

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Representative Diane Gjerstad a
Chairperson

3:35 ~~xxx~~/p.m. on January 23, 1991 in room 423-s of the Capitol.

All members were present except: Representative Elizabeth Baker. Excused.

Committee staff present:

Lynne Holt, Research
Jim Wilson, Revisor
Betty Manning, Secretary

Conferees appearing before the committee: Charles Warren, President, Kansas Inc.

The meeting was called to order at 3:35 p.m. by the Chairperson, Representative Diane Gjerstad. She stated the purposes of the meeting were to introduce committee members and staff, and to review committee rules and procedures. The Chair commented that historically economic development has been dealt with in a nonpartisan manner by the committee. She invited committee members to discuss any area of interest with herself, Vice-Chairperson Sader and Rep. Weimer, Ranking Minority Member. The Chair introduced the committee staff and each committee member introduced himself or herself.

Chairperson Gjerstad recognized Charles Warren, President, Kansas Inc.

Mr. Warren presented an overview of Kansas Inc. and the Kansas economy, and distributed the Kansas Inc.'s 1990 Annual Report, Attachment 1, listing the accomplishments over the past three years.

A slide presentation was given relative to why Kansas Inc. is involved in economic development and outlining the major responsibilities, Attachment 2. He set forth the goals of the state's economic development strategy and the seven pillars or strategic elements. He presented the good news which includes employment growth since 1986, job growth, the wage rate compared to the region and the nation and population growth. The bad news centered on the decline in Kansas per capita income since 1982 and regionally we have lagged. Additionally, we are experiencing a structural shift to lower paying service sector jobs and a shortage of skilled laborers in the technical trades.

Mr. Warren also outlined the Kansas Inc. agenda, Attachment 3, which includes statewide tax reform, workforce educational training, quality improvement and increased productivity and technology gains and conserving rural communities.

He cited the funding patterns since the dedication of the economic development initiative funding in 1987. In fiscal year 1991, the funding was at \$21 million and the Governor's budget recommendation is for a 32½% decline in fiscal year 1992 to \$14.5 million.

Mr. Warren also distributed an article from the Topeka Capital-Journal dated January 19, 1991, "Economic Efforts in Kansas 'Unique'", Attachment 4, which discussed the peer review process which Kansas Inc. had a panel of six national experts review their activities.

Mr. Warren responded to questions from the committee.

The meeting adjourned at 4:35 p.m.

D : Jan. 23, 1991

GUEST REGISTER

HOUSE

Committee on Economic Development

<u>NAME</u> (Please print)	<u>ORGANIZATION</u>	<u>ADDRESS</u>
WALT DARLING	Dir. of Budget	Topeka
J Bowser	United Tel	Junction City
JEFF RUSSELL	UNITED TEL.	TOPEKA
Arvin Bannister		Topeka
Marian Hudson	KTEC	Topeka
Jan T. [unclear]	KCOVE	Topeka
Dewe [unclear]	KDCC	Topeka
Bernie Koch	Wichita Chamber	Wichita
Cathy Holdeman	City of Wichita	Wichita
Charles [unclear]	Kansa. Tre.	Topeka
Jim Maag	Ks Bankers	Topeka
Mary Ellen Conlee	Ks Assn Sm Bus	Wichita

KANSAS inc.



1990 Annual Report

Eco-Devo.
Attachment #1
01-23-91

The training and development of Kansas' current and future work force is likely the most critical issue facing the State's economy. Work force training has been and will remain a key element in Kansas Inc.'s research and policy agenda.

Cover photos: Courtesy of Johnson County Community College

Four years ago, due to rising concerns over the economic future of Kansas, leaders of business, education and government met to prescribe a focused economic development agenda. Their efforts provided both a comprehensive framework and a sense of direction for the state's involvement in the economy.

Kansas Inc., as envisioned by the Legislature, has been a strong and independent voice in guiding the direction of this strategic plan. As a result, bold initiatives have been implemented establishing Kansas as one of the nation's most progressive and proactive states in economic development.

Over the past four years, Kansas economic growth has exceeded the region and equaled the nation. As we enter the new decade, Kansas Inc. is dedicated to preserving this trend and fostering increased opportunities for all Kansans. The refinement of the state's strategic direction and creation of an increasingly competitive economic environment remain our foremost objectives.

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Letter from the Co-Chairmen



Governor Mike Hayden

As we enter the decade of the nineties, Kansas has assumed a competitive economic position. In May 1990, statewide unemployment was at 3.4 percent, and, more important, over 50 percent of the total population was employed. The State's economic development programs and agencies have matured and results are now evident. Challenges remain particularly with regard to state and local taxation, the development of rural communities, and maintaining a quality system of education. These issues are being addressed by state government and with private sector initiatives.



Eric Thor Jager

Kansas Inc. continues to demonstrate the value of a public-private approach to economic development. Kansas assembled a leadership coalition from the executive, legislative, and private sectors that recognized the difficulties the state's economy faced in the early to mid-1980's, and decided to take the initiative. We are now seeing the benefits of our strategic plan.

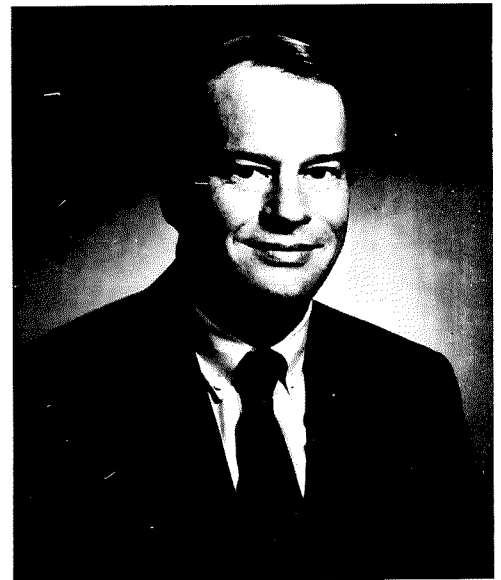
The business community of Kansas has demonstrated its commitment to economic development. Our gratitude is extended to the private investors in Kansas Inc. In Fiscal Year 1990, over 80 companies and individuals contributed to its financial support. These donors are listed in the annual report. As Co-Chairmen, we thank each one of them for their continuing support.

Letter from the President

It is with great pride that we submit this third annual report of Kansas Inc. In the fiscal year just completed, we have been able to accomplish an ambitious two-year agenda of research and policy development. Reports on the oil and gas industry, work force training, and reappraisal and classification have defined the issues and presented clear policy directions. Our work on rural development has led to a new program of grants for community strategic planning. These and other topics addressed by Kansas Inc. have been received favorably because of their objectivity, credibility and independence.

This report analyzes the Kansas economy and assesses the progress being made in reaching our economic development goals. The economic news is good. Two of the most important milestones are being reached: 1) Kansas achieved job growth equal to the nation in the period 1986-89; and 2) our population growth is steadily increasing and nearing the national rate. A third indicator, per capita income, is more worrisome. We are experiencing a decline in income relative to the U.S. The economic data indicate that our priorities must shift more to job quality, and less to job growth. The only way to achieve our goals for income growth is by concentrating on education and the skills of our work force. Human capital is the competitive issue for the nineties.

Last year, the annual report summarized the initiatives established since the 1986 Redwood-Krider report. This year we have compiled the accomplishments of Kansas Inc. since its establishment. This is not intended to be self-serving. We believe a report card is due to our supporters. In fact, these achievements are the result of the public-private partnership that exists in Kansas. The successes of Kansas Inc. are an outcome of the alliances and efforts of the entire economic development community. While we have been privileged to serve as the "point-man" on a number of initiatives, gubernatorial, legislative, and business leadership got the job done.



Charles R. Warren

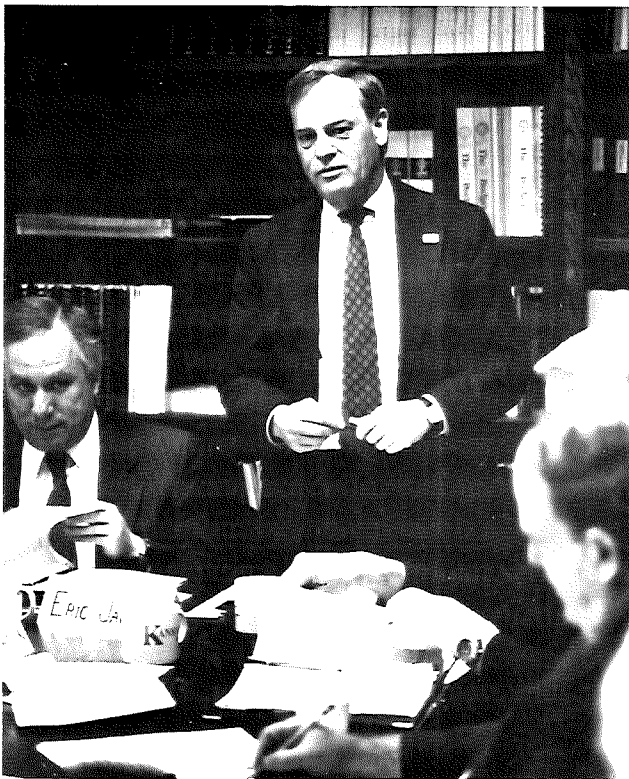
Included in this year's report is the results of a ten-state study of economic development budgets. Comparing state expenditures shows that the Kansas investments have been very modest. We need to ensure that funding for economic development programs is adequate to stay competitive and to achieve the results expected. Ours is a strategy of investment, not a spending program. The goals continue to be: a sound fiscal base for the public sector and increased income growth for Kansans. Only a healthy and growing private sector economy can provide the tax dollars to finance the quality of life and standard of living we seek. The 1990s is the decade to go to work for Kansas!

Kansas Inc. Accomplishments

Kansas Inc. was created by the Legislature in 1986 with the primary mandate to guide the economic development of the state of Kansas and to chart a strategic course for the Legislature, the Governor and the private sector to follow. This responsibility has led Kansas Inc. to study many issues central to the Kansas economy including the oil and gas industry, business taxes and work force training. Kansas Inc.'s unique public-private partnership has provided an important element of objectivity and foresight.

Kansas Inc. performs several functions in fulfilling its mandated duties and responsibilities. These functions are primarily strategic planning -- assessment of the state's competitive economic advantages

and determination of appropriate objectives; research -- identification of critical issues facing the Kansas economy; policy development -- determination of specific policy options; and, evaluation -- review of economic development programs and agencies.



Eric Jager, left, and Charles Warren

*Kansas Inc. has been active in its primary responsibility of strategic planning. As a follow-up to the Redwood-Krider report of 1986, staff proposed several draft strategic planning documents that have been used in support of economic development initiatives. Most recently, **Directions, Kansas**, merges the early planning activities of the agency and two documents written by staff in 1989, the **Economic Development Update** and the **Redwood-Krider Report Update**. This newest document will be the basis for discussions leading to a new Kansas strategic plan by the Board of Directors. The goals of the strategic plan are: 1) growth in personal income and increased economic opportunity for all citizens, 2) the maintenance of*

a sound fiscal base for state and local government, 3) the creation and retention of well-paid and rewarding jobs, 4) the education of all Kansans through the creation and maintenance of better schools, colleges, universities and other educational environments, 5) the diversification of the state's industry to guard against the cyclical effects of our economy and to maintain a stable employment base, and 6) the development of an efficient economy so as to increase the state's competitiveness in a rapidly changing global marketplace.

Kansas Inc. has developed into a highly respected and influential organization. This is the result of sound, empirical research; constructive policy advice; and, a true commitment to the state's economic development. The following five pages provide brief highlights of the accomplishments of Kansas Inc.

Education and Training

Margin of Excellence funding for higher education recommended by the Kansas Inc. Board of Directors for 1989, 1990 and 1991. The program successfully received funding in the first two years with nearly \$30 million in appropriations.

Qualified Admissions to the Regents Universities was endorsed by the Kansas Inc. Board of Directors. Implementing legislation reached the floor of the House during the 1990 session for the first time but was defeated on a vote of 64-59.

State conference on "The Role of Higher Education in Economic Development" co-sponsored with the Regents Universities and hosted by Kansas State University in February, 1989.

Comprehensive study of work force training conducted by the University of Kansas under contract with Kansas Inc. It set an agenda for reform of the training system based on a survey of the needs of 618 Kansas businesses.

State conference on "Work Force Training: The Challenge for Kansas" held on December 1, 1989 at the ExpoCentre in Topeka. Over 90% of the 110 participants believed that the conference addressed important work force training issues and 85% believed the policy options which were presented should be seriously considered by decision-makers.

Governor's Council on Work Force Training created in March, 1990 and chaired by the President of Kansas Inc., was charged with the responsibility to *foster greater coordination between agencies* responsible for administration of economic development programs and human development programs, *improve the coordination of employment and job training programs* offered by various educational institutions with programs promoting economic development, and *advise the Governor concerning the development of a work force training system* that will meet the changing needs of the State of Kansas.

At Risk Pupil and Innovative Program Assistance grants awarded to Kansas school districts in 1989 and 1990. President of Kansas Inc. serves on selection committee. Grant program made permanent by 1990 Legislature with appropriation of \$2,450,000.



Bill Abbott

Rural and Community Development

The Governor's Task Force on the Future of Rural Communities in 1988 led to the establishment of the Rural Health Office in the Department of Health and Environment and the Rural Assistance Center in the Department of Commerce. The President of Kansas Inc. was a member of the task force.

A county distress formula and rankings for Kansas counties were developed by Kansas Inc. providing a comprehensive statistical profile of rural areas and the diversity of problems facing them.

Development grants reporting system establishes a requirement for an annual report by Kansas Inc. on the location and distribution of state funds for community and economic development grants and loans.



Tom Clevenger

early 1989. The study supported the continued development of incubator projects across the state and recommended that the State monitor the progress of these projects before considering state funding.

The Kansas' manufacturing industry was examined in a Kansas Inc. staff report in 1989. The report recommended the development of value-added manufacturing as a key to community development and that greater in-depth study of Kansas' manufacturers is essential to the State's strategic planning. This report led to the initiation of a study by Kansas State University which examines the birth and death of Kansas' manufacturing firms.

The President of Kansas Inc. is a member of the Kansas Small Business Development Centers' Advisory Committee which provides policy guidance to SBDCs.

Business Financing

A new formula for financing Certified Development Companies (CDCs) proposed by Kansas Inc. and adopted by the Department of Commerce provides greater reliance on performance and increases the incentive for each CDC to actively pursue financing for small business.

Continued and increased state funding for Kansas' CDCs was recommended by Kansas Inc. as a result of an evaluation of CDCs performed by the Wichita State University for Kansas Inc.

KanWork Self-Employment Program and revolving loan fund was designed and established by Kansas Inc. staff in cooperation with the Department of Social and Rehabilitation Services. The President of Kansas Inc. chairs the loan review committee which approves loans to welfare clients to start their own business.

Community Strategic Planning Grant Program, proposed by Kansas Inc., will assist countywide entities in organizing and goal setting for economic development. The Legislature appropriated \$500,000 for FY91. The President of Kansas Inc. serves as chairman of the committee which will review the grant applications.

Southwestern Bell Telephone's Economic Excellence Program provides grants for community and economic development projects. President of Kansas Inc. is a member of the selection committee.

Small Business

The statewide effort on the local level to develop small business incubators were studied in a Kansas Inc. report issued in

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Expansion of the Venture Capital income tax credits was supported by Kansas Inc. during the 1989 Legislative session. The amount of investment into Kansas' certified venture capital companies which could be claimed as an income tax credit was raised to \$50 million allowing the state's venture capital companies to successfully market and expand their funds.

Unlimited branch banking recommended by the Board of Directors in 1989 and 1990 was implemented in 1990.

Interstate banking recommended by the Board of Directors in 1989 and 1990. S.B. 532 passed the Senate but met opposition in the House. A provision in S.B. 532 to raise the state deposit limit which can be controlled by one bank holding company from 9% to 12% was amended to H.B. 2991.

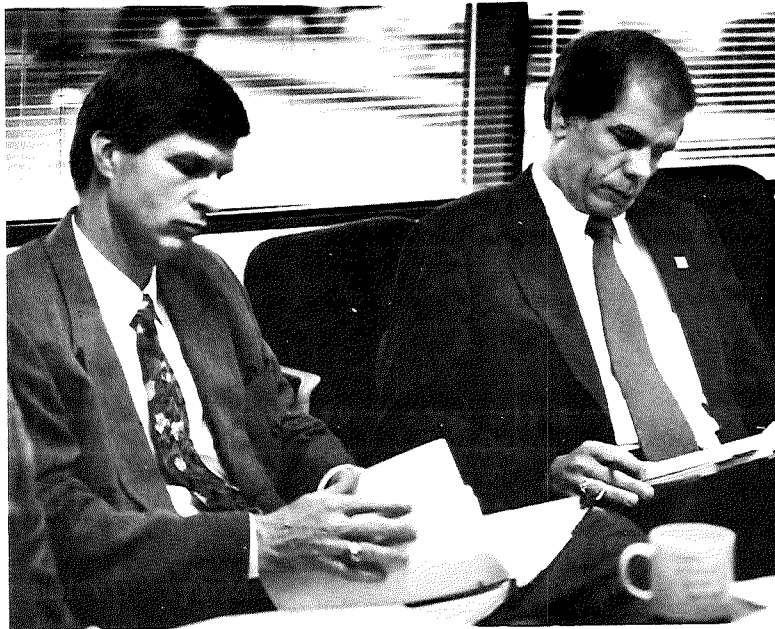
International Trade

Export Finance Act created a loan guaranty fund for pre- and post-export financing for Kansas exporters. It received \$750,000 in FY90 to establish the fund but that figure was reduced to \$500,000 by the 1990 Legislature.

