

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on January 31, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. Toplikar - excused
Rep. King - excused
Rep. Glasscock - excused
Rep. Packer - excused

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Nancy Kirkwood, Committee Secretary

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

Others attending: See attached list

Charles Warren, President, Kansas Inc., requested that the Committee introduce three bills for Ks., Inc.

Rep. Empson moved to approve the introduction of the bills by the committee. Rep. Wempe seconded the motion. The motion passed.

Charles Warren, President, Kansas Inc., also explained the 1995 NASDA peer review and the 1995 work program and progress report. (Attachment 1)

The meeting adjourned at 4:30 p.m.

The next meeting is scheduled for February 1, 1996.

Kansas, Inc.

**Work Program and Progress Report
Fiscal Years 1996 - 1997**

Charles R. Warren, Ph.D., President

January 1996

*Economic Development
JANUARY 31, 1996
Attachment 1*

Strategic Planning Program

The primary mission of Kansas, Inc. is to oversee the implementation and refinement of the 1993 economic development strategy, *A Kansas Vision*. The strategy has four goals:

- *Kansas businesses compete successfully in the global marketplace through high quality, high value-added products and services;*
- *Kansas has a high skilled work force that is internationally competitive;*
- *Kansas has a supportive, positive business climate and provides access to resources essential to economic growth; and*
- *Kansas relies on competent and efficient public and private entities that work through effective partnerships for economic development.*

During FY 1996 and 1997, Kansas, Inc. will thoroughly evaluate strategic accomplishments, assess ongoing strengths and weaknesses of the economy, and revise and update the strategy.

Strategic Plan Progress Report

During the latter half of FY 1996 (January to June), Kansas, Inc. staff will prepare a written progress report on the status and accomplishments of the strategy by the four major goals and each of the 15 strategic objectives. Staff will document the major initiatives and activities undertaken in the public and private sectors within each of the objectives that have advanced the strategy. This progress report will assist in revision of the strategic plan by providing an agenda of accomplishments and continuing needs.

Strategic Plan Research

In FY 1996, Kansas, Inc. will contract with the Institute for Public Policy and Business Research (IPPBR), University of Kansas, to update selected research conducted for the 1993 strategy. Topics to be updated include: labor force, demographics, service sector, manufacturing sector, and regional economies.

Strategic Planning Committee

The Board will establish a new Strategic Planning Committee, composed of participants in the 1993 program and new members, to guide the strategy review and revision and to make recommendations to the Board for modifications to the strategy. The Committee will consist of private business leaders, elected public officials, and members of the Board of Directors. The Committee will begin its review in July 1996.

Kansas Benchmarks

A major initiative launched during FY 1995 is the development of benchmarks for the strategic plan. Benchmarks consist of quantifiable indicators and targets for economic development. Fiscal year 1996 tasks include refining the benchmark indicators, developing a broad consensus on the measures, and initiating a goal setting process to establish targets for economic development.

Evaluation of State Economic Development

Kansas, Inc. has the statutory authority and mandate to provide oversight and evaluation of Kansas economic development programs and activities: "Oversee and evaluate the state's economic development activities on an ongoing basis through the establishment of goals, priorities, performance standards and the periodic program audit of those goals, priorities and performance standards." (K.S.A. 74-8004,(9))

Scope and Focus of 1995 Evaluation

In the current fiscal year (1996) Kansas, Inc. conducted a major and comprehensive evaluation of the business assistance programs and activities underway by the following state agencies, or state-funded entities:

- Kansas Department of Commerce and Housing (KDOC&H)
- Kansas Technology Enterprise Corporation (KTEC)
- Mid-America Manufacturing Technology Center (MAMTC)
- Kansas Value Added Center
- Kansas Certified Development Companies (funded by the KDOC&H) (CDCs)
- Kansas Small Business Development Centers (SBDCs)
- Kansas Department of Agriculture
- Kansas Venture Capital, Inc.

