

Approved January 23, 1992
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m./~~xxx~~ on January 22, 19⁹² in room 123-S of the Capitol.

All members were present except:

Senator Jerry Moran

Committee staff present:

Lynne Holt, Legislative Research Department
Bill Edds, Revisor of Statutes' Office
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Jerry Longren, representing Kansas, Inc.
Chuck Krider, Institute for Public Policy and Business Research, University
of Kansas
Norm Clifford, Institute for Public Policy and Business Research, University
of Kansas
Laura Nicholl, Secretary, Department of Commerce

Senator Dave Kerr, Chairman, called the meeting to order.

Jerry Longren presented the "Kansas Department of Commerce: An Evaluation of Programs" (Attachment 1) report conducted by Kansas, Inc. and the Institute for Public Policy and Business Research (IPPBR). He described the evaluation procedure and advised that no major modifications are recommended at this time. Mr. Longren discussed the following policy options: 1) establishment of an on-going performance monitoring and tracking system; 2) integration of research and an analytic capacity into activities of the Kansas Department of Commerce; 3) shifting or expansion of some department program activities; 4) development of formalized, division-level strategic plans; 5) focusing on a facilitation and resource-brokering role and 6) ensuring adequate funding for the agency's activities. Mr. Longren noted that Charles Warren (President of Kansas, Inc.) would like the Committee to know that he feels the Department of Commerce is making significant progress in implementation of the recommendations identified in the report.

Chuck Krider reviewed evaluations done by the IPPBR of the Travel and Tourism, Trade Development and Kansas Industrial Training/Retraining programs. Dr. Krider explained that survey data on the Division of Travel and Tourism was collected from secondary information and interviews. He reviewed the areas in the division which need attention: 1) changing marketing plans, 2) inadequate baseline data, 3) target markets not well defined, 4) lack of coherent positioning for the state, 5) lack of specific goals and 6) budgetary constraints.

Chairman Kerr asked Dr. Krider if it can be assumed that, because of the inadequate baseline data, there is a good chance that existing resources are being wasted. Dr. Krider answered that is true and said he would get further information on the cost of developing baseline statistics.

Senator Feleciano (a member of the eight member evaluation committee) noted that the agency was instrumental in developing the weaknesses highlighted in the report.

Dr. Krider described the methodology used to evaluate the Trade Development Division and noted some recommendations include development of a strategy for identifying potential clients, a systematic process to market the division to new clients and setting goals and measuring performance. He noted that the services of the division are highly regarded but not well known.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,
room 123-S, Statehouse, at 8:00 a.m./~~a.m.~~^{XX} on January 22, 1992

Because the agency itself does an annual mail survey, case studies provided the basis for evaluation of the Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) programs. The survey indicated that 33% of the firms surveyed which located in Kansas would have gone elsewhere without the KIT program and 25% of the firms would not have expanded without KIR funds. It was reported that a significant proportion of employees would have been dismissed without the KIR program. Dr. Krider also mentioned the enhanced human capital of the state resulting from the two programs. He said, in summary, that the programs are working well and should not be changed.

Norm Clifford discussed the evaluation of the Industrial Development Division which was based on interviews with staff, internal records, surveys of firms and community development professionals. He mentioned the overall findings: 1) the division should establish and maintain a system of tracking suspects and prospects, 2) a systematic method of follow-up should be implemented, 3) difficulties in collecting and interpreting performance data will continue to exist, 4) resource constraints affect the division, and 5) uncertainty concerning the state's tax and economic development policies hinders community recruitment efforts.

In response to Chairman Kerr's question concerning the agency's greatest need, both Dr. Krider and Dr. Clifford answered that an improved measuring and management information system is critical.

Laura Nicholl provided a written "Response to Preliminary Draft Reports of the Kansas, Inc., Evaluation" (Attachment 2). She said that her agency takes the evaluation very seriously and will develop a detailed response for each division along with a strategic plan for the agency.

The Committee was also provided with a letter from Thomas Hull, Small Business Development Centers (Attachment 3).

Senator Winter moved that the minutes of the January 16, 1992 meeting be approved. Senator McClure seconded the motion, and the motion carried.

The meeting adjourned at 9:00. The next meeting of the Committee will be Thursday, January 23, 1992.

**KANSAS DEPARTMENT OF COMMERCE:
AN EVALUATION OF PROGRAMS**

DRAFT

prepared by

**INSTITUTE FOR PUBLIC POLICY AND BUSINESS RESEARCH
THE UNIVERSITY OF KANSAS**

January 1992

Attachment 1
1/22/92
Sen. Eco. Dev.

DRAFT

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1 | Overview

Kansas Inc. and the Institute for Public Policy and Business Research (IPPBR) at the University of Kansas conducted an evaluation of programs within the Kansas Department of Commerce (KDOC). This report is an executive summary of the full reports prepared by Kansas Inc. and IPPBR. The purpose of this evaluation has been to examine the effectiveness of KDOC and its programs in enhancing the overall economic development of the State of Kansas.

Kansas began its comprehensive economic development activities in the mid 1980s. In 1985, the Kansas Legislature authorized funding, matched by the private sector, for a study to analyze the Kansas business climate and develop a state economic development strategy. This study, undertaken by IPPBR, was responsible for formulating subsequent policy recommendations and served as the foundation for a comprehensive state economic development strategy. The primary focus of this strategy has been to foster business development and growth within the state through a framework relying upon targeted, balanced state initiatives.

The cornerstone of this approach has been an equal or balanced emphasis in two areas. The first area—business development—stressed balance in terms of encouraging the: a) creation of start-up businesses; b) retention and expansion of existing businesses; and c) attraction of new business. In other words, the strategy sought to increase economic growth by building upon the state's eco-

omic base and its strengths, rather than focusing solely on bringing new firms into the state.

Second, the strategy categorized balanced state economic development efforts across seven areas, or foundations, of economic development: human capital, financial capital, commitment/capacity capital, infrastructure capital, business environment, technology/innovation capital, and quality of life. The purpose of this was to enhance the state's strengths—while mitigating its weaknesses—within each of these foundations, creating a climate within the state which nurtures business development.

To support and carry out the state's economic development strategy, the Legislature created the following organizational arrangements:

1. *Standing Legislative Committees*—given responsibility for on-going oversight and monitoring of the strategy and implementation of legislation.

2. *Kansas Department of Commerce*—given the task of designing and implementing programs, as well as coordinating economic development efforts within the state. The role of the Department, then, is to serve as the "lead agency" or facilitator for economic development agencies in Kansas, coordinating its efforts with those of other state agencies, local groups and entities, and federal agencies.

3. *Kansas Inc.*—charged with the duty to conduct economic development strategic analysis

and policy formulation, research and evaluation, and strategic oversight regarding implementation. A critical component of this institution was the direct involvement of private and public entities, working together in partnership.

4. *Kansas Technology Enterprise Corporation (KTEC)*—entrusted with the design and implementation of economic development programs which would foster innovation in existing industry and new technology-oriented start-ups. KTEC is also a public/private partnership similar to Kansas Inc.

As mentioned earlier, Kansas Inc., by legislative mandate, is assigned the duty of evaluating the state's investment in economic development activities. Kansas Inc. has begun this task and will complete it over the next three fiscal years. The evaluation presented in this report focuses on KDOC, describing the effectiveness and efficiency of the Department in implementing its programs and activities. An Economic Development Evaluation Committee has been created to assist Kansas Inc. with this process, and members of the committee include representatives from Kansas Inc.'s Board of Directors and members of the Kansas Legislature.

Summary of Findings

Given the goals and directions outlined by the Kansas Inc. economic development strategy, KDOC's existing programs and organization structure, with a few exceptions, meets Kansas' needs. In other words, the results show the programs put in place are working. KDOC's current structure of five divisions is appropriate. No major modifications or extensive reworking of programs are recommended at this time.

As a result of the research conducted in conjunction with the evaluation, recommendations are made for each Division and/or program area. However, there are several findings which cut across distinct activities or program areas. For example, the results of the evaluations demonstrate that the Department's most significant shortcoming is the lack of a formal information system

designed to track both the performance and impact of KDOC programs. There are six other recommendations which apply to the Department. They suggest KDOC:

1. improve and expand its data collection capacity;
2. develop a stronger in-house analytical capacity;
3. implement suggested organizational structure changes;
4. initiate a process resulting in all KDOC divisions having a formalized strategic plan in place;
5. strengthen its liaison and referral role; and
6. work with Executive and Legislative members to secure adequate funding to implement recommendations and maintain Kansas' competitiveness.

Report Outline

The first section of this report presents policy options which are derived from the evaluations conducted by Kansas Inc. and IPPBR, including Division-specific and Department-wide policy options.

In the following sections, summaries of IPPBR evaluations of KDOC Divisions/programs are presented. Each section provides an overview of the KDOC activity. Then, the methodology used to study and evaluate the activity is described. Finally, the key findings regarding the particular activity are presented. The Divisions included in this analysis were: Travel and Tourism (General Promotion), Industrial Development, Trade Development, and Kansas Industrial Training/Retraining.

The concluding section of this report focuses on Kansas Inc.'s evaluation of KDOC programs within the Travel and Tourism, Existing Industry, International Trade, and Community Development. □

Overview

2 | Policy Options for Consideration

This section outlines several policy options which have been drafted by Kansas Inc. and IPPBR for consideration by the Kansas Legislature, the Board of Directors of Kansas Inc., the Kansas Department of Commerce (KDOC), and individual divisions within KDOC. These policy options are based upon the research, surveys, and interviews conducted in conjunction with our evaluations of KDOC program areas.

While the research undertaken for this evaluation focused on individual program areas within KDOC, examining the success and effectiveness of distinct activities, the outcome of this report moves beyond the analysis of individual programs to a broad-based assessment of the Department. Overall, it is clear that given the goals and directions outlined in the Kansas Strategy for Economic Development, KDOC's current programs and organizational structure are appropriate in meeting the state's needs, with a few exceptions. No major modifications or extensive reworking of programs are recommended or advisable at this time.

It is important for KDOC to recognize its role as the state's facilitator for economic development. In order to successfully fulfill its role, the Department must remain fluid and dynamic, responding to the needs of the state's business base. In fact, the competitiveness of Kansas businesses depends on being flexible and adaptable to outside influences. The Department must emulate its customers in order to successfully meet their needs.

To this end, KDOC staff must alter past efforts and evolve into becoming knowledgeable

and familiar with all economic development efforts within and outside of their internal environment. The Department cannot afford to tie individual staff members to a distinct program area or division. Instead, KDOC must strive for internal and external coordination based on an "entrepreneurial spirit" which fosters a climate of growth and development for Kansas businesses. Staff must be able to readily identify program opportunities. Kansas Inc. and IPPBR interviews with KDOC staff and its clients reveal that the Department has a level of professionalism and commitment that suggests these challenges will be met.

Policy options in this section first address Department-level recommendations. These common policy options are based on the findings of Kansas Inc. and IPPBR evaluations. Policy options are then offered by individual program area, based on IPPBR research. A final section presents policy options derived from Kansas Inc. program evaluations. In some cases, the Department has begun to implement changes similar to our policy options. We have included these options to show support for those changes which are underway and encourage their continuance.

COMMON POLICY OPTIONS

1. **Establish an on-going performance monitoring and tracking system.**

Rationale: The Department and its divisions currently do not maintain performance and impact

data in a systematic manner. Data, when available, may not be adequate for analysis. Additionally, data collection and maintenance currently varies from program-to-program, changing with staff or management.

It is critical for KDOC to create a system that is user-friendly and easy to maintain. Information should be up-to-date, accurate, and helpful in monitoring program performance. The system should be accessible to all Divisions and Departmental administrators. One benefit of a broad tracking system will be better coordination of internal activities. For example, when contacted by a firm, staff could access information about prior involvement with the contact person or firm. Additionally, an information system would increase Departmental efficiency.

These systems are not inexpensive to develop. However, through staff time saving and efficiency, they can offer a very substantial and quick return on investment. The current KDOC computer system appears to be under-utilized and should be able to handle demands placed upon it by the proposed tracking and monitoring system. When choosing a service provider to develop the system, KDOC should choose people with experience in the mechanics and system requirements associated with developing economic development performance tracking systems.

2. Integrate research and an analytic capacity into Department activities.

Rationale: Our evaluation found that KDOC staff do not have access to certain types of information, either for internal uses or in response to public requests. The research capacity of KDOC has shifted over time, becoming more limited and focusing on budget preparation and requests from the Secretary. An enhanced research capacity will provide services beyond responding to intermittent data/analysis requests; certain on-going data collection should occur in KDOC. There are several types of research that KDOC staff should be able to perform:

a. *Current status of the state economy.* KDOC must have the internal capacity to monitor and analyze current economic trends, as tracked through Kansas Department of Human Resources monthly reports, KDOC's existing Bureau of Economic Analysis database, and Kansas Inc./IPPBR strategic planning database. In contrast to the long-run, strategic focus of tracking the economy that is performed by Kansas Inc., with assistance from the state universities, KDOC must have a handle on the pulse of the current economy to assist with its program development and refinement.

b. *Fund creation of new data sources by outside entities.* Working with other entities, such as Kansas Inc. and state universities, KDOC can assist in the development and maintenance of a rich source of existing economic data. For example, Jarvin Emerson's work on firm birth and death has the potential to be a valuable source for monitoring the dynamics of the Kansas economy. The IPPBR strategic planning data, with continued and increased resources, can provide a valuable single-source of data and information. These data bases serve a vital function in targeting scarce resources. Maintenance of them will ensure program expenditures are focused on targeted clients or communities, and the end result of maintaining these data bases will be more a more effective use of state funds. KDOC should assume the role of funding and monitoring databases as well as crafting the databases to meet the Department's informational needs.

c. *Market analysis of programs.* KDOC must begin to understand the needs of Kansas businesses and target "demand driven" programs towards newly established business networks. The Department must expand its capability to identify emerging trends which have an impact on business, develop effective responses to business demands, and monitor use and efficiency of program activities. This work may include client surveys as well as analysis of data trends. By establishing a research function which examines

business needs and demand for potential programs, the Department may create programs with their "customer" in mind and responding appropriately to their needs.

KDOC needs the capability to understand what is happening to industries, the state as a whole, and regions within the state. A staff dedicated to maintaining and tracking the answers to economic development questions is a necessary component in the future of KDOC. As the Department's focus changes to providing "demand driven" services, it must be able to respond in a pro-active problem solving manner rather than in merely offering reactive program services.

3. Shift or expand some Department program areas.

Rationale: In the course of discussions with KDOC staff, local economic development professionals, and legislators, several ideas for shifting programs emerged. No major changes are suggested; however, proposed changes could result in increased efficiency.

Office of Development Finance. Create an office to serve the capital needs of new and existing businesses. The Office would be responsible for: coordination and monitoring of state venture and seed capital activities; funding distribution to Certified Development Companies; and management of the Partnership Loan Fund and the Private Activity Bond Allocation. New program needs may be incorporated as they are identified. This would be a single source of information for staff, local economic development professionals, and the general public to learn about business capital availability. Two professionals with expertise in business finance and a clerical worker would staff the Office.

Regional Field Offices (RFO). Expand the current number of RFOs from four to six and strengthen their role as a broker for KDOC activities. Each RFO would serve as a single point of contact which is knowledgeable about the full scope of available economic development pro-

grams. RFOs have been an important asset to the state and have been able to communicate with businesses and communities, especially small/rural ones. The FY 1992 budget appropriation severely reduce funding for RFOs, subsequently leading to a reduction in the number of offices.

Strengths of the RFOs include providing hands-on awareness of programs, working closely with existing and start-up businesses, serving as a resource for small/rural communities that cannot afford to hire an economic development professional, and altering KDOC about emerging local-level trends and needs. By having someone in the field who is knowledgeable and proficient about economic development, KDOC is establishing a critical asset. As more program activities in the state focus on regional and industry clusters—such as MAMTC, industry liaison, community strategic planning grants, etc.—KDOC can strengthen its brokering role by providing a single point of contact which is knowledgeable of the entire scope of development programs.

Office of Workforce Training. Establish an office which would report regarding workforce training programs. KIT/KIR are currently housed in the Industrial Development Division, and some feel that this placement overemphasizes their role in recruiting businesses. The Office would also add a staff position, allowing the program manager to shift from focusing on paper work to contacting/educating existing businesses about available training programs. The program manager current spends the majority of his time keeping up with requests and paper work on existing programs. By creating the office, KDOC can move from offering training to proactively addressing future business training needs.

Division of Community Development. Integrate program activities into a comprehensive assistance package for communities, rather than distinct or separate functions. In the past, the Division tried to create a sense of having a broad, dynamic set of integrated programs with flexible staff. In reality, however, each program actually had a manager with responsibilities tied to one specific

activity or program area. The Division should move away from staff dedicated to strictly to one program or distinct program activities, focusing instead on offering a package of assistance for communities.

4. Develop formalized, Division-level strategic plans.

Rationale: Individual Divisions with KDOC do not have a formalized strategic approach to their activities. Program decisions are frequently based on past efforts or copying responses from other states. There is no written format to identifying or responding to issues in a proactive manner. This recommendation is straight-forward and requires little elaboration. The state's economic development effort has been directed by a strategic plan since 1986. The ability to refer to that plan and assess ideas for their relevancy to the long-run goal of the State strategy has greatly improved policy debate and discussion.

Individual divisions in KDOC will benefit by having a written document detailing direction and goals. This will help with budget and program planning and evaluating performance and impacts.

The plans should capture the movement of economic development into the areas of targeting and regional/industrial clusters. A well-written plan should be able to convey the importance of this new approach to service delivery and how the new approach is relevant to the State and its future.

5. Focus on a facilitation and resource-broker-ing role.

Rationale: The requirement that state economic development programs shift from less emphasis on program activities to serving more as a facilitator is a trend recognized nationally. This new role would redefine the Department as a "resource broker," instead of being simply a service provider.

The Department and its Divisions need to view their responsibilities differently than they have in the past, turning away from traditional

program specific types of activities. KDOC should assume more of a service or brokering type of role. In response to declining resources and the difficulty in serving businesses on a one-by-one basis, it is necessary for state development agencies to enhance information and referral roles, rather than focusing on a role of "service provider." KDOC will still need program experts and specialists, but these people must be aware of and knowledgeable about the breadth of economic development activities and services.

To be competitive as resources remain static, KDOC must be in a capacity to respond to needs and demands of businesses and communities. A major task of this effort is to build relationships with other providers of economic development type activities. KDOC needs to act as a broker between federal, state, regional, and local agencies, universities, and non-profits. KDOC has the internal capability to accurately direct firms and individuals to the programs that will meet their requirements. This activity would include matching clients with service providers as well as serving to provide a forum for these groups to meet and discuss mutual needs. In this capacity, KDOC serves an important role in identifying and ending unnecessary service duplication.

6. Ensure adequate funding levels for KDOC activity.

Rationale: Recommendations presented in this section by Kansas Inc. and IPPBR will require additional fiscal resources for their implementation. These recommendations are a product of over a year of research and evaluation. By implementing these recommendations, KDOC will witness greater returns and efficiencies.

Each division is currently responsible for a broad array of programs. Kansas Inc. and IPPBR research conclude these divisions are operating at a minimum funding and staff resource level. Even without implementing the changes and enhancements suggested, KDOC and Division-level funding remains constrained. Continuation of this "funding to get by" attitude will result in

curtailing or reducing programs important to the State. Two surveys conducted as part of IPPBR's evaluation show communities and firms, knowledgeable of KDOC programs, feel programs are under-funded and limits the assistance that the State can provide.

A funding increase is necessary to carry out specific recommendations, such as: creation of a tracing and monitoring system; develop an increased analytical capacity through a KDOC research unit; expand RFOs to six from the current four; suggest the need to create an Office of Development Finance; and, one additional position in the Office of Minority Business.

To succeed, economic development in Kansas must be adequately funded to ensure its competitiveness. Past research reveal Kansas makes a smaller per capita commitment to economic development than do other regional states. Of seven states in this region, only Kansas reduced economic development expenditures from 1989 to 1990. With the further reductions in 1991, Kansas funding lags behind neighboring states.

TRAVEL AND TOURISM

IPPBR determined that current information on the promotional effectiveness of the General Promotions programs of the Division is inadequate. Unless specific steps are taken, it will be impossible to measure future effectiveness as well. Below is a summary of those recommendations which should enhance the Division's ability to measure impact of future promotions.

