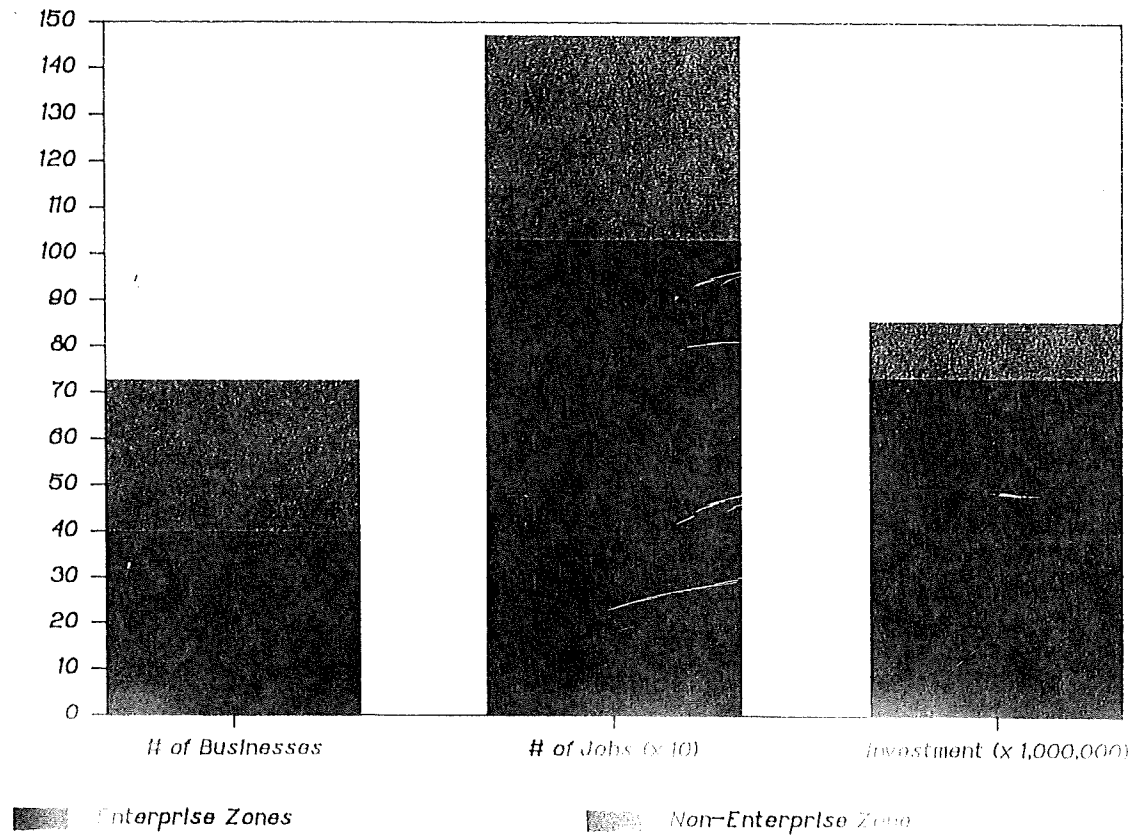
Data collected by the Department shows that a substantial amount of activity is occurred in enterprise zones. The Department collects information on manufacturers who have located or expanded facilities in the State of Kansas. Most recent data on reported start-ups and expansions shows a significant amount of activity occurring in areas designated as enterprise zones.



## MANUFACTURING EXPANSION IN 1986



## NEW MANUFACTURING ACTIVITY IN 1986



EXISTING INDUSTRY DIVISION

Jack Montgomery  
Director

(913) 296-5298

KANSAS DEPARTMENT OF COMMERCE  
DIVISION OF EXISTING INDUSTRY DEVELOPMENT

ANNUAL REPORT

EXECUTIVE SUMMARY

The Division of Existing Industry Development was created as a key element of the Department of Commerce to place emphasis on the growth, diversification, and retention of business and industry in Kansas. The nurturing and growth of businesses already in Kansas are vital elements in the economic development strategy for the state. Research has shown that the great majority of new jobs created will be within businesses which already exist.

As a part of the Division's mission, heavy emphasis has been placed on the further development of a network to provide assistance to businesses. An important aspect of that network has been the opening of four regional field offices in addition to the two regional offices already operated by the Department. This expansion coupled with the enhanced operation of the Topeka office has allowed the Division to be more effective in meeting the needs of businesses.

Another aspect of the business assistance network is the continued support of the Certified Development Companies and Small Business Development Centers located across the state. The Division continues to provide supplemental funding to these organizations through legislative appropriations to the Department. The Division also provides support for the newly-formed Governor's Business Action Group which is a group of volunteer business leaders committed to helping existing manufacturing businesses become successful in Kansas.

Through the Division of Existing Industry Development, the Department is taking on new functions related to venture capital and seed capital by encouraging the formation of this type of risk capital investment for businesses in Kansas. By authorizing a 25 percent tax credit for investment in venture capital companies and seed capital pools, the Kansas Legislature has allowed the Department to become more proactive in this area. To date, three venture capital funds have been certified to receive the tax credit for its investors.

In an effort to promote and serve the existing small businesses in Kansas, the Department joined efforts with Southwestern Bell Telephone Co., the University of Kansas, and ten Kansas communities to implement the Business Retention and Expansion Program. This program is designed to randomly survey businesses in selected communities to determine what problems or concerns the businesses are experiencing. The results of the survey program will provide information to the local community, state officials, and the Legislature for policy planning purposes.

Minority business plays an important part in the Division's programs. Through the Office of Minority Business within the Division, the Department promotes the development of minority businesses and opportunities for those businesses. As a result of the activity of the minority business staff, minority businesses continue to achieve greater visibility as important participants in the Kansas economy.

Through the activities of the Division of Existing Industry Development, the Department of Commerce intends to foster an environment to support the growth, prosperity, and retention of Kansas businesses.



## EXPANSION OF BUSINESS ASSISTANCE NETWORK

**Regional Field Offices.** The regional field office system took on an entirely new dimension in Fiscal Year 1988 with the opening of four new offices in addition to the two regional offices already in existence in Hill City and Garden City. The new sites are in Overland Park, Pittsburg, Salina, and Wichita.

The two original offices in western Kansas were staffed with one individual in each office, but the Department's experience demonstrated that demand for their service and assistance outstripped their availability. Having proven success with these offices, the Department moved ahead to establish regional field offices covering the entire state and expanding the staff of the Northwest and Southwest Regional Field Offices. The six regional offices are staffed with a total of 10 economic development professionals with two individuals based in Garden City, Hill City, Pittsburg, and Wichita, and one staff person based in Overland Park and Salina.

One of the primary considerations for selecting sites for the regional field offices was to collocate the office with other economic development organizations. The concept of collocation allows the Department to become an element of a type of "one-stop" service center for businesses and communities by providing multiple areas of technical and financial assistance at a single contact point.

The two previously existing offices located in Garden City and Hill City were the original models for collocation. In Garden City, the regional office is located with an office of Great Plains Development, Inc., a non-profit certified development company and also a satellite office for the Small Business Development Center from Fort Hays State University.

In northwest Kansas, the Department's original field office in Hill City is located with the Northwest Kansas Planning and Development Commission and Pioneer Country Development Inc., also a certified development company.

The Overland Park Office, which serves northeast Kansas, is located with the Overland Park Chamber of Commerce in Johnson County.

The southeast Kansas office in Pittsburg is collocated with the Institute for Economic Development at Pittsburg State University. In addition to the Department's office, the Institute includes offices for the Small Business Development Center, the O. Gene Bicknell Center for Entrepreneurship, and Mid-America, Inc., a certified development company.

Salina serves as the location for the Department's north central regional office which is located on the campus of the Kansas Technical Institute at the Municipal Airport Industrial Center and is housed with the satellite Small Business Development Center.

For south central Kansas, the regional office is located in Wichita at River Park Place with the South Central Economic Development District, the Wichita State University Small Business Development Center, and the U.S. Department of Commerce.

With the opening of the new regional field offices, the function of these offices was expanded to more completely represent the entire Department of Commerce and its programs in their respective multi-county area. The offices are intended to serve as a focal point for communities and businesses to coordinate

activities of the business assistance network available at the local and regional level. The offices have placed particular emphasis on the establishment and expansion of small and existing businesses.

The location of each regional field office and the geographic area served by each office are indicated on the map below.