The evaluation focused on Kansas economic development programs designed for the purposes of: business formation, business expansion, business retention and industrial recruitment. A data base of 2,876 separate businesses that received 4,148 "incidents of assistance" primarily during fiscal years 1992 through 1994 was compiled as a basis for analysis.

The final report, *Analysis of Kansas Business Assistance*, contains 20 recommendations within four major topics: Budgeting and Funding Economic Development, Kansas Business Development Centers, Program Accountability and Performance Measurement, and Program Coordination and Effectiveness. It was delivered to the Governor and the Legislature in January 1996.

During the remainder of FY 1996 and in FY 1997, the Kansas, Inc. Board will oversee the implementation of its recommendations from the evaluation. Kansas, Inc. has prepared a preliminary economic development budget framework, has convened an interagency task force to continue the comprehensive data base on client firms, and has begun discussions leading to creation of Kansas Business Development Centers. Kansas, Inc. will initiate a review of all agency performance measures and assist in the improvement of agency data collection and reporting systems. The findings and conclusions of this evaluation will be incorporated into the work of the committee that will review and revise the strategic plan.

Education and Work Force Training

Governor's School-to-Work Commission

Governor Graves appointed a Governor's Commission On School-to-Work that includes board members Gary Sherrer and Greg Jones, and President Charles Warren. The Commission is operating under a planning grant from the U.S. Department of Labor. Warren chairs the strategic planning committee of the Commission. Kansas, Inc. is assisting in the preparation of an implementation grant application to the U.S. Department of Education.

Kansas Business-Education Coalition

The Coalition was created by the Kansas Board of Education. Board member Warren Schmidgall serves as the Kansas, Inc. representative. Charles Warren serves on its executive committee. The Coalition is an on-going entity with an extensive agenda that relates directly to work force training and human resource issues.

School Building Report Card Committee

Charles Warren served on the State Board of Education committee that developed a school building report card system as required by the 1995 Kansas Legislature.

Committee to Review Applications for Commissioner of Education

In December 1995, Charles Warren served on the Committee designated by the State Board of Education to screen applications for the position of State Commissioner of Education.

Kansas Job Training System

Kansas, Inc. has completed three major studies of work force training in Kansas since 1991. The *Kansas Adult Basic Skills Education* report identified the needs and system reforms necessary. A 1993 study, *The Kansas Labor Force Education and Training System*, identified 14 programs and \$101 million of annual expenditures in Kansas for job training. Several policy options were offered to address the existing deficiencies in service delivery.

Kansas, Inc. and the Kansas Rural Development Council jointly funded a series of case studies on the delivery of job training assistance and services in four areas of the state. The report, *Kansas Workforce Employment And Training Programs: Do They Function As A System?* was published in December 1994.

The last report helped identify barriers and needed approaches to the coordination of federal/state programs from the clients' perspective. It was provided to the Kansas Department of Human Resources to assist in their plans for one-stop career centers and other program modifications.

In 1995, the Governor appointed a One-Stop Career Center Advisory Committee to assist the Secretary of Human Resources in planning the restructuring of the delivery system for employment and job training. The President of Kansas, Inc. serves on the Committee and has worked closely with KDHR in the redesign of the system.

Labor Force Surveys and Research

The 1994 Legislature appropriated from the EDIF \$300,000 to Kansas, Inc. to fund three labor force surveys. The Labor Management Information Service, Kansas Department of Human Resources is completing the *1995 Annual Wage Survey* and the *Kansas Survey of Occupational Projections, 2005* under an interagency agreement. Both reports will be published in February 1996.

The third project is *The Kansas Labor Force: Employment, Unemployment and Underemployment*, and is based on a survey of over 2,500 households by the Institute for Public Policy and Business Research, KU. The final report will be printed in February 1996.