Trade Show Promotion Act provides financial assistance to Kansas exporters attending international trade shows. The program was appropriated \$100,000 in FY90 and \$150,000 in FY91. Export sales in FY90 as a result of the program are estimated to be \$7.1 million.

Taxation

A set of five business tax recommendations were proposed by the Kansas Inc. Board of Directors in 1988 following a study of tax competitiveness in Kansas and surrounding states.



Ladd Seaberg, left, and Don Landoll

Sales tax exemption of manufacturing machinery and equipment brought Kansas into conformity with all its neighboring states and provided an *annual savings of \$16 million* to Kansas industries.

Optional income tax apportionment formulas in assessing a multi-state corporation's Kansas income tax liability. (a three-factor formula including sales, property, and payroll or a two-factor formula including only property and sales.) These options were critical to United Telecom's decision to consider a corporate headquarters in Overland Park and provides an *annual savings to private industry of \$1 million*.

Elimination of an alternative minimum tax on all Kansas corporations was recommended by Kansas Inc. The AMT was eliminated at a *savings to Kansas businesses of \$6 million annually*.

Update and expansion of the 1987 study of the Kansas business tax structure was undertaken in 1990. This effort expanded the original research to allow the tax liability faced by firms in fifteen industries to be compared within a six-state region.

A comprehensive review and assessment of the impact of reappraisal and classification was conducted by Kansas Inc. The study, performed by the Wichita State University, served as an objective source of information and analysis that assisted policy-makers in responding to calls for changes to the state's property tax system.

Oil and Gas Industry

A \$100,000 study of the oil and gas industry conducted by Kansas Inc. by Arthur D. Little of Cambridge, Massachusetts. The study examined the history of the state, national and international oil and gas industry and the tax structure and rates for the industry in Kansas and several other states.

A property tax exemption to marginally producing oil wells which are currently exempt from the severance tax was the subject of two bills introduced by the House and Senate during the 1990 session. This exemption would *provide an estimated tax break to the industry of \$15 million.*

An interim study of oil and gas taxation is being conducted during the 1990 interim session.

A new MidContinent Center for Energy Research being developed by the University of Kansas is based on the report's recommendations on research and development.

Agriculture

A comprehensive study of the impacts of corporate hog farming on Kansas was undertaken by Kansas Inc. in 1987. The 1987 interim agriculture committee requested this study. The report provided the Legislature valuable information on the impacts of maintaining or eliminating swine farming prohibitions imposed by Kansas law.



James Braden, left, Bill Wohlford

industry analysis started in this report and aggressively pursue business development, expansion and attraction of high potential agribusiness industries.

A Select Committee on Corporate Farming was created by the Legislature in 1988 to examine the recommendations in the Kansas Inc. report.

The liberalization of corporate hog farming was the subject of two bills introduced in the House in 1989 and based on the study. Although the bills were not acted on, the committee members had an opportunity to hear the arguments and consider the implications for both the family farmer and the state's swine industry.

The Agriculture Value-Added Center at Kansas State University was a result of the 1988 report, *The Future Direction of Kansas' Agriculture and Agribusiness*; a study which was partially financed by Kansas Inc. This study recommended that the State should fine tune the

Infrastructure

The Partnership Loan Fund was designed by Kansas Inc. and the Department of Commerce. It has funded projects in several communities, including Eudora and Pittsburg, creating an estimated 1,100 jobs.

Dedication of a portion of highway money for economic development projects was recommended to Governor Hayden by Frank Becker, former co-chairman of the Board of Directors of Kansas Inc. during an early Board meeting in April, 1987.

A \$600 million Highway System Enhancement Projects for economic development included in the comprehensive highway program enacted by the Kansas Legislature in 1989. The President of Kansas Inc. served on the five-member committee to rate the project applications. Kansas Inc. staff prepared the economic development questionnaire used by applicants.

Economic Development Funding

In 1988, Kansas Inc. made three recommendations to guide the expenditures of the Economic Development Initiatives Fund (EDIF) which were passed by the Legislature (H.C.R. 5033). These recommendations are: the EDIF should *not be used to finance salaries of permanent state personnel*, the EDIF is intended to finance new initiatives and *not as a substitute for state general funds*, and the EDIF appropriations should *relate directly to the economic development strategy* of the state.

Gaming revenue for economic development initiatives, as a result of this strategic focus, has totaled an estimated \$37 million from FY1988 through FY1991.

Institutional Capacity and Responsiveness

The Information Network of Kansas (INK) is being established based on a study by Kansas Inc. It will provide public access to state agency data bases through a subscriber-based centralized electronic information system. The President of Kansas Inc. will serve on the Board of Directors of the new quasi-public entity.

A Strategic Planning Data Base containing social, economic and demographic data on the state's counties and regions is under development by Kansas Inc. in cooperation with the Institute for Public Policy and Business Research at the University of Kansas and Kansas' economic development districts and planning agencies.

A study of the feasibility of establishing an electronic information system was conducted for Kansas Inc. by Capital Research Services in 1989. This study includes a survey of possible users and information providers. The Kansas Bar Association developed a business plan of the proposed network.



Mike Johnston

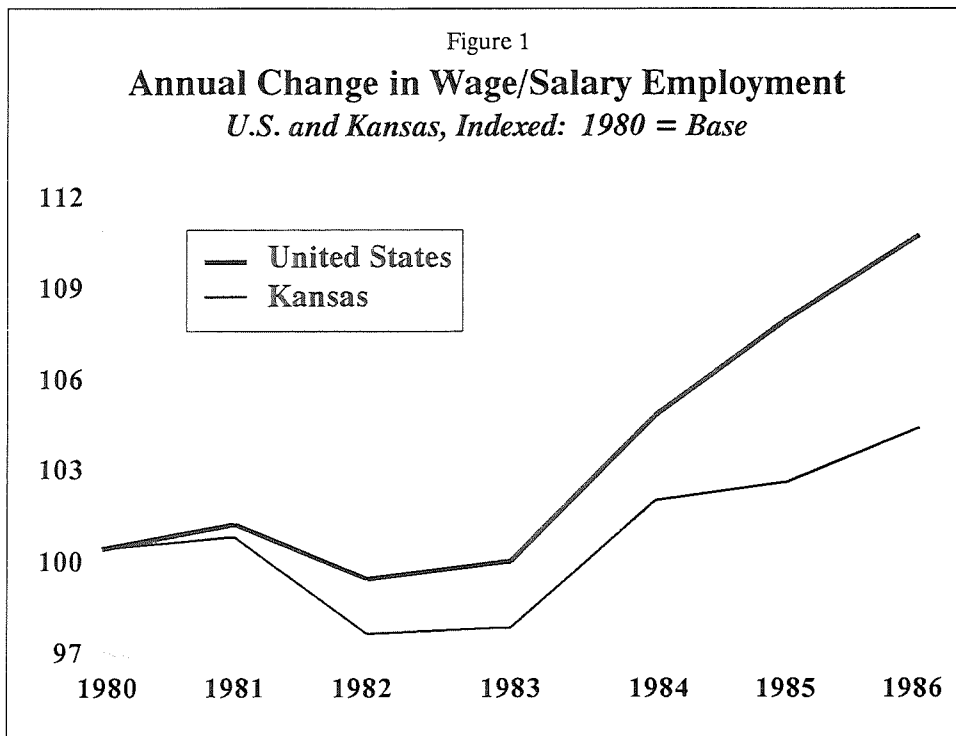
Kansas Economic Update

There has been serious concern throughout the state that Kansas could be losing its competitive edge...

This was the opening sentence in the 1986, Redwood Krider Report on the Kansas economy. The document dispelled Kansans' belief that the State economy was "recession proof" and it outlined initiatives necessary to position Kansas for global competitiveness. Kansas and the nation had endured a severe recession in the early 1980's. The national economy rebounded and prospered with an expansion that began around 1983. Kansas paralleled, to a lesser extent, national trends until late 1985 when the crash in oil prices coupled with a continued decline in agriculture slowed economic gains made since the recession (*Figure 1*).

In the report, three points were identified by Redwood-Krider as characterizing the Kansas economy of the mid-1980's:

1. Kansas lagged the nation in job creation, population change, and personal income gains.



2. The State's three major industry sectors (farming, oil and gas; and aircraft construction) were projected for modest growth and would no longer dominate the State's economy.

3. The Kansas economy required more diversification and a larger presence of high-growth industries.

In response to the report's conclusions and recommendations, the 1986 Legislature adopted an extensive package of economic development programs. (These were outlined in Kansas Inc.'s 1989 Annual Report) The 1986 package of initiatives centered on the belief that funding of these economic development programs was an investment in the State's future. Patience and a long-range vision were required to achieve the desired outcomes. An important focus of the 1986 initiatives was to ensure Kansas

influenced what it could and that the State was positioned to compete regionally, nationally, and globally.

It is four years since the economic development strategy was initiated in Kansas but, for the most part, less than three years since implementation began. While it is premature to provide an assessment of the State's investment, three years of economic data, updated from the Redwood-Krider report, should suggest whether Kansas has made progress and help identify areas where additional effort may be required.

Comparative Growth Data

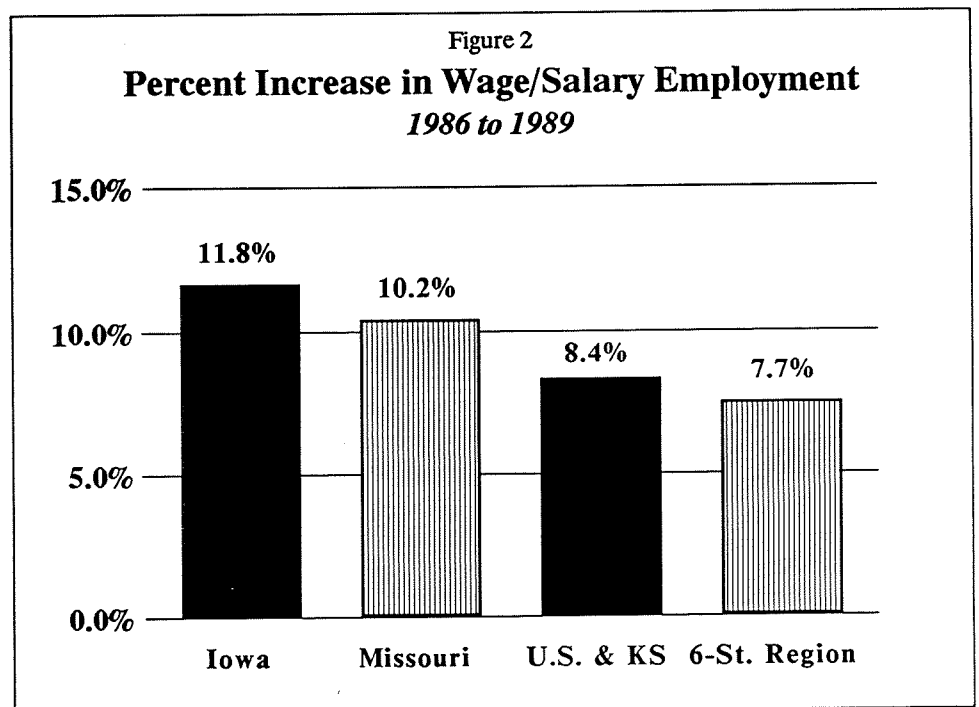
In essence, while Kansas employment grew, it did so at a consistently slower rate than the U.S. average. (Redwood-Krider, pg. 11)

Employment: Figure 1 displays the change in non-agriculture employment in Kansas from 1980 through 1986.

From 1986 to 1989, the annual average total of wage and salary employment increased from 984,700 to 1,067,700, a gain of 82,800 jobs (8.4 percent). These more current data reveal that Kansas has achieved employment growth equal to the nation's and has outperformed a surrounding six-state region (Figure 2) (The region besides Kansas has: Colorado, Iowa, Missouri, Nebraska and, Oklahoma). Iowa and Missouri are the two states in the region with employment growth greater than Kansas. Iowa's 11 percent employment growth was led by gains in manufacturing. Missouri (10 percent increase) benefitted from a diverse gain in services producing industries.

Kansas' share of the region's total employment is 13.2 percent. Between 1986 and 1989, the State captured a larger share of the employment growth in the region with 14.6 percent of all new jobs in the region being created in Kansas.

... Kansas has had one of the lowest state population growth rates in the nation, and this is likely to continue if present trends persist. The Kansas rate has been well below that of Colorado and Oklahoma in our region, and about the same as Nebraska and Missouri. This pattern is projected to continue. (Redwood-Krider, pg. 33)



Population: Kansas' rate of population growth continues to lag the nation's but the State, benefiting from solid if not outstanding population increases, has steadily outperformed the region (Figure 3). Conditions within the region have changed since 1986. Oklahoma, still feeling the impact of the oil crash, is now actually losing population and Colorado, over the most recent three years, has seen its population growth tail off substantially.

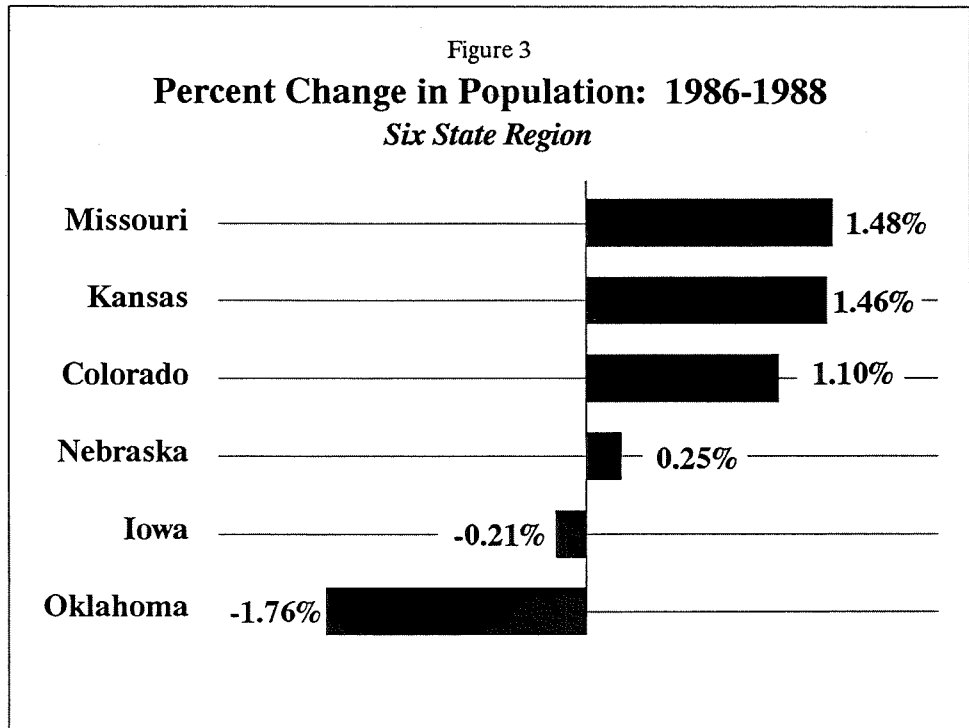
Annual population change over the most recent three years provides evidence that Kansas' long-term slide in maintaining its share of U.S. population may be ending. Redwood-Krider suggested that this would happen as the migration from rural Kansas to areas out of the state slowed. The continued strong economic performance in Sedgwick and Johnson counties and the somewhat better farm

economy are reasons that Kansas' annual rate of population growth has been increasing while the nation's has been fairly stable (Figure 4).

Although there are periods when the rate of growth in Kansas [personal income] exceeds the U.S. growth rate, in general the gap between the United States and Kansas continues to expand. (Redwood-Krider, pg. 6)

Personal Income: While population and employment figures for Kansas are encouraging, total personal income data support the steady pattern of decline identified in 1986.

Kansas continues the 1986 identified move toward having an industry mix of wage and salary income similar to the nation. Both mining (oil and gas industry) and farm earnings are continuing to comprise a smaller portion of Kansas total personal income. At the same time in 1988, the services sector passed the manufacturing sector as the industry providing the largest share of wage and salary income in Kansas. On average service wages remain considerably lower than manufacturing. The increased income share is primarily the result of the ever larger pool of service jobs.



Both Kansas total personal income and total wages and salaries display a continuing decline relative to the State's share of the nation's income (*Figure 5*). Since 1982, Kansas has annually lost income share compared to the nation. The per capita income totals present an equally gloomy picture. The last year that Kansas' per capita income was greater than the nation's was 1983 (*Figure 6*). The difference between the State and U.S. per capita income levels has dramatically widened during the last three years. In 1988 Kansas' per capita income (\$15,759) was only 95.6 percent of the nation's per capita income (\$16,489).