KANSAS DEPARTMENT OF COMMERCE  
Regional Field Offices

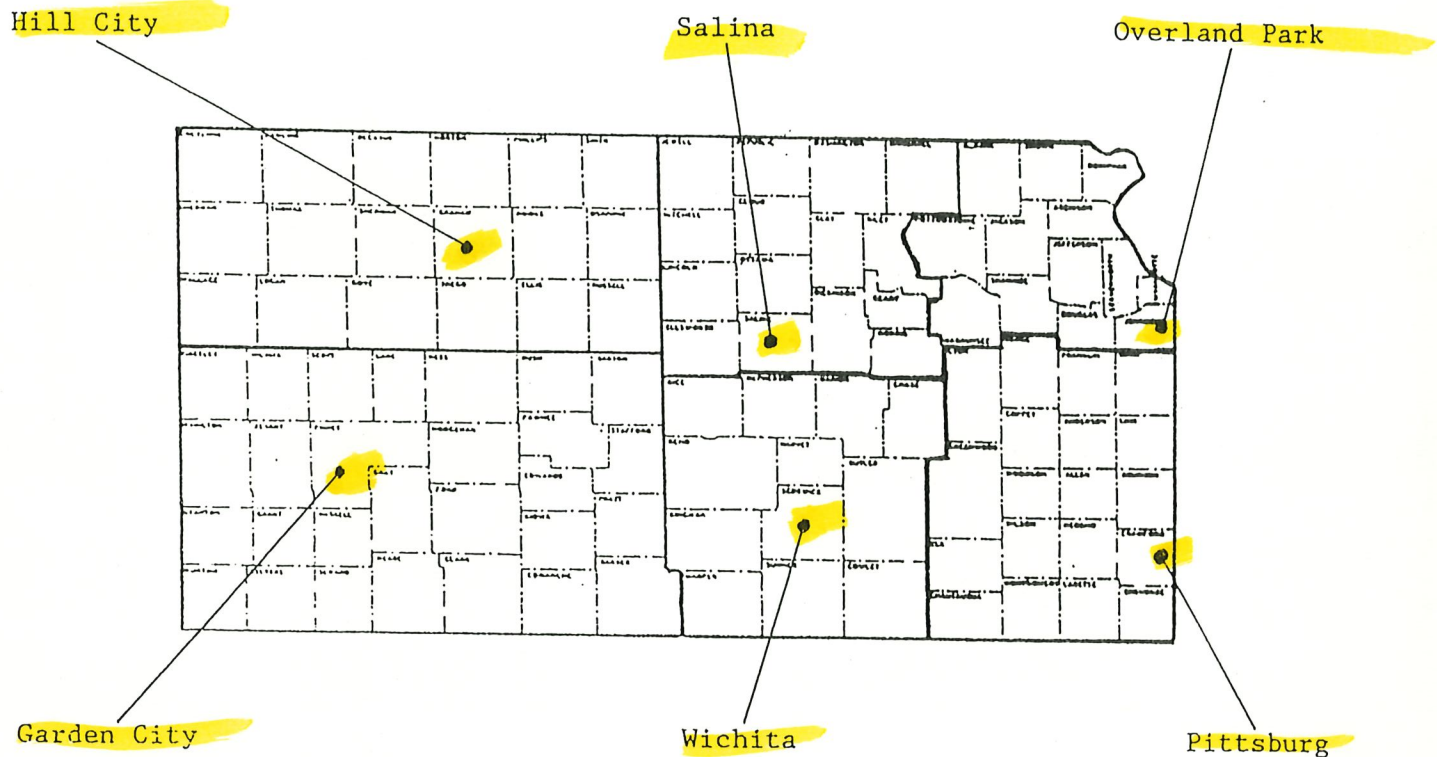


FIGURE 1

**One-Stop Clearinghouse.** In 1984, the One-Stop Clearinghouse was created to centralize all information required by the State of Kansas to establish or operate a business in the state. All state agencies which are authorized to license, regulate, tax, or require documents as a condition of doing business in Kansas are required to have those business forms on file with the Department. The Department maintains those files with the Division of Existing Industry Development.

The Clearinghouse serves as a central location for a business to contact to assist in determining the necessary business forms required for that particular entity to do business in Kansas. This function in cooperation with the other state agencies attempts to ease the burden of businesses trying to locate all the forms required for their particular business.

As can be seen from the following table, the number of individuals and businesses taking advantage of this service has risen dramatically since its inception.



TABLE I

## One-stop Clearinghouse Activity

Time Period	Number of Requests	Percent Change
1985	52	--
1986	392	654%
1987	1,230	214%

Source: Department of Commerce files.

Requests for assistance has risen by 838 requests or 214 percent over the most recent year. These requests have come from businesses, individuals interested in going into business, and other agencies and organizations assisting businesses to begin operation in the State of Kansas.

**Certified Development Companies.** As a key element of the statewide business assistance network, the certified development companies (CDCs) in Kansas provide financial packaging services to new and expanding business. The CDC program is administered by the U.S. Small Business Administration (SBA) which certifies local non-profit development corporations to provide financial assistance to small business in a defined geographic operating area.

In 1986, all counties in Kansas with the exception of Douglas, Franklin, Leavenworth, Linn, Miami, and Johnson were within the service area of a CDC. Businesses not within the geographic area served by a CDC could not take advantage of all the small business financing programs offered by the SBA. Currently, applications to the SBA have been approved or the applications are in process to have all counties in Kansas covered.

During 1987, three additional local development companies were certified in Kansas by the SBA. Wakarusa Valley Development, Inc. was approved to provide service to Douglas County, Leavenworth Area Development, Inc. was approved for Leavenworth County, and Citywide Development Corporation of Kansas City, Kansas, Inc. was approved for Kansas City, Kansas.

The 1987 Kansas Legislature appropriated \$388,000 to provide supplemental funding to CDCs to assist in the maintenance and enhancement of the CDC program in Kansas. Fiscal Year (FY) 1988 is the second year to provide this type of funding for CDCs in Kansas beyond a pilot program initiated in FY 1986 which provided \$80,000 for funding of two CDCs (Greater Southwest Kansas Certified Development Company and Nine County Development, Inc.). The current appropriation is awarded to the CDCs on the basis of three factors:

- 1) performance -- the number of successfully funded projects;
- 2) geographic area served -- the number of additional counties served; and
- 3) stage of development -- the number of years in operation.

In addition to these three factors, additional funds were made available to encourage the collocation of certified development companies with other elements of the business assistance network. These funds are to be used for such purposes as moving expenses or remodeling to accommodate other business assistance

The supplemental funding from the State of Kansas has enhanced the capability of the CDCs, enabling them to provide a greater amount of service to the businesses of Kansas. The following table summarizes the activity for FY 1986 under the pilot program and FY 1987 when funding (\$346,318) was awarded to each of the CDCs in Kansas.

TABLE II

Summary of Certified Development Company Activity

	FY 1986	FY 1987	Percent Change
Total Number of Approved Projects	90	124	+ 38%
Total Amount of Project Financing	\$38,388,391	\$48,570,654	+ 27%
Total Number of Jobs to be Created	932	1,227	+ 32%
Total Number of Jobs to be Retained	820	1,032	+ 26%

Source: Information reported to the Department of Commerce

The funding from the State has allowed the CDCs to increase their activity level in all measured areas for the year ending July, 1987. The number of successfully funded projects increased by 34 projects or 38 percent with over \$10 million in additional project financing. The total number of jobs to be created by these successfully funded projects increased by 32 percent over the previous fiscal year and the number of jobs to be retained increased by 26 percent.

**Small Business Development Centers.** The services provided by the Small Business Development Center (SBDC) are an important element of the overall business assistance network in Kansas. While the CDCs described above provide assistance in the financial area, the SBDCs provide the management and operational technical assistance to small businesses.

In 1983, the U.S. Small Business Administration awarded a Small Business Development Center matching grant to Wichita State University which was designated as the lead institution for eight participating institutions comprising the newly formed Kansas Small Business Development Center program. The eight cooperating institutions were Emporia State University, Fort Hays State University, Johnson County Community College, Kansas State University, Pittsburg State University, The University of Kansas, Washburn University, and The Wichita State University. Each of these institutions serve as regional centers to coordinate the assistance provided. These regional centers have also established satellite offices across their respective region to provide greater access.

The SBDC program primarily focuses around business counseling, training, and information for small businesses and prospective small businesses throughout the State of Kansas. The SBDCs provide one-on-one confidential business counseling to business owners and managers through professional business consultants at no cost to the small business.

Business seminars, workshops, and conferences are also available for small business persons which provide information on current relevant topics at

latively low cost. The SBDC also serves as an information resource with books, reference material, and small business data.

The 1986 Kansas Legislature appropriated \$250,000 through the Department of Commerce to provide supplemental funding to the SBDC program in Kansas for FY 1987. The grant agreement between the Department and the Kansas SBDC emphasized a specific level of performance for the fiscal year as outlined in the following table.

Activity	Expected Performance	Actual Performance	Percent of Expected
Short-term Counseling	1,400	1,981	142%
Long-term Counseling	350	388	111%
Training Seminars	225	317	141%

Source: Information reported to the Department of Commerce.

The Small Business Development Centers, as a result of supplemental funding from the state, have been able to bring their services closer to the client by opening additional satellite centers and establishing a "circuit rider" approach to better serve the businesses needing the type of assistance provided.

During the 1987 Session of the Kansas Legislature, \$250,000 was again appropriated to provide assistance to the Kansas SBDC network, and the funds have been distributed by the Department with similar performance expectations placed on the Small Business Development Centers.

**Governor's Business Action Group.** In February of 1987, Governor Mike Hayden announced the formation of the Governor's Business Action Group, an organization of volunteer business leaders which was created to nurture existing manufacturing businesses in Kansas and encourage similar businesses outside the state to move to Kansas.

With the formation of this business assistance organization, Governor Hayden named Mr. Fred P. Braun, Jr. as chairman of the group. Braun, a successful small businessman, volunteered to spend 30 hours a week for two years to provide a results-oriented, hands-on approach in working with businesses.