Estimates of Available Labor Force

The Center for Economic Development and Business Research (CEDBR), Wichita State University has been funded to develop an *Analysis of Available Labor Force in 105 Kansas Counties*. Using U.S. Census data, CEDBR will develop estimates of available labor, beyond the official employment statistics, in each county. Data will be provided on computer diskettes for analysis by local officials and local development groups. Private sector funding was provided by Kansas, Inc., Western Resources, Southwestern Bell, other Kansas utilities, and the Western Kansas Rural Economic Development Association.

Kansas Work Force Quality: Research Proposal

Kansas, Inc. is seeking private funding in FY 1996 to support proposed research by IPPBR, KU on *Kansas Work Force Quality: Micro and Macro Assessments*. This a two-part research project that will first replicate a 1989 Kansas, Inc./KU study of the skills and training of the Kansas work force. The 1989 survey of 630 Kansas businesses provided a baseline for assessing the skills and training needs of the work force. The second part will study Kansas

productivity, focusing on manufacturing industries. A time series of total factor productivity in each industry in Kansas will be constructed to identify and diagnose relative changes in value added per worker and wages.

Conference on The Kansas Labor Force

Kansas, Inc. will sponsor a conference in June 1996 on the Kansas Labor Trends and Needs. The conference will highlight the Kansas, Inc. series of related research on the work force that is now being completed, disseminate the research results, and help identify trends in labor force availability, the need for skilled workers, and trends in occupational growth and wage levels. Co-sponsors will include the University of Kansas, the Kansas Department of Education, the Kansas Department of Human Resources, the Kansas AFL-CIO, and Kansas business.

State and Regional Work Force Development Strategies

Pending federal legislation to consolidate 91 categorical job training programs into a single block grant to state governments will probably require creation of a state human resources council to plan and manage the new system, as well as regional work force development councils. Designated sub-state regions will be required to prepare work force development strategies to guide plans and funding allocations. Kansas, Inc. will assist the Kansas Department of Human Resources in developing the strategies, and ensuring that work force planning is related to economic development strategies and programs. Work will probably begin in FY 1997.

Kansas Post-Secondary & Higher Education System

A Kansas Vision calls for a restructuring of the community colleges and area vocational technical schools and the creation of new relationships with the Regents universities. The 19 community colleges and 13 AVTSs need increased funding and improved capacity to provide the skilled entry level workers, the retraining of adults, and the customized training for business that is demanded by the new economy.

Kansas, Inc. will continue to advocate the modernization and restructuring of the Kansas post-secondary institutions (community colleges and area vocational technical institutions) to achieve the strategic objectives outlined in *A Kansas Vision*. Kansas, Inc. will monitor the efforts of the KSBE/Regents Task Force on Master Planning for Post-secondary and Higher Education, and the deliberations of the Legislative Educational Planning Committee and the House and Senate Education Committees and provide support and assistance as requested.

Business Taxes and Incentives

Kansas, Inc. has developed considerable expertise and knowledge on business tax issues and has had a major role in the design and reform of business tax policy and incentive programs. Its work in this area includes research on business tax competitiveness and issues, evaluation of business tax incentives, and tax policy development with the business community.

Study of Kansas Business Taxes

In June 1995, Kansas, Inc. printed the third major study by IPPBR, KU on *Cost and Taxes in Selected Kansas Industries, 1994 Update*. The study uses a hypothetical firm model to compare Kansas business taxes with ten other selected states, and profiles the major taxes imposed on business and individuals.

Cost-Benefit Model for Property Tax Abatements

Under K.S.A. 74-8016, the 1994 Legislature appropriated \$100,000 from the EDIF to Kansas, Inc. for development of a cost-benefit model for use by local governments in their analysis and decision-making on the granting of property tax abatements. The model was developed under the guidance of a committee of local officials and economic development practitioners. A contract was entered into with the Kansas League of Municipalities to direct the project. A contractor developed the methodology and software for the model. The model has been provided on computer diskettes free of charge to local governments and training sessions were conducted by the League. In July 1995, the League of Kansas Municipalities completed the cost-benefit model.