Status of the Three Basic Kansas Industries

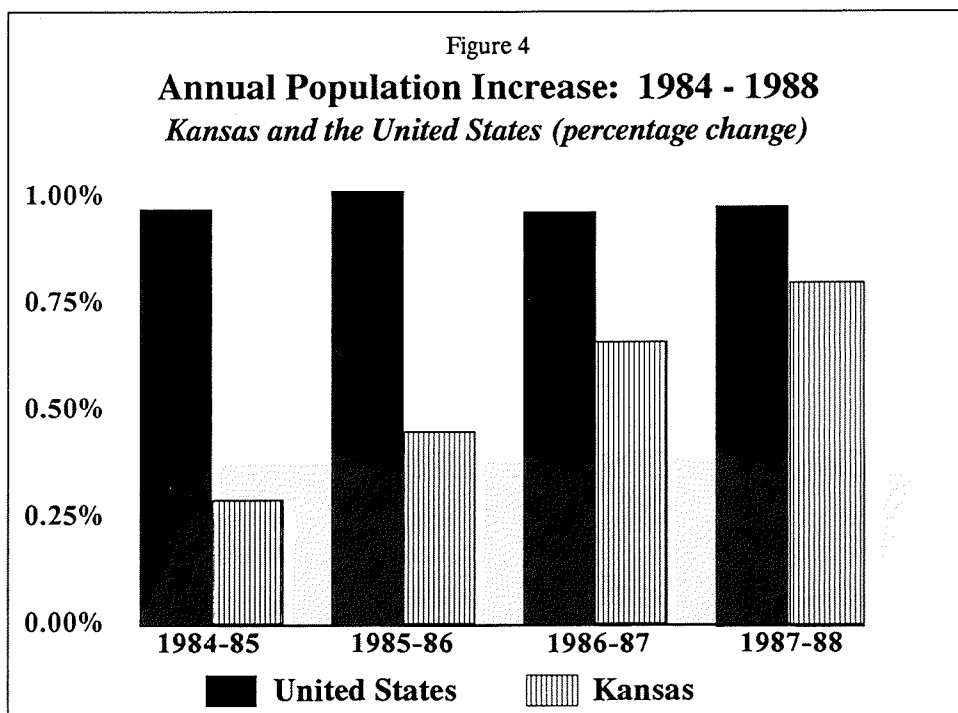
Further deterioration of the industries [agriculture, oil and gas, and aircraft] that have historically served Kansas well is not anticipated, but any growth will be modest. Although these industries remain an important feature of the Kansas economy, they should not be relied upon to provide a foundation for sufficient employment opportunities in Kansas. (Redwood-Krider, pg. 52)

The Redwood-Krider report, in 1986, was not optimistic about the growth potential of the three basic industries of the Kansas economy. With the exception of the aircraft industry there is little reason to modify this assessment.

Farm income and employment is directly tied to the success of crop production and livestock prices. Livestock receipts average about 65 percent

of all market receipts with receipts for crops accounting for the remaining 35 percent. Total personal farm income has fluctuated during the decade but has been moving upward over the past three years. Wage and salary employment dropped by more than 15,000 jobs from 1980 to 1987, but has rebounded and over the past two years has increased annually (*Figure 7*). The agriculture outlook can best be characterized as steady and healthy with little chance for dramatic increases or decreases over the near term.

The oil and gas industry, dependent upon externally set prices, has become a smaller part of the State economy even since the mid-1980's. State severance tax receipts were greatest in 1984 at



more than \$105.5 million; in 1989 the total was \$74.3 million. Oil and gas extraction employment in 1989 averaged 9,400, down from its 1981 peak of 17,900. A Kansas Inc. funded 1989 study of the Kansas oil and gas industry estimated the equivalent of only six years of oil reserves in Kansas. The natural gas industry is expected to benefit from price deregulation legislated to occur in 1993. Kansas will benefit from additional personal income and from increased tax revenues but little if any broad job creating impact is expected.

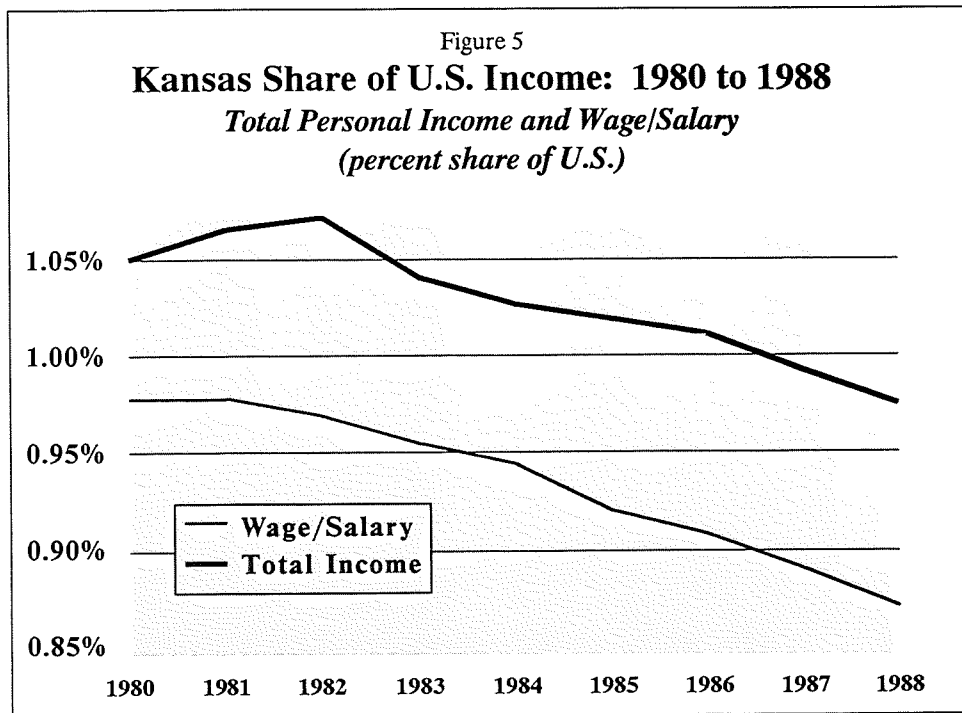
Nationally, the aircraft industry is expected to be a high-growth sector over the next several years. The U. S. Department of Commerce's 1990: U.S. Industry Outlook, projects both commercial and general aviation as major growth sectors. Sedgwick County has exhibited strong employment growth over the past three years, principally because of the aircraft employment and spinoff supply contracts.

With the exception of the aircraft industry turn-around, the trends identified in 1986 regarding the basic Kansas industries continue. This affirmation of one of the major conclusion of the Redwood-Krider report serves to reinforce the necessity for Kansas to seek a broader base of

employment in order to ensure future growth.

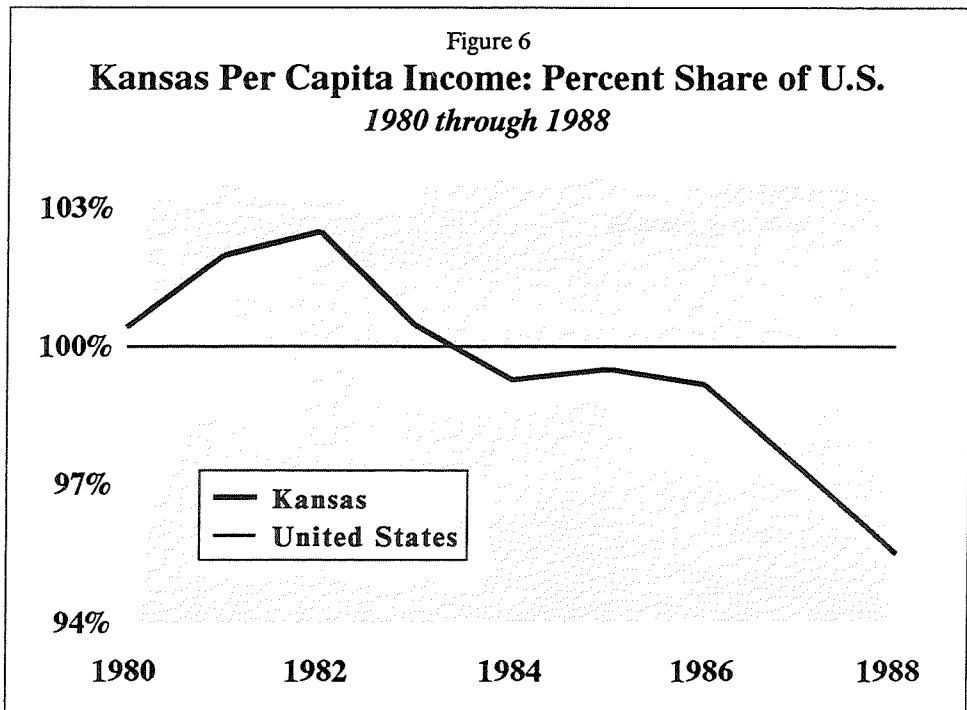
Diversification and High-Growth Industries

The inevitable conclusion is that we cannot rely on our traditional base nor can we depend on the development of a radically different industrial mix. A realistically feasible form of economic development for Kansas must



incorporate the old into the new. (Redwood-Krider, pg. 55)

Since 1986, through service, retail, and finance employment Kansas has moved toward diversification of its employment base (Table 1 and Figure 8). Within the services the most rapid growing sectors in Kansas have been in health, business, and social services (e.g., day care employment). Retail growth has been primarily in restaurants, apparel, and furniture stores. These sectors do not necessarily provide high-paying jobs and frequently develop as a secondary



employment base.

A real strength of the Kansas economy has been in manufacturing employment, particularly durable goods production. From 1986 through 1989 durable manufacturing in Kansas increased by 6.3 percent, mostly in the transportation equipment sector. Nationally, the growth in manufacturing employment was 2.2 percent and in durable

manufacturing employment increased by 1.7 percent. Kansas differs significantly from the nation and the region in the mix of manufacturing job growth. From 1986 to 1989, over 70 percent of the Kansas increase in manufacturing employment was in the production of durable goods. Nationally, less than 40 percent of all new manufacturing jobs was in durable manufacturing.

The 1986 Redwood-Krider report presented an analysis that estimated within each sector, how many jobs would have been created in Kansas if the State had grown at the national rate. From 1979 through 1984, mining and government employment were the only major sectors in Kansas that had grown at a rate greater than the nation. The Redwood-Krider analysis concluded that if the State's employment had grown at a rate equal to the nation's an additional 38,400 jobs would have been created in Kansas from 1979 through 1984.

Kansas Inc. updated the estimates of Kansas sector employment growth in comparison to the nation for the years 1986 and 1989 (Table 2). The State's growth in total wage and salary employment slightly exceeded the nation's jobs increase. However, the mix of employment provides a different perspective on the Kansas employment growth. If only "private sector employment" is considered, Kansas lost employment relative to the nation. If Kansas's private sector employment grew at a rate comparable to the U. S., 4,300 additional private sector jobs would have been created. The leading employment growth sector for Kansas from 1986 to 1989 was state and local government.

Comparing the State's rate of growth with the nation's shows Kansas' superior manufacturing employment gain results in 5,100 more manufacturing jobs (4,700 more durable manufacturing). Kansas' manufacturing sector continues to provide the impetus to the State's economic growth.

There is evidence that diversification is occurring in the Kansas economy. Besides having an overall strong manufacturing sector, some gains have been noted in individual Kansas industries that are projected for rapid growth over the next several years. Two of the stronger growing Kansas manufacturing sectors are aviation, and printing and publishing, which are projected as high growth industries.

Conclusion

A first priority following the economic development push of the mid-1980's was to reverse existing trends and achieve economic growth equal to the nation and the region. Employment and population changes since 1986 demonstrate goals have either been obtained or are within reach. Income levels are a different story. Even with significant employment and population growth, all income data suggest Kansas is in a weaker wealth position than in the past and that the trend is worsening. A declining income level with an expanding job base should lead to a focus away from mere job creation toward a more aggressive concern in the future for the quality of new employment.

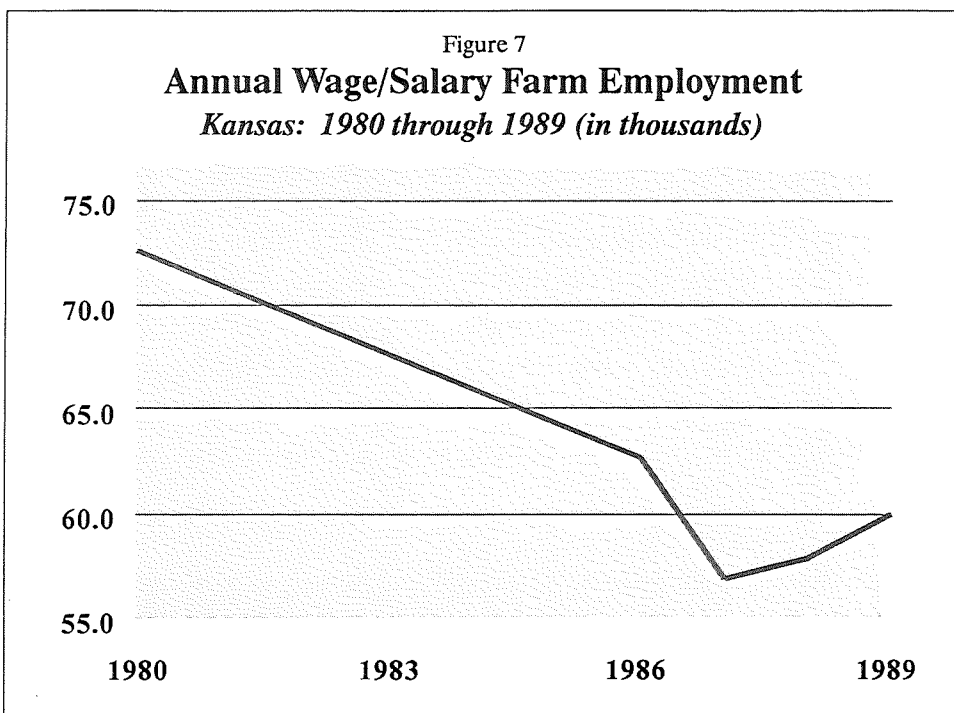
Table 1
Percent Change in Wage and Salary Employment
1986 to 1989: Kansas, Six-State Region, and the U.S.

	Kansas	6-State Region	United States
W/S Employment	8.4%	7.7%	8.4%
Private Employment	8.4%	8.2%	8.9%
Services	19.2%	16.9%	16.5%
Government	8.7%	5.7%	5.9%
Trade Total	7.8%	7.8%	8.3%
Finance	6.4%	3.7%	8.1%
Trans/Pub. Utilities	5.3%	6.4%	7.9%
Manufacturing	5.1%	5.6%	2.2%
Construction	-7.7%	-5.2%	6.9%
Mining	-23.5%	-18.9%	-8.8%
Durable Mfg.	6.3%	6.0%	1.7%
Non-Durable Mfg.	3.5%	5.1%	3.0%

Sources: U.S. Department of Labor (BLS); KDHR; State annual Reports

Kansas has moved toward a diversified economic base. Given the significant creation of

manufacturing jobs and the resulting secondary job creation, this diversification will become more evident as new service and trade jobs develop in response to increased consumer and business demand. However, there remains a heavy dependence in Kansas on durable manufacturing and government employment. Durable manufacturing is most vulnerable to national recessions, government employment



is supported through tax dollars which can be a burden on the local and state economy. Having achieved employment growth at a rate equal to the nation and approaching comparable population gain, Kansas must work toward two main goals:

1) to seek higher wage/higher skilled jobs; and,

2) to make further progress toward a more diversified employment base.

Finally, while not specifically addressed in this section, past Kansas Inc. work supports the conclusion that the economic growth has largely benefitted metropolitan and urban Kansas. The State must continue its already substantial effort to ensure rural communities participate in the benefits of economic development.

The tasks remain difficult and continue to demand a resolve to succeed. While there are preliminary indications that Kansas has reversed some very negative past trends, it is still useful to keep in mind the closing message of the Redwood-Krider report:

... the challenge facing Kansas is not an insurmountable one, it will be difficult. The path to progress will require substantial investment, patience, leadership and commitment. It can be done.