1. Develop a long range—3 to 5 year—strategic marketing plan.

Rationale: The Division has relied on several different marketing plans over the last three years, all of which lack stability or consistency. Promotional planning is a part of marketing planning. Without a marketing plan, promotional planning remains ad hoc. In developing a long-range marketing plan, the Division should consult various

tourism entities throughout the state. The plan should specifically address the following: a) *Target Market*—identify potential tourists in terms of geographical and customer specific characteristics; b) *Message*—choose the most appropriate message(s), depending on the type of tourists being reached or the theme promoted; c) *Media*—choose the most appropriate media, depending on the target market; d) *Scheduling*—determine which messages will run in which markets at what times; e) *Coordination*—coordinate the promotional efforts of various tourism entities with those of the Division; and f) *Budgeting*—base promotional budgets on marketing and promotional goals. If sufficient funds are not available to meet the stated goals, a downward revision of goals will be required.

2. Create a comprehensive strategy to focus all Division activities.

Rationale: As previously mentioned, the Division needs to develop a strategic marketing plan. This marketing plan should be based upon a comprehensive strategy which outlines all of the Division's activities. The Division's efforts should not be shaped by its staff in an ad hoc manner, seizing upon opportunities, ideas, and individual programs as they arise. Instead, the Division's role in tourism development should be thought of as facilitator for the industry, not one of creating specific programs. There should be three components to the Division's strategy: a) *Target clusters of groups*—encourage the market to develop industry clusters based on similar tourism products, customers, or other business interests; b) *Address market weaknesses*—address those components which are out of the financial and non-financial reach of the individual tourism entities or require state-level expertise (the Division has the unique ability to gather internal and external knowledge, for example); and c) *Foster self-development*—develop a cluster network which could, over time, work without the Division's assistance and attention.

3. Focus on the needs of the marketplace by collecting baseline data.

Rationale: In order to achieve the type of planning recommended above, Division planners must know in detail who the present and potential customers are, what they know about Kansas, how they perceive Kansas, why they come to Kansas or might want to come to Kansas, etc. Such data is currently not available. Using a probability sampling scheme and a comprehensive questionnaire, baseline data should be gathered over an entire tourist season. The baseline data could be used for target market selection, generating overall, as well as segment-specific profile of visitors to Kansas for message development and media planning. Questionnaire design and data collection should be handled by either a professional research firm or a research institution, such as a state university, with competence in survey design and execution.

4. Measure promotional effectiveness against set performance goals.

Rationale: Promotional objectives—either in sales or communication terms—have to be precise and measurable against some benchmark. To set a realistic goal and test a promotion's results, "before" and "after" surveys should be conducted to assess the outcome of a promotion. In other words, measure the level of awareness and image of Kansas as a result of a promotion and compare it to the original or existing level. The difference between the two can then be compared to the promotional objective.

While measuring the effectiveness, measure the marginal effectiveness of a campaign whenever possible. Since most promotional campaigns have diminishing returns over time, computing the estimated marginal return on the investment makes sense. When marginal returns become too low, the campaign must be modified.

5. Establish a system for measuring promotional effectiveness.

Rationale: A system for measuring promotional effectiveness should be devised, based on the promotional goals for each program activity. Since each promotional activity would have a prespecified set of goals, the information needed to measure the effectiveness will be dictated by these goals and the measures used to rate their effectiveness.

Once the information needs for measuring promotional effectiveness are determined for all elements of the promotional mix, the Division should institute a system for gathering and processing this information. Several points are worth noting in this regard: a) the Division will need input from all parts of tourism industry in the state for such a system; b) the system will have to be dynamic, responding to changes in promotional activities/goals and information; and c) The information system instituted to measure promotional effectiveness should be part of a larger, more comprehensive information system which should have information on tourist profiles, spending, attendance patterns at various attractions, events, etc. The system should link and be accessible to all parts of the state's tourism industry.

6. Track promotional costs by each promotional activity.

Rationale: This is critical for measuring marginal effectiveness and judging which programs are worth pursuing and which ones need modifications.

7. Establish research capacity within the Division.

Rationale: In order to conduct and coordinate the ongoing research needed for promotional planning and effectiveness measurement, as well as to assist other marketing functions, the Division needs someone who can handle this very important task. Other states devote more resources to research: forty-three states have staff exclusively for travel data research. Forty-six states and the

District of Columbia have on-going research, including such projects as economic impact studies, advertising effectiveness/conversion studies, state visitor profiles, and consumer attitude/awareness impact studies.

8. Increase state support for Division services.

Rationale: Division activities and services are constrained by a number of obligations, such as the Matching Grant program and the demand for brochures and materials. After meeting these requirements, the Division ends up allocating funds on a "all-it-can-afford" basis, rather than by an "objective-task" method. Under the latter, funding is commensurate with specific established strategic objectives and goals. If the Division's resources remained constrained, it will have to either reduce or curtail some of its activities.

INDUSTRIAL DEVELOPMENT

The IPPBR study of the Industrial Development Division yielded a series of suggested policy options. Some of the options could be implemented within current budget levels, while other would require additional funding and staffing.

1. Develop and maintain a data tracking system within the Division.

Rationale: The results of the evaluation identified a serious need for an integrated data tracking system within the Division. Such a system would trace the progress of prospects and suspects as they deliberated their location decisions. Furthermore, the system would connect prospect and suspect information to information on advertising and other contact methods. The system would be useful for three purposes: organizing information on prospects and suspects to make it even more accessible for the day-to-day work of ID representative; calculating the cost effectiveness of programs such as print advertising; and following up on client/firms to determine the number of jobs and the total investment contributed to the Kansas economy.

2. Create a comprehensive strategy for Division activities.

Rationale: It is important for the Division to establish a formalized strategic plan to direct its activities and programs. The Division does not currently have such a plan, and one could be formulated, taking the recommendations presented in this section into account.

3. Increase the number of Cavalry missions and make them more accessible to smaller businesses and communities.

Rationale: Our research, particularly the firm survey, has found that Cavalry missions and trade shows are an important means of generating prospects. Several community development groups also indicated the importance of these personal contacts with business executives. However, there appears to be a perception that Cavalry participation is too expensive. Several community development survey respondents regretted that they or business people in their community did not have the financial resources to participate in Cavalry missions or trade shows.

4. Increase the number of regional tours and limit the number of participants on each tour.

Rationale: ID should pursue plans to increase the number of regional tours. The number of participants on each tour should be limited so that communities can talk with business people on an individual basis. If the response from firms for a particular tour is large, the tour could be broken into two groups. Also, ID should maintain the cost to communities at its current level to keep tours affordable for small communities.

Community development professionals and firms alike were pleased with the regional tour program. Of the 24 community survey respondents who participated in the program during the last two years, 23 would participate again. However several communities felt that they did not have enough time to talk with individual

business people during the tours, and that the size of the tour groups may have gotten too large. Communities felt that they could handle the current cost of the tours, but not much more.

5. Develop a systematic method of targeting industries.

Rationale: There is no evidence that the target industry program developed by Lockwood-Greene in the late 1980s has been successful. Nevertheless, targeting is essential, given the resource constraints of the Division. Also, it is important to target industry which would fit the state's current economic base and inherent economic strengths. The Division has purchased new targeting software that will be implemented soon.

Given the diversity of the Kansas economy, it is important that different targets be developed for different regions of the state and communities. The approach should include target industries appropriate for rural areas.

6. Increase coordination and networking between the Division and other economic development entities.

Rationale: The Division should coordinate with other groups involved in community economic development, contributing its particular areas of expertise, such as marketing and recruitment, to a more unified strategy of community economic development assistance.

Communities indicated that they need help formulating and implementing their economic development strategies. For example, they need training in marketing their communities and using enterprise zones effectively. Because communities need broad based assistance with economic development, there exist possibilities for synergistic cooperation among three divisions of KDOC: Industrial Development, Community Development, and the Existing Industry Development Divisions. There is also an unexploited potential for cooperation with other economic development agencies such as the Kansas Center for Community Economic Development.

7. Develop a format for the community profiles with the assistance of communities.

Rationale: ID should cooperate with communities to develop a format for the profiles that would better reflect the interests of urban and rural communities.

Community profiles are used by ID to help firms select communities. Additionally, some communities use them in their own recruitment programs. Our community development survey found that the profiles were much more useful for small communities than for large. Large urban communities felt that the information contained in the profiles was inadequate for their prospects.

8. Continue current advertising image and theme.

Rationale: The firm survey results indicate that advertising is an important means by which firms first learn of the advantages of Kansas as a business location. Advertising should continue to project the image of Kansas as a modern and productive place to do business. As one survey participant put it "Dorothy and Toto don't sell to CEOs of major companies." Additionally, advertisements should continue to stress the advantages of Kansas for export-oriented service industries.

9. Increase funding for Division services, especially prospecting activities.

Rationale: The Division should explore the possibility of increased staffing for prospecting purposes. Along with this, ID should investigate the cost and potential benefits of establishing another out-of-state office on the West Coast.

Although many community development professionals praise the cooperativeness and efficiency of ID, several feel that ID lacks sufficient personnel to accomplish its industrial recruitment goals. In particular, they feel that the state needs to devote more time and resources to contacting firms and following up on leads.

Community development professionals are highly satisfied with ID's newly established

Chicago office. They feel that a West Coast office could significantly contribute to recruitment efforts.

TRADE DEVELOPMENT

IPPBR found that the Division offers services which are needed because most Kansas firms have had little experience or exposure to international markets. Additionally, there are few resources available to assist them. Overall, the study found that Kansas firms which have used Division services have been overwhelmingly positive about the assistance. Based on the research findings, several options may be considered by the Division to make its services more effective and to reach more firms that could benefit from Division programs.

1. Create an information system within the Division.

Rationale: The Division has difficulty in documenting its goals and accomplishments. It lacks a systematic, substantiated procedure for follow-up and/or contact with potential exporters. The lack of a way to identify promising potential exporters is a serious handicap. Furthermore, the Division must be able to evaluate its effectiveness on an ongoing basis in order to ensure that it is meeting the needs of its customers and, in turn, can strategically establish goals and objectives.

At present, even descriptive information on which companies have used what services is not easily accessible. Such information is in itself of limited utility, although maintenance of statistics on number of firms contacted, number of companies requesting repeat assistance, industry groupings most likely to use KDOC services, etc. could provide valuable guidelines to the Division in planning and evaluating its services. Equally important would be a follow-up of clients to determine how Trade Division services have impacted firms' international endeavors. More results-oriented research is needed as well; for example, over time the Division should be able to

document increases in Kansas exports to countries where the state has international representatives.

2. Create a comprehensive strategy to target Division efforts.

Rationale: There is little concrete evidence of how regions, firms, or industries have historically been targeted or selected by the Trade Division. While business intuition is vital to the Division's operations, the value of a strategic plan in guiding the Division's decisions should not be overlooked. The Division should continue its research—although it has been limited by resources—and base its target strategy on the results of the research.

In preparing its strategic plan to facilitate export growth within Kansas industries, the Division should focus on the needs of the market, by targeting clusters of Kansas businesses or industries for attention. For example, past barriers to exporting, such as the state's location, the traditional nature of its industries, and conservative business attitudes, have not encouraged individual firms to consider export opportunities. Development of a network of business clusters with common interests would enable these firms to share their international experiences with others and, over time, become less dependent on the Division's assistance and attention.

3. Establish standards for selection, location, and performance of overseas trade representatives.

Rationale: The current location and relative investments in trade offices and representatives appear to be consonant with the state's major trading interests, although some past allocations do not seem wise in retrospect. Issues of control and accountability have been problems in some countries, although at present most of these difficulties appear to have been resolved.

Documentation of the rationale for selection of the overseas trade representatives is important for accountability and to assure the long-term continuity which is vital in developing international relationships. Selection of representatives should

be carefully researched and performance should be reviewed frequently on the basis of clearly defined goals and expectations.

4. Increase public awareness of Division services.

Rationale: Forty-three percent of exporters and potential exporters surveyed indicated they were not aware of the Division's services. The most frequent suggestion regarding improvement of the Division was that it publicize its activities more effectively.

Direct personal contact appears to be important in attracting companies to trade development programs, and recent Division efforts are emphasizing this aspect. Participation of individuals having hands-on experience in international business, and who are not seen as simply bureaucrats, is important in establishing the Division's credibility, and staff qualifications in this regard should be publicized. In offering its services—either through media or personal contact—the Division should rely on a targeting strategy based on research in addition to "business intuition."

5. Enhance international trade through domestic market development.

Rationale: The Division's involvement in domestic marketing—within the U.S. but outside Kansas—seems to be underdeveloped. Since the Division does have domestic marketing as part of its mission, it may wish to consider a systematic program in which companies could be helped to prepare for U.S. markets outside Kansas, then guided to neighboring and English-speaking countries and finally to the world market. Such a comprehensive approach has not been tried in the U.S., but has worked successfully in other countries.

This would clearly be an ambitious program, but it could be carried out in cooperation with organizations such as the Small Business Development Centers to help make Kansas firms more competitive.

6. Create partnerships with other organizations.

Rationale: Although the Division does have some cooperative programs with the U.S. Department of Commerce, it operates largely on its own. More joint activities with other state governments in the region, with government-sponsored organizations such as the Small Business Administration, state universities, and other entities could help leverage the Division's resources, increase its outreach, and improve access to specialized and technical information. Such cooperation would require a more open, proactive attitude on the part of all involved.

7. Maintain appropriate funding for level of activity.

Rationale: The Trade Development Division undertakes a wide range of activities in spite of staffing and resource constraints. For example, in FY 1992 the Division experienced a budget cut-back equivalent to 25 percent of its operating budget. The state needs to be aware that continuity in its international efforts is vital, since international relationships are developed on the basis of long-term commitment and trust. At current funding levels resources are inadequate and discontinuation of some programs or implementation of fee-based services may need to be contemplated if these levels are sustained.

The Division is attempting to target industries and focus its export efforts where there is the most potential. However, it must be kept in mind that firms which have used the Division's services have found them helpful in the vast majority of cases. There is little other assistance available and affordable to small and medium-sized firms in Kansas; such firms appear grateful for any assistance the state can provide. Additionally, the Kansas Trade Show Assistance Program has been highly rated by exporters; by the Division, which estimates a high return on investment; and by the Legislature, which has increased the program budget by 100% in three years. It is important,

then, to carefully weigh the Division's options—with the assistance of a strategic plan—and ensure that it is not pressured into making unrealistic cutbacks.

While this study did not look at the activities of International Industrial and Investment Development, comments regarding inadequacy of current funding pertain to this operation as well. This program is responsible for very large efforts on behalf of the state and is operating at a rock-bottom level in terms of staffing and operating resources.

Funds for the Trade Development Division, at a minimum, should be returned to pre-FY 1992 levels to ensure threshold effectiveness, and an increase in funding should be considered because the net benefit to the state's economic development will be strong. A very good basis exists on which to expand these activities, particularly if improvements along the lines suggested above are implemented.

KIT/KIR

IPPBR determined that the KIT/KIR program is extremely valuable for Kansas businesses and individual Kansas workers who are fortunate enough to participate in it. To paraphrase the comments of several program participants, this type of state assistance is absolutely essential if we are going to get and keep manufacturing businesses and good jobs in Kansas. Given the past success and great value of the KIT/KIR program, there are few policy options for this program area.

1. Maintain KIT/KIR program in essentially in its present form.

Rationale: The KIT/KIR program is extremely valuable for Kansas businesses and individual Kansas workers who are fortunate enough to be touched by it. Its major contributions appear to be: 1) helping to get new businesses and business expansions and changeovers off to solid starts by permitting substantially better training of workers than most organizations could afford by them-

selves; (2) providing valuable enhancements to the human capital of Kansas workers by improving both their general and industry-specific knowledge and skill levels; and 3) assisting Kansas communities and KDOC in attracting new businesses and aiding business expansions.

2. Continue to fund KIT/KIR at its present level, and if possible, increase its level funding substantially.

Rationale: Given the past success and great value of the KIT/KIR program, not to mention its extremely high popularity with Kansas businesses which participated in the program, the Legislature should consider increasing funding for KIT/KIR. If fiscal constraints bar this, then funding should be maintained—at a minimum—at its current level, adjusted for inflation.

KANSAS INC. PROGRAM POLICY OPTIONS

Division of Travel and Tourism

Kansas Film Commission/Film Services

1. Maintain current funding and staff level.

Rationale: The success of the state's film services program has been impressive. However, it is difficult to justify increasing funding for this program due to the volatility of the industry. Additionally, expenditures related to film productions have declined since FY 1989 due, in part, to increased competition from other states and less major studio productions in the state. Until additional dollar benefits can be documented and are consistent year-to-year, funding and staffing should stay constant.

Visitor Information Centers

1. Maintain current funding and staff level.

Rationale: VIC programs are an important element of a state's tourism effort. VICs are the

best way a state can make a good and lasting first impression. The current program is well-suited for Kansas and should be maintained at its current level.

2. Utilize private support for Olathe VIC feasibility study.

Rationale: Traffic flow maps indicate that daily traffic levels south of Olathe are comparable to travel near the I-70 VIC at Kansas City. The cost associated with establishing and operating a new VIC may prohibit State General Funds (SGF) for funding an Olathe VIC. However, if private sector support or promises to match funding can be obtained, a feasibility study of the VIC should be conducted.

Existing Industry Division

Certified Development Companies

1. Maintain funding support at current level.

Rationale: Funding is recommended at current levels, and as the job and project numbers continue to increase for CDCs, additional funding should be considered.

2. Utilize performance formula to encourage further CDC mergers.

Rationale: The number of CDC, principally in Northeast Kansas, should be reduced. Fewer organizations should result in greater capacity and increase expertise with full-time staff serving the Northeast. In the past fiscal year, Kansas Inc. recommended that to be eligible for state support, a CDC should complete a minimum of eight projects in a year. Consolidation and merger can occur by increasing the minimum number of financial packaging projects required to qualify for state funds. This process would allow the CDCs to determine which combinations of existing CDCs would work most effectively to meet program demand.

Office of Minority Business

1. Hire one additional professional staff.

Rationale: As minority and women-owned businesses become a larger segment of the Kansas economy, quality assistance will be important to their success. The OMB makes a strong case for the need to provide assistance that addresses unique needs of minority and women-owned businesses. Elimination of the special project position means that the past level of activity cannot be maintained. Therefore, a full-time professional position should be added to the OMB staff.

2. Increase funds in anticipation of added program activity.

Rationale: In order to support the activity of the staff person recommended above, additional funds will be necessary.

Regional Field Offices

1. Establish and fund six field offices.

Rationale: Although there has been difficulty in measuring the effectiveness of the RFOs, Kansas Inc. considers them to be an important part of the capacity building and coordinating function of the state's economic development effort. RFOs are necessary to bridge the move from state level economic development to clustering at the regional level. By listening to the needs of Kansas firms and communities, RFOs can effectively identify program opportunities.

Methodologies should be developed that will allow the RFOs to account for individual impacts on their service areas. Given the establishment of a method of accountability, Kansas Inc. suggests that the state fund six RFOs. Location of these offices should be made in consultation with existing economic development service providers.

Small Business Development Centers

1. Maintain funding support at current level.

Rationale: Funding is recommended at current levels. SBDCs are an important example of "demand driven" programs, and their funding is directly dependent upon servicing clients. As long as there is both a demand for the product and a method to measure program success, funding should be continued.

2. Develop way to monitor impacts of individual SBDCs.

Rationale: Numbers of client contacts have been declining. While this may be due, in part, to a shift toward providing more long-term assistance to businesses, actual numbers of long-term technical assistance were below SBDC goals in FY 1991. On the other hand, training seminars and short-term counseling exceeded their FY 1991 goals. The long-term numbers should be monitored to ensure SBDC staff have the resources and capacity necessary to respond to these business needs.

Additionally, KDOC, in cooperation with the SBDC state director, should continue evaluating the scope and quality of SBDC contacts. This assessment could then assist with the determination of how funds are distributed to individual SBDCs.

International Trade Division

Export Finance Program

1. Evaluate program impacts at end of 1992.

Rationale: It has been less than one year since the Export Finance Loan Review Committee met for the first time. The program needs time to operate and assess its impact before changes are proposed or considered. The program should be expected to demonstrate its impact on Kansas exporting at the end of 1992, and then consideration

should be made of any changes. However, if demand overwhelms program capabilities, immediate efforts to increase the size of the lending pool should occur.

Community Development Division

Community Economic Development Assessment

1. Support decision to eliminate program.

Rationale: Kansas Inc. supports the elimination of this program and has no additional recommendations. The state delivery system adequately covers this area of responsibility. County-wide and multi-county organizations can receive strategic planning grants. Individual communities are eligible for early-on and advanced assistance in community development from PRIDE and Main Street.