Evaluation of Business Tax Incentives

K.S.A. 74-8017 requires Kansas, Inc. "...to prepare an annual report evaluating the cost effectiveness of the various income tax credits and sales tax exemptions enacted to encourage economic development." The first annual report was submitted to the Legislature in January 1995. The Department of Revenue provides Kansas, Inc. copies of all sales tax exemption certificates on a monthly basis. A data base of 900 Kansas firms has been created by staff and is being used to survey users. The information on file by Kansas, Inc. is subject to confidentiality restrictions.

In February 1995, Kansas, Inc. will publish its second annual report on *Kansas Enterprise Zone Sales Tax Exemptions*. The report provides an analysis of sales tax exemptions by region and industry, and includes a survey of businesses and their attitudes on the use and importance of the incentives.

Kansas Tax Policy

In August 1995, Charles Warren presented an analysis of the Kansas tax system to the Governor's Commission on Tax Equity. The presentation defended the current taxation system relative to other states, argued the importance of property tax to the revenue system, and outlined objections to major increases in sales and income taxes.

In June and September 1995, Kansas, Inc. co-sponsored two policy forums on business taxation with the Overland Park Chamber of Commerce and the Kansas City Area Development Council. The forum participants included Johnson County business leaders and state legislators. A long term agenda for tax reform and business tax incentives was developed.

Science and Technology

The Kansas Science and Technology Council (KSTC), created by the Kansas, Inc. Board of Directors, was transferred to KTEC in 1994. A member of the Board and the president of Kansas, Inc. continue to serve on the Council. The KSTC is developing a strategic plan for science and technology that will become a component of the overall Kansas, Inc. strategy. Kansas, Inc. assists the KSTC and KTEC in the completion of the *Strategic Plan for Science and Technology*. Work is currently underway on the study, *Assessment of Kansas Critical Technologies*, to develop targeted strategies for research and development to assist emerging and growing Kansas industries. Kansas, Inc. also participates in the annual statewide EPSCoR Conference (February 1996).

Business Finance

Since 1986, the availability of business capital has been a priority issue in economic development and the state has taken a number of steps to assist business financing. These steps have included the creation of Kansas Venture Capital, Inc., the Ad Astra funds in KTEC, income tax credits for seed and venture capital investments, funding of certified development companies, export finance program, as well as regulatory reform of the banking industry. By statute, Kansas, Inc. provides oversight of these business financing activities.

The KDOC&H and Kansas, Inc. are working closely with the regional and district offices of the Small Business Administration to develop several new federal-state initiatives. Kansas, Inc. also oversees the performance of the state certified development companies and conducts an annual review of the performance funding formula used by the Department of Commerce and Housing to distribute grant funds to the CDCs.

Research Program

An extensive research program is conducted each year with Board review, discussion, and approval. Its research and education activities are carried out through in-house studies or by contracting out individual projects, primarily with faculty of the Regents universities. The research program of Kansas, Inc. is funded by the private sector contributions, except in those instances where legislative appropriations are made for special studies.

Gubernatorial and Legislative Contingency

Kansas, Inc. provides staff support and policy advice to the Governor and leadership of the Legislature and its members, as requested. It is called on during the interim and the regular session to testify before legislative committees. Kansas, Inc. pays particular attention to the deliberations of the following committees: a) Joint Committee on Economic Development, b) Senate Commerce Committee, c) House Economic Development Committee, d) Senate Taxation Committee, e) House Taxation Committee, f) Legislative Educational Planning Committee, g) Senate Education Committee, and h) House Education Committee.

Economic Research

Among the duties assigned in K.S.A. 74-8004 is: "Evaluate and analyze the state's economy to guide the direction of future public and private actions and report and make recommendations to the Governor, the Department of Commerce and Housing, and the Standing Committee on Commerce of the Senate, the Standing Committee on Economic Development of the House of Representatives and the Joint Committee on Economic Development with respect to the state's economy.