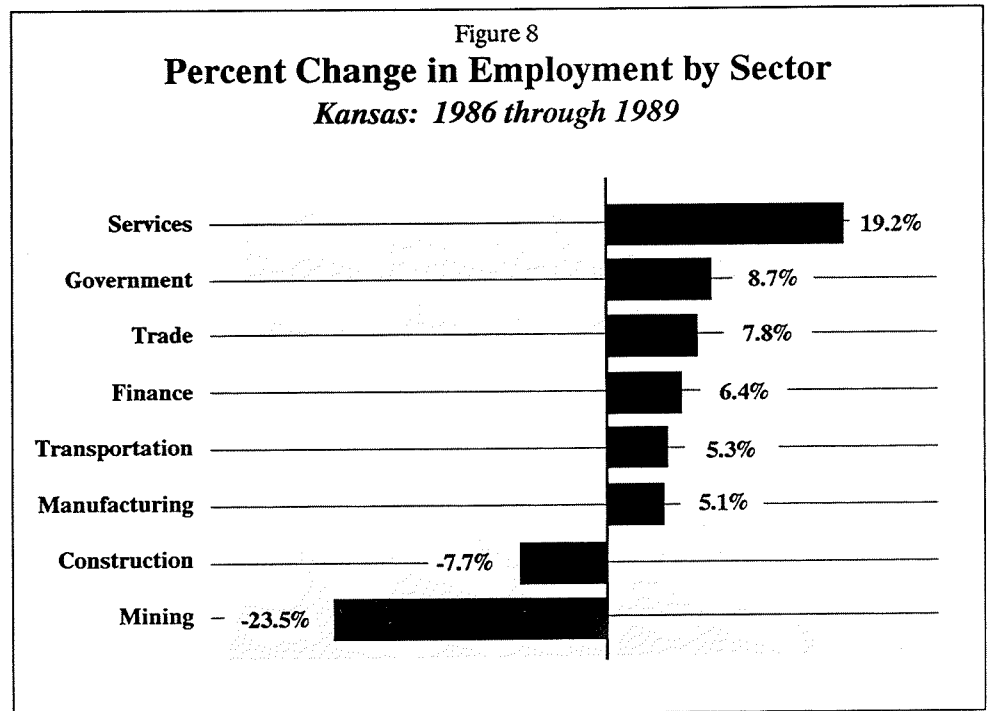


Table 2
Shift-Share Analysis Updated - Kansas 1989:
Average Annual Employment and Employment Levels
Projected At National Growth Rate
(in millions)

	*Employment Level At U.S. Rate Of Growth	Actual Kansas Employment	Difference Actual Minus U.S. Rate
W/S Employment	1,067.3	1,067.5	0.2
Private Employment	860.9	856.6	-4.3
Government	205.6	210.9	5.3
Services	225.8	231.0	5.2
Manufacturing	179.5	184.6	5.1
Finance	59.1	58.1	-0.9
Trade Total	268.3	267.0	-1.3
Trans/Pub. Utilities	67.6	66.0	-1.6
Mining	11.2	9.4	-1.8
Construction	46.9	40.5	-6.4
Durable Mfg.	104.3	109.0	4.7
Non-Durable Mfg.	75.2	75.6	0.4

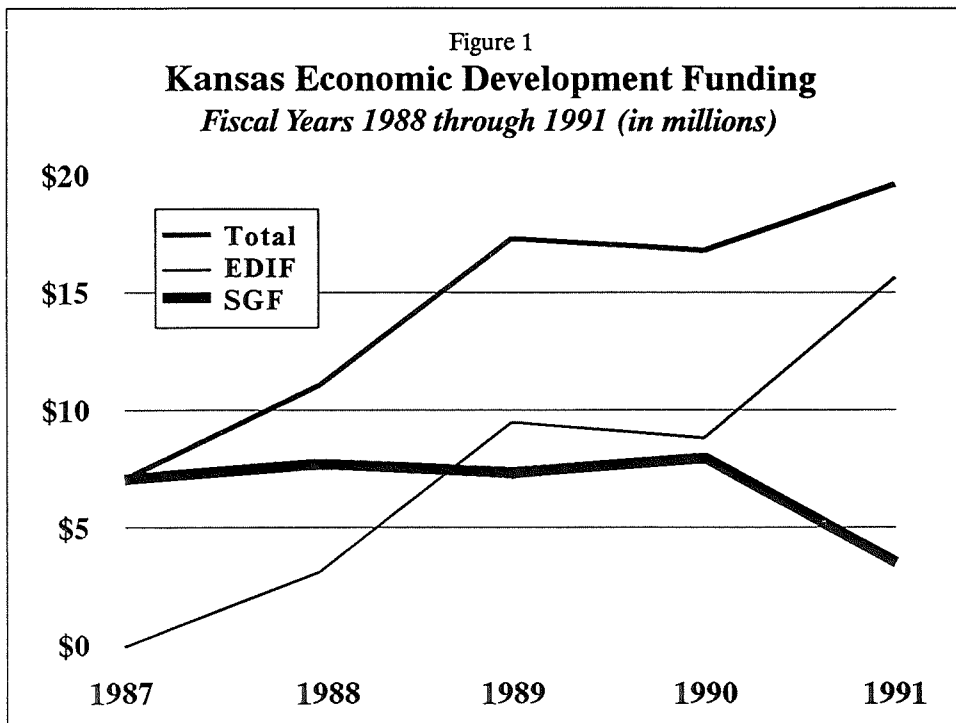
*This column gives the KS employment level, by industry sector, if the rate of growth from 1986 through 1989 had been the same as the U.S. rate of growth.

Sources: U.S. Dept. of Labor (BLS); KDHR

Economic Development Funding

The Kansas Legislature in 1986 instituted a significant policy investment in the economic future of the State. Funding to support the increased emphasis in economic development was to be bolstered by revenues from lottery and pari-mutual. The new funds were expected to supplement the state general fund, allowing for increased economic development expenditures while maintaining the existing level of State support.

Since FY88, the first year lottery revenues were dispersed through the Economic Development Initiatives Fund (EDIF), over \$63 million has been appropriated to economic development. The EDIF has contributed 60%, or over \$37 million, of this amount. The EDIF's share and level of the funding has increased steadily since FY88. In FY88 the EDIF contributed \$3.3 million or 31% of the economic development budget to over \$15 million or 80% in FY91. The contribution of the State General Fund (SGF) remained constant at \$7 million during the first three years of this period but dropped significantly in FY91 to \$3.9 million. (Figure 1).



With both additional policy and funding commitments, two questions must be pursued to ensure Kansas remains competitive.

- 1) Are current expenditure levels sufficient for Kansas to remain competitive with other states?
- 2) What is the level of investment necessary for Kansas, given the state strategy, to adequately fund its economic

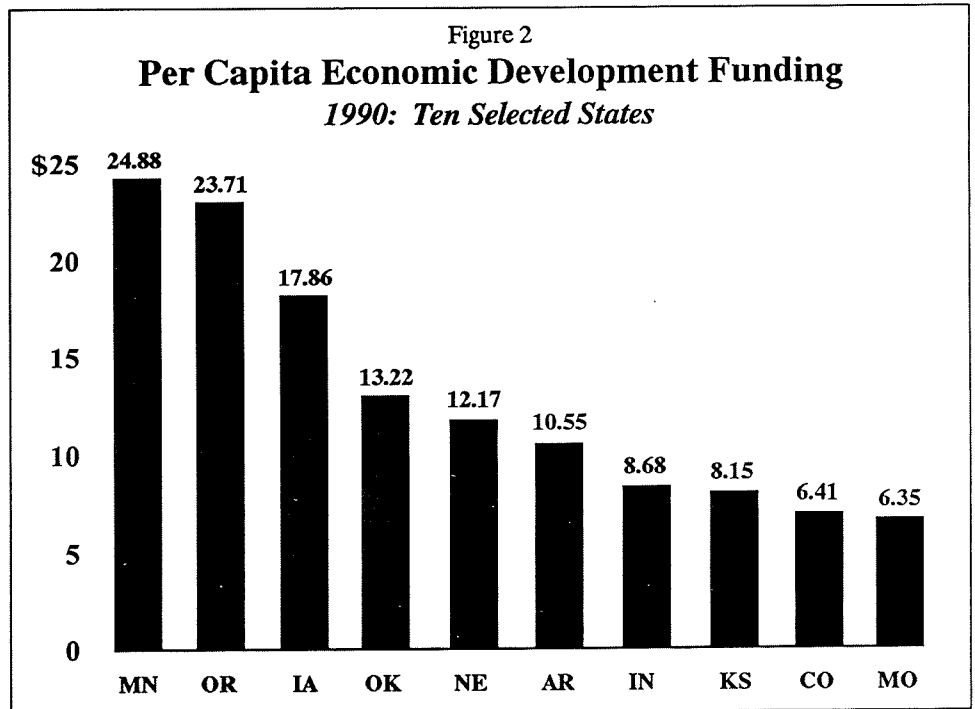
development effort?

Answering the first question would provide a useful foundation for accurately responding to the second question. Knowing the level of funding committed by Kansas' competition will assist with determining what is "adequate" state funding required to achieve the goals identified in the State strategy.

Kansas Inc. during Fiscal Year 1990 contracted with the Institute for Public Policy and Business Research to develop an estimate of the economic development investments being made by a selected group of ten states. The research required the definition of economic development programs followed by a survey of each state with a verification process to ensure the accuracy of reported expenditures.

The study involved telephone interviews with fiscal and program staff in the ten states. With the information from the interviews, programs were grouped under one of six strategic elements identified in the Kansas Inc. strategy (Entrepreneurial Environment, Capital Markets, Human Capital, Infrastructure, Quality of Life, and Technology).

Selected States: Ten states, including Kansas, were surveyed for total economic development expenditures by type of program. These states and the rationale for selecting them are:



Surrounding and Competing States: Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma

States with a Strong Economic Development Commitment: Indiana and Minnesota

State with Funding Supplemented by State Lottery: Oregon

State Expenditures: For 1990, Minnesota will have the largest state investment in economic development with over \$107 million. The total investment by Minnesota was over twice as big as those in all the other states with the exception of Oregon which ranked second with over \$65 million invested. Minnesota's focus is in the Entrepreneurial Environment category. Under this strategic element funds support a state program of community and urban development grants somewhat similar to the federal Community Development Block Grants.

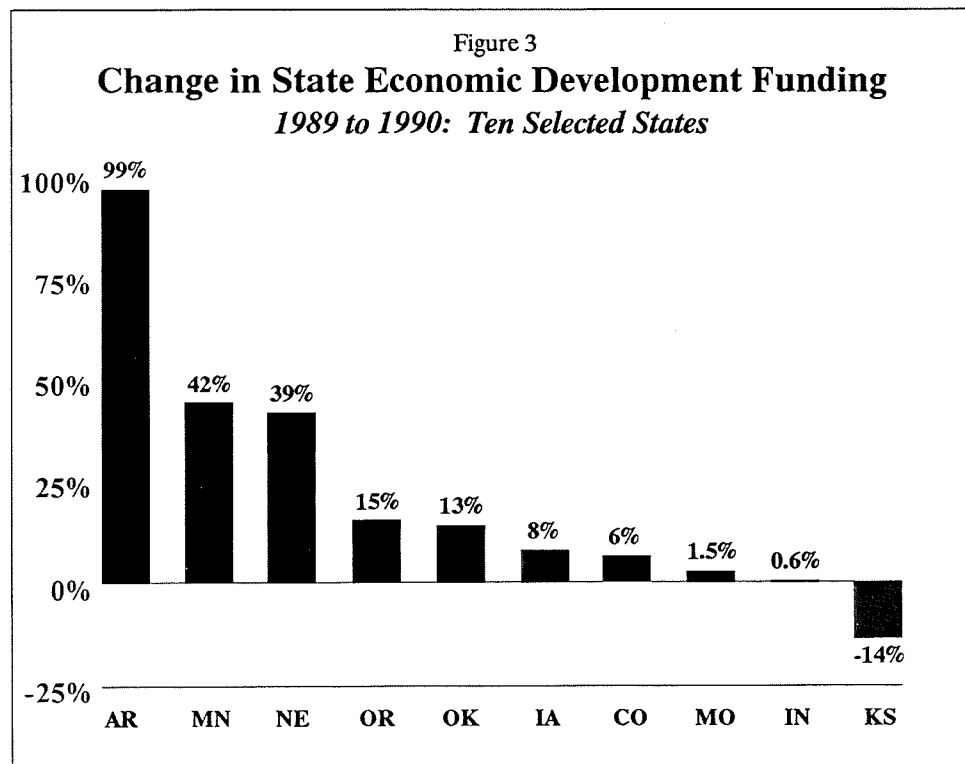
Kansas ranked ninth among the ten states with a state funding level of around \$20.3 million. Economic development investments in Kansas classified under Entrepreneurial Environment

totaled over \$6.3 million (31 percent of state funds). Kansas activity under this element would include industrial recruitment, existing industry programs, and tourism funding. About 28 percent (\$5.7 million) of Kansas state funds were classified under Technology, principally support for the Kansas Technology Enterprise Corporation (KTEC).

Among the seven-states in this region, Iowa had the largest state investment with around \$48.9 million. Colorado, Kansas and Nebraska were grouped at the bottom.

Per Capita State Expenditures: When the population base of the state is factored into the analysis, some interesting changes occur. Minnesota's clear dominance is largely a product of its population, the state expends \$24.88 per person (*Figure 2*). Oregon's economic development per capita expenditures of \$23.71 are just under \$1 per person less than Minnesota's.

Oregon's economic development focus has been in Entrepreneurial Environment (50 percent of all state funded expenditures). Under Entrepreneurial Environment, Oregon has invested significantly in regional strategic planning grants and a fund to provide grants for long-range, statewide research and specific industry planning.



Kansas per capita level of funding is \$8.14 and the state ranks eighth among the ten states. In the seven state region, Iowa has the largest per capita investment with \$17.25 expended per person. When a state's population is accounted for, Nebraska's ranking for state funding jumps

from tenth to fifth among the ten states. Missouri has the biggest drop going from sixth in total investment to tenth in per capita.

Change in State Funding: There were changes among the states in their investment in economic development from 1989 to 1990. Only Kansas had a net decline in its state support (*Figure 3 and Table 1*). Kansas reduced state funding by 14 percent, primarily as a result of the one-time investment in 1989 in Kansas Venture Capital, Inc. While the net decline can be explained, the fact remains that Arkansas and Nebraska had significant increases in state funding. Only Missouri, among the surrounding states, had a funding increase of less than 5 percent.

Arkansas had a substantial increase in its economic development program investment almost doubling its state support. The increased emphasis in Arkansas centered on a state funded infrastructure program. For the two-year budget, \$20 million has been invested in an infrastructure program (only \$10 million of this total was credited in 1990 for this analysis). While this may prove to be only a one-time investment, interviews with state officials reveal that in addition to the continued planned commitment to economic development, a new program will soon greatly increase funding for Technology activity.

Nebraska has initiated a strong economic development program with an additional \$4 million in its centers of excellence area and over \$1 million in skill training.

Areas of Economic Development Focus:
 IPPBR classified state support by strategic element to provide an understanding of areas that competing states feel are critical to their economic future. There is a great deal of variance in program emphasis but the research identified increased investment in Human Capital as a merging trend among the majority of states. Additionally states that are new to increasing their economic development investments (Arkansas, beginning in 1992, Nebraska, and Oklahoma) see Technology as a key component of their efforts.

	1989	1990
Arkansas	\$12,684,706	\$25,275,203
Colorado	20,011,076	21,159,618
Indiana	47,911,907	48,206,898
Iowa	46,812,821	48,899,399
Kansas	23,634,694	20,325,133
Minnesota	75,280,170	107,137,643
Missouri	32,177,863	32,655,255
Nebraska	14,061,319	19,504,115
Oklahoma	37,840,673	42,864,048

Kansas has a 17 percent share of its state dollars in Human Capital and maintains a 28 percent share in Technology.

Conclusion: The investment required to produce a growing economy is much more than a fiscal one, Kansas needs the continued commitment of its public and private leadership to succeed. However, the best ideas and programs that will allow Kansas to compete and grow must be adequately funded. To ensure its competitiveness, the State must:

- 1) monitor its current investment to make sure it is sufficient to compete;
- 2) ensure the “best” programs are being funded and that they are operating efficiently and effectively; and,
- 3) continue in its willingness to experiment and to adequately fund new ideas/opportunities that will keep Kansas in front of our most serious competition, other states.

Financial Report

	FY90	FY91
A. State General Fund/Private Sector Expenditures:		
Salaries	\$187,330	\$196,820
Communications	10,757	10,600
Freight and Express	237	300
Printing	25,284	17,000
Rent	30,415	30,977
Repairs and Servicing	870	1,000
Travel	9,748	10,000
Research Program	145,463	139,055
Meetings/Conference	5,774	5,000
Professional Supplies	409	250
Stationery/Office Supplies	1,824	2,750
Capital Outlay	2,380	7,627
SUBTOTAL (SGF/Private):	\$423,206	\$421,379
B. Economic Development Initiatives Fund:		
Special Research Studies (Non-Match)	\$50,000	\$0
C. In-Kind Contributions:		
Printing	\$2,715	
Research Program	9,660	
SUBTOTAL (In-Kind)	\$12,375	
TOTAL FISCAL YEAR EXPENSES:	\$485,581	\$421,379
STATE AND PRIVATE MATCHING FUNDS		
State General Funds	\$294,883	\$282,323
Percent of Budget	68%	67%
Private Sector Match	\$137,983	\$139,056
Percent of Budget	32%	33%

Private Sector Investors

Ernst & Young
Southwestern Bell Telephone
Kansas City Power and Light Company
Bank IV

Burkemont Corporation
ARCO Oil & Gas Company
KPL Gas Service
Prudential-Bache Securities
Yellow Freight Systems
Bartlett & Company Grain

A. L. Abercrombie, Inc.
ADM Milling
Atchison, Topeka & Santa Fe Railway
AT&T
Bendix/King
Burns & McDonnell
Commerce Bank & Trust
Dillons Store Division
Dunn Construction
Farmland Industries
IBM

Martin Tractor Company
SCKEDD
American Investors, Inc.
ARCO Pipe Line Company
Ark City Packing Company
Armstrong, Teasdale, Schlafly, Davis & Dicus
C.W. Sebitts
Dan Carney
Dane G. Hansen Trust
Excel Corporation
George K. Baum
K&E Petroleum, Inc.
Murfin Drilling Company
NCRA
Packer Plastics
Pete McGill and Associates
Petroleum Production Management
Tim Hagemann
Woolsey Petroleum

Hallmark Cards, Inc.
Kansas Bankers Association
Texaco, USA
United Telecommunications, Inc.