The Governor's Business Action Group has categorized its involvement with businesses into three categories: extensive, moderate, and minimal involvement. After the first nine months of operation, the group has been involved extensively in eight cases, moderately involved in five cases, and minimally involved in 13 cases.

In his performance analysis of this group of volunteer business leaders, Braun has found that they have been much more extensively involved in-state with existing Kansas businesses than originally anticipated. One of the group's original objectives was to encourage businesses outside the state to move to Kansas, but it has not currently proven successful in attracting out-of-state companies.

## VENTURE CAPITAL AND SEED CAPITAL

**Venture Capital.** The 1986 Kansas Legislature authorized the Department of Commerce to certify venture capital companies to be eligible for a 25 percent credit against the investor's Kansas income tax liability as part of the Kansas Venture Capital Company Act (K.S.A. 1986 Supp. 74-8301 through 74-8311). Regulations for the certification of venture capital companies have been in place since October of 1986.

During 1987, two additional venture capital companies were certified by the Department bringing the total number of Certified Kansas Venture Capital Companies to three.

Certified in 1986:

- 1) Research Capital Management Group, Ltd.  
Lawrence, Kansas

Certified in 1987:

- 2) Kansas Venture Capital, Inc.  
Topeka, Kansas
- 3) Research Capital Management Group II, Ltd.  
Lawrence, Kansas

The Department has received seven serious inquiries concerning certification of venture capital companies. Each of these inquiries is in the various stages of research or raising the necessary level of capitalization required by statute. Some of the delay in applying for certification centers around concerns expressed about the some of the statutory requirements and definitions. Of these inquiries, the Department expects to certify three of these venture capital funds within the next six months to one year.

At the time of publication, the annual reports of these venture capital funds had not been submitted to the Department; therefore, the results were unable to be published in this report.

**Seed Capital.** The 1987 Legislature initiated a new program to stimulate additional risk capital fund availability at the local level. The Local Seed Capital Pool program will provide a 25 percent Kansas income tax credit for the investors in such a pool. These local pools would provide risk financing for:

- a) development of a prototype product or process;
- b) a marketing study to determine the feasibility of a new product or process; or
- c) a business plan for the development of a new product or process.

The regulations for certification of Local Seed Capital Pools have been adopted by the Department, and the regulations implementing the local seed capital pool program became effective on January 1, 1988. Several Kansas communities have had discussions about developing a local seed capital pool, but no certified local pools are currently available for businesses to access.

**Venture Capital and Seed Capital Referrals.** The formation of a formalized data base of potential venture capital investors and companies is now underway. The Department is in the process of conducting a survey of financial resources which

ll be used to match venture capital sources with businesses requiring that type of financing. Approximately 100 potential investor prospects have been identified which are involved in providing risk capital to businesses. The significant point that has been discovered is that the source of risk capital available is not necessarily in the form of organized companies looking for investment projects, but also involves a loosely knit network of investors which may not qualify for certification as a Kansas venture capital company.

Of the numerous inquiries about venture capital and seed capital, the staff of the Division of Existing Industry Development has been successful in several situations in matching entrepreneurs looking for venture financing with the venture capital investors.

Plans are currently being discussed to offer a statewide venture capital forum to bring the entrepreneur and the venture capitalist together. This forum is envisioned to be a cooperative effort among all the economic development organizations involved with the venture capital process.

One of the most difficult tasks facing the Department in regard to venture capital and seed capital has been educating entrepreneurs and others on a number of misconceptions about this type of risk financing and how it typically is used. To address this issue, the Department is developing a promotional effort aimed at entrepreneurs and investors to stress that assistance does exist to bring them together. The first piece of that effort has been the publication of a pamphlet entitled "Is Venture Capital Right for My Business?" which briefly describes venture capital and the information that the typical venture capitalist requires.

Division staff have also participated in numerous conferences, workshops, and seminars at the local, state, and national level on the subject of venture capital and venture capital financing.

#### KANSAS BUSINESS RETENTION AND EXPANSION PROGRAM

**Organization.** In April of 1987, Governor Mike Hayden announced a joint economic development venture with Southwestern Bell Telephone Company which is designed to retain Kansas businesses and assist them in expanding in Kansas. The State of Kansas accepted the proposal by Southwestern Bell's Kansas Division President, Mr. Bill Dreyer, to provide support to the state's economic development efforts through Bell's loaned executive program.

Mr. Brad Parrott, Southwestern Bell's district staff manager for external affairs, was appointed as the loaned executive. The loaned executive remained on Southwestern Bell's payroll, and his service was provided to the Department of Commerce at no cost.

To provide some background information on the reason for the Department becoming involved in a business retention and expansion program, the following facts should be noted:

- eight to ten percent of the jobs in a community are lost each year;
- 80 percent of all new jobs created in the next year will come from already established businesses; and
- small business firms represent over 99 percent of Kansas businesses.

In recognition of the need to promote and serve the existing small businesses in the state, the Kansas Department of Commerce, in conjunction with



Southwestern Bell Telephone, implemented the Business Retention and Expansion Program. The program involves the coordinated efforts of private industry (Southwestern Bell), a state agency (Commerce), the academic sector (currently the University of Kansas), and the local community in which the program is being conducted.

**Program.** Ten communities in Kansas with a population of between 10,000 and 100,000 persons were selected to participate in the first year of the program. The communities selected were Coffeyville, Emporia, Garden City, Goodland, Great Bend, Hays, Hutchinson, Lawrence, McPherson, and Salina.

The business and retention process is designed to give city government and local economic development professionals a comprehensive analysis of the wants, needs, and perceptions of local businesses for the development of a plan of action. The program as defined, has five primary objectives:

- 1) assist in solving local business problems by working with local and state government to cut the costs of doing business;
- 2) help in using state and federal programs, especially those that improve the efficiency of firms in either production or marketing;
- 3) develop a strong local economic strategic planning system to optimize the use of limited public resources and improve the business climate for growth;
- 4) demonstrate the community's pro-business attitude by strengthening the relationship between government and the business sector; and
- 5) establish an early warning system for local business problems to allow for adjustments in advance of firms closing or relocating.

The steps for implementing the program at the local level are as follows:

- obtain support from local elected and appointed government officials;
- form a Business Retention and Expansion Task Force and select a Program Manager;
- arrange for the Department of Commerce/Southwestern Bell Telephone Business Retention and Expansion presentation;
- assist in developing a list of businesses in the community;
- collect information through face-to-face interviews. These interviews will be conducted by local volunteers from business, the Chamber of Commerce, or other community organizations;
- analyze information obtained through interviews. Completed interviews are reviewed by the Program Manager to identify concerns that might require immediate action;
- utilize the written community analysis as the basis for short- and long-term action plans. A written summary of the survey findings will be provided to participating communities. Areas of concern identified in the analysis may require local and state solutions;
- keep the program active.

Telephone surveys covering information such as capital availability, financing, marketing, taxation, technology, human resources, and quality of life are conducted with randomly selected businesses. The business surveys which had raised issues or "red flags" were given to the local task force in that community for face-to-face follow-up interviews. Once the telephone surveys and follow-up interviews are completed, the University of Kansas will be responsible for

lyzing the data and preparing reports for the community and the state.

At the time of publication, the Department had not received the final report from the University of Kansas which would detail the results of the information compiled on existing industries within the 10 communities surveyed.

The Business Retention and Expansion Program is an ongoing effort by the Department of Commerce and is intended to provide important information to the local communities, as well as to state officials and the Legislature for policy and planning purposes. Plans are currently underway to implement the program in an additional 15 Kansas communities, including five metropolitan areas. It is imperative that the state assist small firms in expanding and operating their businesses in the most efficient and profitable manner possible to assure that the state's economy remains vital.

#### MINORITY BUSINESS AFFAIRS

**Organization.** In January of 1987, the Office of Minority Business became a part of the Division of Existing Industry Development. This office is responsible for assisting minority- and women-owned business enterprises in accessing capital financing sources and state and local procurement opportunities. Much of their success has been with the assistance of the network of organizations providing assistance to these types of businesses. These organizations include:

- U.S. Department of Commerce;
- U.S. Hispanic Chamber of Commerce;
- U.S. Small Business Administration;
- Kansas Certified Development Companies;
- Kansas Small Business Development Centers;
- National Business League;
- GI Forum;
- Kansas Association of Hispanic Organizations; and
- Minority Supplier Development Council.

Since April of 1984, the Office of Minority Business has received and been responsible for administering a grant from the Minority Business Development Agency of the U.S. Department of Commerce which has been matched with state funding to fund the overall operation of the office. Because of the recent federal budget cuts, the Department will no longer receive federal money to support the minority business function after April of 1988.

**Program.** As one aspect of the operation of the Office of Minority Business, 332 contracting opportunities valued at approximately \$3.7 million were referred to minority- and women-owned businesses from the Department of Administration Division of Purchases, Department of Transportation, and local governmental jurisdictions.

The office conducted eight workshops throughout the state with emphasis on financing, bonding, and procurement opportunities. In addition, the minority business staff participated in 17 Small Business Development Center workshops focusing on procurement opportunities available to small businesses.