Kansas, Inc. monitors, on an ongoing basis, the performance of the Kansas economy, including the standard of living of state residents; provides periodic reports on economic conditions; and produces an annual report on the Kansas economy for transmittal to the Governor, the Legislature, the business community, and the general public.

Annual Report on County Economic Vitality and Distress

In January 1996, Kansas, Inc. published its annual statistical analysis of vitality and distress for the 105 Kansas counties based on a multi-variate, weighted formula.

Annual Report on Community/Economic Development Grants and Loans

In February 1996, Kansas, Inc. will publish its annual report to the Governor and Legislature on the distribution of community and economic development grants and loans. This report is based on a survey of selected development programs in a small number of state agencies. The data is provided by region and by type and range of distress in counties.

Annual Kansas Economic Development Update

On an annual basis, Kansas, Inc. publishes the update and status report on all economic development legislation and programs established in Kansas since 1986.

Information Network of Kansas (INK)

The President of Kansas, Inc. is a statutory member of the Board of INK and currently serves as its Chairman. Kansas, Inc. provides administrative support and services to the Board. The Board meets at least 10 times each year. It serves as the regulatory body and provides policy guidance for the operations and direction of the network. The network is managed by a for-profit firm, Kansas Information Consortium.

INK currently has over 4,000 subscribers and provides access to state agency and other public information and data bases. It currently has over 1,000 data bases and services on the network, including interactive filing for business. INK has adopted a new windows, graphical interface in hyper-text format accessible on the World Wide Web through the Internet. A new pricing structure has been adopted to make access to free services on the network available on a national and global basis.

Kansas Business Electronic Filing System

An INK task force of representatives from the Office of the Secretary of State, the Department of Revenue, the Department of Human Resources, and the Department of Commerce and Housing, along with a private sector member, is designing an electronic filing system for new businesses to enable one-time filing with state government for taxation, organizational, unemployment, and other regulatory requirements. Common application forms and reporting methods are being established for use by task force member agencies. The system will be tested on a pilot basis in FY 1996.

KICIN

An economic development information resource has been established on the World Wide Web accessible through the Internet. Kansas, Inc. served on the committee to establish the information system called Kansas Integrated Commercialization Network (KICIN). Kansas, Inc. information and resources are available on KICIN through links to INK.

Internet Access for Education Task Force

At the request of the Acting Commissioner of Education, a task force under the chairmanship of the Chief Information Architect has been formed to conduct analysis and develop options to provide affordable and reliable access to the Internet for educational institutions, schools, and libraries throughout Kansas. A consultant will be engaged and funded by INK to conduct

the study. A report to the 1996 Legislature is planned. The President of Kansas, Inc. serves on the task force.

Connecting to Kansas Grant Program

The INK Board of Directors have created a formal grants program to increase public access to the network and other on-line data bases. Grants are available to government entities and non-profit organizations in amounts up to \$10,000. Projects that improve the quality of information on INK or expand the availability of services to all citizens or meets other important needs will be considered. A formal application and competitive selection process has been established by the Board.

State of Kansas Committees and Task Forces

Community Strategic Planning Grants Committee

The Committee consists of six persons and meets twice a year to review and recommend the award of planning and action grants to rural counties and urban neighborhoods. The President of Kansas, Inc. serves as chairman of the Committee. The Committee is staffed by the Community Development Division of KDOC&H and final decisions on awards are made by the Secretary of KDOC&H.

KEOIF Committee

The 1994 Legislature established the Kansas Economic Opportunity Initiatives Fund and created a committee to review applications to the Fund. The Committee makes its recommendations to the Governor for final action and award. The Committee consists of the private Co-Chair of Kansas, Inc., the President of Kansas, Inc., the Chair of KTEC and the President of KTEC, and the Secretary of Commerce and Housing. It meets on an as needed basis.