Kansas Enterprise Zones

1. Endorse past Kansas Inc. recommendations on EZs.

Rationale: Kansas Inc. has proposed a series of recommendations regarding Enterprise Zones. The first outlined criteria to be used in designating EZs. A small number of zones would be allowed in the state, and this designation would be awarded on a competitive basis. The second recommendation would allow for three types of EZs—industrial, downtown revitalization, and rural zones—within the state. Selection criteria and the ability to revoke an EZ designation were also delineated.

2. Develop method for accurate job creation/tax loss numbers.

Rationale: It is clear that the EZ program needs to justify the need for its incentives. Accurate accounting of tax revenue losses, job increases and staying power, and capital investment impacts. Merely depending on reported

figures is not sufficient for assessing the impact of a program. KDOC should develop a methodology to verify reported figures.

3. Review paperwork required of local units.

Rationale: Occasional complaints about the paperwork required of a community to participate in the EZ program have been voiced. KDOC and the Kansas Department of Revenue should hold meeting with communities to discuss the paperwork requirement and ensure realistic demands are place upon communities and businesses.

Kansas Main Street

1. Maintain current funding and staff level.

Rationale: Funding and staff levels should remain constant. The program has been successful and has developed a strong constituency. With a constant funding base, Main Street should implement a plan to eventually eliminate one-on-one assistance to established communities.

2. Develop a process for communities to "graduate" from program.

Rationale: It is difficult—in terms of funding and staffing—to maintain the quality and quantity of services to existing and newly-designated cities. Therefore, it is necessary to establish a process and schedule for communities to "graduate" from the program. Once they graduate from the program, communities would no longer be eligible for one-on-one assistance. However, these communities would work together to identify specific training needs for their continued downtown development and expansion.

3. Develop "peer" assistance and mutual support activities.

Rationale: In order to help communities move from one-on-one assistance, Main Street should provide group training to communities based upon

need. Communities would determine—as a group—the most important issues. By weaning communities off of direct state assistance, Main Street would be creating more regional and cooperative self-help activities.

PRIDE Program

1. Maintain current funding and staff level.

Rationale: There is broad support for this program, and the staff is dedicated and competent. Kansas Inc. has no recommendations on PRIDE beyond maintaining its current level of operation and effort.

National Institute for Rural Development

1. Continue funding at discretion of Kansas State University.

Rationale: KDOC funding for the Institute ceased in FY 1992. Problems facing the Institute, from a state funding standpoint, included an inability to articulate clear goals and objectives and concerns over duplication of existing services. FY 1992 support for the Institute and its functions is provided by KSU. The Institute's broad agenda with its emphasis on coordination, education, and identification suggests that it is better suited in an academic environment.

2. Require private match funds for continued operation.

Rationale: By maintaining the Institute through KSU, future efforts to capture federal grants and private support for research projects will be enhanced. The Institute is expected to function as a private/public partnership. A goal of the Institute, then, should be to match a percentage of its funding from private sector contributions. A true partnership exists only if the private sector is a significant contributor of funds and ideas.

Kansas Partnership Fund

1. Maintain current funding and staff levels.

Rationale: There appears to be a demand and need for infrastructure loans to communities. The loans fit a narrow but important niche in the recruitment and retention of businesses in eligible Kansas communities. The program should be maintained at its current level of effort and under the same eligibility criteria. Three of the fund's six loans have been for \$338,000 or greater. \$350,000 will be the maximum amount of funds available during FY 1992 as payments from previous years' loans go into the fund.

2. Review ineligible loan request for possible program needs.

Rationale: KDOC staff reported that of 131 inquiries about the program, only 56 met basic eligibility requirements. It is not clear whether or

not some or all of the ineligible requests were legitimate economic development infrastructure needs which are not currently being met. KDOC should track the types of requests made by ineligible communities. From this information, KDOC should determine if other types of infrastructure loans/grants are needed.

Rural Assistance Center

1. Support decision to eliminate the program.

Rationale: The RAC was plagued by issues of duplication and program efficiency. Other economic development programs, such as the Cooperative Extension Service and RFOs (KDOC), already serve as a resource to rural communities. Additionally, the number of calls to the RAC did not justify the costs and staff effort dedicated to the program. Kansas Inc. supports the action to end the RAC and has no additional recommendations. □

Policy Options for Consideration

3 | Division of Travel and Tourism

Background

History

The Division of Travel and Tourism was established through state statute in 1982. K.S.A. 74-5032(a) outlines the Division's duties:

...[to] encourage and promote the traveling public to visit this state by publicizing information as to the recreation, historic, and natural advantages of the state and its facilities for transient travel...

The Division was originally part of the Department of Economic Development. In 1983, the Division was assigned the responsibility of administration and oversight of *KANSAS!* magazine, and departmental reorganization took place in 1986. At that time, the Division became part of the newly created Kansas Department of Commerce. One of the fifty recommendations contained in the 1986 Kansas Economic Development Strategy—or the Redwood/Krider Report—referred to Kansas tourism:

32. *Establish an overall travel and tourism strategy for the state. A funding increase is necessary for the following projects:*

1. *research on travel and tourism;*
2. *marketing of Kansas attractions in and out of the state; and*
3. *development of state parks or other major attractions.*

Travel and tourism is a growth industry in the United States, but Kansas is not currently competitive in developing this industry. Kansas' spending on travel and tourism has not kept pace with other states, and Kansas currently ranks 44th among the states in funding for its travel and tourism office. We believe that Kansas has greater potential in this industry than has previously been recognized.

Activities

Division responsibilities have essentially remained unchanged since 1986:

- maintain General Promotion programs;
- operate Visitor Information Centers;
- develop in-state movie projects through the Film Commission; and
- print and distribute *KANSAS!* magazine.

This evaluation focused on the first responsibility of the Division—General Promotion—and focuses on the following promotional programs:

1. five *brochures* developed and distributed by the Division;
2. administration of a *Matching Grants* program which assists non-profit organizations in their marketing efforts or education, planning, and research;
3. participation in *America's Heartland*, a multi-state travel guide which is distributed internationally and in Canada;

Division of Travel and Tourism

Table 3.1
Division of Travel and Tourism:
General Promotion Programs, FY 1986-FY 1990

	GP Expend. ¹	Print/ Advert.	Profess Serv.	Other Commun.	Total Supp.	No. of FT Employees
FY 1986	\$ 509,823	\$25,834	\$331,576	\$ 1,088	\$ 87,337	--
FY 1987	459,823	22,784	334,333	355	43,880	5
FY 1988	430,085	52,114	288,822	3,588	36,043	6
FY 1989	560,001	16,737	416,704	9,026	55,749	5
FY 1990	1,074,338	33,398	735,941	94,599	113,178	5
FY 1991	971,859	42,427	533,670	122,059	121,070	6
<i>Annualized</i> <i>% change</i>	13.8%	10.4%	9.9%	157.03%	6.7%	4.7%

¹Figures do not include salaries and wages.
 Source: Kansas Department of Commerce budgets, various years.

Table 3.2
Comparison of Travel Budgets:
Kansas and Surrounding States, FY 1989-FY 1991

State	FY 1989	FY 1990	FY 1991
Kansas	\$1,471,539	\$2,158,184	\$2,121,671
Colorado	7,903,936	7,849,000	8,254,000
Iowa	3,359,406	4,353,749	4,180,270
Missouri	5,655,998	6,047,652	6,490,716
Nebraska	1,575,132	1,590,092	1,666,177
Oklahoma	6,331,000	6,887,643	6,068,394
<i>Average</i>	\$4,382,835	\$4,814,387	\$4,796,871

Source: U.S. Travel Data Center, Survey of State Travel Offices, 1990-1991.

4. attendance at *trade and travel shows*;
5. *media promotions*, such as in-state Public Service Announcements and out-of-state print advertising;
6. encouraging *motorcoach tours* within Kansas;
7. administration of *Linger Longer*, now called *Kansas Secrets*, a program designed to encourage pass-through travelers to spend some time in Kansas; and
8. *familiarization tours* to be conducted for national and regional travel writers, travel agents, and motorcoach operators.

Budget

The General Promotion budget has increased at an average rate of 13.8 percent over the FY 1986-FY 1991 period (Table 3.1). Two programs—the promotion of the Eisenhower Centennial and completion of a marketing study by Economic Research Associates—account for a portion of that increase. However, the General Promotion budget has fluctuated over the five year period, decreasing during FY 1986-FY 1988, increasing in FY 1989-FY 1990, and then declining again in FY 1991.

Adequate records have not been maintained concerning past Division expenditures by individual programs. Therefore, it is difficult to determine the importance—or emphasis—of individual programs, in terms of allocated funds. Data contained in the Division's budget requests indicate that some of the greatest expenditure increases may be attributed to the creation of a toll-free number ("Other Communications," 157.03%); in-house development of brochures and materials ("Print/Advertising," 10.4%); outside development of advertisements, booths, and brochures ("Professional Services," 9.9%); and purchase of supplies, books, and informational material ("Total Supplies," 6.7%). In dollar terms, professional services account for over fifty percent of the General Promotion budget.

Staff

Division staff assigned to General Promotion programs include the Director of the Division, Assistant Director, Marketing Manager, and three other full to part-time employees.

Comparison to Other States' Efforts

When compared to its neighbors—Colorado, Iowa, Missouri, Nebraska, and Oklahoma—Kansas' overall travel and tourism budget ranked 5th in over the FY 1989-FY 1991 period (Table 3.2). Only one state—Nebraska—had a smaller budget for its efforts. In fact, Kansas' budget was less than half of the six state average.

Methodology

The purpose of this study was to examine and evaluate the General Promotion programs within the Division of Travel and Tourism. Based on this evaluation, the study: a) determines whether or not the General Promotion programs have been effective in achieving their goals, and b) proposes future methods to track and evaluate the result of the Division's Programs.

Survey data was collected from two sources:

1. *Secondary Information*. Information from the Division—and outside sources—regarding past promotional activities was gathered. Types of information collected included KDOC annual reports, Division-level marketing plans, marketing research studies, and any materials developed by the Division.

2. *Interviews*. Interviews with the Division's representatives and clients were conducted. First, past and present Department and Division personnel were asked to describe the Division's programs, strategy, marketing philosophy, allocation of resources, and organizational structure. Second, the Division's clients, including nine Convention and Visitor's Bureaus, two Chambers of Commerce, and Matching Grant recipients, were surveyed to determine the effectiveness of the Division in responding to their clients' needs.

Findings

Specific impact data or information on the General Promotion programs was not available from the Division for several reasons. The first—and most significant—reason was that data simply were not collected. Second, for those areas in which data were collected, it may have been destroyed or of little use in assessing actual impact or effectiveness of programs.

Of the eight promotional activities undertaken by the Division, concrete impact data were available for only one program: Linger Longer (1988). While there is some anecdotal evidence on the performance of the rest of the programs, no impact data were available. For example, the Division assisted thirty tour operators who were interested in Kansas as a tour destination. The Division has also begun to gather since June 1991 systematic performance data on inquiries through its toll-free telephone number. This information should enable the Division to estimate the impact of this program in the future.

Survey Findings

The surveys conducted in conjunction with this study indicated that two of the Division's customers—CVB/Chamber of Commerce officials and FY 1991 Matching Grant recipients—were generally pleased with the Division's activities. Division staff was perceived as friendly, helpful, interested in promoting Kansas tourism, and receptive to the views of the tourism industry. The local industry felt that the following were strengths of the Division:

1. The Linger Longer program;
2. Providing leads for group tours and familiarization tours;
3. Promotional literature, especially travel guides and quarterly newsletters;
4. Providing information about travel and trade shows;
5. Cooperative advertising efforts; and

6. Industry training, workshops, and seminars.

Some problem areas or weaknesses of the Division included:

1. Lack of a long-term strategic plan;
2. Lack of a consistent theme/image to promote the state;
3. Inadequate in-state and out-of-state advertising;
4. Arbitrary tourism regional boundaries;
5. Need for more industry training;
6. Need for Division to attend more trade shows.

Additionally, tourism officials who were not located close to Topeka felt left out: they had a hard time getting promotional materials and being updated on the industry. Some questioned whether the monies spent on the America's Heartland program could be better spent on regional promotional efforts. The industry would also like to see the Linger Longer program reinstated. Some past problems with this program, according to the industry, were:

1. Too many (four) required validations;
2. Difficulty in explaining program to tourists for some retailers; and
3. Coupon books were placed at a limited number of locations, such as Visitor Information Centers or CVBs.

Overall Findings

It is clear that current information on the effectiveness of General Promotion programs is inadequate. Unless certain steps are taken, it will be impossible to measure future effectiveness as well. The following is a summary of the problems facing the Division:

1. *Changing Marketing Plans.*

Promotional planning depends on the marketing strategy. Unfortunately, the Division has not

yet developed a consistent, stable marketing plan. Within the past three years, the Division has created three plans: a) an annual plan, dated August 23, 1988; b) a five-year plan, dated January 5, 1990; and c) a new plan currently being developed by the Division. Another problem with past marketing plans is that they lack specific, workable objectives and do not contain methods for measuring marketing effectiveness or impact.

2. Inadequate Baseline Data.

The problem with *all* of the Division's plans is that they do not have sufficient baseline data on the existing and potential tourists. Without data, the Division's planning is similar to shooting in the dark and has little chance of success. Data used by the Division—and the ERA report—are based on the participants in Linger Longer and ignores all others. Furthermore, the survey conducted in conjunction with the ERA report provides only limited information about Kansas visitors.

3. Target Markets Not Well Defined.

Based on Linger Longer data, the Division has identified several geographic markets as key target markets: Denver, St. Louis, Oklahoma City, and Tulsa. Though Linger Longer data is not broad-based, perhaps these are the accurate target markets, given that they are in neighboring states. Most travel literature shows that people generally take vacations within a 1000 mile radius of their homes. However, with the help of primary data, the Division needs to further segment these into primary and secondary markets. The Division also needs to differentiate between different types of visitors to Kansas and obtain a clear profile of each type. The result should be more effective, targeted promotional efforts.

4. Lack of Coherent Positioning for the State.

The state must develop a strategic omnibus promotional campaign to foster a clear image of Kansas as a travel destination, as well as one which offers attractive and interesting attractions to pass-through travellers. While the strategic/image campaign may be targeting at the potential

tourists at large, more specifically targeted promotions may focus on various tourist segments. Specific promotions could emphasize particular benefits which appeal to various segments and be placed in media which is most likely to reach these respective segments. Once again, this approach dictates the need for baseline data on what potential and current travelers to Kansas want.

5. Lack of Specific Goals.

Promotional goals are not described with any specificity. There are, generally speaking, two primary ways to define the goals for promotional effectiveness: a) in sales terms; or b) in communications terms. The sales goal will be set in terms of attracting "X" visitors to Kansas from "Y" market in "Z" time. The communications goals can be set in terms of creating awareness, and positive image of Kansas in given target markets. Many in the industry believe that the goals should be set in terms of communications only because "...promotion is the communication function of marketing. This is its unique contribution to the marketing mix, and its impact really should be assessed on that basis." This argument centers on the belief that since sales—attracting travelers in case of tourism promotion—depends on so many other factors, such as state of the economy, competitive factors and so on, that it is not fair to evaluate promotions in terms of sale. However, in the long-term, both goals are legitimate. A good promotional campaign should sell over time.

6. Budgetary Constraints.

The program component for the promotional budget for the Division has several constraints: a) \$40,000 goes to Matching Grants, and b) a certain number of brochures and promotional material must be printed to meet the demand for such material. This leaves a limited amount of promotional dollars within which the Division must work. In effect, this ends up being an "all-you-can-afford" method of budgeting which is least desirable as opposed to "objective-task" method of budgeting. The latter is more desirable because it

is based on an estimate of what it would take to accomplish certain promotional objectives.

The Division's internal cost accounting system is woefully inadequate. Even limited expenditures on various promotional activities cannot be accurately allocated to the specific activities, making it rather impossible to know the return on investment of different elements of the promotional mix.

4 | Industrial Development Division

Background

History

Kansas statutes define the goals and responsibilities of the Industrial Development Division (ID) as follows:

to attract new business and industry from outside the state, thereby creating quality jobs, attracting new capital investment, and expanding and diversifying the state's economic base. [K.S.A. 74-5007a]

Kansas has engaged in industrial recruitment activities since at least the mid 1960s. At that time, recruitment and other industrial development activities resided within the Kansas Department of Economic Development. The 1986 legislative session reorganized functions of the Department of Economic Development into the newly established Department of Commerce.

The basic recruitment functions of the Division felt little immediate effect of the reorganization. However, the Division has experienced several changes in responsibilities and programs since 1986. In terms of responsibilities, international recruitment functions have been moved to the Trade Division and research functions have been moved from ID to a centralized research group within the Administration Division of KDOC. In terms of programs, the Division has established a target industry approach and initiated regional industrial tours.

At least one of the Division's new programs stems from the Redwood/Krider report. The report recommended that:

The Kansas Department of Economic Development should implement a marketing program aimed at targeted industries.

It was further suggested that:

KDED take the initiative in 'selling' Kansas to this specific set of targeted industries... Such a targeted market and program is essential if Kansas is to take the initiative in attracting growth firms in the state.

Activities

In a broad sense, the Division has responded to its goals—as outlined in the statute—by creating an interrelated set of programs that can be described as follows:

1. *Prospecting and promotional activities.* These activities aim at making Kansas a serious candidate for firm locations. As such, they include print media advertising, direct mail, industrial targeting, missions by members of the Kansas Cavalry, trade show participation, and in-state industrial tours.

2. *Site location assistance.* Firms that show a strong interest in Kansas and that have a current project are provided with additional information, including lists of communities with sites that satisfy their location requirements and information on

state and local incentives. Out-of-state firms are invited to visit Kansas locations on a customized tour early in their decision process.

3. *Coordination with communities.* ID staff members work with community development agencies to provide promotional materials, to help establish marketing efforts, to provide community development professionals with up-to-date information about state programs, and to assist with firm recruitment efforts.

A fourth function of the Industrial Development Division—administration of the KIT/KIR program—is included in Chapter 6 of this report.

Budget

The Division's budget reflects its ability to deliver services to its major clients: out-of-state firms and Kansas communities. Table 4.1 presents budget data for FY 1988-1991. Between FY 1988-1990, most basic Division activities exhibited steady growth. The pattern reversed dramatically in FY 1991, when total funding plunged 10.7 percent. Two major Division activities—community development assistance and site location assistance—bore the brunt of the cuts. On the other hand, promotional expenses rose slightly, due primarily to an increase in expenditures in the target industry category.

Total division funding in 1991 stood \$25,000 lower than in 1988. To put this in perspective, it is important to consider that prices as measured by the consumer price index rose about 16 percent during this same three year period. After adjusting for inflation, it appears that real expenditures actually fell by about 16.4 percent between 1988 and 1991.

Staffing

There are nine staff positions in the Division, with one of the positions dedicated to KIT/KIR. Another of the positions is open and will be switched from an industrial representative to job training when it is filled. The Division's staff level reached its peak five years ago, when there were six or seven industrial representatives and

two research persons. The number of representatives has been cut, and the research persons have been moved to the Administration Division with partial availability to the Industrial Development Division. The remaining staff positions can be described as follows:

- Director of Division;
- Director of National Marketing; Manager of Kansas Cavalry, Industrial Representative (Western U.S.), and Community Contact (Western Kansas);
- Industrial Representative based in Topeka (Central U.S. except Illinois) and Community Contact (Eastern Kansas);
- Industrial Representative based in Topeka (Eastern U.S. except southeast) and Community Contact (Central Kansas);
- Industrial Representative based in Chicago (Great Lakes region and some southeastern states including Florida);
- Coordinator for Kansas Cavalry and editor/writer of *Developing Kansas*; and
- Secretary.

Methodology

IPPBR's evaluation of ID centers on a single broad research question: "how does each program administered by the Division contribute to the growth of jobs and investment in Kansas?" The specific form that this question takes varies from program to program. For example, the evaluation of prospecting and promotional activities focuses on whether ID programs have influenced firms to consider Kansas as a place to do business. Similarly, the evaluation of site location activities focuses on whether firms have received sufficient information and support in matching their location requirements with available Kansas business sites. Finally, the evaluation of community development activities focuses on whether ID services adequately complement community efforts to attract business.