The staff was invited to participate as speakers in two minority business conferences including the Coalition of Minority Women in Business in Washington, D.C., and the Minority Business Development Agency Conference in Stamford, Connecticut.

One of the major accomplishments of the Office of Minority Business was the assistance provided to General Motors in their negotiations with minority subcontractors which resulted in \$41 million in contracts for those minority businesses.

In an attempt to promote the use of minority businesses in Kansas, the office publishes the "Kansas Minority Business Directory". During 1987, over 1,000 directories were published and being distributed locally, nationally, and internationally. This publication provides a listing of minority businesses and is made available to businesses or governmental units which may be interested in utilizing the services and products offered by these businesses.

#### OTHER DIVISION ACTIVITIES

**Guide to Starting a Business in Kansas.** As a part of the Division's continuing educational activity, a publication entitled "A Guide to Starting a Business in Kansas" is published in order to more fully explain the requirements of actually starting and operating a business in Kansas. In 1987, following extensive revision and updating, the Division printed 3,000 copies of this publication. The newly revised edition provides information on such subjects as the necessary steps in starting and operating a business to the types of assistance available to businesses including financial and management as well as the business incentives offered by the State. Copies of the guide are being distributed on request to interested individuals, Chambers of Commerce, Small Business Development Centers, Certified Development Companies, and others.

**Private Activity Bonds.** The Existing Industry Development Division is responsible for the allocation of the state ceiling on tax exempt private activity bonds as imposed by the federal government. Private activity bonds which include industrial revenue bonds, mortgage revenue bonds, student loan bonds, etc. have primarily a private usage but are issued by governmental units and therefore tax exempt.

For calendar year 1987, the State of Kansas had a state volume limitation or ceiling of \$250 million on tax exempt issues of private activity bonds. Of that amount, a total of approximately \$223 million was issued in the state, and the remaining balance of \$27 million was allocated and carried forward for future issuance as allowed under federal provisions.

INDUSTRIAL DEVELOPMENT DIVISION

Lou Atherton  
Director

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## Executive Summary

The Kansas Department of Commerce, as a service agency, is implementing programs which further increase our capabilities to accelerate economic growth in Kansas.

The Industrial Development Division has, in its Statement of Mission and Major Activities, implemented a program which totally supports the achieving of the goals of Commerce.

Our mission is to attract new business and industry from outside the state, thereby creating additional opportunities for jobs and capital investment as well as the expansion and diversification of the state's economic tax base.

Our Major Activities concentrate on the attracting of domestic and overseas firms, via national and international advertising, and a target industry program which focuses on those companies which can achieve profitable operations within the State of Kansas.

In summary, our Major Activities have produced the following results:

A total of 1,675 jobs will be created by nine companies which have confirmed either a new location or an expansion to their existing facilities. Seven of these companies are new to Kansas and account for 1,100 jobs.

The Division's marketing program has a new look and a new name. The national advertising campaign was implemented in July, 1987 with the theme "Open Your Eyes - The Real Kansas." In addition, the state's data book and direct mail brochure were revised and are coordinated both in format and color with the advertising. See Exhibit A and B. A new video presentation has also been completed.

Out-of-state marketing trips (9) in conjunction with the Kansas Cavalry produced 47 qualified prospects, 90 suspects and made personal contact with the corporate headquarters of 29 companies which have existing facilities in Kansas.

International marketing included coordinating a visit to Japan by Lt. Governor Walker and other Kansans, the opening of the state's first European office in Stuttgart, West Germany and a cooperative program with the Trade Division to feature Kansas beef in Daiei Department Stores.

The Division's marketing staff is working on active prospect lists of 153 companies and, during 1987, visited 51 Kansas communities with these prospects.

The Division, via the Kansas Economic Development System (KEDS) has initiated a computerized file of sites and buildings which are available for industry locations in our communities. A special feature of this program is its ability to permit direct computer hook-up with community-based computers throughout the state. This feature provides both the Division staff and community organizations access to current data.



## Prospect Marketing Activities

1987 prospect marketing efforts focused on out-of-state prospecting trips with the Kansas Cavalry. The 1987 trips were as follows:

<u>Cavalry Mission</u>	<u>Contacts</u>	<u>Prospects</u>	<u>Suspects</u>	<u>Existing Industry</u>
Colorado	16	2	3	5
Illinois-Wisconsin	48	5	9	5
Minnesota-Iowa	17	4	11	0
Washington, D.C.	17	4	13	0
West Coast	48	6	10	6
Great Lakes	56	13	27	4
Missouri	11	2	8	0
New York	71 *	9	7	8
Philadelphia	<u>11</u>	<u>2</u>	<u>2</u>	<u>1</u>
	295	47	90	29

\* Includes 42 luncheon guests at the Governor's New York Luncheon.

1987 marketing efforts produced 295 personal contacts with companies versus 218 personal contacts in 1986 and 238 contacts in 1985. 47 prospects and 90 suspects were generated in 1987 in comparison with 45 prospects and 45 suspects in 1986 and 50 prospects and 39 suspects in 1985.

KDOC staff also undertook one prospect trip to Illinois and Wisconsin to do "follow-up" work on several existing prospect/suspect files.

### Other highlights of the marketing efforts are as follows:

1. National Advertising Campaign - A new national advertising campaign was implemented in July, 1987. The campaign theme is "Open Your Eyes - The Real Kansas" and it is specifically designed to improve the state's image at the national level.

The advertisements are published in Business Week, Fortune and Industry Week magazines as well as the Wall Street Journal. This campaign has brought 1209 ad responses within the last six months.

2. Promotional Materials - New promotional materials have been published for use in marketing the state to industrial prospects. The site selection data packet, which contains detailed information regarding financing, incentives, taxes, etc. utilizes a graphic format which coordinates with the advertising campaign. In addition, a new direct mail brochure has been printed and is being used to respond to direct inquiries, solicit appointments and as a hand-out when conducting personal calls on prospective industries.
3. Computerization - Functioning as a part of the Kansas Economic Development System (KEDS), a computerized file of sites and buildings available in Kansas communities was implemented in October of 1987. This file is accessible via direct computer hook-up with community-based systems throughout Kansas.

This part of KEDS will permit communities to update their listings as required and provide the Division staff the most current information on available facilities in each participating community.

Business Recruitment Video - A new promotional video for marketing was developed by the Division's advertising agency. The video utilizes the "Open Your Eyes - The Real Kansas" theme. The production was first shown in New York at a Kansas Cavalry luncheon hosted by Governor Hayden.

The video is available on a loan basis or for purchase by interested groups.

5. Target Industry Study - A consulting firm - Lockwood Greene - was contracted to prepare seven target industry studies. The seven studies will outline the resources and assets that Kansas offers the targeted industries and the Division will use these studies as marketing tools to generate bonafide prospects for Kansas.

Lockwood Greene has conducted the initial phase of the project that involves selecting the targeted industries and the individual studies will be completed in the first quarter of 1988.

6. Promotional Awards - The American Economic Development Council awarded a "Best of Class" in the Special Events Category to KDOC at the Council's 1987 Awards Competition. The award was for the "Kansas Mouse Races" that were held in Kansas City during the Industrial Development Research Council's (IDRC) semi-annual meeting. This group is the national organization for corporate site location specialists and real estate managers.

### International Office Activity

#### Japan

The Tokyo office is active in recruiting investment and promoting Kansas exports. The key program activities for 1987 are as follows:

1. Prospect Activity: Current active prospect files in Japan are 20 company files. Division hosted two in-state visits from Japan; one was Kubota Tractor Company and the other is an active prospect considering a Kansas location. For the calendar year, the Tokyo office made 269 contacts, including 30 company visits and participation in 14 investment seminars.
2. Daiei Promotion: Division staff assisted the Trade Division with a special promotion involving Daiei Department Stores (largest retailer in Japan) and the State of Kansas to feature Kansas beef in Daiei's stores. A number of distinct promotional activities occurred featuring Kansas beauty queens and a special section in Daiei's holiday season gift catalog. Governor Mike Hayden and the State of Kansas received significant nationwide publicity in Japan as a result of newspaper, catalog, and in-store advertising. The promotion raises the visibility and awareness of Kansas products for Japanese consumers.
3. Visits to Japan: Division staff coordinated a June visit to Japan by Lt. Governor Jack Walker and staff. While in Japan, the Lt. Governor had extensive discussions with Daiei executives on the Kansas beef promotion in progress. He met with legislators of the Japanese Diet and with officials from the Japan External Trade Organization to discuss trade issues. The delegation met with Ambassador Mike Mansfield for briefings and attended a reception at the Ambassador's residence. A review of the Tokyo office program and contract discussions were accomplished during the visit. Plans for future promotional efforts were defined.

In October, former Kansas Legislator Steve Cloud represented Kansas at a three week international business study program sponsored by the Japanese government. Mr. Cloud visited Tokyo, Kyoto, and Osaka, and had opportunities through both the study program and the Tokyo office to discuss the Kansas investment potential with key contacts.

The Tokyo office assisted in the scheduling of itineraries for state legislators, university faculty, and private-sector Kansans. Itineraries for KDOC division staff were arranged for three separate visits.