Kansas Rural Development Council

The President of Kansas, Inc. serves as a member of the approximately 60 member, federal-state Council that serves to coordinate intergovernmental and interagency programs and projects for rural Kansas.

Private Sector Partnership and Communications

Private Sector Partnership

Kansas, Inc. establishes a strong, effective working relationship with the business community of Kansas by responding to the requests of, and providing assistance to, individual businesses and the statewide associations that represent the business community.

The Kansas, Inc. President serves as a member of the Kansas Chamber of Commerce and Industry, provide reports on economic development and business issues to its committees, and attend its regular and annual meetings. He serves on the Board of Directors of the Kansas Industrial Developers Association, and participates in its spring and annual meetings. He also provides assistance to the Kansas Independent Oil and Gas Association, as requested, and attends its annual meeting. He assists the Kansas Bankers Association, as requested, and attends its meetings as invited.

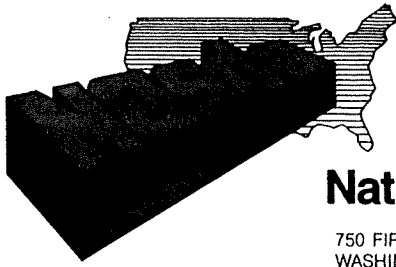
An important element in Kansas, Inc.'s mission is developing a partnership with Kansas businesses and industries. This is accomplished through regular communication between the Kansas, Inc. Board and staff with our state's business leaders. Integral to this process is our annual fund-raising that is necessary for meeting our mandated private sector match. During FY 1996, Kansas, Inc. expects to raise \$148,000 from the private sector in support of the research and education program.

Communications

It is important for Kansas, Inc. to maintain its visibility as a respected source of advice and information on economic development issues. It communicates its overall strategy, its assessments of the Kansas economy, and its recommendations to strengthen the global competitiveness of the state. It has a special obligation to regional and local economic development agencies and officials to be responsive to their requests for presentations. The President of Kansas, Inc. makes about 30 to 40 presentations annually on economic development topics.

Kansas, Inc. co-sponsors the annual Kansas University Economic Outlook Conference and holds a pre-conference dinner with KTEC. It co-sponsors the annual conference on community development organized by the Kansas Center for Community and Economic Development, a joint center of KU and KSU, and serves as a speaker or panelist at the annual event.

The *Kansas, Inc. Annual Report* provides an update of activities and is distributed in 1,500 copies.



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Executive Director

A Peer Review of Kansas Inc.

**Prepared for:
Gary Sherrer, Secretary
Kansas Department of Commerce & Housing**

December 27, 1995

Prepared by:

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Miles Friedman, Executive Director



RECIPIENT OF THE PRESIDENT'S "E" AWARD FOR EXCELLENCE IN EXPORT SERVICE

EXECUTIVE SUMMARY: A Peer Review of Kansas Inc.

During the past nine years, Kansas Inc. has played a role in the state's policy making process that is unique and quite important. The National Association of State Development Agencies (NASDA) was charged with reviewing the performance of Kansas Inc. during the past several years and examining the appropriateness of the organization's mission. The NASDA team found that Kansas Inc. is a credible independent voice that provides valuable input into public discussions about economic development issues through its strategic planning, research, policy development, and program evaluation activities. In addition, NASDA found that the role of Kansas Inc. has evolved over time reflecting changing needs of the state. In the early days of Kansas Inc., it helped to craft a strategic vision and new program ideas implementing that vision. Today, the mission of Kansas Inc. must focus on providing follow through in implementing the state's economic development vision and on evaluating how well state agencies are succeeding in their implementation efforts.