Black & Veatch
Kansas Gas and Electric Company
Boeing Military Airplanes
Midwest Grain Products
Salina Airport Authority
Devlin Venture Partners

Kansas City Star Company
Kansas Farm Bureau
KPMG Peat Marwick
Marion Merrell Dow, Inc.
Metcalf State Bank
Seaton Publishing
Slawson Company Oil Producers
Stauffer Communications
The Marley Company
UtiliCorp United
Wichita Eagle

Landoll Corporation
Gill Studios, Inc.
DeBauge Brothers
FMC Corporation
Lathrop, Koontz & Norquist
McPherson Bank & Trust
Morton International
Multimedia Cablevision
Philips Lighting Company
Security Benefit Trust
American Salt Company
John O. Farmer III
Pickrell Drilling Company
Riffe Construction Company
Home Bank & Trust
Charles W. Steincamp
George R. Shaw
J.P. Fogel & Company
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Department of Commerce
Topeka

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Scott Hessel
Research and Policy Analyst

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Topeka, Kansas 66603-3957
(913) 296-1460



Building a Strategic Kansas Economy

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**FRANCES DEGEN HOROWITZ
VICE-CHANCELLOR FOR
RESEARCH
UNIVERSITY OF KANSAS**

**KANSAS INC.
Responsibilities**

Strategic Planning

Assessing the State's current and potential competitive economic advantages and determining the appropriate objectives and strategies to enhance the State's economic future.

Research

Identifying and understanding the critical issues facing the State's economy and analyzing economic trends and developments so as to provide constructive information to the Governor and the Legislature.

Evaluation

Reviewing the programs of the various economic development agencies and overseeing the implementation of the State's strategic economic development plans.

Policy Development

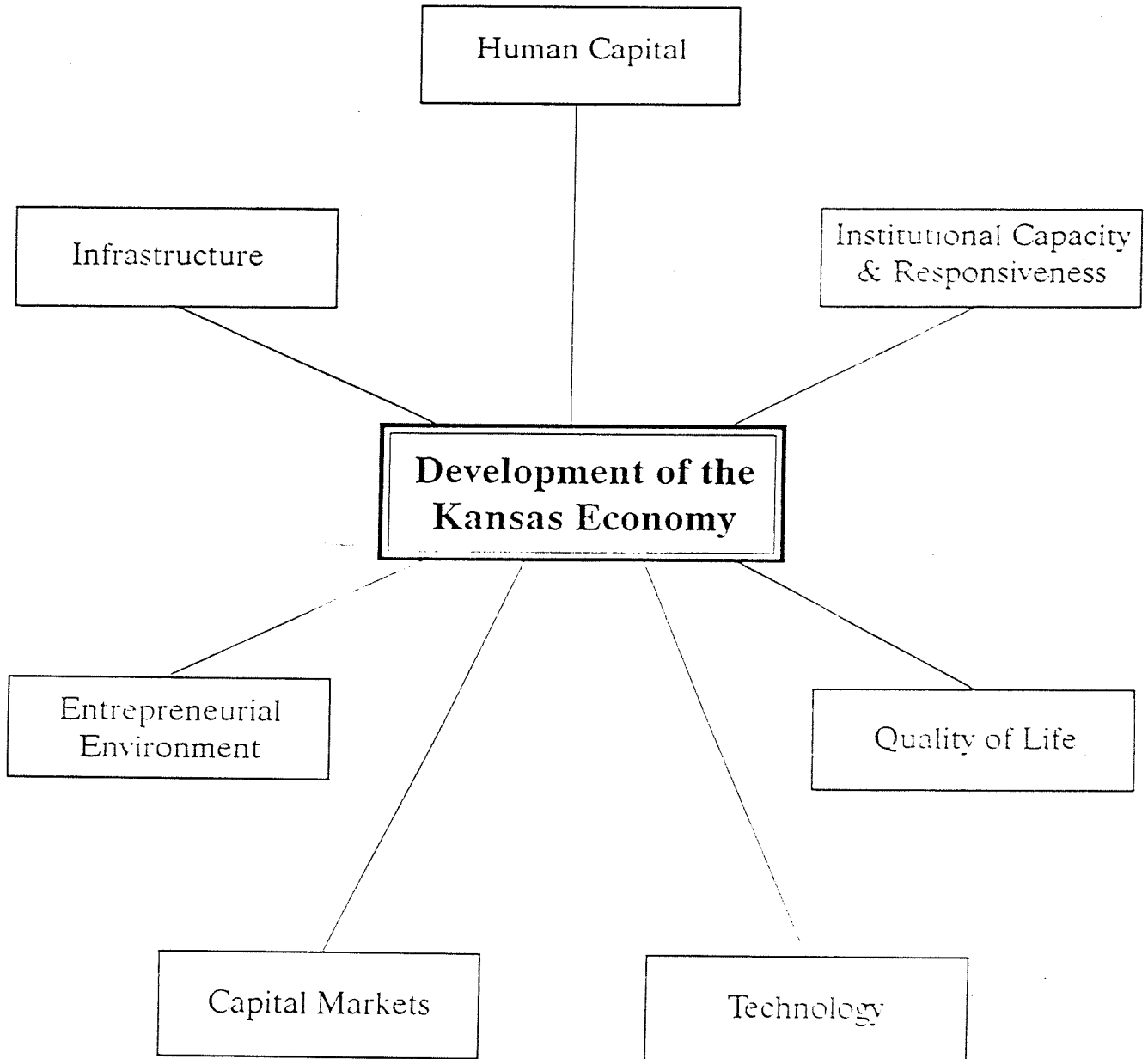
Determining the specific policy options available to the State and providing recommendations concerning these options.

GOALS OF THE ECONOMIC DEVELOPMENT STRATEGY

1. GROWTH IN PERSONAL INCOME AND INCREASED ECONOMIC OPPORTUNITY FOR ALL CITIZENS.
2. THE MAINTENANCE OF A SOUND FISCAL BASE FOR STATE AND LOCAL GOVERNMENT.
3. THE CREATION AND RETENTION OF WELL-PAID AND REWARDING JOBS.
4. THE EDUCATION OF ALL KANSANS THROUGH THE CREATION AND MAINTENANCE OF BETTER SCHOOLS, COLLEGES, UNIVERSITIES AND OTHER EDUCATIONAL ENVIRONMENTS.
5. THE DIVERSIFICATION OF THE STATE'S INDUSTRY TO GUARD AGAINST THE CYCLICAL EFFECTS OF OUR ECONOMY AND TO MAINTAIN A STABLE EMPLOYMENT BASE.
6. THE DEVELOPMENT OF AN EFFICIENT ECONOMY SO AS TO INCREASE THE STATE'S COMPETITIVENESS IN A RAPIDLY CHANGING GLOBAL MARKETPLACE.

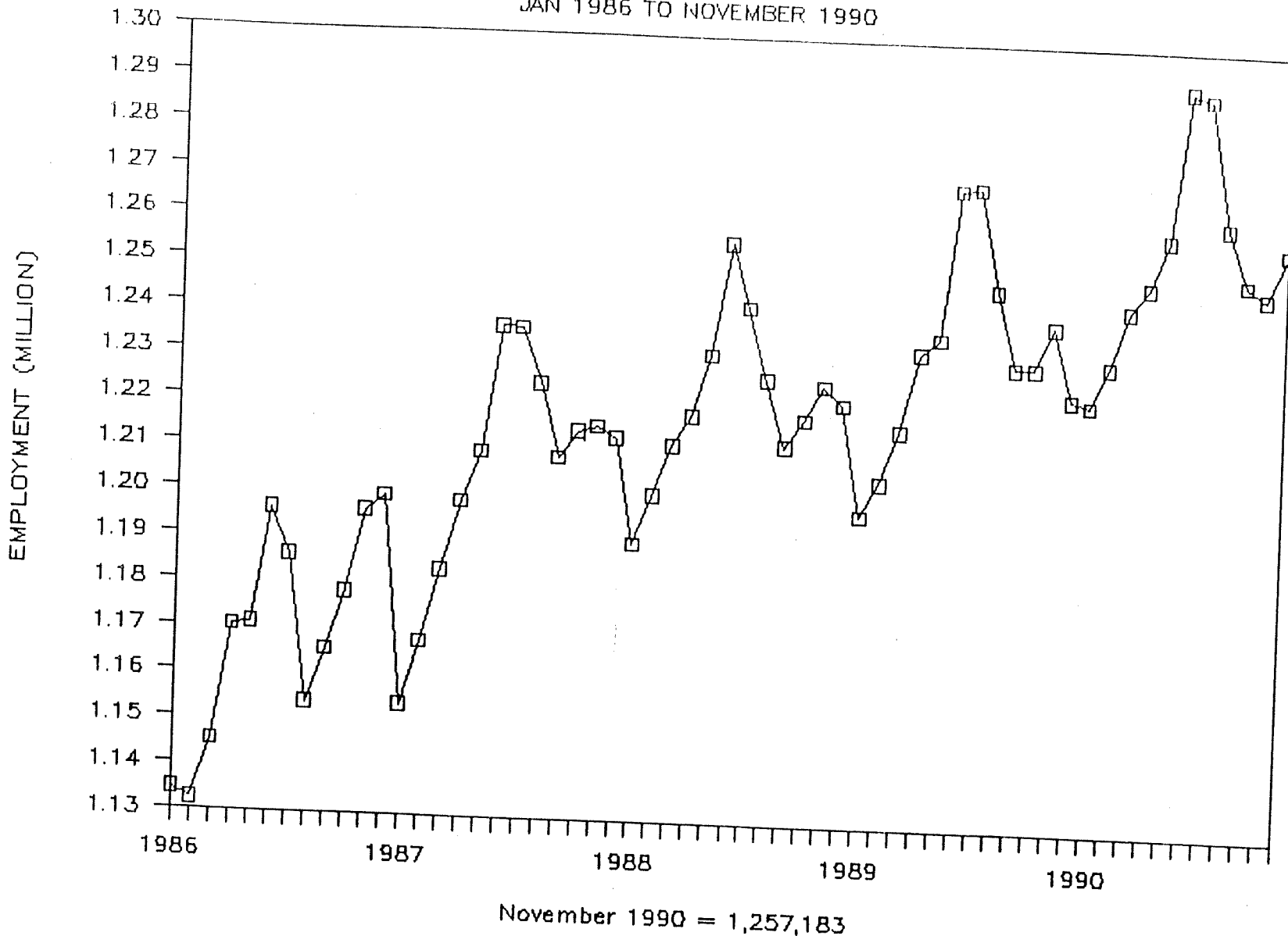
Strategic Linkages:

These seven strategic elements form an organizational framework from which policy options, program initiatives and economic priorities can be more readily identified and understood. For a strategic economic development plan to achieve its purpose, an easily identifiable relationship between the elements of success and the means of achievement must exist. The graph below is the first level of this chain to success.