4. Public Relations: At the direction and supervision of division staff, the Tokyo office has produced a new 30-page promotional brochure printed in Japanese to be used with industrial prospects. The new piece is featured in a direct mail campaign targeted to select Japanese corporations with U.S. investment potential.

Bob Hitchner gave interviews to network television featuring Kansas, arranged for published interviews in three Japanese publications and coordinated a visit to Kansas for filming by a major Japanese beverage corporation. The client intends to use the Kansas scenes in future company advertising. Mr. Hitchner also arranged appointments with business executives and university officials for visiting faculty from Kansas. Holiday greetings from Kansas were mailed to all relevant Japanese clients.

5. Tokyo Staff Activity: Bob Hitchner visited Kansas in March and April to visit Kansas communities and brief KDOC staff on business developments in Japan. Bob is the chairman of the Invest in U.S.A. subcommittee of the American Chamber in Japan. In that capacity, he organized 3 separate investment programs in July, November and December to meet Japanese executives and share information on Kansas. Combined attendance for the 3 events exceeded 300 participants. Follow-up contact by letter and phone has been made to all interested participants. The July seminar featured Kansas speaker Mr. Rich Stultz of McCall Pattern in Manhattan, who highlighted Kansas labor productivity to the audience.

6. Future Programs: During February, Tokyo Office will mail 5,000 pieces of Kansas promotional literature to select industries in Japan. The theme of the literature will feature the comparative advantages of Kansas as a site location. Executives with positive responses from the direct mail campaign will be personally contacted to be qualified and will be receiving the 30-page Kansas promotional brochure. Calls on prospects will continue throughout 1988.

## Europe

The European Office which opened in July, 1987 is also active in recruiting investment and promoting Kansas exports.

1. Organization and Staffing: Visits to Europe were made in 1987 to interview candidates for the director of the office and to identify a suitable office location. The office, located in Stuttgart, West Germany, is staffed by Mr. Rainer Mauser, a Stuttgart native and Kansas State University graduate. Mr. Mauser's extensive professional background and his Kansas ties are good business credentials to direct the European operations of the state of Kansas.

In the first six months of operation, Mr. Mauser has selected office space, interviewed candidates for staff, equipped the office with modern office machinery and furniture. He is introducing himself to key business executives in Western Europe who have investment potential. In the October issue of a leading German business newspaper, an advertisement announcing the opening of the Kansas office appeared. The advertising effort featured the Kansas office address in Stuttgart to the business readership in Germany.



## uture Work Programs

The European Office will be expanding its network of business and professional contacts by participating in investment seminars, visiting company headquarters and attending trade shows. Existing relations in the State of Baden-Wuerttemberg and in France will be enhanced and provide a vantage point for seeking investors and influential business contacts. The office will be publishing Kansas promotional literature for the European investor for a direct mail campaign. Mr. Mauser visited Kansas in October for orientation and introduction to economic development organizations. In the future, services of the European Office are available to Kansas delegations who are seeking business contacts in Europe.

## Industrial Prospect Activity

The total number of active prospect files at the end of 1987 was 153. This compares with 159 at the end of 1986 and 154 at the end of 1985.

The Division hosted 51 in-state visits during the year involving 39 companies considering Kansas as a location for new facilities. A breakdown of these visits and a comparison to previous years follows:

<u>Year</u>	<u>Number of Companies</u>	<u>Total Visits</u>	<u>Domestic Companies</u>	<u>Visits</u>	<u>International Companies</u>	<u>Visits</u>
1987	39	54	36	51	3	3
1986	43	54	37	38	16	16
1985	42	59	30	47	12	12

The sources of those companies visiting Kansas are as follows:

<u>Source</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Company Initiated	19 (48%)	28 (65%)	31 (74%)
Cavalry Mission	3 (8%)	6 (14%)	6 (14%)
Staff Trip	5 (13%)	3 (7%)	2 (5%)
Advertising	1 (2%)	0 (0%)	2 (5%)
Community Referral	2 (5%)	2 (5%)	1 (2%)
Other	<u>9 (24%)</u>	<u>4 (9%)</u>	<u>0 (0%)</u>
Total	39 (100%)	43 (100%)	42 (100%)

51 Kansas communities received visits as a result of KDOC related prospects. This compares with 37 communities in 1986 and 42 communities in 1985. Those communities and the number of visits for 1987 are as follows:

w or expanding companies in Kansas which received site location assistance fr .DOC  
in 1987 are as follows:

<u>Company</u>	<u>Community</u>	<u>Announced Employment</u>	<u>Source of Prospect</u>	<u>New or Expansion</u>
1. AFG	Spring Hill	450	Staff Prospecting Trip	New
2. Best Western	Wichita	370	Company Call-in	New
3. Arkansas City Packing	Arkansas City	300	Community	Expansion
4. J.I. Case	Wichita	250	Company Call-in	Expansion
5. Fleming Foods	Kansas City	200	Company Call-in	New
6. Stouse Sign and Decal	Johnson Co. Industrial Airport	50	Company Call-in	New
7. Toto Cure	Atchison	30	Walk-in	New
8. Marion Zoological	Marion	20	Company Call-in	New
9. National Printing	Overland Park	<u>5</u>	Company Call-in	New
10. Total		1,675		

The 1,675 jobs created in 1987 compares with 885 jobs in 1986 and 940 jobs in 1985.



TRADE DEVELOPMENT DIVISION

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KANSAS DEPARTMENT OF COMMERCE  
DIVISION OF TRADE DEVELOPMENT

EXECUTIVE SUMMARY

The Division of Trade Development became fully operational in 1987 with the formation of a nine-member staff and the development of a comprehensive work plan. The division was created to provide programming and services that had not been provided previously by the state, specifically the development and expansion of international demand for Kansas products and services, as well as unique and creative promotional activities. It is this emphasis on the international marketplace that will assist the creation and expansion of new opportunities for the Kansas economy.

To identify the various responsibilities and the focus of the division, three sections were created; international marketing, trade promotions and trade services. These three sections depend heavily on each other to provide a complete assistance package to Kansas businesses.

Highest priority has been given to developing programs and services that meet the specific needs of Kansas companies. Therefore, a special effort has been made to identify the immediate and long-term needs of both current and potential exporters. Two overseas offices (Japan and West Germany) and five trade service contacts (Indonesia, Thailand, Taiwan, the Peoples' Republic of China and South Korea) continue to be the primary means of introducing Kansas products to international markets. These offices and representatives also serve to communicate trade lead information and to assist with travel and contacts for Kansas officials and business people.

Two international trips for the division resulted in a widespread distribution of export directories and continued development of relationships in Taiwan, Hong Kong, Thailand, South Korea and Japan.

A considerable amount of time was devoted to responding to exporters' needs. This response took the form of export counseling, company surveys, development of export financing and feasibility research for the establishment of a Foreign Sales Corporation and a Federal Credit Insurance Association initiative. These services, fully implemented, offer Kansas a comprehensive approach to export development and promotion.

To complement and support the emphasis placed on export trade development, priority was also given to the promotion of Kansas products at home. A major promotional activity has been

developed with the Bloomingdale's Department Stores of New York to give several components of the Kansas economy a boost in U.S. markets. In addition to the feature of manufactured goods and arts & craft items, this promotion will involve food products and travel & tourism opportunities. Coordination and management of this effort are a function of the trade promotions section.

As a means of support for all of the division's marketing and promotional activities, the trade services section provides information on a daily basis to Kansas companies and individuals. This information ranges from assistance with export documentation to trade lead response. This type of communications assistance has been combined with the division's management of company and product information to make possible the publication of various directories. These directories, in turn, serve as a means of publicizing goods and services to both Kansas companies and their prospective customers.

The Division of Trade Development has provided an avenue for unprecedented cooperation between Kansas government and private industry. Working together, the Kansas economy has been better served by mutual efforts to expand the demand for our products and services both internationally and domestically.

TRADE DEVELOPMENT DIVISION  
HISTORY AND ORGANIZATION  
January 1, 1987 - December 31, 1987

The Trade Development Division was established within the Kansas Department of Commerce in January, 1987, and with certain job positions not becoming available until July 1, 1987. By legislative action the primary functions of the Division are to be:

- 1) Promote Kansas products and services worldwide.
- 2) Coordinate with other state organizations involved in trade development.
- 3) Host foreign delegations and organize and lead trade missions.
- 4) Serve as a resource to Kansas businesses and the Kansas State Government regarding trade development.
- 5) Prepare and disseminate product and service information for use by relevant parties.

The major undertaking in the January through June period was a trade mission to Asia, led by Lt. Governor Jack Walker and Secretary Harland Priddle. During this 3 week trip, Taiwan, Thailand, Hong Kong, China and Japan were visited. Representatives of six Kansas firms traveled with the delegation. The purpose of the trip was two fold:

- 1) First to assist the accompanying six Kansas firms to the greatest extent possible, utilizing the State umbrella in introducing them to appropriate firms and companies. The quantitative results of the trip were quite good. One of the six Kansas companies concluded a 250K order for their product. This was the first time they had ever sold direct to a foreign party instead of going through a middleman. Another firm, through our efforts, found a representative in Taiwan and within 30 days of returning to Kansas made their first direct sale to that market. A third participant found the entire trip of great value as his division was in the process of taking over the Asian responsibility from the parent company. In China another firm established the first sales joint venture that any Kansas company has done in our sister state of Henan. By the end of 1987 their volume will reach several hundred thousand dollars.