To gain a better insight on the attitudes of its stakeholders, NASDA surveyed the Board members, funders, and partners of Kansas Inc. The survey found that nearly two-thirds of those responding noted that they were either very satisfied or somewhat satisfied with the efforts of Kansas Inc. to accomplish its mission. Only 15 percent responded that they were dissatisfied or very dissatisfied with the organization's accomplishments. The survey respondents cited the agency's most important accomplishments as (1) coordinating the state economic development strategy; (2) bringing professional expertise and continuity to economic development and policy making; and (3) improving policy making by providing significant research and data on economic issues and public problems. More than eight of ten respondents indicated that Kansas Inc. should be involved in (1) articulating the state's overall strategic vision and goals; (2) conducting policy and economic research, and (3) providing policy advice to the Governor and Legislature on business, economic and tax issues.

Generally, Kansas Inc. received favorable reviews from the survey respondents. More than two-thirds of the survey respondents rated Kansas Inc. as very effective or effective in (1) conducting policy and economic research and (2) providing policy advice to the Governor and Legislature on business, economic and tax issues. However, Kansas Inc. was criticized by 35 percent of the survey respondents for not being effective at ensuring the implementation of the strategic plan for the economy or at establishing measurable objectives for program and agency performance. While the agency's stakeholders perceive implementing *A Kansas Vision* as the agency's most important role, many do not feel that the organization is successfully accomplishing this goal.

In analyzing the results of our survey and in-depth interviews, the NASDA team noted three issues facing Kansas Inc. that directly affect the organization's ability to fulfill its mission. Those are its: (1) capacity to follow through in implementing the state's strategic plan; (2) funding; and (3) independence. First, while the organization's stakeholders view the mission of Kansas Inc. as important, its achievements are limited by its capacity to ensure that "action agencies" follow

through on its recommendations. Second, the organization's funding is limited, and vital staff resources are being diverted for the private sector fundraising required by its mandate. Third, as a direct result of its independence from other organizations, Kansas Inc. has built a reputation for undertaking objective and credible research that is reflected in its policy recommendations and program evaluations.

Recommendations

To address these issues, NASDA proposes that the Governor, as the leader of economic development in the state, elevate and focus the role of Kansas Inc. so that it can become a more effective vehicle for strategic planning and program evaluation. Based on NASDA's assessment, Kansas Inc. has been fulfilling its role effectively within the context of a proactive legislature and prior Governors who chose not to utilize Kansas Inc. to its full potential. With a strong interest in economic development and in Kansas Inc., Governor Bill Graves has a unique opportunity to tap the organization as a tool for enhancing the effectiveness of state economic development programs. To improve the effectiveness of Kansas Inc. as well as the delivery of economic development services, the NASDA project team recommends that the Governor take the following actions:

1. *Maintain the independence of Kansas Inc as a quasi-public organization.*

As an advisor to the Governor and his implementation, Kansas Inc. needs to retain the objectivity and credibility that results from the organization's independence. Kansas Inc. should continue its role as strategic planner and program evaluator within the context of a coordinated team of economic development service providers. To ensure that its independence is maintained, the Board of Kansas Inc. should retain its authority and expand its membership to include broader participation by the private sector in setting the organization's agenda. Specifically, NASDA is recommending that Kansas Inc. balance its board membership with representatives from growth sectors, such as tourism, business services, engineering & management services, and/or advanced technologies.

2. *Eliminate the private sector match requirement while maintaining the current budget level for Kansas Inc.*

The Kansas Inc. operating budget is quite modest by any standard. Obtaining matching funds from the private sector has been problematic for the organization in the past, diverting significant staff and Board resources from the organization's primary mission. An important reason for requiring company contributions was to ensure that the private sector is engaged in the mission of Kansas Inc. Yet, there may be negative side effects, such as less interest from board members in serving as leaders who are asked to raise funds and the possible perception that the private sector can influence the outcome of specific research projects. The active involvement of the private sector can be maintained by expanding the Board of Directors, maintaining its role in guiding Kansas Inc., and strengthening the ability of Kansas Inc. to implement its planning and evaluation work through improved coordination of economic development in the state. At the same time, the Board and staff

of Kansas Inc. can focus on the organization's primary mission and responsibilities to the people of Kansas by eliminating the private sector match requirement.