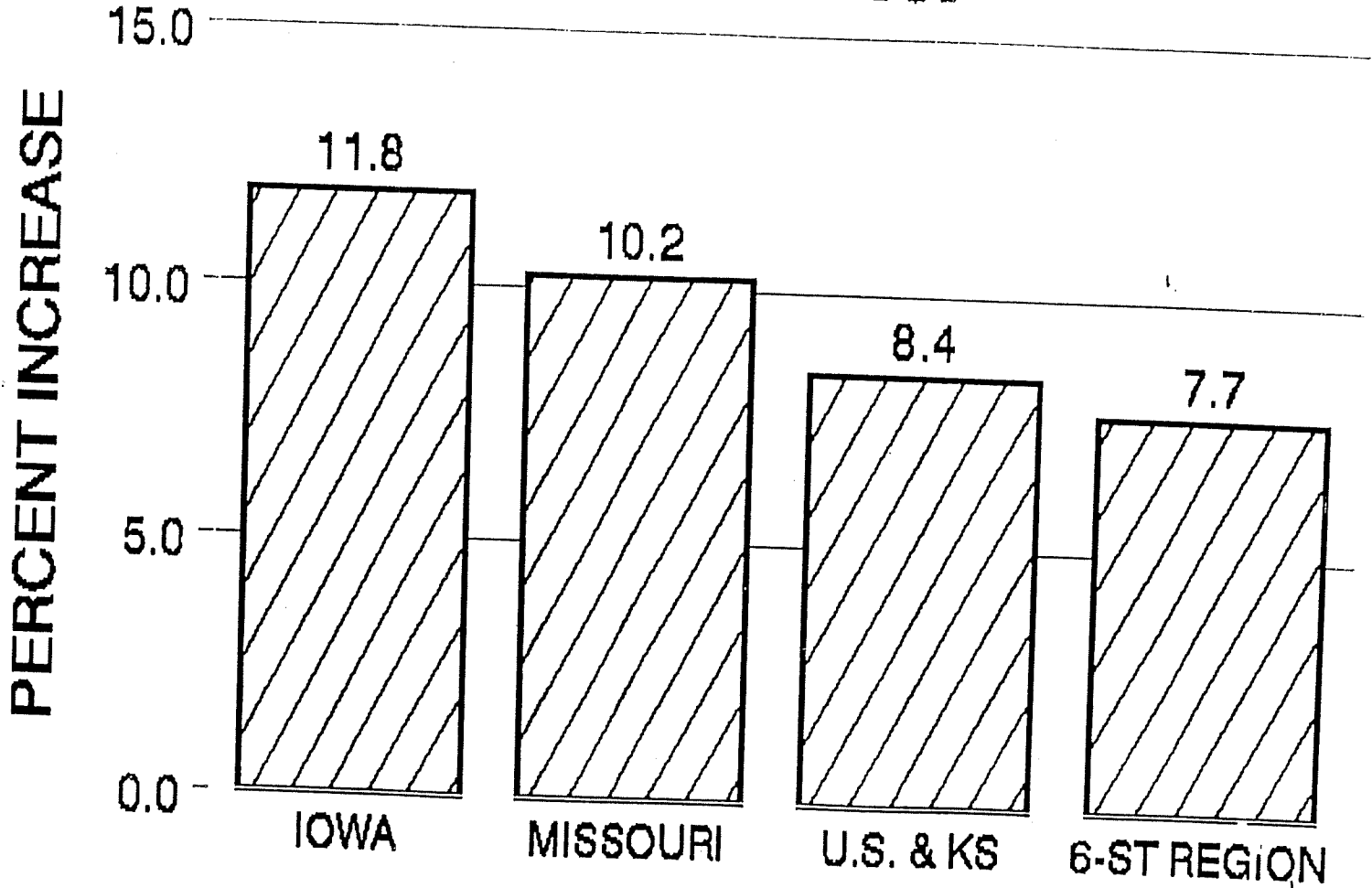


MONTHLY KANSAS EMPLOYMENT

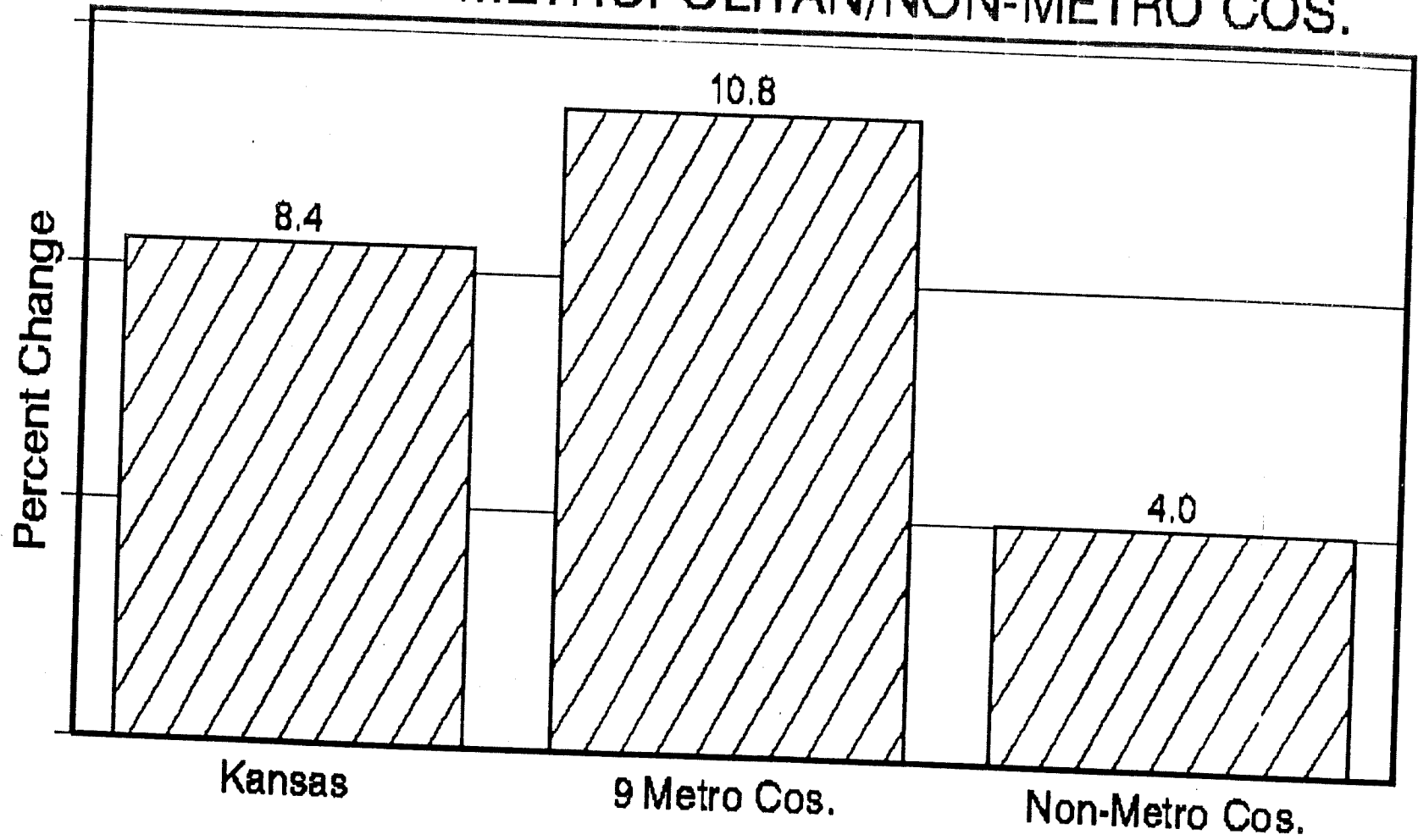
JAN 1986 TO NOVEMBER 1990



PERCENT INCREASE IN WAGE/SALARY EMPLOY. 1986 TO 1989

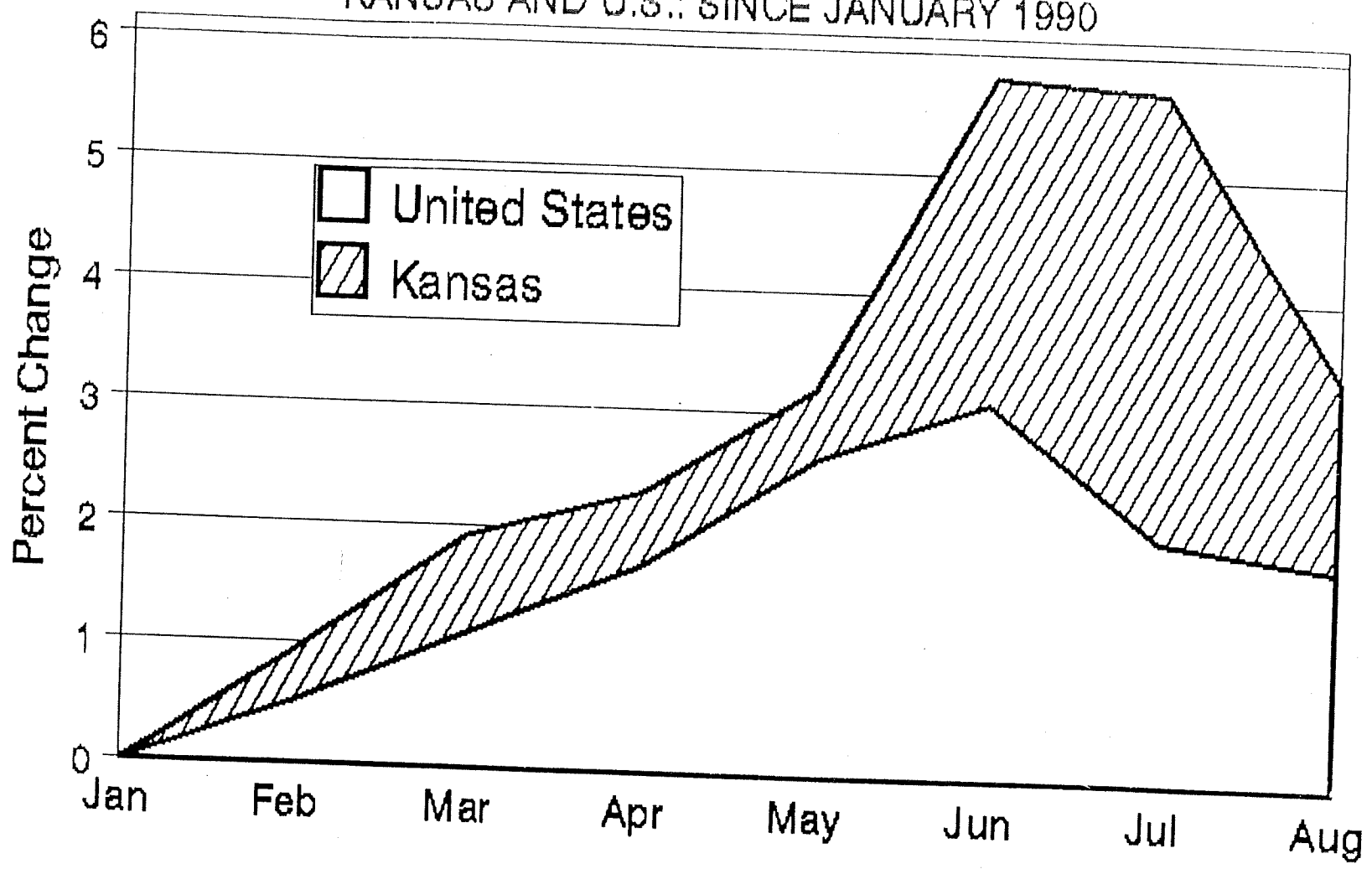


1986-89: PERCENT CHG WAGE/SALARY EMPLOY KANSAS AND METROPOLITAN/NON-METRO COS.

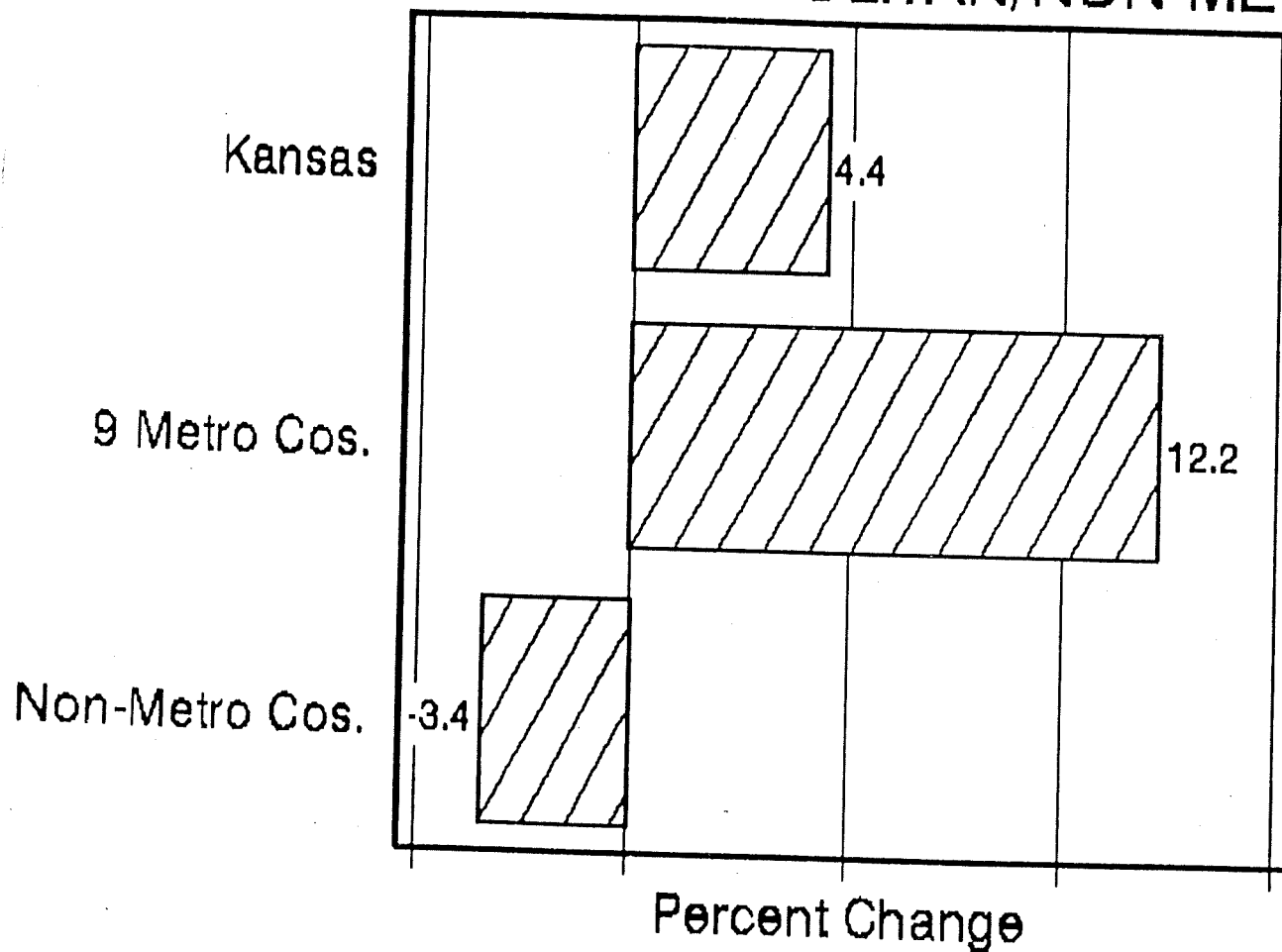


PERCENT CHANGE IN WAGE/SALARY EMPLOYMENT

KANSAS AND U.S.: SINCE JANUARY 1990

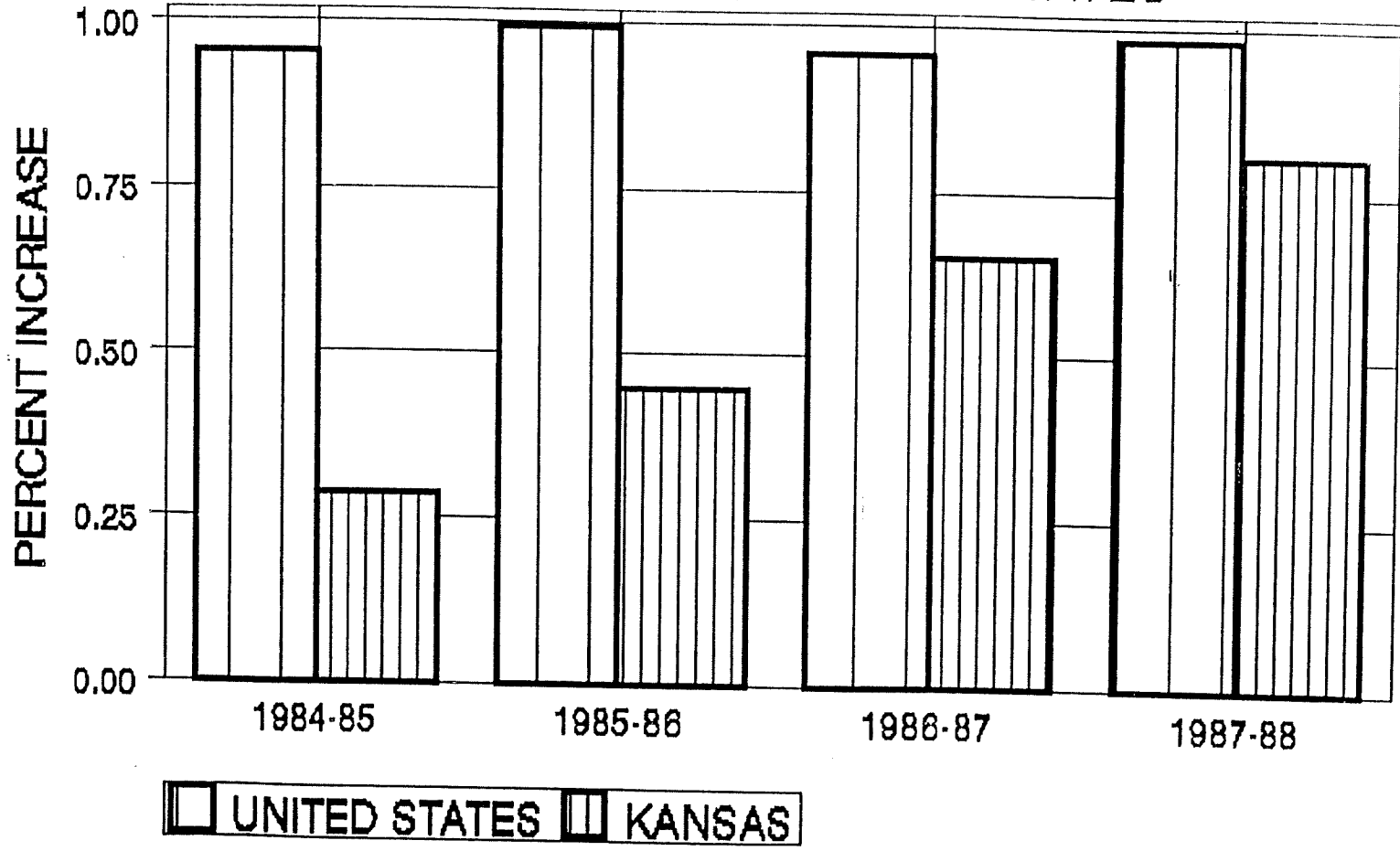


1980-90: PERCENT CHANGE - POPULATION KANSAS AND METROPOLITAN/NON-METRO COS.



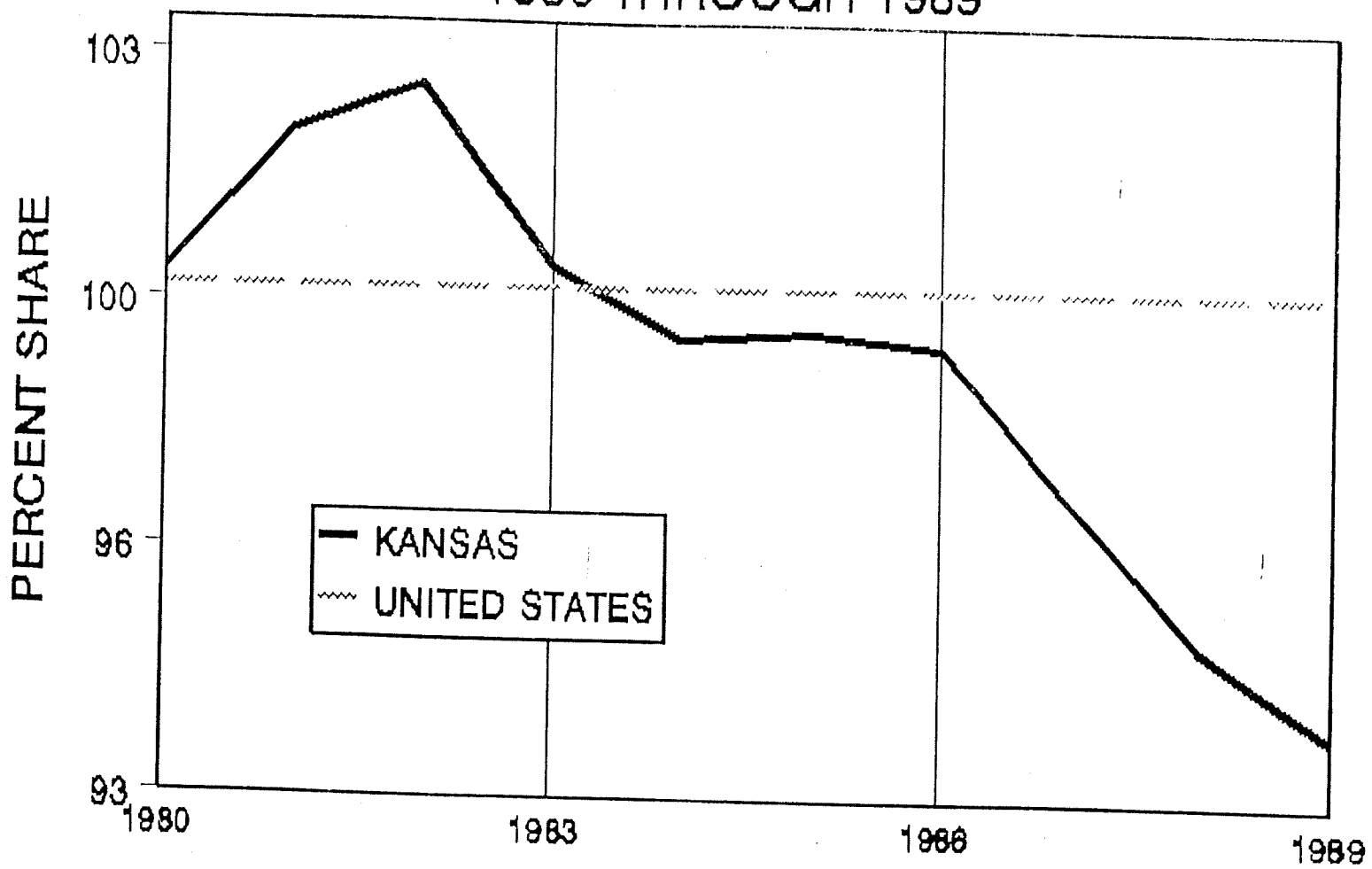
ANNUAL POPULATION INCREASE: 1984-1988

KANSAS AND THE UNITED STATES



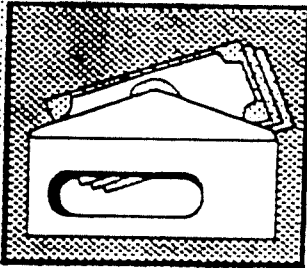
KS PER CAPITA INCOME SHARE OF U.S.