KANSAS DEPARTMENT OF COMMERCE: AN EVALUATION OF PROGRAMS

Table 4.1
Kansas Department of Commerce, Industrial Development Division
Expenditures, FY 1988-FY 1991 (in dollars)

Type of Expenditure	Year	Promotional Activities	Site Location Assistance	Staff Education	Aid to Comm. Devel. Groups	Total Excl. International
Program Expenses	FY88	400,301	122,430	6,808	10,766	540,305
Salaries		90,000	179,190	5,000	50,000	324,190
Total Expenditures		490,301	301,620	11,808	60,766	864,495
Program Expenses	FY89	371,609	213,942	8,000	15,561	609,112
Salaries		74,300	192,262	5,000	45,000	316,562
Total Expenditures		445,909	406,204	13,000	60,561	925,674
Program Expenses	FY90	340,914	234,060	8,000	30,910	613,884
Salaries		78,000	200,000	5,900	42,780	326,680
Total Expenditures		418,914	434,060	13,900	73,690	940,564
Program Expenses	FY91	346,554	158,968	8,000	9,153	522,675
Salaries		86,000	195,319	5,500	30,000	316,819
Total Expenditures		432,554	354,287	13,500	39,153	839,494
Average Annual % Change for Total Expenditures		-4.1%	5.5%	4.6%	-13.6%	-1.0%

Source: Bill Thompson, Division Director, Industrial Development Division.

Information for this analysis was drawn from four major sources:

1. *Interviews with Industrial Development Division staff.* Staff members provided information on the Division's organization and on its day-to-day activities.

2. *ID internal records.* Access to internal records proved essential in identifying ID's clients and in calculating program effectiveness. Five types of records were used for the evaluation:

a. Prospect and suspect files (FY 1987-1991). Prospects are defined as firms that are interested in Kansas and are currently looking for a site for a new plant or an expansion. Suspects are defined as firms that intend to

expand or locate a new plant within a few years. ID maintains files which contain information on contacts made with both types of firms.

b. List of visiting firms (FY 1987-1991). This list contains information on how each firm was first contacted, the communities visited, and the number of return visits made.

c. List of industrial tours, 1989-1991. The list contains information on the number of communities visited and the number of firms participating.

d. *KDOC 1990 Annual Report* and preliminary data for the *1991 Annual Report*.

e. Budget information prepared by the Division director.

3. *Survey of firms.* IPPBR staff conducted a telephone survey of firms that had made use of ID services within the last five years (FY 1987-1991) As a first step, names, contacts, addresses, and phone numbers of these firms were identified from the prospect and suspect files. The sample was chosen so that approximately half of the 54 sampled firms were those that actually chose Kansas locations. The survey contains a mixture of factual and attitudinal questions.

4. *Surveys and interviews of community development professionals.* A mail survey was sent to 60 community development groups throughout the state. The survey questions focused on the connections between industrial recruitment at the community level and recruitment at the state level. Interviews were conducted in several communities in order to get a better sense of how the community industrial recruitment process actually works.

Findings

Findings for Industrial Development are primarily organized according to the major types programs that the Division administers: prospecting and promotional activities, site assistance, and community development. Additionally, some findings and implications of the study bridge several of the activity areas.

Prospecting and Promotional Activities

Description of Prospecting and Promotional Activities

The goal of prospecting and promotional activities is to encourage those firms that are planning an expansion or relocation to seriously consider Kansas at a potential site. Advertising campaigns reach a wide audience of firms. Trade shows bring ID personnel in contact with executives of targeted industries. Cavalry missions provide the opportunity for ID staff members, Kansas business people, and industrial developers from Kansas communities to sell the state on a face-to-face basis. Industrial tours of various

regions of the state bring a group of firms in contact with representatives of Kansas cities and counties. Because ID does not have sufficient resources to reach all industries in all areas of the country, targeting of prospecting efforts is a necessity.

Characteristics of Client Firms

The target audience of firms with which ID works are divided between entrepreneurial enterprises looking to establish or relocate a plant in Kansas and large national firms looking to establish a branch plant. The firm survey showed that about half of the firms that actually located in Kansas were single plant establishments.

Survey respondents were asked to rate the importance of various factors in their site location decisions. On average, respondents gave the highest importance rating to quality of life. Other very important factors included low basic tax rates, good transportation, availability of tax incentives, proximity to markets and raw materials, right to work laws, and a well-educated labor force.

Advertising

ID's current advertising themes, which stress Kansas productivity, do a good job of addressing the issues with which firms are concerned.

Eighteen percent of the survey respondents listed print media advertising as one of the ways that they first learned about Kansas as a place to do business. ID internal records conflict with this, indicating that only about 4.5 percent of firms that become active suspects or prospects have been reached contacted through advertising.

It would be desirable for ID to have a general case tracking system so that ad responses could easily be cross-matched with prospect and suspect lists. This would improve ID's own ability to gauge the effectiveness of individual advertisements as well as of entire campaigns.

Direct Mail

Survey results suggest that about 16 percent of firms learn of Kansas through direct mail advertising.

The effectiveness of direct mail may be understated in ID's internal records. Since direct mail serves as the initial step in arranging Cavalry missions and industrial tours, some direct mail contacts may be included in the Cavalry or tour categories.

Target Industry Analysis

Industrial targeting attempts to focus economic development resources on those industries that have the highest potential for successful growth in a region. This involves identifying industries that have location requirements compatible with what Kansas communities have to offer.

In the late 1980s, ID commissioned Lockwood-Greene, a site location consulting firm, to identify a set of target industries, to define areas of the state to which these industries were appropriate, and to produce a series of reports examining the advantages of Kansas for firms in these industries. To date there is little evidence that this program has been effective. Only nine out of 54 firms in our survey, or 16.7 percent, planned to establish or expand a plant in one of the target industries.

Industrial targets need periodic reevaluation and revision. ID is currently installing new software to provide the capacity to make these assessments and revisions in-house. This should improve the effectiveness of the target industry program.

Kansas Cavalry and Trade Shows

Cavalry contacts have a high success rate. Over the last two years, ID internal records show that about one-fourth of Cavalry contacts have paid off in a firm being classified as a prospect; another 25 to 45 percent of contacts have resulted in a firm being classified as a suspect.

During 1990, participation in four trade shows led to 18 new prospects for Kansas locations.

The firm survey shows that 12 percent of firms considering Kansas locations first learn about Kansas through a Cavalry visit, while eight percent learn about Kansas at a trade show.

Kansas Cavalry missions are perceived by the communities as a valuable tool for marketing their local interests. However several respondents to the community development survey commented that Cavalry participation is too expensive for small business people and small communities.

Regional Tours

The regional industrial tour program invites groups of firms, either from a particular area of the country or from a particular industry, to visit a region of the state. Although the industrial tour program has operated only since fiscal year 1989, it has already shown success in terms of getting companies to visit Kansas, with 73 participants to date.

ID internal records show that almost ten percent of prospect and suspect firms that visited Kansas on a customized visit of business sites during 1990-1991 originally participated in a group industrial tour.

Regional tours stand out as a particularly useful program for Kansas cities and counties, according to the community development survey. Of 24 communities participating in tours in the last two years, 23 said that they would like to participate again. However community development professionals pointed out that the tours sometimes leave little time for discussions with business executives, that the tours are getting too large, and that any greater cost would be prohibitive.

It seems likely that the importance of both regional tours and Cavalry visits is underestimated. Fully 37 percent of respondents to the firm survey reported that discussions with executives of other firms influenced their decision to look at Kansas as a potential business site. Thus the positive effects of regional tours and Cavalry missions may reach beyond the firms directly involved.

Conclusions:

Prospecting and Promotional Activities

Industrial prospecting appears to play an important role in bringing new businesses to the

state. ID records show that about 23 percent of firms that visit the state have been contacted through some kind of prospecting activity (Cavalry, ID tours, ads, foreign office, etc.). The picture that emerges from the firm survey is similar. Thirty-eight percent of respondents report that they learned of Kansas business conditions through one or more of ID's prospecting activities.

Site Location Assistance Activities

Description of Site Location Assistance Activities

Site location assistance includes a range of services offered to firms in various stages of their decision making. The kinds of assistance that ID may give to firms during this process include: 1) the provision of information on communities, real estate, taxes, and training programs; 2) help in matching the requirements of firms with the attributes of communities in the state; 3) arrangements for firm representatives to visit the state.

Communities play an important role in the site assistance process. ID generally coordinates prospect visits, leaving it up to the community to sell the firm on the particular features of the community that satisfy its requirements.

Satisfaction with Division Services

Firms considered the information and services that they received from ID to be important in their site location decisions. On average, firms gave them an importance rating of 7 on a scale of 1 to 10.

Comparison with Other States

Ninety percent of firms in the IPPBR survey considered locations in other states besides Kansas. The data indicate that Missouri, Iowa, Nebraska, Oklahoma, Texas, and Arkansas are the state's closest competitors.

When asked to rate the site location services and information in Kansas, about 72 percent of survey respondents replied that Kansas was as good or better than the *best* of the other states.

Importance of Economic Development Incentives

Firms that locate or expand in Kansas make extensive use of tax and other incentives. Of the 30 surveyed firms that actually located in Kansas, 26 reported the use of one or more incentive program. Job and investment tax credits were reported as the most frequently used, followed closely by job training.

Conclusions: Site Assistance

The evaluation of ID site assistance activities emphasizes the clients' point of view. The clients of site assistance services, that is, the firms, appear to make frequent use of most ID services and to rate them as important in the site location process. Even more importantly, the firms rate the services as slightly better than the services offered by the best of the other states that they considered as potential locations.

Coordination with Community Development Groups

Description of Relationship with Communities

ID performs three important roles in stimulating economic development in Kansas communities: 1) helps communities with their own recruitment efforts; 2) brings new prospects to the attention of community groups; and 3) supports communities that have generated their own active prospects.

Role in Helping Communities with Recruitment Efforts

Community survey respondents report that high property taxes, high state income and sales taxes, inadequate labor supply, rural locations, and inadequate transportation present major impediments to industrial recruitment.

The Division plays a significant role in helping communities develop and implement their economic development strategies. Thirty-five percent of respondents to our survey of community development professionals report that they have received assistance from ID.

ID has provided marketing advice to about two-thirds of the communities that responded to

our survey. In general, communities rate this advice as somewhat important (6 on a scale of 1 to 10) in recruiting new firms.

Additionally, ID has provided various types of marketing assistance to communities, including community profiles, regional tours, and marketing of available buildings. Communities are moderately satisfied (7 on a scale of 1 to 10) with ID's marketing assistance.

ID is currently considering expanding the ways in which it helps communities to market existing buildings. This new direction would involve the cooperative marketing of existing buildings. Such an effort would potentially be financed jointly by communities and ID.

Small communities are more satisfied with the community profiles program than are large communities, and are more likely to use them in their own marketing efforts.

Communities that responded to our survey frequently mentioned that they would like to see an increase in prospecting efforts on the part of ID. They perceive that ID lacks adequate staffing in this area.

Role as a Source of Prospects for Communities

Communities that responded to the IPPBR survey report that about 22 percent of their prospects are generated by ID. In contrast, 28 percent of their prospects are generated through their own efforts. About half of the communities report that ID brings them between one to five prospects per year.

The importance of communities in the site location process is borne out by the survey of firms, where 61 percent of the respondents said that community economic development groups helped them to find a site for their facility.

Role in Providing Communities with Information

When communities generate their own prospects, they rely on ID to provide information, particularly on worker training and on state taxes and incentives. Other commonly requested types of information and assistance included: information on worker training programs (as requested by

90% communities); answers to firm requests about state taxes and incentives (77%); information on coordination of tax and financial programs (65%); answers to firm requests about state business climate (58%); answers about credit-worthiness of prospects (39%); and other (10%).

Additional Findings from Community Development Professional Interviews and Survey Responses

Community development professionals are concerned that the staff and resources at ID are becoming spread too thin. More than one person felt that the staff at ID accomplished a great deal given the resources that were available, but that more resources needed to be devoted to contacting and following up leads.

Community development professionals are satisfied with the opening of a Chicago office. Some communities believe that the opening of a California office would be a productive use of resources.

Some community development professionals feel that they need more training in formulating and implementing economic development strategies.

Finally, many communities are concerned about uncertainty surrounding state policies that affect economic development. During interviews, they expressed their dismay with recent vacillations on Kansas tax policy.

Overall Findings

1. The Division should establish and maintain a system of tracking suspects and prospects.

A major conclusion to emerge from this study is ID's need for a computerized case tracking system. Such a system would be useful for several purposes. First, such a system would facilitate ID's day-to-day work, making it easier to keep track of prospect and suspect information. Second, such a system would make it easier for ID to report its progress to the Legislature and other state agencies. Most importantly, a case tracking system would reduce the effort needed for ID to monitor the success of its own activities.

2. In conjunction with (1) above, a systematic method of follow-up should be implemented.

Survey respondents sometimes had difficulty in recollecting the services they have received. This suggests that a more timely follow-up would be necessary to accurately reflect firms' reactions to ID services. ID could respond to this feedback by fine-tuning programs.

3. Difficulties in collecting and interpreting performance data (new jobs and investment) will continue to exist.

Ultimately, the success of ID is measured in terms of new jobs and investment brought into the state. However it is virtually impossible in practice to tell whether job and investment results are due to ID's intervention or to other forces. Furthermore, the basic data available on jobs and investment are often inadequate.

Attempts to verify firm job and investment levels pointed out two important concerns for anyone interested in performance monitoring. First, economic development agencies must rely heavily

on projections of jobs and investment supplied by the firms themselves. Because of changing market conditions, these projections may be lower or higher than the actual results achieved. Second, collecting data on actual performance is difficult because firms are under no obligation to disclose this data and many firms decline to answer such survey questions.

4. Resource constraints affect the Division.

Communities rely on the Division as an important source of factual information, training, and marketing assistance. Communities would like to see increases in both ID prospecting efforts and in economic development training at the local level.

5. Uncertainty concerning the state's tax and economic development policies hinders community recruitment efforts.

Many communities mentioned that firms shy away from Kansas as a business location because of the great uncertainty concerning the state's tax policy.

5 | Trade Development Division

Background

History

Trade activities by the State of Kansas began in the mid-1970s, with one of the earliest efforts being a trip to Japan by Governor Docking and the Kansas Cavalry. Some trade development was carried out under the Trade and Tourism Department during Governor Bennett's administration, and during Carlin's governorship organized trade efforts were established in Tokyo and Europe, and relationships were developed with China. At that time, international trade activities were housed in the Kansas Department of Economic Development (KDED), Industrial Development Division.

The 1986 Kansas Economic Development Study (Redwood/Krider Report) addressed issues related to trade development in the state. The study recommended establishment of a new international trade division, stressing that:

Kansas is increasingly a part of the world economy. International trade is important for many Kansas industries and further efforts must be made to market our products internationally. Efforts at international marketing should all be concentrated in KDED. It is crucial that this area be made more visible by being in a separate division that is adequately funded. The staff should be led by experts in international marketing. Overseas offices in key markets should be established.

The international trade division would also provide assistance to Kansas firms desiring to initiate or expand exports. Small businesses in particular require assistance with export financing, licenses, import requirements, and cultural/language issues. The division would assist with putting a complete package together in order to facilitate increased exports by small businesses.

In April of 1986 the Legislature established the Division of Trade Development within the newly organized Kansas Department of Commerce. K.S.A. 74-5048 outlines the specific activities of the Division:

- a) promote the export of Kansas products outside the state and the United States;
- b) develop and conduct trade development and market research missions to foreign markets and host foreign buying teams visiting Kansas;
- c) prepare and distribute an export directory and other specialized product information to foreign buyers;
- d) identify and develop foreign trade leads;
- e) coordinate with and disseminate information regarding the international grains program and international

Trade Development Division

trade institute conducted at Kansas state university; and

- f) coordinate with and disseminate information regarding any international trade activities of the division of markets of the state board of agriculture.

Activities

The Division's responsibilities include the oversight and administration of five programs:

- Trade Show Assistance Program;
- Export Finance;
- International Industrial and Investment Development;
- Trade Services, Marketing, and Promotions; and
- International Representation.

This evaluation focused on three of those five activities:

1. financial assistance to companies attending overseas trade shows under the *Trade Show Assistance Program (KTSAP)*;

2. trade representatives in ten countries and overseas trade offices in two under *International Representation*; and

3. *Trade Services, Marketing, and Promotion*, covering such activities as information services, seminars, trade missions, publications, and consulting with individual firms.

The purpose of this study was to answer the following broad questions about the Division:

- 1. What are the goals and accomplishments of Trade Development programs?
- 2. How does the Division decide what services to offer?
- 3. How does the Division identify and communicate with potential exporters?
- 4. How does the Division measure the effectiveness of its programs?

5. Are potential exporters aware of Division services?

6. What impact do these services have on their users?

7. How might the Division's effectiveness be enhanced?

Budget

FY 1987-1992 budget data for the Division is presented in Table 5.1. The total budget for the Division has increased from \$106,148 in FY 1987 to \$1,400,554 in FY 1992, equivalent to an annualized percent increase of 67.5 percent. Although the budget has increased steadily over the FY 1987-FY 1991 period, it dropped in FY 1992.

The KTSAP budget increased from \$100,000 in FY 1990 to \$200,000 in FY 1992 which is equivalent to an annualized increase of 41.4 percent. However, the budget for International Representation has remained fairly constant—with the exception of a one-year increase in FY 1991—and has increased by only 2.1 percent over the FY 1988-1992 period.

Table 5.1
Kansas Department of Commerce:
Trade Development Division Budget
FY 1987-FY 1992

	Total Budget	KTSAP Budget	Int'l Rep.
FY 1987	\$ 106,148		
FY 1988	586,119		\$441,000
FY 1989	610,207		440,000
FY 1990	1,325,804	\$100,000	467,000
FY 1991	1,533,106	150,000	589,500
FY 1992	1,400,554	200,000	478,500

Annualized
% change 67.5% 41.4% 2.1%

Source: Trade Development Division.

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Staffing

The Division has a total staff of thirteen people, including the Director and three clerical staff. Nine staff members are program officers, with one dedicated to export finance and two to industrial recruitment. The remaining six—plus the Director—work in the areas evaluated in this study.

This appears to be a small staff relative to the scope of operations. While some may consider it "streamlined," many firms that work with the Division believe that it is understaffed.

Comparison to Other States' Efforts

Table 5.2 presents the FY 1992 state budgets for overseas offices and trade show programs of Kansas and its neighbors (Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma). Kansas' total trade development budget (\$1,400,554) was ranked fourth out of the seven states and was greater than the average of \$1,210,915. Additionally, Kansas' overseas office budget (\$478,500) ranked fifth out of six states and was less than the states' average (\$680,872). Of the five states with a trade show program, Kansas' financial commitment (\$200,000) ranked second and was slightly greater than the average (\$147,596).

Methodology

In order to answer the broader research questions, as well as program-specific questions, the following approach was utilized:

1. *Interviews with KDOC Trade Development Personnel.* Background on the Division's philosophy and strategies was obtained through interviews with staff members, including the Director; heads of the Division's two regional operations; manager of the Trade Show Assistance Program; and the individual who oversees the daily operations of the European office and handles much of the Division's statistical reporting.

2. *Trade Division Documents.* Division staff provided documentation on the various programs,

including financial information, lists of clients, reports and brochures. In addition, materials gathered by Kansas Inc. in May, 1991, were used as references.

3. *Survey of Export Firms.* A telephone survey of 301 Kansas manufacturing firms was conducted to measure awareness and attitudes about the Trade Division's programs. Firms surveyed were selected at random from among firms identified as exporters in KDOC's *Directory of Kansas Manufacturers and Products* database.

4. *Case Studies.* To help develop the telephone survey and add a qualitative dimension, IPPBR researchers interviewed executives of eight

Table 5.2
Comparison of Trade Development
Expenditures: Kansas and Surrounding States
FY 1992

State	Trade Development Budget	Int'l Rep.	Trade Show Assistance
Kansas	\$1,400,554	\$478,500	\$200,000
Arkansas ¹	638,357	471,000	167,357
Colorado ²	995,000	385,000	12,000
Iowa	1,986,402	782,833	338,625
Missouri	1,724,642	1,291,400	20,000
Nebraska ³	130,000	0	0
Oklahoma ²	1,631,500	676,500	0
<i>Average⁴</i>	\$1,215,208	\$680,872	\$147,596

¹Trade show budget is the total budget for overseas marketing and promotion, excluding overseas offices.

²Organizes several of its own overseas trade shows each year.

³State constitution prohibits government agencies from transferring funds to the private sector.

⁴Of those states with a program.

Source: States' departments of commerce.

Kansas firms. Firms interviewed were identified by the Division as having utilized its programs and represented various types of firms and geographic locations.

5. Questionnaire Sent to Overseas Trade Representatives. Because the state's trade representatives offer an overseas perspective on the Division's operations, trade representatives were asked to respond to a three-page, open-ended questionnaire designed to obtain information about their activities and the relative strengths and weaknesses of Kansas' overseas presence.

6. Review of Economic Development Literature. Literature was reviewed to provide a frame of reference from the perspective of the Kansas economic development strategy and with regard to national and international trends in trade development. Past studies related to KDOC were reviewed, as were articles from academic and business journals.