- 2) The second priority was to identify companies headquartered in these countries who could assist Kansas firms with trade promotions and trade inquires regarding that particular market and to also serve as our trade services representative. We talked with several excellent candidates and as a result of the trip identified several excellent firms. As a result Trade Services contracts were signed with firms to represent us in Taiwan, Thailand and Indonesia.

In July of 1987 the Trade Division Director was appointed. The first priority was to make a final decision on how the division was to be organized, and once that was determined to procede with staffing.

After a thorough review of the divisions responsibilities it was decided to establish three operating components as follows:

- 1) International Marketing with the responsibility for marketing Kansas products and services overseas.
- 2) Trade Promotions responsibility for assisting Kansas firms in both domestic and international market promotions.
- 3) Trade Services responsible for maintaining the divisions data base and telex and fax communications as well as for managing the publishing of various division trade directories.

Once the organizational chart was set, staffing was the next priority. As of July 1, 1987 the division was allocated 10 full time positions only two had been filled. Due to the unique requirements of some of these positions an indepth candidate search was undertaken and numerous interviews were conducted. By December 31, 1987 nine positions were filled, with the remaining position being on hold due to budget constraints.

In the July 1 through December, 1987 time period, as additional staff were hired, several major projects were also undertaken. These included:

Bloomington's Department Stores Kansas promotion.

The Daiei Inc. Kansas Beef Promotion. The Daiei Department/Grocery Stores of Japan are continuing their Kansas beef promotion and the division has hosted several Daiei groups in the state and met with Daiei in Japan. The division introduced another Kansas meat company to Daiei and they are in the process of negotiating a several hundred thousand dollar contract.

The Korea All Product Show and the Yaohan Department Store Promotion. Division staff attended the Korea show with catalogs from 15 Kansas firms and also met with Yaohan Department Stores in Hong Kong which will feature 2 Kansas companies products and discussed a future all Kansas promotion. A firm was identified in South Korea to serve as our trade services contact.

The division also hosted several overseas visitors including one group that subsequently made a 500 K machinery purchase from a Kansas company the division worked with in developing this sale.

The division also spent a considerable amount of time working on export financing, Foreign Sales Corporation (FSC) and Federal Credit Insurance Association (FCIA) initiatives for consideration by the Kansas legislature. This survey of Kansas companies is continuing to determine the level of interest, among Kansas manufacturers, as well as an analysis of similar programs in other states.



The International Coordinating Council, which was created to coordinate the export services available to Kansas companies had its first meeting. A poll was made of the members concerning their services and resources, which will become part of the Trade Divisions Export Resource Directory, to be published in January 1988. This directory will also include a listing of Consulates, Freight forwarders, International Banks, Translators, International Lawyers and Educational Institutions whose services are available to Kansas businessmen.

A consultant was hired and work was begun on a best of Kansas Arts and Crafts catalog, which is currently on hold due to budget constraints.

Three other directories are also planned:

Kansas Aviation Components  
Kansas Oilfield Products  
Kansas Agribusiness Equipment

The following sections discuss in detail the activities of the division's three operating sections: International Marketing, Trade Promotions and Trade Services.

#### International Marketing

The International Marketing Section mailed 173 Kansas Exporters Directories in response to inquiries from Overseas, and handed out another 45 at the U.S. Products Show in Seoul Korea.

International Marketing also handled routine inquiries from Kansas companies on a daily basis. These were normally telephone conversations for export counselling, ranging from exploring the options offered by different forms of payment (letter of credit, sight draft, etc.) to finding out what time of day it was in Taiwan. These inquiries totalled approximately 520.

International marketing is currently engaged in marketing efforts for Kansas companies, primarily finding potential distributors or importers. These are being done through either Kansas's overseas offices or service contract representatives, and may be broken down as follows:

<u>Country</u>	<u>Kansas Companies</u>
Japan	8
West Germany & Europe	21
Taiwan	5
Peoples Republic of China	6
Indonesia	4
Thailand	6
TOTAL	<u>50</u>

These representatives continue to be an important link between Kansas exporters and potential customers.

Additionally, they have assisted in the coordination of overseas travel, appointments and introductions for business people and government officials from Kansas.

Establishing contact with Kansas companies has been one of our highest priorities, to assist them in export and make them aware of our services and to assess their needs. We have visited 43 companies as of December 31, 1987.

We have had seven speaking engagements including high schools, universities and conferences. The division has also attended or participated in four export seminars and has attended 7 export related social functions, hosting 4 of them. The Department conducted approximately 45 briefing meetings with foreign visitors, Kansas exporters and export resource people (ie. bankers, freight forwarders).

In September of 1987 we coordinated a trip for the Kansas Legislators to Taiwan, Hong Kong and Thailand by working through our service representatives in these areas.

Our main goal as export marketing facilitators is to establish contacts overseas for Kansas companies. Normally, this involves working through our overseas representatives to help our firms find a distributor, importer or agent. While continuing these ongoing marketing efforts, we are also in the process of implementing the following projects:

- Appoint Service Representative in Korea
- Interview and appoint Service Representative in South America
  - Define FCIA Program
  - FSC Seminar
  - Publish a newsletter
  - Distribute Division Brochure
  - Implement trade lead program
  - Foreign trade show
- Co-sponsor seminars with U.S. Department of Commerce
  - Contact minimum of ten export prospect companies each month
  - Catalogs
  - Korea buying mission--Spring 88
- Work with KS, Inc. on needs assessment of Kansas companies concerning export financing

### TRADE PROMOTIONS SECTION

The Trade Promotions Section officially began work in October with focus on two major projects - an Asian trade mission and the Kansas/Bloomingtondale's Promotion.

1) The Asian trip, as described below, included appointments in Hong Kong, Seoul and Tokyo. In Hong Kong, our relationship with Yaohan Department Stores was strengthened with discussions of a Kansas promotion in late 1988. Yaohan became a trading partner with Kansas in September, after our having introduced them to six food processors in June, resulted in their purchase of several thousand dollars worth of products from two of these six companies. This first sale of products was targeted for a special grand opening event in Hong Kong in December. On the basis of this first purchase and their interest in other Kansas products, they are eager to pursue a larger, more extensive promotion with Kansas. Their interest, at this time, is focused primarily on boxed beef. The promotion, however, will include other food products, food processing equipment and manufactured items.

In Seoul, one hundred and forty-three trade leads were gathered, including thirty-five for Kansas food products, as a result of participation in the U.S. Products Show. These leads have been answered with product information and state-published food and export directories.

In Tokyo, our trading relationship with The Daiei, Inc. was strengthened through continued meetings and discussions. In addition to our continued assistance with their purchases of high-quality beef, we have introduced Daiei to fifteen food processors and other manufacturers. As other Kansas exporters are identified, they are also being introduced to Daiei. One Kansas company, having met Daiei officials through our introduction, expects to complete an initial sale of several hundred thousand dollars.

While in Tokyo, discussions were also held regarding the establishment of a trading relationship with Seibu, Inc. Seibu is a large department store chain with a food division accounting for a major portion of their sales. In 1986, sales of foods and consumer goods totaled over \$USD 18 billion.

2) The Bloomingtondale's Promotion continues to be a major part of this section's efforts. The section continues responsibility for the overall coordination of this program, in addition to identifying and recruiting arts & crafts and manufacturing vendors. To date seventeen manufacturers, ninety-one food vendors and fifty-two artisans and craftspeople have been contacted concerning the promotion. The section will continue with the identification of other vendors, and provide the overall project management through the promotion's completion in June of 1988.

3) In October, staff accompanied the Bloomingdale's research team on their tour of Kansas and provided meeting arrangements and coordination of their entire visit.

Also in October, section staff hosted a visiting Daiei video team that spent a week in Kansas filming a documentary video presentation of beef production to use during the December Kansas Beef Promotion in Japan.

In September, we began a series of communications with United Food Company of Athens, Greece on behalf of a popcorn grower and processor. To date, no sale has been finalized, but staff continues to assist in the development of this contact.

This year staff has:

- given fifteen television interviews
- given eighteen radio interviews
- written five press releases
- given twenty-three print media interviews

#### TRADE SERVICES SECTION

The Trade Services Section became operational in late September, 1987 with the main objective of getting the Division support systems running. Two micro computers were brought on line to provide the following services:

- voucher and budgeting processing
- incoming and outgoing telexes
- trade leads
- market research
- country profiles
- link directly with the U.S Department of Commerce and also the Mid America World Trade Center for handling trade leads
- word processing
- mass mailings
- directory development

Trade Services is also responsible for assembling the various trade directories and publications being developed to help Kansas companies in marketing their products and services. An example would be the "KDOC International Trade Resources Directory" which has a projected publication date of late January, 1988. A separate brochure on services provided by the Trade Development Division is also being finalized with a projected publication date of February, 1988. Others planned include:

- Kansas Aviation Components
- Kansas Oilfield Products
- Kansas Agribusiness Equipment
- Best of Kansas Arts and Crafts

A third responsibility of the trade services section is to assist on and as needed basis, International Marketing and the Trade Promotion Sections with their various programs. As an example, section staff assisted with Bloomingdale's and Daiei's visits to Kansas.