1980 THROUGH 1989



Personal income growth by state

Percent increase from first quarter 1990 to second quarter 1990



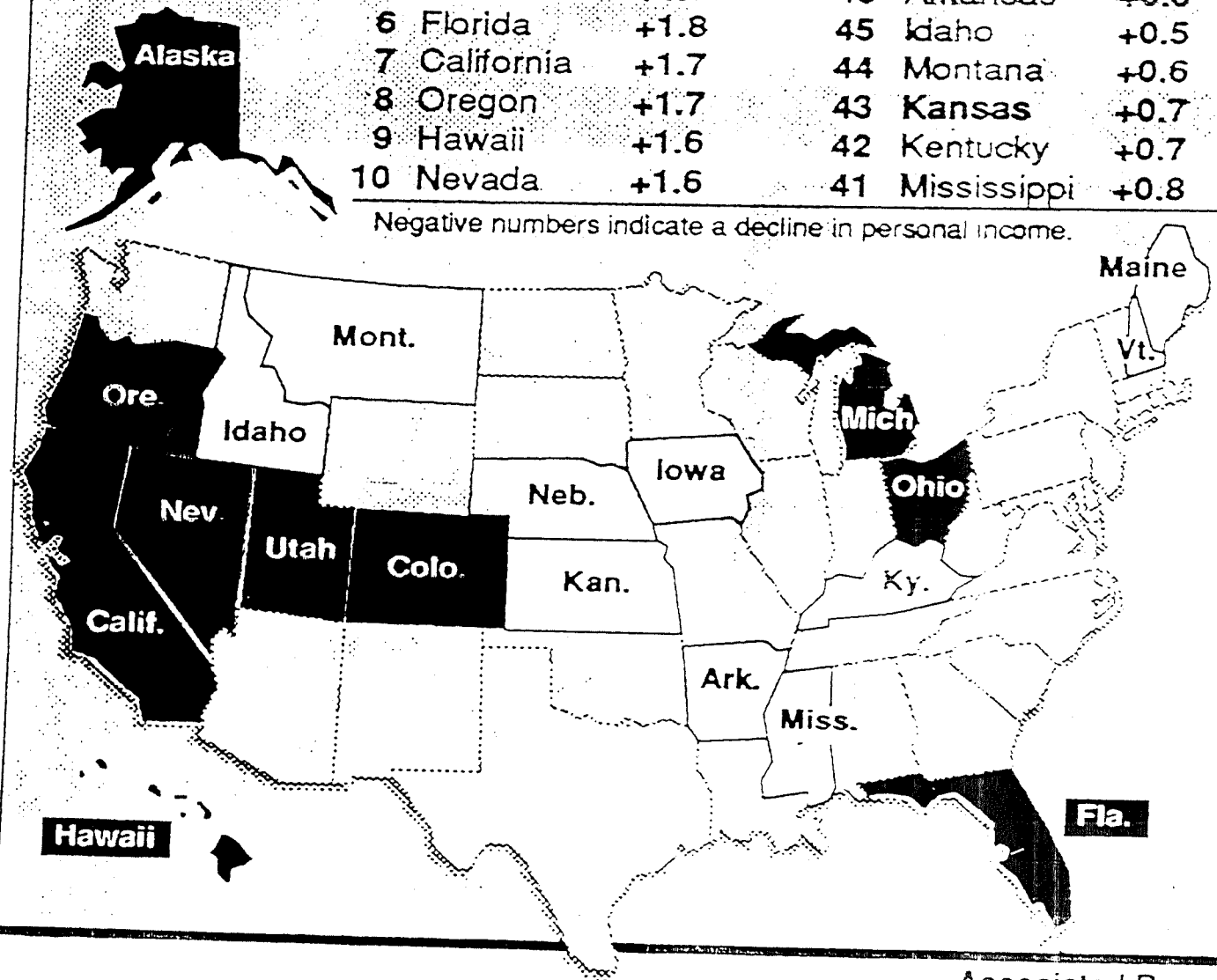
MOST GROWTH

1	Alaska	+2.4%
2	Michigan	+2.2
3	Ohio	+2.2
4	Utah	+2.0
5	Colorado	+1.9
6	Florida	+1.8
7	California	+1.7
8	Oregon	+1.7
9	Hawaii	+1.6
10	Nevada	+1.6

LEAST GROWTH

50	Iowa	-2.3%
49	Nebraska	-0.4
48	Maine	+0.1
47	Vermont	+0.3
46	Arkansas	+0.3
45	Idaho	+0.5
44	Montana	+0.6
43	Kansas	+0.7
42	Kentucky	+0.7
41	Mississippi	+0.8

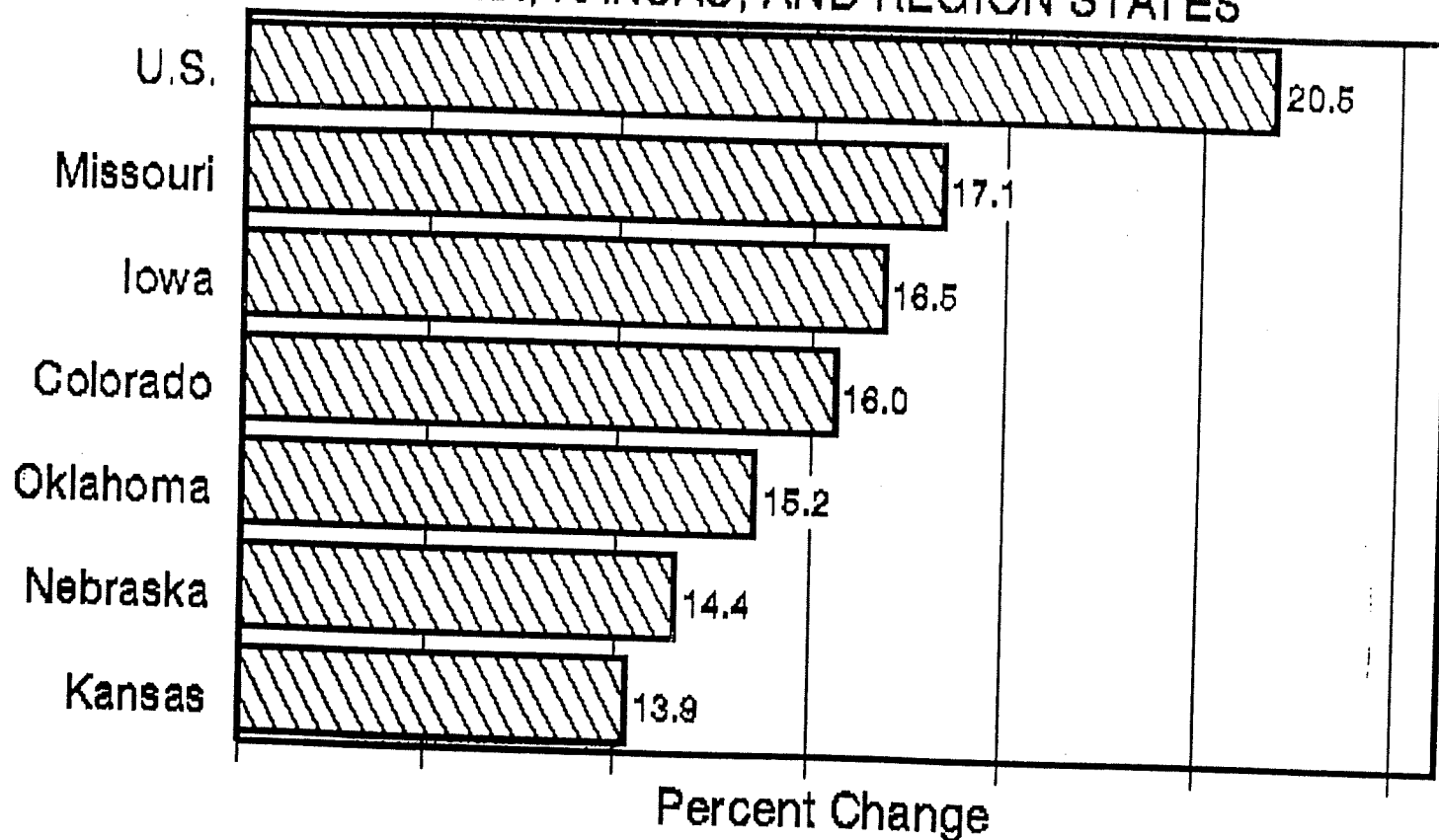
Negative numbers indicate a decline in personal income.



— Associated Press

PERCENT CHANGE: PERCAPITA INCOME 1986-89

U.S., KANSAS, AND REGION STATES



▨ 1986-89 Change

THE KANSAS ECONOMY

STRENGTHS

JOB GROWTH

THROUGH AUGUST, KANSAS 1990 EMPLOYMENT
GROWTH (3.4%) SUPERIOR TO THE U.S. (1.8%)
LOW UNEMPLOYMENT - 4.3% NOVEMBER 1990
5.8% NATIONAL

POPULATION

4.4% INCREASE SINCE 1980 CENSUS
POP. GAIN APPROACHES NATIONAL RATE

REBOUND OF AGRICULTURE AND OIL & GAS
BRIGHT PROSPECTS FOR AVIATION INDUSTRY
CONTINUING GROWTH IN MANUFACTURING EMPLOYMENT
INCREASE IN SERVICES SECTOR EMPLOYMENT
INCREASING GROWTH IN KANSAS EXPORTS
RELATIVELY HIGH EDUCATIONAL ATTAINMENT
INCREASED INVESTMENT IN HIGHWAYS AND WATER PLAN

THE KANSAS ECONOMY

WEAKNESSES

UNFAVORABLE BUSINESS TAX CLIMATE
DECLINE IN PERSONAL INCOME RELATIVE TO U.S.
STRUCTURAL SHIFT TO LOWER PAYING SERVICE JOBS
DECLINE IN KANSAS MANUFACTURING WAGES
HEAVY DEPENDENCE ON DURABLE GOODS MANUFACTURING
LACK OF DIVERSIFICATION IN MANUFACTURING SECTOR
GROWTH IN OVERALL SHARE OF GOVERNMENT EMPLOYMENT
CONTINUING POPULATION AND JOB DECLINE IN RURAL AREAS
LABOR SHORTAGES, ESPECIALLY IN SKILLED/TECHNICAL
AREAS

STRATEGIES TO INCREASE KANSAS ECONOMIC COMPETITIVENESS

- o STATEWIDE TAX REFORM
 - REDUCED RELIANCE ON PROPERTY TAX FINANCING
- o EDUCATION AND WORK FORCE TRAINING
 - INCREASE EDUCATIONAL STANDARDS AND ACCOUNTABILITY
 - PROMOTE QUALITY HIGHER EDUCATION
 - EMPHASIZE VOCATIONAL AND TECHNICAL EDUCATION
 - INCREASE PUBLIC/PRIVATE PARTNERSHIPS IN WORKFORCE TRAINING
- o FOCUS ON QUALITY, PRODUCTIVITY AND TECHNOLOGY GAINS
 - INCREASE COMPETITIVENESS OF EXISTING FIRMS
 - TECHNOLOGY TRANSFER (BUSINESS/UNIVERSITY)
- o INCREASE INTERNATIONAL TRADE AND EXPORTS
- o EMPHASIZE BUSINESS RETENTION AND EXPANSION
 - TAXES, WORKFORCE TRAINING, TECHNOLOGY, EXPORTS
- o CONSERVE RURAL COMMUNITIES

KANSAS ECONOMIC DEVELOPMENT STATE NETWORK

<i>State Policy Guidance</i>	GOVERNOR LEGISLATURE PRIVATE SECTOR		
<i>Strategic Planning/ Policy Development</i>	BOARD OF DIRECTORS KANSAS INC.		
<i>Strategic Plan Implementation</i>	DEPARTMENT OF COMMERCE <i>Trade Development</i> <i>Existing Industry</i> <i>Community Development</i> <i>Industrial Development</i> <i>Travel and Tourism</i>		
<i>Planning and Implementation (Strategic Elements)</i>	Human Capital Board of Regents Board of Education Department of Human Resources Social and Rehabilitation Services AVTS & Community Colleges Regents' Universities	Capital Markets Kansas Development Finance Authority Kansas Venture Capital, Inc. Certified Development Companies	Infrastructure Department of Health and Environment Kansas Conservation Commission Department of Wildlife and Parks Department of Transportation
	Technology Kansas Technology Enterprise Corporation	Entrepreneurial Environment Small Business Development Centers Board of Agriculture (Marketing)	Quality of Life Kansas Arts Commission Committee for the Humanities Kansas Historical Society State Library

KANSAS DEPARTMENT OF COMMERCE

Secretary of Commerce

Deputy Secretary

Administration

Major Activities:

Public Information Office
Policy Analysis and Research
Data Management Unit
Strategic Planning Grants

Trade Development

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

Major Activities:
Export Finance
Trade Fair Assistance
Trade, Marketing, and Promotions

Existing Industry Development

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

Major Activities:
Venture/Seed Capital Programs
First Stop Clearinghouse
Support of Small Business Development Centers and Certified Development Companies
Minority Business Affairs
Regional Field Offices

Community Development

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

Major Activities:
Rural Assistance Center
Kansas Partnership Fund
Community Development Block Grants
PRIDE Program
Main Street Program
Enterprise Zone Program
Rental Rehabilitation

Industrial Development

Mission: To identify, pursue, and locate new out-of-state industrial facilities to Kansas which will add jobs and capital investment to the economic base of the state and its communities.

Major Activities:
Domestic/International Marketing
Kansas Cavalry
Kansas Industrial Training and Retraining Programs

Travel and Tourism Development

Mission: To increase the number of visitors to Kansas by promoting the state as a travel opportunity to both Kansas and non-Kansans, and to attract film and video production to the state.

Major Activities:
General Promotion
Kansa Film Commission
Visitor Information Centers
KANSAS! Magazine

KTEC Board of Directors

President
(Staff)

Investment

Seed capital monies to start-up or early stage companies which have an advanced technology base. KTEC seeks quality, high return potential investments in companies whose technology has a broad market appeal and a management team which is highly motivated, capable and dedicated to the creation of a successful business.

Major Programs:
Ad Astra Fund, L.P.

Centers of Excellence

University-based research centers that seek to advance basic and applied knowledge in science and technology and develop and transfer new technologies to Kansas businesses for commercial development. Each center has a research focus that builds on the strengths in which the institution has achieved, or has true promise of achieving, international recognition of excellence.

Major Programs:
Center of Excellence in Computer-Aided Systems Engineering (KU)
Center for Research in Computer-Controlled Automation (KSU)
Center for Technology Transfer (PSU)
Higuchi Biosciences Center (KU)
Institute for Aviation Research (WSU)
Kansas Agricultural Value-Added Center (KSU)

Applied Research

Grant programs designed to assist Kansas businesses and educational institutions in the development of innovative and applied research which will lead to successful commercial implications. These programs also included assistance to academic institutions in developing their capacity to facility the development of a strong technologically-proficient work force.

Major Programs:
Applied Research Matching Grants
Research Equipment Matching Grants
Training Equipment Matching Grants
Small Business Innovation Research (SBIR) Matching Grants

Technology Transfer

Statewide technology network which can disseminate research and technical information; refer clients to faculty researchers and laboratories for testing new products or processes; assist inventors in locating enterprises or entrepreneurs that may have applications for their innovations; and, provide management assistance to small enterprises of special importance to the Kansas economy.

Major Programs:
Kansas Technology Resources Database
Industrial Liaison Offices
Workshops/Seminars
Special Projects -
Kansas Telecommunications Consortium
Intellectual Property Program

Kansas Economic Development Funding

Total State Funding
Actual FY 87 to Governor's FY 92 Recommendations
(in millions)



Kansas Inc.