7. Other Information. Additional information sources included individuals in government and private agencies familiar with the Division's operations and representatives of other state governments.

Findings

Since its creation, the Division has not formally discontinued any programs, and export finance and trade show assistance have become added responsibilities. However, changes in emphasis include:

- less involvement in export seminars than in the past;
- shifts in geographic focus regarding overseas representation;
- a slowdown in the publication of catalogs and directories; and
- an increase in the relative importance of trade show assistance and overseas representation.

It is not certain how Kansas' current mix of trade programs was established, although there appears to be a bandwagon effect among states since most offer similar programs. Program decisions have largely been based on business intuition rather than on any formal assessment and are naturally influenced by the skills and geographic interests of program officers. This is not surprising, since needs assessment for trade development is difficult. One reason for this is that firms needing the most help often have the least knowledge of the existing options and their usefulness. Furthermore, the outcomes of export promotion cannot usually be easily quantified, so it is hard to know which activities do the most good.

Evaluation of trade programs is always difficult because of the complex and long-term nature of international business. Within the Division, there are essentially two levels of evaluation: 1) return-on-investment figures maintained for the KTSAP, and 2) information of the type provided in the Division's annual reports, including lists of activities and names of firms assisted. The latter information is essentially a "head count" which does not examine relative effectiveness programs or quality as perceived by the users. Obviously, staff members receive feedback from service users and incorporate this into future decisions, but there is not a systematic evaluation process. Staff time available for such a process is limited, and other resources such as computer software to facilitate statistical control are not available.

Survey Findings: International Representatives

Responses were received from only four of the eight overseas representatives: Japan, Belgium, Australia, and Korea. This was somewhat surprising since the questionnaire was faxed directly from the Division with a cover letter from the Director and raises questions about the responsiveness of some of the locations.

All four of the respondents said they were satisfied with the level of communication with the Division, although the frequency of reporting varies from quarterly (Belgium) and monthly (Japan)

to continuously (Australia) and per Division instructions (Korea). The representatives indicated that Kansas's overseas presence in their respective countries is at least as good, or better, than that of other states, although they feel handicapped by inadequate funding.

All the overseas representatives would like to have more financial resources in order to provide more detailed market follow-up, publicize Kansas firms more widely, and have more face-to-face meetings with Kansas firms.

Individual concerns included:

- creating more catalogs and a new Trade Directory with fax numbers;
- encouraging Kansas business people to attend trade fairs in Japan, seeing the market first-hand;
- establishing an annual international trade fair in Kansas so that the trade representatives could meet with companies face to face; and
- educating Division staff about the technical specifications of Kansas products so that representatives could better understand the advantages of Kansas products.

Survey Findings: Kansas Firms

Key findings from the survey of Kansas businesses found that:

- Less than 22% of the surveyed firms stated that they were well informed about the Trade Division's services, while 43% said they were not aware of them at all.
- Of the firms that were either somewhat or well informed about Trade Development services, less than half (49%) indicated that they had direct contact with the Division.
- Businesses overwhelmingly suggested that the Division attempt to improve awareness of its services and capabilities.
- For each of the eleven Division services examined, over 75% of the client firms rated them as being helpful. Those programs with

especially high ratings included KTSAP (100% rated it helpful), information and technical assistance on the domestic market (100%), information and technical assistance on foreign markets (97%), sales leads (95%), and leads on potential distributors (92%).

- With respect to the KTSAP, 63% of the client firms indicated that participation in the program had caused their international marketing efforts to increase.
- Over 77% of client firms indicated that they would be likely to use a particular service again across each of the eleven services examined. Additionally, all (100%) of the client firms reported that they would be likely to use the Division to obtain sales leads, locate potential distributors overseas, and obtain information and technical assistance on the domestic market in the next few years.
- While firms that had used the Division's services had found them helpful in the majority of cases, equally positive perceptions as to the Division's contribution to various export-related activities were not as evident. For each of the eight export-related results examined in the survey, 79% or more of the respondents indicated that the Trade Development Division was not involved in achieving the particular result.
- In contrast, 48% of the firms either exporting or interested in exporting felt that the Division would be either very important or somewhat important to their international operations in the next two years.
- Firms most frequently mentioned that the Division would not be important to their international operations in the future due to insufficient knowledge about the Division's services (65%).
- Over 23% of the firms in the survey sample had never exported or were no longer exporting, yet according to the *Directory of Kansas Manufacturers and Products* database they

export one or more of their products. Furthermore, considerable difficulties were encountered in contacting firms included in the database due to incorrect information.

- With respect to size of firm, medium-sized firms (52%) and smaller firms (40%) were much more likely to have had contact with the Trade Development Division than larger firms (8%). For each of the eight export-related results examined, greater frequencies of occurrence were reported by larger firms than either smaller or medium-sized firms.

Case Study Findings

A synthesis of the eight case studies found that:

- With exception of KTSAP, little performance monitoring exists within the Division. For KTSAP, the Division relies on projections of sales made immediately and six months after each show. As these figures are projections, they may not be accurate. In fact, several of the firms reported actual sales figures that were higher than Division documents indicated, while others reported lower sales figures. Several firms indicated that there was too much pressure on the Division to justify its efforts by documenting specific sales-to-expense ratios.
- Limited information exists as to what assistance had been given to which firms and when, with the exception of firms participating in the KTSAP.
- All of the case study firms indicated that the Trade Development Division had been helpful with respect to their firm's international marketing efforts, especially the KTSAP. Consistent with the survey responses, the most frequent suggestion was to increase the promotion, hence awareness, of available Division services.

Findings of the Literature Search and Comparative Analysis

- Research literature on state trade development is scarce. Some positive relationships have

been established between export promotion and job creation, but there is little statistical data to support broad trade development initiatives. Services offered by state trade development offices are often based on tradition (i.e. what has been traditionally offered) and perceptions of what has been successful, rather than actual outcomes-based analysis.

- Trade development programs and budgets have expanded dramatically during the 1980s, though the pace of expansion is leveling off and budgets might decline in the early 1990s (Table 5.3). The primary reason for this trend is the poor fiscal conditions of state governments.
- Despite the fact that the Division spent less than the FY 1990 U.S. mean budget figure, its programs appear to be very active, given Kansas' industrial and economic position among the states.
- Among regional states, the Kansas Trade Development Division's budget is in the middle of the pack, while its programs seem very active by comparison. Kansas is especially active in providing trade show assistance and has more overseas office and representative locations than any of the other regional states.
- Trends in state trade development point to more cooperation among state agencies and other export promotion organizations. Tight fiscal resources will lead many states to target industries and markets to better utilize their resources.
- There are several innovative programs pioneered by other states and countries from which the Trade Development Division can learn. However, most states, including Kansas, prefer to use traditional services which help to remove the barriers to exporting that confront small and medium-sized firms.
- Marketing of services to state companies is critical to a program's success, and this fact is recognized by state governments.

Table 5.3
Aggregate State Budget Figures for Trade Development
and Biennial Percentage Changes, FY 1984-FY 1990

FY 1984	\$21,245,100		
FY 1986	\$39,211,000	% change over FY 1984:	84.6%
FY 1988	\$62,197,657	% change over FY 1986:	58.6%
FY 1990	\$91,941,703	% change over FY 1988:	47.8%
FY 1990 Median:	\$1,152,541		
FY 1990 Mean:	\$1,725,663		

Source: National Association of State Development Agencies, *State Export Program Database, 1990*.

Overall Findings

With respect to the research questions stated earlier, the following findings emerged:

1. Goals and Accomplishments of the Trade Development Division

The primary goal of the Trade Development Division is to assist Kansas companies in developing export markets, thus creating quality jobs and revenue for the state. To achieve this primary goal, the Division operates several programs charged with more specific, unique goals. These include the Export Finance Program (not addressed in this report); the Trade Show Assistance Program (KTSAP); International Representation; and Trade Services, Marketing, and Promotion.

The goal of KTSAP is to encourage Kansas firms to export by helping them attend trade shows. Of the Division's programs addressed in this study, the KTSAP is the only program evaluated in terms of a return on investment ratio. The return on investment ratio (total company sales/Trade Division reimbursement) for FY 1990 was estimated at 57:1.

The goal of the International Representation program is to generate and develop relationships between foreign and Kansas firms. The trade representatives provide Kansas companies with

assistance in locating distributors overseas, assistance to firms visiting foreign countries, and assistance in preparing market overviews. While the trade representatives have performance measures included in their respective contracts, the responsiveness of the representatives to Division requests seems to be the primary measurement of performance. There is no documentation on the financial or economic impact of the services performed.

The goals of the Trade Services, Marketing, and Promotion program are to assist Kansas companies in identifying the potential of export markets and to promote foreign and domestic sales of Kansas products. Trade missions, trade directories, counseling of individual firms, domestic marketing efforts, export seminars and workshops, and other miscellaneous services are provided to this end. Currently, no documentation exists on the economic impact of this program.

2. Selection of Programs/Services

The basis by which the Trade Development Division has decided on which services to offer is not clear. However, many states have modeled their programs after successful programs, and Kansas appears to have followed this pattern. Program decisions within the Trade Development Division have largely been based on business

intuition rather than on any formal analysis, and have been influenced by the unique skills and geographic interests of division directors and program officers.

3. Identification and Communication with Potential Clients

The Trade Division does not have a clear strategy for identifying potential clients. It does not currently target firms by size in its promotion or assistance efforts, yet smaller exporters are more likely to contact the Trade Development Division than larger firms. While some efforts at targeting firms within particular industries are undertaken, this does not seem to be a major thrust.

The Division does not have a systematic process to market itself to new clients, so most of the communication is with existing clients. The fact that 43% of the surveyed firms were not aware of the Trade Development Division confirms that proactive marketing to potential clients is limited. The Division lacks a client information system or database to maintain records; therefore Division staff heavily rely on other databases within the Department of Commerce. While the Trade Development Division is in the process of developing its own database, current resource constraints hinder full development.

4. Performance Monitoring

As stated previously, little documentation of the Division's accomplishments relative to specific goals exists. Aside from the return on investment ratio maintained for the KTSAP, the measurement of performance for the Division's programs is essentially descriptive in nature and does not examine relative effectiveness of the programs or the quality of those programs as perceived by the users. One obstacle to effective performance monitoring is the lack of systematically collected client records.

5. Awareness of Programs/Services

Less than 22% of the 301 manufacturing firms surveyed stated that they were well informed about Trade Development Division services while

43% indicated that they were not aware of them at all. Less than half (49%) of the informed firms said that they had direct contact with the Division.

6. Impact of Services on Clients

Quantifying the actual *impact* of trade development programs is difficult, if not impossible. Therefore, questions asked in the firm survey and case study interviews did not seek to quantify the impact of Kansas Trade Development Division services/programs, but rather sought to determine firms' general perceptions of the quality of services used, and of the Division's contribution to the various export-related results examined.

Surveyed firms that had used the Division's services consistently rated them as being helpful. In fact, with respect to *each* of the 11 Trade Development Division services examined in the survey, 75% or more of the responding client firms indicated that the particular service was helpful. In addition, over 77% of the client firms indicated that they would be likely to use a particular service again across each of the 11 Trade Development Division services examined.

7. Suggestions for Improvement

The overwhelming response to questions about how the Division could improve its usefulness was that it make the business community more aware of available Division services. Additionally, the most frequently mentioned reason from the responding firms as to why they felt that the Division would not be important to their future international operations was insufficient knowledge about Division services (65%). Consistent with the survey responses, the most frequent suggestion for improvement offered by the case study firms was to increase the promotion, and in turn, awareness, of the Division's services.

6 | Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR)

Background

History

The Industrial Development Division of KDOC administers two workforce training programs: the Kansas Industrial Training (KIT) program and the Kansas Industrial Retraining (KIR) program. K.S.A. 74-5065 (a) and (b) outlines their responsibilities:

...[for KIT to provide] training, customized to meet specifications of a new or expanding industry, of new employees or prospective employees, or both, of the industry.

...[for KIR to provide] retraining, customized to meet the specifications of a restructuring industry, of employees of the industry.

The KIT program—originally under the general authority of the Department of Economic Development (KDED)—was funded through annual appropriations from FY 1973-1988. During FY 1982, the KDED and the Kansas State Department of Education entered into a "memorandum of understanding," and both agencies agreed to work together in providing occupational skills training of Kansas firms. As a result, state funds and federal funds under the Carl Perkins Vocational Education Act were combined. In 1988, the Legislature formally established KIT and KIR in

statue, and funding from the Economic Development Initiatives Fund was allocated to the programs.

The Redwood/Krider report offered this recommendation regarding KIT:

KIT is the most flexible of the state's job training programs and the only one whose sole objective is economic development. It is important that this program be adequately funded so that KDED can take the initiative in designing customized job training programs for new and expanding businesses. The development of customized training programs for employers can be important in making Kansas more attractive to businesses, because employers control the content and relevance of such training.

An expanded KIT program is essential because its funds (1) can be committed very quickly, (2) can be used for any kind of training, and (3) can be used to train any employee selected by the employer. Such flexibility is crucial in putting together a coordinated job training program involving vocational education and JTPA. An expanded KIT would permit the state to use job training as a major part of its economic development strategy. Such a strategy is appropriate and important for Kansas.

Activities

Both programs are available to manufacturing, distribution, regional, or national service-related companies training 10 or more employees. Under KIT, state vocational training specialists work with a firm to assess the skills needed by its workforce. Each training program is adapted to the firm's production specifications. KIT then assembles the appropriate educational resources. Training may include pre-employment training, on-the-job training, and/or classroom training. All costs for training are covered by KIT, including instructors' salaries; travel, lodging, and meals; video tapes; training manuals/textbooks; supplies and materials; minor equipment; certain utility costs; and curriculum planning and development.

KIR, on the other hand, requires firms to share the costs of training. The program helps industries cope with employees who have obsolete or inadequate job skills. Firms which are restructuring their operations through incorporation of existing technology, development/incorporation of new technology, product diversification, or implementation of new production activities are eligible for KIR funds.

Budget

Table 6.1 presents the source of funding for KIT/KIR. Over the FY 1988-1990 period, the greatest funding gain for KIT/KIR—an annualized growth of 40.2 percent—came from the Economic Development Initiatives Fund (EDIF). Federal funds—or Carl Perkins monies through the Kansas State Department of Education (KSDOE)—increased 2.2 percent during the FY 1987-1990 period. KDOC began to track program operating expenditures for KIT/KIR in FY 1991.

Staffing

As mentioned in the section on the Industrial Development Division, KIT/KIR has two staff positions dedicated to it. One of the positions had been an industrial representative in the Division. When the position became vacant it was switched to job training.

Methodology

The purpose of this study was to answer the following research questions:

1. What role do KIT funds play in affecting firm decisions to locate a business in Kansas and/or expand an existing Kansas business;
2. To what extent is the human capital (knowledge, skills, and abilities) of Kansas workers trained through KIT funded programs enhanced;
3. What role do KIR funds play in affecting firm decisions to retain and retrain current workers when firms undergo significant restructuring; and
4. To what extent is the human capital (knowledge, skills, and abilities) of Kansas workers trained through KIR funded programs enhanced?

KDOC currently conducts annual mail surveys of KIT/KIR funding recipients. To avoid confusion with the internal evaluations undertaken by

Table 6.1
KIT/KIR Program Funding:
Source of Total Budget, FY 1987-FY 1990

	St. General Fund (KDOC)	Federal (KSDOE)	EDIF
FY 1987	\$ 844,456	\$532,242	
FY 1988		743,493	\$ 725,000
FY 1989	800,000	699,665	1,200,000
FY 1990	1,296,225	568,425	1,425,000

<i>Annualized</i>			
<i>% change</i>	15.4%	2.2%	40.2%

Source: *Department of Commerce: Program Abstracts and Performance Data, Kansas Inc., May 1991.*

KDOC, IPPBR decided to use a series of mini case studies of firms receiving KIT/KIR funds during FY 1989-1991. Firms were selected from the total of 143 (19 KIR, 124 KIT) which have received funding.

Using a small stratified representative sample of firms, KIT participants were separated into two groups: those forming *new* Kansas businesses and those *expanding* existing Kansas businesses. Of the 39 firms originally selected for inclusion in the study, data were actually obtained from 37 firms, including 14 businesses receiving KIT/new grants; 16 receiving KIT/expanding grants; and 7 accepting KIR grants.

For each firm, data were collected from two sources. First, each firm's file, as maintained by the Department of Commerce, was examined. Information in these files included a formal training plan, trainers and trainees, and receipts for supplies, materials, and other items. Second and primary data collection was also obtained from site visits to each firm. A structured interview was given, generally covering the following questions: a) the role and importance of KIT funds in locating/expanding the business; b) the importance of KIR funds in restructuring portions of the business and retraining employees; c) the number of employees trained/retrained; d) extent to which the company would have trained/retrained without funds; e) specific nature of training; f) utility of training to the firm; g) savings or benefits from the program; h) retention of trained employees; i) ability/plans to replace trained employees who have left the firm; j) wage rates for trained employees; k) firm size; l) extent to which the firm would recommend the programs to others; and m) general comments on the programs.

Findings

To date, KIT/KIR have provided funds for a variety of Kansas businesses. Some of them have included aircraft manufacturing, telemarketing, financial services, and meat processing. Each firm designs its own training program and may utilize its own staff or an area vocational-technical

school, community college, vendors, consultants, or any mix of these providers.

KDOC Files

Files for the 39 firms were examined for detail and completeness:

1. *Training Plan*. While 100 percent of all firms submitted a training plan, twenty-six percent were detailed, in the opinion of the researchers.

2. *Trainers*. Sixty-seven percent of firms provided a complete list of trainers, in comparison to 20 percent submitting a partial list and 13 percent with no list at all.

3. *Trainees*. Sixty-seven percent had a complete listing of trainees, ten percent provided a partial list, and 23 percent offered no list.

4. *Receipts/Invoices*. All firms (100%) provided receipts and invoices, as required.

KDOC also began keeping computerized records for KIT/KIR beginning in FY 1990. Current accounting information on each contract, correspondence and notes, and relevant newspaper clipping were also kept in some files.

Case Studies

Key findings from the case studies were:

1. *Discovery*. When asked to list how they learned about KIT/KIR, respondents were most likely to mention these sources: a) KIT/new—local government (43%) or KDOC (29%); b) KIT/expanding—local Chamber of Commerce (31%), local government (19%), or previous experience with KIT/KIR (19%); and c) KIR—KDOC (57%), previous experience with KIT/KIR (43%), or the Kansas State Department of Education (29%).

2. *KDOC Application Assistance*. Seventy-nine percent of KIT/new recipients found the application process "easy" to "very easy." Twenty-one percent of KIT/new recipients indicated that they had received help in filling out the application. Eighty-six percent of the recipients rate the assistance provided by the Kansas Industrial official who set up their contract as "very

good" to "excellent/superior." Seventy-five percent of KIT/expanding firms found the application process "easy" to "very easy." However, twenty-five percent stated that filling out the application "took a lot of time." Thirty-eight percent of the KIT/expanding firms stated that they had received assistance in filling out the application. Seventy-five percent of the recipients rated the assistance provided by the Kansas Industrial official who set up their contract as "very good" to "excellent." Finally, eighty-five percent of firms receiving KIR funds thought that the application process was "easy" to "very easy." Seventy-one percent of the firms rate the assistance provided by the Kansas Industrial official who set up their contract as "excellent/superior." Most firms stated that they would apply again: 100% of KIT/new, 94% of KIT/expanding, and 71 percent of KIR.

3. *Adequacy.* Overall, firms found KIT/KIR funds adequate to meet their training needs, as expressed by seventy-one percent of KIT/new recipients, sixty-nine percent of KIT/expanding, and all of KIR firms. However, KIR recipients were referring to the *total* funds dedicated to training, including their match. Most KIR recipients contributed more than the required 50 percent match, and forty-three percent stated that to some extent, it was difficult to meet the match requirement.

4. *Importance.* Half of all KIT/new grants played an important role in the firm's location decision. However, 64 percent of respondents indicated that they would have located their business in Kansas if KIT funds had not been available, while twenty-one percent stated that they would not have located in Kansas without KIT funds. On the other hand, forty-four percent of KIT/expanding firms stated that expansion in Kansas would have taken place without the grant. However, another 19 percent of KIT/expanding recipients indicated that the expansion of their business would have taken place, but it would not have been in Kansas. Finally, fourteen percent of KIR participants would not have trained their employees without KIR funds, and forty-three

percent stated that a significant portion of their employees would have been displaced without the training.