TRAVEL AND TOURISM DIVISION

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Director

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Travel and Tourism Development Division  
Executive Summary

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The Travel and Tourism Development Division has continued to expand its scope of activities, assistance and interaction with the private sector in promoting travel and filming in Kansas. Programs that were begun in 1987 garnered a great amount of national publicity and recognition, film production revenues rose to \$6 million, and the Visitors Information Centers experienced a 25% increase in the number of visitors.

In January 1987, the Travel and Tourism Development Division launched an innovative and cooperative program to attract out-of-state visitors to "Linger Longer in Kansas." The program is a public/private cooperative venture with The Coleman Company and 500 businesses enrolled in the program. "Linger Longer" is designed to encourage out-of-state visitors to spend time and see Kansas and the many travel opportunities available. By visiting three different participating businesses, the traveler can qualify to receive a 5-quart Coleman jug. By December 31, 5,350 had earned Coleman jugs, representing over 16,000 validated visits to Kansas businesses.

The Kansas Film Commission marked its fifth year of existence by hosting the production of three feature films, several commercials and a European documentary with combined production budgets totaling \$14.44 million. Of that amount, more than \$6 million was actually spent in the state. Because of the intense fiscal impact of a film production, the California film office has estimated that the true economic impact of a film project can best be calculated by multiplying the number of dollars spent by 5.5. Given this multiplier, Kansas enjoyed a \$33 million impact from the film industry in 1987.

During the year, the Film Commission received over 600 requests for information about filming in Kansas. Over 700 film service directories were distributed in response. With an operating budget of \$50,000 in FY 87, productions returned \$120 for every budget dollar spent.

Currently, the Travel and Tourism Development Division funds and supervises four Visitor Information Centers throughout the State. The Division also subsidizes three local Visitor Information Centers. All seven Visitor Information Centers are located at major points of entry into Kansas. The State operated centers are located in Goodland, Kansas City, South Haven, and the State Capitol. The three subsidized Visitor Information Centers are located in Ft. Scott, Liberal and Concordia.

In 1987, the State owned and operated Visitor Information Centers welcomed 336,843 visitors into Kansas. This was a significant increase over the 268,858 who visited in 1986. As operating hours are expanded at the Visitor Information Centers, these numbers are expected to continue to increase in 1988.

TRAVEL AND TOURISM DEVELOPMENT DIVISION  
ANNUAL REPORT  
1987

The Travel and Tourism Development Division experienced a great amount of growth and recognition throughout 1987. The Division saw the number of out-of-state and in-state visitors increase at the Visitor Information Centers, launched a very successful and innovative marketing program for out-of-state visitors and hosted three feature film productions.

Tourism Promotions

In January 1987, the Travel and Tourism Development Division launched an innovative and new cooperative program to attract out-of-state visitors to "Linger Longer in Kansas." The program is a public/private cooperative venture with The Coleman Company and 500 businesses enrolled in the program. The "Linger Longer in Kansas" promotion won national recognition when the Travel Industry Association presented the Marketing and Promotions Creativity Award to the Division.

The program is designed to encourage out-of-state visitors to spend time and see Kansas and the many travel opportunities available. If an out-of-state visitor 1) spends one night at a participating lodging facility; 2) dines at a participating restaurant, or makes a purchase at a participating specialty shop; and 3) visits one participating attraction, they will receive a Coleman jug. The program began May 31, 1987 and continued until December 31, 1987. At that time 5,350 jugs had been given away - more than doubling the 2,500 expected to complete the program. Since each jug rewarded three validated visits to participating Kansas establishments, the total of 5,350 represented over 16,000 visits by out-of-staters to Kansas businesses.

To promote the "Linger Longer in Kansas" program, banners were placed on the turnpike overpasses near the Kansas City Visitor Information Center and the South Haven Visitor Information Center. The Department of Transportation assisted with placing posters at all state rest stops. In July, the Division began mailing "Linger Longer" directories and coupon books with all out-of-state information requests, and launched an extensive public relations program with many out-of-state travel publications and national newspapers resulting in a Wall Street Journal front-page feature and a states feature of USA Today.

Another aspect of the "Linger Longer in Kansas" promotion which far outstripped the most optimistic expectations, was the Sunshine Service Award. Each coupon book included three Sunshine Certificates, which the visitor would give in recognition of a service-sector employee (such as waitresses, museum guides, hotel/motel personnel, and park rangers) who demonstrated outstanding service and courtesy. As of December 31, over 1,200 Kansans had received one or more of these certificates.

Also overwhelming was the fan mail received as a result of the program. Literally hundreds of visitors took the time to write and voice their appreciation of the "Linger Longer in Kansas" program and, even more, their appreciation for the friendliness of Kansans; their surprise at the true beauty and cleanliness of the state; and the many interesting sites and attractions they discovered in Kansas.

A side benefit of the "Linger Longer" program was the invaluable research it provided. Questionnaires were mailed to 1,600 visitors who completed the program, asking how the program affected their travel plans. Over 800 responded, and a vast majority - 71 percent - stated that the program did prompt a change in their travel plans. Sixty-two percent had not planned on visiting an attraction and a similar 62 percent had not planned to make a specialty shop purchase.

The Travel and Tourism Development Division also introduced the "Picnic In Our Park" direct-mail campaign for motorcoach tour operators. The marketing campaign is a cooperative effort with the Travel and Tourism Office, Convention and Visitors Bureaus and Chambers of Commerce, and travel-related businesses to encourage motorcoach travel in Kansas. It is a two-year campaign to build awareness of the state of Kansas and our participation in the 1988 National Tour Association Convention and Marketplace, in Kansas City.

The program is designed to allow individual communities and businesses the opportunity to promote their communities and travel-related businesses by sponsoring ten, five or one NTA Tour Operator. Items mailed are picnic-related and include: a picnic invitation for the Kansas sponsored promotion at the NTA '88 Convention; post cards; can coolers with our logo; Christmas cards; and theme buttons.

The "Picnic In Our Park" NTA '88 campaign has been very successful with many tour operators expressing an interest in Kansas. In addition, many of the tour operators believe that Kansas will be hosting the entire convention, when in-fact, the State will be hosting a lunch promotion only.

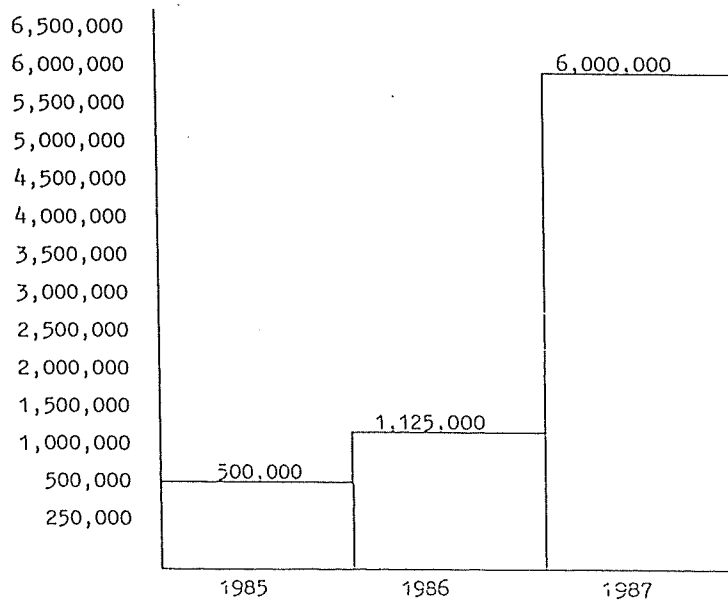
The Division also updated and produced several publications. The Visitors Guide was updated and again received enthusiastic response from in-state and out-of-state visitors. The Calendar of Events and Fun Map was once again one of our more popular publications in 1987. The Group Tour Guide, a complete guide listing of every community in Kansas for group tour operators, was also updated in 1987 and will be printed in Winter of 1988.

In addition, the Division introduced the "Linger Longer in America's Central Park" public service announcements. Both the 60- and 30-second spots have received a large amount of air-time on Kansas radio and television stations. The spots feature graphics of Kansas attractions, people and scenery.

## Kansas Film Commission

The Kansas Film Commission marked its fifth year of existence by hosting the production of three feature films, several commercials and a European documentary with combined production budgets totaling \$14.44 million. Of that amount, more than \$6 million was actually spent in the state.

PRODUCTION REVENUE IN KANSAS



Contributing heavily to that total was the feature film Kansas. Budgeted at nearly ten million dollars, the film company based its operations in Lawrence and spent eight weeks filming from July to September, shooting locations in a six-county area. While in Kansas, the production company spent nearly half of its budget here. Beyond that, Kansas gained an estimated quarter to a half million dollars free publicity in the national media from coverage of the filmmaking. The film starred Matt Dillon and Andrew McCarthy, and should earn an equal amount of national publicity upon its release in late spring, 1988.