An Agenda for Achieving Excellence in the Kansas Work Force Training System

In December, 1989, Kansas Inc. released a report of a study by Dr. Charles Krider of the University of Kansas on *Work Force Training: The Challenge for Kansas*. That study has received wide distribution and has led to the development of a comprehensive agenda for strengthening our educational and training system. In March, 1990, Governor Hayden established the Council on Work Force Training to provide a forum for inter-agency coordination and to follow through on the suggestions in the Kansas Inc. report.

Both the Joint Committee on Economic Development and the Legislative Educational Planning Committee have held hearings on work force training during the 1990 Interim Session including a review of the Council's report and the earlier Kansas Inc. report. We are working with both committees in developing an agenda for achieving excellence in the Kansas work force training system.

Charles R. Warren, President
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400 S.W. Eighth Street, Suite 113
Topeka, Kansas 66603-3957
(913) 296-1460

*Eco-Devo
Attachment #3
01-23-91*

The major issues and recommendations on work force training can be categorized into six broad areas:

I. Competency-Based, Basic Workplace Skills:

A. Remedial education programs should be coordinated between the area vocational-technical schools (AVTSs) and community colleges so as to avoid unnecessary duplication.

B. Basic skills assessments of students should be conducted at time of entry and exit at all Kansas AVTSs. Students should also be required to pass a basic skills test prior to receiving their professional certificate.

C. The structure and availability of adult basic skills education is a vital issue to the future economic strength of the State. This topic should receive a very judicious analysis and consideration during the 1991 Interim Session.

II. Technical Preparation:

A. Applied science and mathematic courses, including "Principles of Technology", should be provided at all middle and senior high schools.

III. Program Coordination and Articulation:

A. In response to the increasing importance of well-trained workers, a concerted statewide effort should take place to analyze and consider various philosophical and administrative changes to the State's present education organization; changes which would lead to a system more responsive to student's scholastic and vocational goals and more conducive to economic growth and industrial competitiveness.

B. More "2+2" programs should be initiated at Kansas high schools and community colleges.

C. The Board of Education and the Board of Regents should develop an articulation agreement covering technical programs.

IV. State Support for Work Force Training:

A. Adequate base funding for the State's area vocational-technical schools should be provided.

B. Funding for Kansas Industrial Training and Retraining programs should be increased.

C. Customized Training.

1. A small business customized training program should be developed.
2. Funding for AVTSs and community colleges should include an appropriation, with a local match requirement, for a work force training coordinator.

D. Kansas Inc. should establish a task force with representatives from management, labor and government to explore the use of various sources of funds for work force training and retraining programs.

E. Equipment Funding:

1. Funding for the KTEC Training Equipment Grants program should be increased.
2. Funding for AVTS and community college vocational capital outlay should be increased.

V. Public/Private Program Innovation:

- A. Innovative partnerships between private industry and the public sector should be encouraged.
- B. Funds from the At-Risk Pupils and Innovative Programs Assistance Act should be awarded to innovative public/private programs.

VI. Educational Governance:

- A. Introduce a constitutional amendment which would provide a separate board responsible for the State's AVTSs and community colleges.
- B. The elimination of duplicate programs between AVTSs and community colleges should be seriously examined and the Board of Education should consider merging AVTSs and community colleges where appropriate.

I. Competency-Based, Basic Workplace Skills:

Basic workplace skills - including not only reading, writing and arithmetic but goal setting and teamwork as well - are becoming more important to the competitiveness of our workers and, subsequently, to the growth of the Kansas business community and the economy. Private industry is being forced to increase these basic skills to respond to customer demands and competitor challenges.

A. Remedial education programs should be coordinated between the AVTSs and community colleges so as to avoid unnecessary duplication.

Many AVTSs and community colleges provide remedial education to their students as an integral part of the degree and certificate programs. Where an AVTS and community college are located near one another, coordination of these programs should be considered as a means to increase the efficiency of a student's basic skills remediation program.

B. Basic skills assessments of students should be conducted at time of entry and exit at all Kansas AVTSs. Students should also be required to pass a basic skills test prior to receiving their professional certificate.

Of the sixteen AVTSs, basic skills assessments are conducted at entry by 15 schools and at exit by five schools. These tests are designed to provide both the teacher and the student direction on what skills must be improved. Furthermore, because of the growing importance of basic skills in today's work place, Kansas' AVTS students should be required to pass a basic skills competency examination prior to receiving their vocational certificate.

C. The structure and availability of adult basic skills education is a vital issue to the future economic strength of the State. This topic should receive a very judicious analysis and consideration during the 1991 Interim Session.

With approximately 75% of the year 2000 workers already in the work force today, serious issues are confronting both the private and public sectors on how to guarantee the competitiveness of the State's worker and the future of Kansas' economy. With the majority of workers' formal schooling behind them, employers must consider methods of increasing the basic academic and functional skills of their employees.

A study being conducted for Kansas Inc. by Dr. Charles Krider of the University of Kansas is examining the effectiveness and availability of the adult basic skills education system in Kansas. This study should receive careful attention during the 1991 Interim Session.

II. Technical Preparation:

In the United States, approximately 30% of young adults are enrolled in vocational-technical curriculum; this is in comparison to enrollments of 50% and 70% in Sweden and Germany, respectively. This low enrollment forebodes a continuing competitive disadvantage in that a great percentage of new jobs will require formal technical education beyond the high school level. For the United States and Kansas to compete on a worldwide scale, students must be provided comprehensive and challenging technical preparation.

A. Applied science and mathematic courses, including “Principles of Technology”, should be provided at all middle and senior high schools.

Since the early 1980s, the State Department of Education, in cooperation with several national organizations, has developed several technical preparation courses for both middle and senior high schools. The first of these programs, “Principles of Technology”, is being taught in 47 school districts. Several companion courses, including applied communications and applied biology and chemistry, have subsequently been introduced in various districts throughout the state. Because of the growing importance of technical education, these courses should be offered on a statewide basis.

III. Program Coordination and Articulation:

For individuals who attain a four-year college degree, a group which comprises approximately 17% of the State’s adult population, the path through formal education is relatively clear. Non-college bound individuals, on the other hand, have a far less coherent system through which to progress. The development of a structured vocational education system is fundamental to the improved opportunities for these students. The MIT Commission on Industrial Productivity wrote in a recent report that, “The transition from school to work in the United States is chaotic, unstructured and quite idiosyncratic... [and] the lack of structured transition means that those who find employment tend to be less well prepared in their specific field and also in general skills than their European counterparts.”

A. In response to the increasing importance of well-trained workers, a concerted statewide effort should take place to analyze and consider various philosophical and administrative changes to the State’s present education organization; changes which would lead to a system more responsive to student’s scholastic and vocational goals and more conducive to economic growth and industrial competitiveness.

During the decade of the 1980s, several states have made significant strides in creating an educational environment which addresses the many new global economic challenges facing the United States today. The economic dominance the United States enjoyed since World War II has been diluted by the increasing competitiveness of Germany, Japan and the newly industrialized nations of Asia. This change in the economic hierarchy has been greatly influenced by the long-term financial investments and the sophisticated educational organizations these nations have created and maintained on behalf of their non-college bound youth.

B. More “2+2” programs should be initiated at Kansas high schools and community colleges.

The “2+2” programs provide high schools and community colleges a coordinated structure for the advancement of students in vocational and technical programs. Students are provided the general basic skills education and introduction to technical principles during their junior and senior years in high school. These two years in community college are then used for instruction in specific vocational skills and aptitudes leading to an applied associate degree.

These programs, which are now formally supported by the federal government, provide the non-college bound student the opportunity to acquire skills which can help ensure him or her a far more prosperous future; the alternative would be low-paying, unrewarding employment. These programs also develop a pool of technically trained workers; an essential factor for the State’s businesses to introduce more effective work organizations and the associated technological developments which will enable them to compete nationally and internationally.

C. The Board of Education and the Board of Regents should develop an articulation agreement covering technical programs.

The present articulation agreement between the Board of Education and the Board of Regents, states that “transfer students accepted for admission at Kansas Regents universities with the Associate of Arts or Associate of Science degree will automatically be given junior standing...” Students who have attained an applied associate degree “are considered outside this agreement.” Individuals involved in technical education should be allowed to advance through all levels of post-secondary education with the same consideration as students involved in academic programs.

IV. State Support for Work Force Training:

The Kansas economic development strategy emphasizes the importance of long-term investments over short-term incentives. This policy direction has required the involvement of the Legislature, the Governor and the private sector in developing program objectives and strategic vision. Likely the most important long-term goal of both the private and public sectors is the assurance of economic growth and prosperity for all Kansans; a goal which can only be realized through high worker skills and increasingly competitive businesses. Support from the State for work force training programs should be increased.

A. Adequate base funding for the State's area vocational-technical schools should be provided.

The operating budgets approved for the individual area vocational-technical schools need to be increased to provide these institutions the flexibility and ability to respond to the training needs of private businesses in their communities.

According to the Department of Education, the approved operating budget for AVTSs in FY 1990 was \$36.6 million of which \$7.7 million is categorical aid, \$13.9 million is post-secondary aid, \$1 million is capital outlay and \$14 million is local school district aid. This budget fell below the actual operating expenditures experienced by these schools by approximately \$2.6 million. For those schools that must exceed their State Board of Education approved budget, they must seek funds from their local school board. While some of the excess expenditures is due to secondary students, the majority is the result of increased post-secondary instruction. Because AVTSs cannot request supplemental funding from the Department, the individual AVTSs must request money from the local school districts which results in the diversion of money allocated for the local K-12 schools.

B. Funding for Kansas Industrial Training and Retraining programs should be increased.

Over the past four years, demands by Kansas businesses for training has increased at a tremendous rate. This increase in demand has been accompanied by an increased need for financial assistance. Many companies do not have the resources to purchase the type of training that is required for their continued growth. The KIT and KIR programs, administered by the Department of Commerce, have been able to assist many businesses in providing their employees training.

As a result of the new federal Carl Perkins act, the Department of Education most likely will not be able to contribute to the KIT and KIR programs as they have in the past. This event, combined with the increased need of assistance, necessitates increased funding of \$3,250,000 in FY 1992.

C. Customized Training.

1. A small business customized training program should be developed.

The Joint Committee on Economic Development proposed the establishment of a two-year customized training pilot program in the Department of Education aimed at improving basic technical skills at businesses with 10 or fewer employees. Kansas Inc. staff supports such a program but on a permanent basis as developed in 1990 S.B. 698. Such a program would provide competitive funds for the State's AVTSs and community colleges for the development of work force training programs. These programs would complement the existing KIT and KIR programs which require a minimum of ten new employees or the introduction of new technologies.

2. Funding for AVTSs and community colleges should include an appropriation, with a local match requirement, for a work force training coordinator.

The Joint Committee on Economic Development supported a policy option of Dr. Charles Krider that recommends funding be provided to individual AVTSs and community colleges for the support of a work force training coordinator. This individual would be responsible for marketing the school's work force training programs to the business community. Department of Education staff have suggested, though, that individual institutions would likely be able to support such a coordinator if sufficient training funds were available from the State.

D. Kansas Inc. should establish a task force with representatives from management, labor and government to explore the use of various sources of funds for work force training and retraining programs.

The Joint Committee on Economic Development proposed that a task force be established to consider funding mechanisms to support work force training and retraining. Mechanisms for discussion could include the use of unemployment insurance funds, an additional surcharge on unemployment insurance or some form of a payroll tax. The committee asked that Kansas Inc. form such a task force.

E. Equipment Funding:

1. Funding for the KTEC Training Equipment Grants program should be increased.

It is recommended that \$250,000 from the EDIF be appropriated for the KTEC training equipment grants program. This program is designed to provide state-of-the-art equipment to the State's AVTSs and community colleges so that the students in these institutions may train on the most advanced equipment.

2. Funding for AVTS and community college vocational capital outlay should be increased.

It is recommended that \$1,000,000 from the EDIF be provided for capital outlay at the State's AVTSs. A consistent appropriation for training equipment is essential for the continued competitiveness of our AVTS and community college graduates.

V. Public/Private Program Innovation:

At the time that A Nation at Risk: The Imperative for Education Reform was published in 1983, the business community had relatively little commitment or involvement in the nation's educational system. This was an issue best left to teachers, administrators, school boards and legislators. This 1983 report, though, provided a shock to the leaders of business; a realization that the future growth and prosperity of the nation's economy rested squarely on the efficiency of the nation's educational system.

Both the public and private sectors must work with one another to ensure the continued competitiveness of the State's work force. David Kearns, CEO of Xerox Corporation, state that, "Business needs to be involved, not for some social reason, but for hard economic reasons."

A. Innovative partnerships between private industry and the public sector should be encouraged.

The WI/SE Partnership for Growth, a consortium of individuals and organizations from private industry, government, and education in Wichita, has been involved for many years in the development of programs designed to increase economic growth in the Wichita/Sedgwick County area. The organization's BEST program is designed to coordinate the efforts of the business and education communities in developing a cohesive work force training environment. Such partnerships should be encouraged in communities of all sizes throughout Kansas.

B. Funds from the At-Risk Pupils and Innovative Programs Assistance Act should be awarded to innovative public/private programs.

Programs have been developed throughout the State which institute opportunities for students, teachers and businesses to work with one another in easing the transition from school to work. One such program is taking place in Hesston U.S.D. 460. This program is set up to resemble actual manufacturing production and managerial facilities including production, research and design, and cost accounting. The "company" environment will be accompanied by instruction in manufacturing practices and theory. For FY 1991, \$1,000,000 was appropriated to this program from the

EDIF and the Department of Education is requesting this same allocation for FY 1992. With the use of EDIF funds for this program, it seems appropriate to direct a portion of its funds to innovative business/education partnerships. Approximately one-third of the total money appropriated to the At-Risk Pupil and Innovative Programs Assistance Act in the Department of Education (\$2,424,625 for FY 1991) should be awarded to such programs.

VI. Educational Governance:

The system of educational governance in the United States is significantly different than any other country in the world. In the United States, local school boards have the majority of control over financing, administration and classroom content while both in Europe and in Japan, educational control is more centralized in the federal government. While our decentralized system provides more opportunities for innovation and flexibility, changes which are required on a system-wide basis are far more difficult to implement. Possible changes in the system of educational governance in Kansas, though historically a delicate issue, should be considered.

A. Introduce a constitutional amendment which would provide a separate board responsible for the State's AVTSs and community colleges.

The Joint Committee on Economic Development recommended that a separate board, as is the practice in many states, should be established which would be solely responsible for the activities of the community colleges and AVTSs. Under the present system, the goals and objectives of the vocational-technical institutions must compete with the increasingly important issues of K-12 education.

If the vocational-technical institutions had their own state board, many policy and administrative changes that should take place on a statewide basis would receive more thorough attention. The missions of these institutions and those of the K-12 system are becoming increasingly divergent making such independent boards necessary.

B. The elimination of duplicate programs between AVTSs and community colleges should be seriously examined and the Board of Education should consider merging AVTSs and community colleges were appropriate.

The Joint Committee on Economic Development suggested that vocational-technical programs provided at AVTSs and community colleges should be examined and the elimination of any unnecessary duplication be considered. They further stated that in geographical areas where both an AVTS and community college are located, that the state and local boards of education consider merging the institutions as has been accomplished in Pratt, Arkansas City and Dodge City.

In addition to those three communities where mergers have occurred, separate community colleges and AVTSs operate in Liberal, Coffeyville, Johnson County and Kansas City.

Economic efforts in Kansas 'unique'

By NANCY TOMPKINS
The Capital-Journal

Kansas holds an edge over other states in its economic development efforts, but needs more communication from communities and the private sector to help create better-paying jobs, a panel of evaluators said Friday.

A panel of six economic development experts from across the country took a hard look at Kansas' efforts since 1986 and its strategy and approach, said panelist Doug Ross, president of the Corporation for Enterprise Development, Washington, D.C.

The evaluators deemed Kansas "unique" among many states in that it "understands its economic needs and acts upon them," Ross said.

As evidence, he cited the state's formation of Kansas Inc. "where the governor, Legislature and private sector come together and figure out the needs of the state and the strategy for addressing them."

Kansas Inc. is the state's public-private partnership that develops economic development policy and strategic planning.

"That has given Kansas a real advantage, and we urge you to maintain that structure," Ross said.

Ross said Kansas' economic strategy appears to be expanding.

"The part that remained was to try to make sure there is a job for every Kansan," he said. "What we see being added to your goals was a second goal of trying to make sure those are better-paying jobs."

That requires more skilled people and higher performance companies, he said.

"To create better-paying jobs effectively, the state will have to go much further than it has in involving both the private sector and the regions of the state — the communities by region," he said.

"The next emphasis is to have communities come together in regional clusters," said evaluator James Kenworthy, Ann Arbor, Mich., manager of research and technology programs with the Michigan Strategic Fund. "They need to take more of a hands-on ownership of regional economic development plans, which includes the key industries in those communities."

Involving the people affected by the local economy is more effective than "sitting in Topeka or listening to outside experts who are telling you about what's working someplace else," he said.

Ross said while Kansas ranked high among the states, the United States isn't "stacking up very well against European and Asian competition in their approach to economic development."