5. *Contributions.* Firms indicated that they contributed money and other resources for their training efforts: a) KIT/new—money (100%), materials/supplies (50%), and equipment (36%); b) KIT/expanding—money (100%), instructors (50%), and materials/supplies (31%); and c) KIR—all firms matched state funds, as required.

6. *Number of Kansans Trained.* The number of Kansans trained by firms were: a) KIT/new—an average of 83, with a range of 6 to 540 and a median of 29 per firm; b) KIT/expanding—an average of 100.6, with a range of 4 to 867 and a median of 32; and c) KIR—an average of 203 people, with a range of 38 to 500 and a median of 195. The disparity between the average and the median demonstrates that both large and small firms have received support through KIT/KIR.

7. *Loss of Trained Workers.* Fifty-eight percent of KIT/new firms had to lay off workers, and KIT trained workers were included. However, twenty-nine percent of those firms called their workers back. For KIT/expanding and KIR recipients, a smaller percentage of workers were laid off: 37 and 43 percent, respectively. KIT/KIR trained workers were among those laid off in 66 percent of firms receiving KIT/expanding funds and 33 percent of KIR firms. A number of workers have left for reasons other than lay offs, as indicated by 86 percent of KIT/new, 94 percent of KIT/expanding, and 71 percent of KIR firms. Most of their replacement workers have receiving equivalent training (KIT/new—50%, KIT/expanding—67%, and KIR—80%). Training for replacement workers was financed by the company or KIT/KIR (KIT/new—11% KIT, 89% company; KIT/expanding—9% KIT, 91% company; and KIR—50% KIR/KIT, 75% company).

8. *Training Provider.* Firms relied on several types of training providers: a) KIT/new—own company (100%), state universities (21%), and consultants (21%); b) KIT/expanding—own

company (81%), vocational technical schools (25%), and community colleges (12%); and c) KIR—own company (71%), vocational technical schools (57%), and consultants (43%).

9. *Nature of Training.* Most of KIT recipients—either new or expanding businesses—used the funds for industry-specific or general training. Few of the firms (14% of KIT/new and 25% of KIT/expanding) used the funds for company-specific training. On the other hand, forty-three percent of KIR firms used the funds for company-specific training.

Overall Findings

With respect to the research questions stated earlier, the following findings emerged:

1. *Role of KIT funds in affecting firm decisions to locate a business in Kansas and/or expand an existing Kansas business.*

The data regarding firm decisions to locate a business in Kansas present somewhat conflicting information. Twenty-one to thirty-five percent of firms would have located their businesses elsewhere if KIT funds had not been available. However, the availability of KIT funds made needed training possible for 72 percent of the firms which would have located in Kansas anyway. While 14 percent indicated that KIT funds were "somewhat" adequate, seventy-one percent of the participating firms found the funds were adequate in meeting their training needs.

For firms which decided to expand their existing Kansas business, twenty-five percent would not have expanded without KIT funds. Another 12 to 31 percent may have experienced some difficulty in their expansions without KIT funds. Without KIT funds, equivalent training would not have occurred in 25 percent of the firms and would have been delayed significantly in 19 percent. Sixty-nine percent stated that the funds were adequate in meeting their training needs. On the other hand, only six percent indicated that the funds were "somewhat" adequate.

2. *Role of KIR funds in affecting firm decisions to retain and retrain current workers when firms undergo significant restructuring.*

According to survey participants, a significant proportion—20 to 100 percent—of employees would have been dismissed rather than retrained in 43 percent of the participating firms if KIR funds had not been available. Without KIR funds, partial training—or no training at all—would have taken place in 57 percent of the firms. A significant delay in training would have occurred in another 29 percent of firms. Although virtually all firms stated that the combined KIR funds and company match were sufficient for covering the training, they also indicated that they exceeded the 50 percent match requirement. The majority of firms also indicated that they ended up doing more training than they had originally intended. Forty-three percent of the firms felt that the match requirement was a problem "to some extent."

3. *Extent to which the human capital of Kansas workers is enhanced by KIT/KIR funded programs.*

Human capital represents the knowledge, skills, and abilities (KSA) which are acquired through education, training, work experience, and life experience. Human capital enhances an individual's capabilities and, in turn, their worth or value in a particular area. General human capital refers to those KSA which are useful in a wide variety of work or life situations and enhances a person's value in general. Industry-specific human capital is those KSA which are useful in particular industry and enhances a person's value within a particular industry. The final human capital—company specific—is the most narrow of the three. It refers to those KSAs which are useful within the context of a specific company or organization. Because it enhances a person's value within an individual firm, it is generally not transferrable to another organization.

The data from the survey indicate that the skills which Kansans have acquired through KIT/KIR funded training appear to be, for the most part, industry-specific and general. While some

company-specific skills have been acquired, the vast majority of skills have been in company and industry-specific areas. These results show that the KIT/KIR program seems to be adding to the transferable human capital of Kansas workers.

Additionally, KIT/KIR training appears to have translated into increases in the median wages of workers, with the greatest gain seen by KIT/new trained workers (\$1.50/hour). KIT/expanding and KIR trained workers witnessed an increase of \$0.31 and \$0.59 per hour, respectively. These figures must be interpreted with considerable caution. For example, KIT/new employers are in

a start-up phase, and they usually pay lower wages until their employees produce and derive income for the firm, establishing it as a viable entity. KIR employees, on the other hand, may have faced layoffs due to obsolete skills. Respondents from the KIR sample were from the two most current fiscal periods, rather than three fiscal periods. Finally, expanding businesses are usually established and are already paying market rates, in accordance with their respective labor and product markets. In sum, the wages of workers trained in all three programs have, on average, increased.

7 | Kansas Inc. Evaluation of Selected Programs

Introduction

In addition to the four program areas evaluated by IPPBR, Kansas Inc. examined the remainder of KDOC programs. This section presents program summaries and conclusions made by Kansas Inc. Each program is discussed individually. For this analysis, Kansas Inc. utilized Department performance data and conducted interviews with program staff. However, the work outlined in this section does not encompass detailed evaluations. Time and resources were not sufficient to allow analysis comparable to a full research evaluation. The goal of this section, then, is to present Kansas Inc.'s conclusions regarding direction and changes for a select group of KDOC programs. Policy options stemming from Kansas Inc.'s program conclusions are presented in Chapter 2, "Policy Options for Consideration."

Travel and Tourism Division

Kansas Film Commission/Film Services

The state began its film services group after the movie "The Day After" was filmed in Lawrence in 1982. Production activities in Kansas have included motion pictures, television programs, commercials, industrial/educational films, and other projects. In promoting the state, the Division attends annual trade shows for filmmakers, creates sets of photographs about potential sites, and responds to the needs of production crews that come to Kansas.

The Kansas Film Commission was created by the 1990 Legislature. It is mandated to serve in an advisory capacity to KDOC staff. To this end, the 19 member commission assists staff, performs duties that will help promote Kansas as a film location, and educates Kansans on the economic benefits associated with film production.

Film Services funding has remained relatively stable over the FY 1990-FY 1992 period (Table 7.1), and an increase in FY 1992 included a \$10,000 feasibility study for a movie studio in Lawrence. Spending estimates by production companies are derived by requesting information from the company and by estimating the total impact based on number of days in Kansas and number of people involved. In the case of short term projects, observations of the activities of the production crew are undertaken. The dollar amounts contain no multipliers, and KDOC staff feels that these numbers are conservative estimates.

Table 7.1
Film Services Expenditures
FY 1990-FY 1992

	Program Expenditures	Production Expenditures
FY 1990	227,752	3,352,500
FY 1991	221,749	7,381,000
FY 1992	266,916	

Film Services staff includes three professional staff positions and one clerical person. Since May 1991, one professional position has remained vacant.

Conclusion: The Film Services program has been very successful. However, it is difficult to determine whether or not a funding increase will translate into additional economic impact for the state. Several factors, including the volatility of the industry and increased competition from other states, makes it difficult to recommend increasing funding. Because the state is doing well with current funding, we recommend that funding and staffing levels remain constant until additional dollar benefits can be documented over a period of time.

Visitor Information Centers

The Visitor Information Center (VIC) program was established in 1978. Following recommendations contained in a tourism study conducted by the Ozark Regional Planning Council, the state established visitor centers, using recreational vehicles staffed by college students in the summer. The program has expanded since its creation to include three permanent buildings—Goodland, Kansas City, and South Haven—in addition to a VIC in the State Capitol. KDOC also subsidizes locally operated VICs by sharing salaries of additional staff hired for the summer. During FY 1992, six communities will receive subsidies for funding temporary staff: Liberal, Fort Scott, Coffeyville, Abilene, Atchison, and Belleville. The last four are receiving funding for the first time.

VIC staff welcome travelers, offer a free cup of coffee, respond to questions about Kansas and its attractions, and serve as an clearinghouse for information, such as promotional brochures and guides. An equivalent of 11.5 staff work for the VIC program, with one full-time administrator based in Topeka. All of the VIC centers have reported increases over the FY 1990-FY 1991 period (Table 7.2).

Table 7.2
Visitor Information Center Usage
FY 1990-FY 1991

	FY 1990	FY 1991
Capitol	18,856	65,238*
Goodland	131,545	135,199
Kansas City	71,993	89,792
South Haven	112,015	114,523

*Includes attendance for inauguration.

The VIC coordinator and the Division's marketing plan (presently in draft form) call for the creation of a VIC on I-35 near Olathe. Kansas Department of Transportation traffic counts show that traffic levels are comparable to those on I-70 near the VIC in Kansas City. However, the cost of building a VIC may be too expensive at this time; private support may be the only option.

Conclusion: Interviews with other state tourism professionals found that VIC programs are an important element of a state's tourism effort. The current program is well-suited for Kansas and should be maintained at its current level. If private sector support or funding match can be obtained, a feasibility study of an Olathe VIC should be conducted.

Existing Industry Division

Certified Development Companies

Since FY 1987, the Existing Industry Development Division has allocated State General Funds (SGF) and Economic Development Initiatives Funds (EDIF) for the operation of Certified Development Companies (CDC). CDCs are independent, non-profit organizations created locally.

Kansas has 15 CDCs, and according to KDOC reports, they "provide financial packaging services to new and expanding businesses." State funds are

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"to provide secure base levels of funding and incentives for providing financial and technical assistance" (K.S.A. 74-5046 g). Funds are awarded to individual CDCs using a performance-based formula. This formula is developed in consultation with the CDCs, and it is reviewed and evaluated by Kansas Inc.

For the past four fiscal years, EDIF funds have been used for financial support. For FY 1992, the program received its first appropriation increase in three years. Program data through FY 1990 demonstrate continuous increases in projects and the number of jobs created/retained during the previous four years (Table 7.3). While the number of projects increased in FY 1991, the total number of jobs created or retained have dropped. Since FY 1987, the funding of 845 projects has created/retained 14,378 jobs.

Previous research conducted for Kansas Inc. suggests that CDCs operate effectively and have a substantial impact on Kansas businesses. CDCs are demand-driven programs: CDC directors are in-the-field and their funding is dependent upon successfully meeting client's needs. CDCs have strong financial expertise and assist rural small businesses owners. They are also considered a resource in financial and technical assistance to rural banks.

Conclusion: Continued funding at current levels is recommended. As job and project numbers increase, additional funding should be considered. However, the number of CDCs—principally in Northeast Kansas—should be reduced. Fewer organizations should result in greater capacity and increased expertise with full-time staff serving the Northeast. Additionally, it is recommended that in order to be eligible for state funding, a CDC should complete a minimum of eight projects per year. Consolidation and merger can occur by increasing the minimum number of financial packaging projects required to qualify for state funds. Finally, KDOC should develop a method for verifying the job numbers and determine how sustainable the jobs are.

Office of Minority Business

The Office of Minority Business (OMB) assists minority and women-owned enterprises in business development, procurement opportunities, and access to capital financing. Assistance is offered through seminars and workshops, direct technical assistance, an annual statewide conference, and publication of a directory of minority owned businesses.

The Division of Minority Business was created as part of the KDED in 1971. In FY 1983, the OMB was established, and its activities were guided by a director and a half-time clerical person. From FY 1989-FY 1991, a special projects staff person was assigned to the office, but this position was eliminated in FY 1992.

Over the FY 1984-FY 1988 period, the OMB received funding from the federal government under a Minority Business Development Agency Grant. For FY 1992, the estimated budget of \$95,000 is funded from the EDIF. Program activity and participation has increased as funding has declined.

Program impact is limited to anecdotal success stories reported by staff. A major activity of the OMB has been assisting businesses with state contract procurement. Because the Division of Purchases does not have a computer program to track minority contractors, all tracking has to be done manually. The staff reduction will also limit the OMB to offer state contract procurement assistance. Other programs—including the Women's Network for Entrepreneurial Training, seminars, and one-on-one counseling—will be reduced.

Conclusion: A full-time professional position and funding to support the activity of that position is recommended for the OMB. Minority and women-owned businesses are becoming a larger segment of the state's economy, and these businesses need assistance which is tailored to their unique needs.

Regional Field Offices

Field office operations began in FY 1984 with an office in Northwestern and Southwestern

Kansas Inc. Evaluation of Selected Programs

Table 7.3
Sources of Funding for CDCs and Jobs Created and Retained, FY 1987-FY 1992

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
SGF	346.3	388.0	325.0	325.0	--	--
EDIF	--	--	100.0	100.0	425.0	475.0
Total	346.3	388.0	425.0	425.0	425.0	475.0
Jobs Created	1,227	1,087	1,648	1,388	1,118	
Jobs Retained	1,032	1,171	1,760	2,138	1,809	
Total	2,259	2,258	3,408	3,526	2,927	
Projects	124	135	172	201	213	

Table 7.4
Sources of Funding for Regional Field Offices, FY 1987-FY 1992

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
SGF	13.4	82.2	401.9	343.3	378.2	50.1
EDIF	--	--	--	70.4	68.6	156.7
Fee Fund	--	--	--	1.0	--	--
Total*	13.4	82.2	401.9	414.6	446.8	206.8

*Columns may not add due to rounding.

Table 7.5
Sources of Funding for Small Business Development Centers and Selected Services Provided, FY 1987-FY 1992

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
SGF	245.6	175.0	175.0	175.0	--	--
EDIF	--	75.0	100.0	100.0	275.0	325.0
Total	245.6	250.0	275.0	275.0	275.0	325.0
One-on-one counseling	2,375	2,364	2,032	2,315	1,551	
Seminars	316	314	327	190	144	

Kansas. The program was expanded in FY 1987 with the creation of four additional offices. The operation of the Regional Field Offices (RFO) provides KDOC with an opportunity for better communication with businesses and communities regarding Department services. RFOs have been an important component of the state's economic development program (Table 7.4).

In FY 1992, the RFOs were slashed from six to three, with a fourth professional located in the Topeka office for Northwest Kansas. The focus of the RFOs has been on providing technical and financial assistance to start-up and existing companies. The program currently focuses on broader strategic assistance to communities.

Conclusion: It is impossible to measure the past effectiveness of the RFOs. Data was collected in a manner which noted only general information, such as subject matter and where the contact occurred. While the number of contacts were substantial, KDOC made no effort to measure the impact between field offices and their contacts.

The state is able to provide technical assistance through a number of programs: CDCs, the Cooperative Extension Service, Industry Liaison Offices (KTEC), and the Mid-America Manufacturing Technology Center (MAMTC/KTEC). On the other hand, communities have do not have access to similar one-on-one assistance. Therefore, RFOs are necessary to move from the stage of building state economic development capacity to doing so at a regional-cluster level.

RFOs could become the "eyes" and "ears" of KDOC, alerting communities and businesses of available services and identifying demand-driven program opportunities for the Department. They may also be able to coordinate economic development activities throughout the state.

To this end, we recommend that six RFOs be funded. Methodologies to assist the RFOs in documenting program impact should be created. Location of RFOs should be chosen in consultation with existing economic development service providers.

Small Business Development Centers

Since FY 1987, the Division has allocated SGF and EDIF funds to the operation of Small Business Development Centers (SBDC) (Table 7.5). Funds directed to the SBDCs go to state SBDC headquarters for statewide distribution. There are 10 regional centers and 10 associate centers in Kansas.

The organizations seek to "provide professional management, technical assistance, and training to small business owners and managers to enhance the success of small business ventures through innovation, expansion, and increased productivity." SBDC services include offering business counseling/training, procuring resources and information, and providing special services/technical assistance.

Beginning in FY 1989, the SBDCs began to focus on existing businesses which require "advanced" long-term technical assistance. Start-ups are referred to the Small Business Administration (SBA), and this change has resulted in a decline in the total number of businesses assisted annually. Another reason for the decline is the shift to more effort or assistance per business. SBDCs received an increase in funding in FY 1992, the first in three years.

KDOC monitors SBDC performance and distributes funds to the state center on a performance-based methodology. The state SBDC submits an activity plan to KDOC, and this plan is the basis for distributing funds to individual centers. Although past national and statewide research has noted that it is difficult to develop SBDC-attributable impact data, performance numbers and survey responses from past clients indicate that the SBDCs are successful.

Conclusion: SBDCs are an important example of "demand driven" programs. The directors of each SBDC is in the field, and their funding is directly dependent upon servicing clients. As long as there is both a demand and a method of measuring program success, funding should be continued.

It is recommended that SBDC funding be continued at current levels. There is some concern, however, about the decline in SBDC numbers, especially in terms of long-term contacts. Long-term counseling was provided to 257 businesses in FY 1991, far below the SBDC goal of 376. On the other hand, the number of training seminars and short-term counseling contacts exceeded FY 1991 program goals. These numbers should be monitored to ensure SBDC staff have the resources and capacity to respond to businesses' needs.

Finally, KDOC, in cooperation with the state SBDC director, should continue evaluating the scope and quality of SBDC contacts. This assessment could assist in the determination of how funds are distributed to individual SBDC. Follow-up telephone calls to a sample of businesses referred to the SBDCs by the SBA should be conducted in order to verify whether the SBDC's change in focus—from short-term to long-term assistance—meets businesses' needs.

International Trade Division

Export Finance Program

The Export Finance Act was created by the 1989 Legislature, and the program provides guarantees for repayment of up to 90 percent of loans extended by Kansas financial institutions for pre and post-export financing to Kansas businesses. The program may guarantee loans up to 40 percent of the total in the loan guarantee fund, but no one loan may exceed 30 percent of that fund. The fund is currently credited with \$500,000.

In FY 1991, the Export Finance handled a wide variety of trade finance questions from over 97 different entities, primarily Kansas companies and banks. Most questions regarded sources of working capital and the program itself. Four working capital Loan Guarantee applications were approved, supporting the export of Kansas products valued at \$350,000.

A three-person loan committee reviews all loan applications and approves those which have acceptable risk. The Secretary of Commerce serves as a non-voting chair of the committee. The

Office of Export Finance is staffed by the program director and one clerical staff.

Conclusion: It has been less than one-year since the Export Finance Loan Review Committee met for the first time. The program must have time to operate and assess its impact before any changes are considered. The Review Committee and the program director have expressed their desire to increase the size of the fund. Two other concerns include: 1) raising the cap on the amount of the fund allowed for one loan (30%), and 2) recognizing the problem that some businesses with existing relationships with out-of-state banks cannot participate in the program.

We recommend that the program is given an opportunity to operate through 1992. At that time, the program should be expected to demonstrate its impact on Kansas exporting. Changes may also be considered. If demand overwhelms program capabilities, immediate efforts to increase the size of the lending pool will be necessary.

Community Development Division

Community Assistance Program

The Community Development Division has traditionally conducted four activities—Community Economic Development Assessment, Enterprise Zones, Kansas Main Street, and the Pride Program—as the Community Assistance Program. Staff were not assigned to one activity and could be used in any of the four areas.

1. *Community Economic Development Assessment.* This program was formally created in 1984 with the purpose of assisting Kansas communities in development planning. KDOC community development teams—comprised of staff and selected economic development professionals—assessed a community through on-site interviews. The team interviewed community leaders and other interested groups and took two day community tours. Development strategies were recommended and an oral presentation was made by the team prior to leaving the community. A written report followed the visit.

Nine community assessments were conducted in FY 1990. From 1981 through 1989, 111 community assessments and various technical assistance visits were conducted. No internal follow-up or impact assessments had been conducted by the division. There was no knowledge regarding how the reports were used by the communities or how effective the program has been. With no way to determine program effectiveness, Community Economic Development Assessment was eliminated after FY 1991.

Interviews also revealed no internal coordination between Community Assessment and other KDOC programs, such as Main Street, PRIDE, and Community Strategic Planning Grants (CSPG). Furthermore, under CSPG, all counties are eligible to apply for grants. Grantees may contract with a firm or university to facilitate planning.

Conclusion: We support the elimination of this program. Through CSPG, single and multi-county organizations may receive funding. Individual communities are eligible for early or advanced assistance in community development through PRIDE or Main Street.