While Kansas was filming in the eastern part of the state, another feature film, Dark Before Dawn, was shooting in Hugoton, about 400 miles west. This marked the first time that Kansas was host to two productions shooting within its borders at the same time. Dark Before Dawn was budgeted at 2.5 million dollars, of which \$500,000 was spent in the state. The film starred Academy Award-winner Ben Johnson, and has not yet been assigned a release date. Again, the attendant national publicity boosted the economic impact of this film on both Hugoton and the state of Kansas.

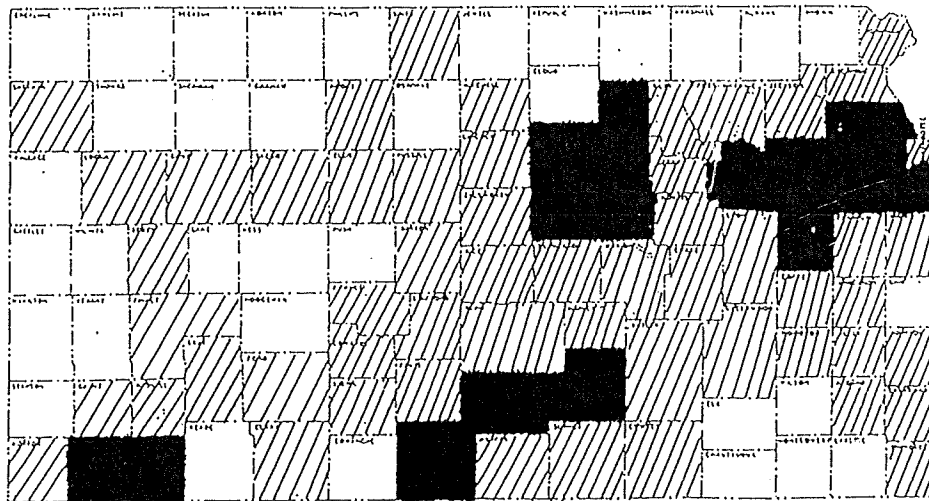


Kansas hosted two international projects in 1987: the Daiei Beef Promotional (Japan) and a television documentary on the American farmer (Belgium). The promotional will be shown repeatedly in major department stores in Tokyo, while the documentary is scheduled to air in 15 European nations in 1988.

Other projects that contributed heavily to production in Kansas in 1987 include: Walmart "Buy American" Spot (national television commercial), Kansas Lottery spots (regional television commercial), and Reunion (feature film).

During 1987, the film commission received over 600 requests for information about filming in Kansas. Over 700 film services directories and photo location guides were distributed in response. The film commission physically scouted and responded with photographs to over 55 separate inquiries. Staff members traveled over 40,000 miles in Kansas in 1987 in response to those inquiries.

PRODUCTION LOCATIONS IN KANSAS  
CALENDAR YEAR 1987



■ Counties hosting major productions

▨ Counties scouted for major productions

Production revenues have risen over the past three years from \$500,000 in 1985 to \$6 million in 1987. With an operating budget of \$50,000 in FY 87, that represents a return of \$120 for every budget dollar spent in 1987.

Because of the intense fiscal impact of a film production, the California film office has estimated that the true economic impact of a film project can best be calculated by multiplying the number of dollars spent by 5.5. Given this multiplier, Kansas enjoyed a \$33 million impact from the film industry in 1987.

Prospects for 1988 look bright. A feature film studio in Lawrence plans to break ground in late spring. At least two major feature productions and a television movie are earnestly pursuing Kansas as a location. While growth rate is difficult to predict in the film industry, Kansas continues to attract growing interest from the film industry, and the completion of the Lawrence studio should significantly strengthen our share of the market.

### Visitor Informaton Centers

Currently, the Travel and Tourism Development Division funds and supervises four Visitor Information Centers throughout the State. The Division also subsidizes three local Visitor Informaton Centers. All seven Visitor Information Centers are located at major points of entry into Kansas. The State operated centers are located in Goodland, Kansas City, South Haven and the State Capitol. The subsidized Visitor Information Centers are located in Fort Scott, Liberal and Concordia.

The Visitor Information Centers serve as "welcoming" stations for visitors to the State of Kansas. Each visitor is greeted with a complimentary soft drink and may receive personal guidance from the Tourist Counselors which staff the centers. Also available is such information as; visitor guides, highway maps, and community information. The Tourist Counselors have also been instrumental in selling the "Linger Longer in Kansas" program: the centers proved to be our number one outlet for coupon books and directories.

In 1987 the state owned and operated Visitor Information Centers experienced a 25% increase in the number of visitors served (see table below).

	1986	1987	increase/ decrease	
Capitol	58,869	40,350	-18,519	-31% *
Kansas City	86,715	100,215	+13,500	+15%
Goodland	81,295	96,197	+14,902	+18%
South Haven	41,979**	100,081	+58,102	+138%
TOTALS	268,858	336,843	+67,985	+25%

\* Decrease in visitors at Capitol is due to a larger number of visitors in 1986 to observe Kansas' 125th Birthday Celebration.

\*\* South Haven opened in March 1986.

In 1988, it is expected these numbers will continue to increase with the expansion of the winter operating hours in Goodland, and growing awareness of the newest center in South Haven.

## KANSAS! Magazine

The KANSAS! Magazine continues to be a very popular publication with over 42,000 subscriptions. The magazine is read not only by in-state residents, but also by many transplanted Kansans, out-of-state visitors, and foreign dignitaries and visitors.

In 1987, the magazine produced a 1988 Calendar of seasonal scenes and promptly sold out all 3,000 copies. In addition, KANSAS TOO! a school children's bi-monthly publication of Kansas history and facts, now has a circulation of 1,900. The Division also began work on The Four Seasons of Kansas, a hard-bound, full-sized book to be published in the fall of 1988. This will be a follow-up to the popular Kansas In Color.

## Other Activities

The Travel and Tourism Development Division has continued to expand its scope of activities, assistance and interaction with the private sector in promoting travel and filming in Kansas. Also in 1987, the third in the edition of the Kansas Wildlife Series, "Cautious Kansas Gobblers," was unveiled. The Division worked with several communities in signage applications for attractions, coordinating film scouting networking, and updating the Kansas Film Directory.

Throughout 1987, the Travel and Tourism Division attended several national, regional and local trade shows. The Film Commission attended the Location Expo which was visited by over 5000 producers, directors and location scouts. Several hundred personal contacts were made and over 300 film directories were distributed. The Travel and Tourism staff attended such trade activities as the Governor's Conference on Tourism in Hays, the Kansas City Boat and Travel Show, the National Tour Association Convention and Marketplace and the International Marketing Pow Wow - an international marketing conference for group tour operators.

The Travel and Film industry made great strides forward in 1987 and had a major impact on the economic growth of Kansas. Programs that were begun in 1987 garnered a great amount of national publicity and recognition, fostering expectations for continued growth in 1988.

SPECIAL PROJECTS

SUPERCONDUCTING SUPER COLLIDER

## The Superconducting Super Collider Proposal

In February, 1987, following President Reagan's announcement of support for the construction of the Superconducting Super Collider (SSC), Governor Hayden directed state officials to produce a proposal to locate the SSC in Kansas, in the state's first entry into interstate competition for a major federal research facility. Representatives of the Kansas Geological Survey, the Kansas Technology Enterprise Corporation, the Kansas Water Office, and the Department of Commerce met with the Governor to consider alternatives for project management. The Governor decided to locate the project management office in the Department of Commerce.

After examining the possibility of contracting with an engineering firm, the project managers chose to prepare the proposal using in-state resources. This approach was considerably less costly, and would serve to organize local private and public expertise in the state for future efforts as well, as opposed to paying for a one-time service.

The decision to use in-house resources and keep costs down was also attractive in view of the tentative nature of the SSC funding situation at the national level. (As of January 1988, Congress still had not appropriated construction funding for the SSC.)

The 1987 Kansas Legislature appropriated \$250,000 to the Department of Commerce to prepare the proposal, and also gave the Secretary of Commerce the eminent domain authority to acquire the necessary land for the project. The proposal was completed and delivered to the Department of Energy on August 31, 1987.

As many as seventy people, from fourteen public and private sector organizations, contributed to the proposal documents. These included the Kansas Geological and Biological Surveys, the Kansas State University College of Architecture and Design, the State Historical Society, the State Departments of Transportation, Health and Environment, Commerce, Revenue, Wildlife and Parks, Education, the State Corporation Commission, the State Water Office, and the KPL Gas Service and Kansas City Power and Light Companies.

Frequent, regular contact with area legislators and local leaders and a series of five public meetings around the site area formed the basis for the Project Team's efforts to inform the local public and build community support for the project, which was considered a necessary component of a successful proposal.

On December 30, the National Academy of Sciences (NAS) announced its recommended list of sites for the Department of Energy's Best Qualified List; the Kansas site was not among them. To find out why Kansas did not make the list and to develop a constructive critique of the State's proposal, an analysis of the proposal evaluation process and the NAS committee's view of the Kansas proposal is being prepared.

The benefits of bringing many people together from state agencies, universities, adjunct organizations and private sector companies will be consolidated as the information and methods used in preparing the SSC proposal are refined for future site