3. *Develop a more focused work program for Kansas Inc.*

Kansas Inc. is too small in terms of staff and financial resources to meet the growing array of needs for everyone in the public and private sectors. Like everyone else, Kansas Inc. has limited resources. To use those resources effectively, it must define a clearly identifiable niche that meets the most pressing needs of the Governor, the legislature, and the private sector. The State, with help from Kansas Inc., has already established a comprehensive economic development program. Now, the primary needs include: (a) holding the state's economic development partners accountable for achieving the goals and objectives of the state's strategic plan, and (b) providing a means for the on-going monitoring of program performance. In this manner, the state's economic development program will have a "rudder" to ensure direction and a "compass" to gauge how close the program is to the course set out in the *Kansas Vision*. Kansas Inc. should perform these functions; thereby, allowing the public and private sector to make informed decisions on resource allocation and to ensure consistency and stability for the future.

4. *Create the **Kansas Economic Development Action Team**.*

The most important challenge to the long-term credibility of Kansas Inc. may well be the limited capacity in Kansas to hold the state's implementing agencies accountable for achieving the goals and objectives laid out in the *Kansas Vision*. Governor Graves, as the state's economic development leader, can fulfill his goal of taking an aggressive stance on economic development while addressing this challenge by pulling together those implementing organizations into the **Kansas Economic Development Action Team**. The team should include key cabinet level agencies and other economic development allies such as local development organizations and the Kansas Technology Enterprise Corporation. The Kansas Department of Commerce and Housing would play a key role as the designated co-chair of the Action Team. Kansas Inc. would serve as the lead agency for planning and evaluation. Other organizations than those indicated should be added as appropriate.

5. *Present a unified economic development budget shaped by the Action Team.*

To reduce the fragmentation of state programs and strengthen the Governor's ability to articulate his economic development vision for the state, the Action Team, under the Governor's leadership, should develop a unified economic development budget. This would offer an opportunity to eliminate overlap and duplication. The unified budget would also strengthen the accountability of state programs by providing a single overview of funding allocated to economic development. Currently, activities funded through the Economic Development Investment Fund are aggregated into a list, but the state legislature also receives individual budget requests for separate related initiatives. This fragmented approach to budgeting reinforces the splintering of program implementation and creates disincentives for collaboration among the state-funded economic development partners.

To support a unified budget, Kansas Inc. should develop and implement a performance monitoring system as a tool for providing input to members of the team on how well their individual programs are doing in achieving their objectives and allow an opportunity for fine tuning programs through the budget process. In an environment of limited resources, it is important that the team members come together and set their priorities in a thoughtful and cooperative manner before approaching the legislature for funding. In this way, the State of Kansas sends a clear signal to the legislature, the business community, and the general public that economic developers are working cooperatively toward improving the economic well being of everyone in the state.

Conclusion

Kansas Inc. has been fairly successful in achieving its mission of developing a strategic plan and identifying new programmatic approaches. These successes have contributed to a changing environment to which Kansas Inc. must adapt. The mission of Kansas Inc. must evolve to reflect a greater need for taking on different responsibilities. It must become more involved in following through with the strategic plan to ensure its implementation. Kansas Inc. must also place a high priority on program evaluation efforts to ensure that the state's economic development efforts remain accountable to the Governor and the state legislature for their success.

Kansas Inc. has begun to take on this changing role, but the most important barriers to its success may be actions that are outside the organization's control. The recommendations laid out in this report are designed to address those barriers. By creating a coordinated action team and a unified budget from that team, the Governor can ensure that Kansas Inc. continues to be successful while playing an important role for the future of the state's economic development efforts.