2. Kansas Enterprise Zones. The Kansas Enterprise Zone Program (EZ) creates a set of state and local incentives for Kansas businesses locating or expanding in state-designed zones. To receive designation as an EZ, the county or city governing body must pass a resolution and then submit an application to KDOC. State incentives provided exclusively under this program include: job development tax credits (\$350 per employee or \$500 for a disadvantaged person); investment tax credits (\$350 for every \$100,000 in qualified investment); and sales tax exemptions for personal property or services purchases for the purpose of construction, reconstruction, enlargement, or remodeling of a qualified business facility.

The local governing body is required to provide business incentives. Examples include local tax benefits, financial or technical assistance, capital improvements, fee waivers, or industrial revenues bonds. KDOC is responsible for verify-

ing information submitted by the community. If information is accurate and all required materials are submitted, then the request is approved. One KDOC professional spends about 50 percent of their time on EZ.

By October 1991, the program had certified 262 enterprise zones (58 county and 204 city). Over 606 (3 pending) applications for designation, amendment, and/or re-submissions have been processed since the inception of the program. KDOC's 1990 Annual Report attributed 7,164 new jobs and \$234 million in capital investments—spread over a ten year period—to operations within enterprise zones. KDOC estimates that 1,614 new jobs and \$52 million in qualifying capital investment were reported for the first time in 1990.

There are two issues of concern regarding EZ: 1) to what degree has the actual program history of EZ fulfilled the legislative intent of assisting economically distressed areas, and 2) have the incentives offered by local entities been significant (i.e. do they demonstrate a commitment to sharing costs with the state)? The Joint Economic Development Committee has examined this issue during the 1991 interim session and will present conclusions and recommendations.

Conclusion: Kansas Inc. has previously proposed policy recommendations regarding enterprise zones and would encourage that they be considered. There is a place in the economic development incentives mix for enterprise zones.

From a program standpoint, the current uncertainty of the enterprise zone issue makes it difficult to provide further recommendations. However, consistent throughout interviews and legislative testimony is the need for accurate accounting of tax revenue losses, job increases and their retention, and the impact of capital investment. Depending on reported figures alone is not sufficient for assessing the impact of a program. KDOC should develop a methodology to verify reported figures. Additionally, we recommend that KDOC and the Kansas Department of Revenue hold meeting with communities to

discuss paperwork requirements to ensure that realistic demands are placed on communities and businesses. This recommendation stems from occasional complaints about the paperwork required of a community to participate in the program.

3. *Kansas Main Street.* The Kansas Main Street program became affiliated with the National Main Street Program in 1985. Main Street provides Kansas communities with assistance in revitalizing their downtown. Program services include on-site technical assistance on subjects such as market analysis, fund-raising, visual merchandising, advertising, design assistance, business assistance, and recruitment. Other training workshops are organized as needed. An annual Main Street conference is open to all interested communities. The focus of the program is a self-help approach to revitalizing a downtown, both historically and economically.

Two professional staff operate the program. As of FY 1990, fourteen Main Street designated cities have completed or begun 209 facade renovations, 615 other construction projects, and 123 building sales. Since January 1986, Main Street communities have had a net increase of 1,644 jobs and 476 businesses, as well as a total private investment of over \$53 million. However, these impacts are not directly attributed solely to the Main Street program. Economic expansion in the communities, in addition to group/individual initiatives, are examples of other sources of growth. It may be appropriate to utilize a control group—a community without a Main Street program—to compare and verify the magnitude of the economic impact.

Main Street staff are concerned about maintaining the quality and quantity of services to existing and newly-designated communities. If staff levels remain constant, annual increases in the number of Main Street communities cannot continue. It will be necessary to: 1) freeze the program at current levels, or 2) establish a process and schedule for communities to "graduate"

from the program. After a community graduated from the program, it would no longer be eligible for one-one-one staff assistance. However, graduates would work together to identify special training needs for their continued downtown development and expansion. Main Street staff could then provide group training. One goal of the program should be to wean downtowns off direct state assistance, moving them into regional/cooperative self-help clusters. Main Street staff, in turn, will be able to focus on new or potential communities. By fostering partnerships between communities, the state will develop linkages among communities which will increase the base of knowledge while decreasing dependence on the state.

Conclusion: We recommend that funding and staffing levels remain constant. The program has been successful and has developed a strong constituency. With a constant funding base, Main Street should implement a plan to eventually eliminate one-on-one assistance to established communities. The program should evolve into demand driven activities offered to clusters or groups of communities. By coming together for training, seminars, and other types of group assistance, the cost of maintaining contact with graduates will decrease. The program will then be able to expand the number of participating communities.

4. *PRIDE Program.* PRIDE is a co-administered program between KDOC and the Cooperative Extension Service. It is a self-help program which assists cities in designing a comprehensive development plan. Some of the areas of planning include strategic planning, economic development, community services, housing, education, and energy conservation. Communities may participate through:

Community Achievement Awards—communities compete with their peers for small cash awards. Communities are judged on PRIDE projects, community awareness, involvement,

and accomplishments. Special awards are also given for media coverage and community outreach.

Blue Ribbon Evaluation and Recognition—communities evaluate themselves based on standards in nineteen categories. After they meet these requirements, a community is designated a Kansas Pacemaker Community.

The program is overseen by a fifteen member Board of Directors, including members from PRIDE financial sponsors, the Secretary of KDOC, the Director of Cooperative Extension, and representatives from PRIDE communities. Two people operate the program, one from KDOC and another from Kansas State University (KSU). In FY 1990, there were 99 new or active communities in PRIDE. Staff estimates that 475,244 volunteer labor hours have been donated by 72,548 persons, accomplishing 2,188 various community projects.

Conclusion: There is broad support for the Main Street program. The staff is dedicated and competent. We recommend that PRIDE is maintained at its current level and effort.

National Institute for Rural Development

The National Institute for Rural Development was created in response to the 1987 report from the Governor's Task Force on the Future of Rural Communities. The Institute's purpose was to serve as a policy planning organization devoted to rural development issues. KDOC staff included on Executive Director and one clerical support person. Staff were located in Manhattan with the Cooperative Extension Service.

The Institute is governed by a Board of Directors consisting of three members from the Huck Boyd Foundation, the President of KSU, and the secretaries of Agriculture and Commerce. A private sector member is selected by the members to serve as chair. The Huck Boyd Foundation can elect to fund special projects using private resources.

KDOC expenditures for the Institute were \$111,808 in FY 1991 and were paid from the Rural Assistance Center budget. KDOC budget support was terminated in FY 1992. The Institute receives FY 1992 financial support from KSU. The Institute's broad agenda—emphasizing coordination, education, and identification—may be better suited to an academic environment. An academic location may also assist in obtaining grants.

Conclusion: The Institute was handicapped by unclear goals and objectives. It duplicated services offered by the Cooperative Extension Service and Kansas Inc. Additionally, program objectives were broad and not quantifiable. We support the termination of economic development funding for the Institute and have no further recommendations.

Kansas Partnership Fund

The 1988 Kansas Legislature created the Kansas Partnership Loan Fund to provide low-interest loans to cities or counties. The purpose of the fund is to provide loans for public infrastructure improvements that support Kansas basic industries. Eligible projects include the construction, reconstruction, rehabilitation, alteration, expansion, or improvement of public facilities such as streets, highways, storm drains, water supply treatment facilities, waste-water collection, and any related improvements.

The program was established as a revolving loan fund which allows principal and interest repayments to be reloaned as they become available. The design allows the program to become self-sustaining once loan repayments increase in frequency and volume. In FY 1992, program staff estimate that approximately \$98.7 thousand will be made in loan payments. Adding this to the \$250,000 in the fund, there is the potential for approximately \$350,000 available for loans in FY 1992.

Conclusion: There appears to be a demand and need for infrastructure loans to communities. The loans fit a narrow but important niche in the

recruitment and retention of businesses in eligible Kansas communities. The program should be maintained at its current level of effort and under the same eligibility criteria. Three of the fund's six loans have been for \$338,000 or greater. \$350,000 will be the maximum amount of funds available during FY 1992 as payments from previous years' loans go into the fund.

KDOC staff reported that of 131 inquiries about the program, only 56 met basic eligibility requirements. It is not clear whether or not some or all of the ineligible requests were legitimate economic development infrastructure needs which are not currently being met. KDOC should track the types of requests made by ineligible communities. From this information, KDOC should determine if other types of infrastructure loans/grants are needed.

Rural Assistance Center

The Rural Assistance Center (RAC) was created in FY 1990 as a result of the 1987 report of the Governor's Task Force on the Future of Rural Communities. The RAC was essentially a

statewide toll-free 800 telephone number; callers' questions were referred to appropriate staff in KDOC, other state agencies, or other public and private organizations. Little direct assistance or problem solving was provided by RAC staff.

The program was eliminated in FY 1992. The RAC was staffed by three professional positions and one clerical person. The goal of the program was to serve as a single point of contact to "provide assistance to rural communities to help them revitalize their economic base and assure a high quality of life for rural Kansas."

Issues of duplication and cost-effectiveness attributed to the demise of the RAC. The Cooperative Extension Service had a toll-free telephone referral service, and the Regional Field Offices are a resource to rural communities. The number of calls to the RAC in its second year (FY 1991) equalled approximately five per working day at a cost of over \$175 per call. The costs and staff effort were excessive for what was largely a referral service.

Conclusion: We support the action to end the RAC and have no further recommendations. □

Response to Preliminary Draft Reports of the Kansas Inc., Evaluation

presented by

Laura E. Nicholl

Secretary of Commerce

December 9, 1991

Attachment 2
1/22/92
Sen. Eco. Dev.

KANSAS DEPARTMENT OF COMMERCE

Response to Preliminary Draft Reports of the Kansas, Inc., Evaluation

Introduction

The Department of Commerce staff is pleased to have the opportunity to respond to the preliminary draft reports of the Kansas Inc., evaluation of the agency. The evaluation of agency programs is a healthy process which we recognize as an integral part of the agency's evolution providing assurance that the programs are operating as they should and accomplishing the desired results. I am very appreciative of Kansas Inc., conducting this evaluation as I requested.

As you know, Kansas Inc., has the responsibility to evaluate all state economic development programs. The Economic Development Evaluation Committee assembled by Kansas Inc., identified four programs that required in-depth analysis for evaluation purposes.

- General Promotion Programs (Travel and Tourism Development Division);
- Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) Programs (Industrial Development Division).
- Trade Development Programs (Trade Development Division);
- Industrial Recruitment Activities (Industrial Development Division); and

The evaluation of these four programs, conducted by the Institute for Public Policy and Business Research at the University of Kansas for Kansas Inc., provided the Department with added confirmation of issues identified through the agency's own internal review and evaluation conducted earlier this year.

We have only had the opportunity to review preliminary draft reports on these four program areas. I will be providing a brief response to each of the individual program areas

included in the evaluation by the IPPBR. That information will then be followed by a response to those areas which time and resources did not permit a full-scale evaluation, but Kansas Inc., staff reviewed and developed conclusions.

Kansas Inc., Policy Recommendations

But before reviewing the individual program evaluations with you, I would like to briefly comment on the Department-wide policy recommendations made by Kansas Inc., which go beyond the analysis of the individual program areas.

First, Kansas Inc., suggests that the Department should improve and expand its data collection capacity. There is no question of the importance of monitoring and tracking data on the agency's programs and services. As you may recall, the Department experienced a 19 percent reduction for this fiscal year. We have placed a priority on delivering the Department's programs, and as resources become available, the Department will be able to more effectively improve its data collection capacity. As one example of improving tracking capability, we are currently working on an integrated regional delivery system in conjunction with KTEC and other development agencies which will allow us to share information from each of our respective areas to provide better service to our clients. A fine line exists when balancing resources required for data collection needs versus resources available for program delivery.

The recommendation of developing a stronger in-house analytical capacity was also made by Kansas Inc. The Department agrees that is important to have an analytical/research function within the agency, and we recognize that the Department has research needs that are not fully met. However, the agency does respond to a significant number of data and informational

requests. In fact, our three-person research staff has responded to over 250 requests from businesses, communities, local government, state agencies, and others since the beginning of the fiscal year. The Department has not undertaken a significant amount of primary research nor assumed the responsibility for new data sources because of the lack of new resources to accept this type of function.

Kansas Inc. also made recommendations on the organizational structure of the Department. With regard to the regional field offices, we are very supportive of reinstatement of these offices as a priority of our agency. In fact, we believe that the Governor's budget will reflect this as a priority.

Kansas Inc. suggested that the work force training programs be transferred to the Existing Industry Development Division to ensure that the training effort be broader than new business recruitment. The emphasis of these programs, while housed in the Industrial Development Division, has always been a mix of new and existing companies using training funds. For example, in FY 91, over 80 percent of the trainees benefitting from training funds were employed by existing companies. In addition, one of the objectives of the Division is to assist local development groups with their programs. One of the important areas is work force training. The Division's work force training staff continually works to establish stronger linkages between local development groups and local educational agencies. The relocation of the work force training effort to another division would diminish Industrial Development's ability to meet this objective of community assistance.

Kansas Inc., recommended that each division have its own strategic plan. Since January, each division director has established goals for the operation of their respective division. Our

informal strategic plans have been developed for internal purposes, and we agree with the importance of working to develop a more formal strategic plan for the agency and its divisions. We were hoping to have the results from both the internal and external evaluation before formalizing these plans.

The strengthening of the Department's referral and liaison role is also identified as a policy recommendation. We are currently working to form an advisory group for the Department called "Partnerships for Progress." Members of this group will include representation from a mix of groups supporting economic development in Kansas including government, business, and education.

Finally, Kansas Inc., recommends additional fiscal resources for implementation of their policy recommendations as well as the recommendations developed as a result of the individual program evaluations. The Department must have the necessary resources to be competitive with other states. The assurance of adequate funding must be a collaborative effort between the Administration, the Legislature, Kansas Inc., and others and done in the best interest of the people of Kansas.

Institute for Public Policy and Business Research

General Promotion Programs of the Division of Travel and Tourism Development

The evaluation of the General Promotion programs in the Division of Travel of Tourism Development was intended to determine whether the programs have been effective in achieving their goals and to propose future methods to track and evaluate the results of these programs.

The component programs of the general promotion area were examined including brochures, matching grants, participation in America's Heartland, travel and trade shows, media promotions, motorcoach tours, Linger Longer program, and familiarization tours.

The lack of a consistent marketing plan, inadequate research and data, inconsistent positioning/image of the state, lack of specific promotional goals and budgetary constraints are included in the list of problems that have been communicated to the current administration since January of this year. It is also important to note that these messages have been delivered by both industry leaders and long-time employees of the Department of Commerce.

The findings in the Kansas Inc., evaluation are not surprising. They represent a level of inconsistencies that are a result of the fact that the Division had five directors in a four-year time frame. The findings are also the result of a previous absence of good communication between the travel and tourism industry and a changing in Division leadership.

We believe that we are well on the way to addressing these concerns and endorse the evaluation's call for increased research and marketing sophistication. We also believe the research suggestions will prove to be valuable, but we would like to point out that current funding levels make it difficult to create a favorable balance of adequate promotion and adequate research. A proper balance is needed to insure progress.

It appears the evaluation team is saying the state's tourism efforts are under-funded (particularly in the research area). It might be helpful to ask the evaluators if they believe additional resources are required to implement a competitive advertising and promotional program that includes the scope of the research effort they have recommended.

We would also like to point out that industry leaders have told us they feel for the first

time in recent memory, that the Travel and Tourism Division is clearly headed in the right direction. A direction that already includes a greater commitment to research, clear indications of effective communication between the Division and the industry it serves, a commitment to an image campaign endorsed by industry leaders and plans to intimately involve industry leaders in the drafting of a long-term strategic marketing plan.

Examples of this commitment have been demonstrated by recognition of the fact the short-term 1992 Kansas Tourism Marketing program was developed by a team that included division staff, a Tourism Commission representative, a Travel Industry Association of Kansas representative, and an at-large industry leader. Another example can be found by looking at the Kansas Secrets effort that will replace Linger Longer. It was developed with input from industry focus groups, and it addressed and resolves the problems identified with the Linger Longer program.

The report does not acknowledge the fact that the Travel and Tourism Division and Kansas travel industry leaders are well aware of the identified shortcomings and are in the process of addressing the concerns in as timely a manner as is possible in light of staff and budget limitations.

There are numerous positive trends that Kansas is enjoying in the area of travel and tourism. Kansas is the nation's fastest growing international tourist destination, and the fact that Kansas travel and tourism has received what can be argued is the best tourism coverage in the state's history during this year. From the CBS Evening News to the front page of the New York Times, the world is now hearing that an increasing number of people are looking to come to Kansas to spend time, and more importantly, money.

Incorporating a commitment to cooperative planning and research with this positive trend places us in an excellent position to move the Kansas travel and tourism industry forward.

Kansas Industrial Training and Kansas Industrial Retraining Programs

We were very satisfied with the evaluation results of the Kansas Industrial Training (KIT) and the Kansas Industrial Retraining (KIR) programs. The preliminary draft of the study seems to indicate that the KIT and KIR programs are working as intended. As the draft points out, the training program has a dual purpose, one as a component of an incentive package to encourage firms to locate or expand in Kansas and the other to provide training to Kansas workers increasing the value of the state's human capital.

The evaluation of KIT and KIR utilized two approaches. The first involved a thorough examination of files maintained by the Department while the second involved primary data collection through structured interviews with representatives from 37 companies.

The review of the files showed that the 100 percent of the files contained a training plan from the company and the receipts and invoices utilized to document the training expenses.

The evaluation noted that only two-thirds of the files contained complete lists of trainers and trainees. In several past cases, these lists have been maintained by the local educational agency involved in the project. Beginning this fiscal year, due to changes in the federal Carl Perkins Vocational Education Act, the Department is no longer utilizing schools to provide oversight, keep records, and formally monitor projects. In order to provide the proper oversight and monitoring of the KIT and KIR programs as well as the new SKILL training program, we are allocating an existing position within the agency to assist with these functions. The staffing

level for this program was also identified as a concern in our internal evaluation of the program.

Additionally, we are examining the use of a close-out survey for each project rather than a survey which is mailed a year after the project's completion. This more immediate follow up will allow us to gather more accurate and complete information on the success of each project.

The results of the on-site interviews were very positive in a number of areas. The companies learned about the programs from a variety of sources. This speaks well for the Department's marketing efforts and our partnerships with both governmental and non-governmental groups throughout the state. Most of these companies also deemed the application process as "easy" or "very easy", and over 80 percent of all respondents rated the assistance provided by representatives of the KIT and KIR programs as either "very good" or "excellent."

The data collected during the evaluation also revealed that KIT and KIR funds played an important role in the decision to create new jobs or in the ability to retain existing jobs. In cases where training funds were not considered crucial in the creation or retention of jobs, these funds allowed companies to train more employees faster and more completely.

The results of the evaluation indicate that the programs are doing what they are intended to do and that they are reaching a variety of businesses. In order to include an even greater number of small businesses as eligible participants for the programs, we will be lowering the threshold eligibility from ten trainees to five after the first of the year. We hope that this will provide smaller companies access to these job creation and retention tools.

Trade Development

Many of the issues found through this recent Kansas Inc., study are shared concerns of

the Trade Development Division and many of the issues are being addressed by the Division at this time. The mandate to expand the sale of Kansas goods and services has proven to be a monumental task. With the current level of resources and staffing, it has been a challenge to service Kansas companies with professional expertise and yet serve as many Kansas companies as possible. While proud of our accomplishments to date, we are striving to hone our skills, reach more buyers of Kansas products, and to serve more Kansas companies.

The Department is excited to hear, from an outside source, that Kansas companies that have used our services are satisfied with the assistance that they have received from us. With nearly half (48 percent) of Kansas exporters or potential exporters seeing the Division as a part of their international activities, it means we have a lot of work ahead to reach and serve the other half. We embrace that challenge.

One of the most difficult aspects of marketing products and services is measuring the economic, political, and consumer demand changes that are going on daily throughout the world. As the Division prepares its yearly business plan, programs and activities are outlined for anticipated demand from worldwide buyers and Kansas companies. Although much thought and professional judgement is put into those plans, many times other factors cause a shift in the planned course. For example, during this past fiscal year, the Division worked with 10 Kansas companies on a very successful trade show in Dubai, U.A.E. When planning for FY 91 was going on the previous year, no one had any idea of the chain of events that were about to happen in the Middle East. Because of the positive image that the U.S. developed from the Persian Gulf crisis and our ability to react to market change, 10 Kansas companies were very successful in selling Kansas products and services in a trade show forum this past March. From our own

tracking efforts, the post-show results demonstrate that the Kansas companies had over \$1 million in sales at the show. The 6-month sales to date total over \$3.5 million, and future sales are expected to exceed \$5.5 million.

The evaluation raised the issue of development of the domestic market potential. As the Division continues to mature within the international arena, resources and energy can and are being directed to domestic market development programs. Two key programs are being developed that will assist Kansas companies with trade opportunities domestically. The first area is the development of industry specific trade shows at a Kansas location. The intent of these shows are to reach buyers both domestically and internationally. Buyers will be brought to Kansas for an industry specific trade show, giving Kansas companies exposure outside the state at a minimal cost. In another program area, details are now being discussed with world-class department stores (Bloomingdale's and Harrod's) to have Kansas and Kansas products and services promoted and sold in their respective stores.

The preliminary draft report also discusses the responsibility of Kansas companies in exporting:

"Exporting interest and activity is not solely the responsibility of the state of Kansas or its program. The state's location, the traditional nature of its industries, and conservative business attitudes have not encouraged firms to export. Companies can help stimulate international trade and thus make a better business environment for all by getting involved, by hiring employees with international skills and by sharing international experiences with other firms."

The statement is very true, but the staff of the Trade Development Division believes that it is extremely important for Kansas to have a "cohesive, professional, positive image" in the international marketplace. Kansas has been able to build that image throughout the world, and the Trade Development Division has had a hand in making that happen. As one Kansas

executive stated to the IPPBR, "encouragement offered by the Trade Development Division is a welcome change to business, which is used to getting 'kicked in the teeth' by government. Kansas needs to continue this program and to be competitive with other states."

Industrial Recruitment Activities

The evaluation of the industrial recruitment activities of the Department's Industrial Development Division appears to be objective and accurate in its assessment. To study the Department's efforts in industrial recruitment, the study was divided into three component areas involving industrial recruitment -- prospecting, site location assistance, and community coordination.

In reviewing the agencies prospecting activities, the evaluation's basic conclusion is that the Industrial Development Division needs a more comprehensive system of tracking company leads as they evolve through the process from being general leads to suspects to prospects to the actual location of a facility. This same recommendation was a product of the Department's internal evaluation. We agree with the conclusion and the Department will be working to establish a formalized tracking system through the use of the agency's computer system. The Industrial Development Division has as one of its goals the implementation of this system by the end of the fiscal year.

The evaluation also indicated that the Division needs to do a better job of identifying the "source" of its prospects and suspects. In many cases, the Division receives unsolicited contacts from companies with potential site location projects, and it needs to be determined if these companies have received contact from the Division at some point whether through direct mail,

advertising, or other means. The tracking system can be designed to assist in documenting this type of information.

The evaluation team indicated that the Division needs to evaluate its current mix of target industries. The Division recognizes that need and will have in place an in-house, target industry analysis system before the first of the year. This system is being purchased from Battelle, Inc., one of the leading site location consultants in the country. The ability to perform this type of analysis in-house will be of great benefit in taking advantage of market opportunities.

The Department was very pleased with the evaluation findings for site assistance activities. One of the issues identified in the evaluation was that the site location information provided by the Department was extremely relevant to the companies' site location projects. We believe that this speaks very well of the division's marketing materials, research capabilities and understanding of the site location process.

Another finding was that the surveyed companies rated the Department very positively in relation to the information and services provided by other state development offices. Eighty-three percent of the respondents indicated that the information and services provided by the Division were equal to, or better than the best of our competing state development offices.

The third major component of the evaluation was coordination with community economic development groups. The overall finding showed that communities were pleased with the services they received from the Industrial Development Division in the areas of technical assistance in developing local marketing programs and strategies, prospect generation programs, and assistance in working with community generated prospects.

Some of the specific findings were that the Division plays a significant role in helping

communities develop and implement their economic development strategies; nearly 25 percent of communities' active prospects come from the Division; programs such as the Kansas Cavalry missions and the in-state industrial tours are effective marketing tools for communities; and the Division is an important source of information for communities when working with industrial prospects, particularly as it relates to work force training programs and tax incentives.

Measuring the effectiveness of our industrial recruitment efforts is an important issue. While effectiveness can be measured, in part, by business attractions, jobs, and capital investment, the program's success must also be viewed on the quality of the services provided to prospective businesses which is an issue identified in our own internal evaluation. Overall, the Kansas Inc., study shows that we are doing positive things in the area of business recruitment. The areas that we need to improve are ones that we were aware of as a result of our internal evaluation.

Kansas Inc., Staff Conclusions for Selected Programs

Where time and resources did not allow for a full research evaluation on other selected programs, Kansas Inc., developed conclusions and suggested recommendations based on the review by its staff. Two major needs identified by Kansas Inc., staff that require attention are:

1. KDOC should develop measurable objectives within each program and program cluster. Implementing this action will permit ready assessments of the performance of individual programs, divisions, and the Department's overall activity.

2. A system to collect data on program performance and impacts associated with these program activities needs to be put in place. There is a significant deficiency in KDOC's collection and maintenance of impact data.

These same issues were identified in the Department's internal review. We recognize that a significant number of agency programs have emphasized providing a specific services to the public over quantifying that service in terms of performance or impact. The Department is working to establish impact measures where possible, but given the Department's 19 percent budget reduction for this fiscal year, it is very difficult to divert resources away from the programmatic missions of the agency.

Kansas Film Commission/Film Services

The Film Commission staff do not disagree with the basic conclusion of the Kansas Inc., evaluation. The film production industry can be volatile which may reflect the fluctuations in performance measures. However, the staff do point out the decrease in production revenues spent in the state in FY 90 was due to a major writers strike and the previous year's uncertainty in financial markets. FY 90 was a year in which low production revenues were experienced by most states.

The high cost of business, unions, location fees in California, and increased viewer sophistication are some of the reasons an increasing number of producers are looking outside of Los Angeles for production locations. As Kansas continues its work with film makers by emphasizing its strengths, it is reasonable to assume that the state will become an even more viable production location.

Visitor Information Centers

Kansas Inc., staff concluded that the Visitor Information Centers are an important element of the state's tourism efforts, and yet recommended that the program should be maintained at its current funding level. The Department would like to point out that the VICs experienced a more than 60 percent increase in the number of visitors during the summer of 1991. With this kind of experience from recent promotional efforts such as banners (and next year billboards), the Department must closely monitor the capacity of its facilities. The increased activity is taxing storage space, supplies, floor promotion space, and salaries at each of the centers.

The Travel and Tourism Development Division is also exploring the possibility of a VIC on I-35 near the state's eastern border. Because of traffic counts on I-35, the state may be missing the opportunity to influence travelers along that route. Our three existing interstate highway facilities are currently giving valuable travel information to a large number of people entering the state, and it is reasonable to assume that I-35 (which features higher traffic counts that are recorded near the other VICs) could be the busiest center. The Department is very interested in conducting a feasibility study for an I-35 site.

Grants to Certified Development Companies

The Department agrees with the assessment of Kansas Inc., as it relates to the continued support provided to Kansas certified development companies through performance grants. These organizations are an important element of the state's business assistance network. As a reflection of this importance, the CDC funding for FY 92 increased by \$50,000 to \$475,000.

Our internal evaluation also indicated a concern with the verification of performance reported by the CDCs. We agree with Kansas Inc., that a method should be developed to verify the job numbers rather than relying solely on information reported by the CDCs.

The Department has also expressed concerns about the number of CDCs in Kansas. The state has seen some consolidation in the past, but a concern does exist principally in the Northeast part of the state. There are mechanisms for promoting consolidation through the performance grant process such as raising the threshold for eligibility. By establishing a higher minimum number of projects to be completed, those CDCs doing a less than that amount would not receive state support. The agency is reviewing those options for FY 93 funding.

Office of Minority Business

The Kansas Inc., evaluation recommends that a full-time professional position be added to the Office of Minority Business staff and the additional funds necessary to support the activity of that person. The Department of Commerce recognizes the importance of minority- and women-owned businesses, but expanding services in this area is not currently possible given staff and funding limitations for the agency.

Regional Field Offices

Kansas Inc., considers the regional field offices as an important part of the capacity building and coordinating function of the state's economic development effort as do we. The field office program was significantly affected by the agency's reduction in funding and positions. The field office system went from eight offices to four. Both our internal evaluation

and the Kansas Inc., staff evaluation experienced difficulty in determining the quality or assessing the impact of the regional field office contacts with businesses and communities. We agree that the regional field office system will be an increasingly important element of the state's economic development effort as we develop better measures of accountability. We are committed to a regional delivery system for Kansas.

Grants to Small Business Development Centers

The Department agrees with the Kansas Inc., assessment and conclusions relating to the Small Business Development Centers (SBDCs) and the continued funding for these organizations. We will be working the SBDC organization to develop a method for evaluating the scope and quality of SBDC assistance. In the past, the Department has relied exclusively on U.S. Small Business Administration measures as the basis for reviewing SBDC activity primarily for simplicity. By working with the SBDCs, every effort will be made to identify measures which demonstrate outcome as a result of the counseling and training provided. This is also a concern identified in our internal evaluation of this program area.

The Department has traditionally provided the state funding to the State SBDC Office and allowed the organization to distribute the funds to the individual SBDCs, but we are exploring the possibility of taking a more proactive role in the distribution of funds across the state.

Export Finance Program

Kansas Inc., staff concluded that "the program needs time to operate and assess its impact before changes are proposed or considered" and recommends letting the program operate through

1992. At that time, the program's impact on Kansas exporting can be demonstrated over a meaningful time period. We believe that this is a reasonable approach and concur with the recommendation.

We would also like to note that the Department has experienced two significant program limitations. First, the export transaction size is effectively limited to \$150,000 by the 30 percent of the Export Loan Guarantee Fund rule, and secondly, guarantees are restricted to loans from Kansas banks unless none can be found that are willing to fund the loan. The transaction size has proven to be inadequate in several instances with potential export clients. However, the Division is working on a formal agreement with the U.S. Small Business Administration to enable both organizations to combine their respective programs allowing for loan guarantees to Kansas companies of up to \$1 million. This can be done at no additional cost to the state.

With regard to the second limitation, there are many companies primarily in Northeast Kansas which have established banking relationships in Kansas City, Missouri. It is not reasonable to expect a company to change its banking relationship to access this program or to ship the loan guarantee to Kansas banks when it has another banking relationship established.

Community Assistance Program

The community assistance program has been operated as essentially four programs which were reviewed independently by Kansas Inc.

Community Economic Development Assessment. Kansas Inc., supported the Department's elimination of this program. The program involved conducting on-site community assessments by economic development professionals. However, no follow-up or impact

assessments had been conducted and there was little internal coordination between this program and others operated by the agency. For these reasons, we discontinued this program. Some of the program functions can be addressed through other program areas such as the Community Strategic Planning program.

Kansas Enterprise Zones. The Kansas Inc., evaluation makes a number of policy recommendations with regard to the Enterprise Zone program. At this point, we have provided input to and support the work of the Enterprise Zone Subcommittee of the Joint Committee. We believe that the subcommittee has developed a workable compromise on the Enterprise Zone issues.

Kansas Main Street Program. The Kansas Main Street program has been designed to promote quality downtown development for Kansas communities through a self-help, comprehensive revitalization process. Kansas Inc., recommended that funding and staffing levels remain constant and also stated that the program has been successful and has developed a strong constituency. One of the issues that was raised both in our internal review and the Kansas Inc., evaluation was the issue of "graduation" from the program. With staff and resources remaining constant, program staff cannot be expected to support an increasing number of cities for the program. We are continuing to explore the issue of a "graduation" process.

PRIDE Program. As Kansas Inc., reports in its evaluation, the PRIDE program has broad support. The PRIDE program is a valuable self-help program to motivate activity within communities to enhance their image, viability, and progressiveness. Over 400 Kansas communities have been involved in the program since its inception with 109 communities currently enrolled. Even with the program's popularity, we would like to identify ways to retain

communities in the program and to broaden its appeal.

Huck Boyd National Institute for Rural Development

The Department ended its support for the Huck Boyd National Institute for Rural Development at the close of FY 91. The Kansas Inc., review also supported this decision. We agree with the evaluation that the Institute did not have clear goals and objectives and seemed to duplicate existing services. However, the Institute continues to operate with funding from Kansas State University.

Kansas Partnership Fund

Kansas Inc., concluded that the Kansas Partnership Fund be maintained to provide low-interest loans to communities for infrastructure improvements that support Kansas basic enterprises. We agree that the Partnership Fund be maintained which is reflected in the Department's budget request. However, the 1991 Legislature made no new appropriation to this program and eliminated the staff position administering the program. Responsibilities for the program have been assigned to another staff person since existing loans will be repaid to the fund for relending to possible projects in the future.

Our Community Development staff have reported that economic development professionals and various local government officials express a general feeling that an infrastructure-type program is needed. Division staff have been reviewing the Partnership Fund program structure and marketing efforts to determine what the community needs are and to adapt the program to fit those needs.

Rural Assistance Center

The Kansas Inc., evaluation concurred with our decision to cease operation of the Rural Assistance Center within the Community Development Division. Our internal review pointed out many of the same issues raised by the Kansas Inc., staff. We were concerned with the duplication of existing services, the efficient use of limited resources, and the lack of measurable impact from the program.

Conclusion

This concludes our comments on the Department's programs selected for review by Kansas Inc. Overall, we are very satisfied with these preliminary results from this evaluation process. The reports have provided us with good feedback on our programs, and we look forward to reviewing the final evaluation reports.



JAN 14

13 January 1992

092-009

Emporia State University
Emporia, KS 66801
(316) 343-5308

Fort Hays State University
Hays, KS 67601
(913) 628-5340

Garden City Community College
Garden City, KS 67846
(316) 276-7611

Johnson County Community College
Overland Park, KS 66210
(913) 469-3878

Kansas College of Technology
Salina, KS 67401
(913) 825-0275

Kansas State University
Manhattan, KS 66506
(913) 532-5529

Pittsburg State University
Pittsburg, KS 66762
(316) 231-8267

The University of Kansas
Lawrence, KS 66044
(913) 843-8844

Washburn University
Topeka, KS 66621
(913) 295-6305

The Wichita State University
Wichita, KS 67208
(316) 689-3193

Senator Dave Kerr
State Capitol Building
Topeka, KS 66612

Dear Senator Kerr:

I recently received a copy of a report titled "Response to Preliminary Draft Reports of the Kansas, Inc. Evaluation" (See EXHIBIT B, made up of the cover page and page 17 which pertains to Kansas Small Business Development Centers) to "Kansas Inc. Staff Conclusions for Selected Department Programs" (See EXHIBIT A, made up of the cover page and pages 15 & 16 which pertains to Kansas Small Business Development Centers.) which was presented to the interim joint Economic Development committee on 9 December 1991 by Laura Nicholl, Secretary of Kansas Department of Commerce (KDOC).

Kansas, Inc.'s report and Secretary Nicholl's response suggest inadequate management and milestone accomplishments of Kansas Small Business Development Centers (KSBDC). As State Director, I regret that I was not given the opportunity to participate in a thorough review of the KSBDC program. I would have gladly provided both Kansas, Inc. and KDOC with the appropriate information from which to make an informed report to the committee.

I respectfully request the opportunity to testify before your Senate Economic Development committee to both set the record of KSBDC performance and accomplishments straight, and respond to any questions or concerns that any member of the committee may have.

Yours,

Thomas H. Hull
State Director

enclosures (2)

cc: Senator Norma Daniels
Secretary Laura Nicholl
Dean Malcolm Richards
Senator Ben Vidricksen
Charles Warren

State Office
Campus Box 148
The Wichita State University
Wichita, KS 67208
(316) 689-3193

Attachment 3
1/22/92

Building the Best Run Businesses!

Sen. Eco. Dev.

1991

EXHIBIT A

Kansas Department of Commerce

Kansas Inc. Staff Conclusions for Selected Department Programs

October, 1991

Mail to
Tom Hull
Small Business
Development Center
Wichita State University
Wichita, KS

Kansas Inc.
Capitol Tower Building
400 S.W. 8th Street
Topeka, Kansas 66603

11/22/92

D. Small Business Development Centers

Since FY87, through SGF and EDIF, the Existing Industry Development Division has allocated funds for the operation of Small Business Development Centers (SBDC). Funds directed to the SBDC's go to the state SBDC headquarters for statewide distribution.

SBDC's operate at 10 regional centers and 10 associate centers. The organizations seek to "provide professional management, technical assistance, and training to small business owners and managers to enhance the success of small business ventures through innovation, expansion and increased productivity." Services of the SBDC's include business counseling, business training, provision of information and resources, and special services/technical assistance. One-on-one counseling involves both short-term (less than 12-hours) and long-term consultations (more than 12-hours) with business owners.

During the 1991 Legislative Session efforts by Legislators, Kansas Inc., and other economic development groups resulted in SBDC's receiving their first appropriation increase in three years (next page).

Beginning in FY89, SBDC's shifted their program emphasis on businesses that are in existence and require "advanced" longer-term technical assistance. Start-up or planning stage businesses are handled by the Small Business Administration (SBA). Principally through directing clients to SBA sponsored seminars on starting a new business. This change has resulted in a decline in the total number of businesses/individuals annually assisted. Part of the explanation for the decline is the SBDC effort per individual firms increases as the organizations attempt to deal with more technical business issues.

KDOC's role is to monitor performance of SBDC's and distribute funds to the state center. KDOC has the responsibility to develop a distribution methodology (K.S.A. 74-5046 (g)) based on performance. The State SBDC submits an activity plan to KDOC. This plan is the basis for distribution of money to the individual centers.

Kansas Inc. has been a strong supporter of the SBDC's. The President of Kansas Inc. serves on the SBDC advisory committee. National and statewide research and evaluation reviewing SBDC performance has been positive. The research has noted that it is difficult to develop impact numbers solely attributable to the SBDC's. However, performance numbers and survey responses from past clients suggest the SBDC's are successful.

SBDC's are an important example of "demand driven" programs. The directors at individual SBDC's are in the field and their funding is directly dependent upon servicing clients. As long as there is both a demand for the product and a method to measure program success funding should be continued.

Kansas Inc. Staff Conclusion

Kansas Inc. recommends continued funding for SBDC's at current levels. Concern is noted regarding the declining SBDC numbers (table below). Training seminars and short-term counseling exceeded program goals during FY91. Long-term counseling was provided 257 small business owners. While the long-term emphasis is the result of a shift to more labor-intensive types of technical assistance that focus on unique individual business needs, the numbers were significantly below the SBDC goal of 376 long-term contacts. The long-term numbers should be monitored to ensure SBDC's staff have the resources and capacity necessary to respond to these business needs.

KDOC, in cooperation with the SBDC state director, should continue evaluating the scope and quality of SBDC contacts. This assessment could then assist with the determination of how funds are distributed to individual SBDC's.

Follow-up telephone calls to a sample of individuals referred by the SBDC's to the Small Business Administration should be conducted. This will verify whether the needs of this group are being met since the SBDC's change in focus.

**SBDC Annual Funding and Performance
Fiscal Years 1987 Through 1992**

	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
SBDC's:						
SGF.....	\$245.6	\$175.0	\$175.0	\$175.0	----	----
EDIF.....	----	\$75.0	\$100.0	\$100.0	\$275.0	\$325.0
TOTAL	\$245.6	\$250.0	\$275.0	\$275.0	\$275.0	\$325.0
One-on-One						
Counseling..	2,375	2,364	2,032	2,315	1,551*	
Seminars.....	316	314	327**	190	144	

* State SBDC reports brief one time assistance is not computed in this number and estimates those contacts were an additional 2,340 in FY91.

** State SBDC reports the decline in seminars is the result of developing a more accurate definition of SBDC-led seminars.

Response to Preliminary Draft Reports of the Kansas Inc., Evaluation

presented by

Laura E. Nicholl

Secretary of Commerce

December 9, 1991

and the Kansas Inc., staff evaluation experienced difficulty in determining the quality or assessing the impact of the regional field office contacts with businesses and communities. We agree that the regional field office system will be an increasingly important element of the state's economic development effort as we develop better measures of accountability. We are committed to a regional delivery system for Kansas.

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The Department agrees with the Kansas Inc., assessment and conclusions relating to the Small Business Development Centers (SBDCs) and the continued funding for these organizations. We will be working the SBDC organization to develop a method for evaluating the scope and quality of SBDC assistance. In the past, the Department has relied exclusively on U.S. Small Business Administration measures as the basis for reviewing SBDC activity primarily for simplicity. By working with the SBDCs, every effort will be made to identify measures which demonstrate outcome as a result of the counseling and training provided. This is also a concern identified in our internal evaluation of this program area.

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