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ECONOMIC DEVELOPMENT IN MEDIUM-SIZED,
NON-METROPOLITAN KANSAS COMMUNITIES

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Population and Economic Growth in Medium-Sized, Non-Metropolitan
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EXECUTIVE SUMMARY

In March 1989, the Kansas Center for Community Economic Development conducted a survey to delineate the economic development and strategic planning efforts in rural, medium-sized Kansas communities. The following is a summary of the results:

1. Organizational Structure. Three models for organizing economic development in the twenty-four communities surveyed prevailed: government, chamber of commerce and partnership. The partnership model, which involves a public/private corporation as the primary economic development organization, is employed in eleven of the communities. The chamber of commerce was the principal organization in eight of the communities and the government organized economic development in the remaining five communities.

2. Financing Economic Development. While the private sector leads the way in performing the economic development function, the public sector takes the lead role in financing economic development. Over 80 percent of the economic development budgets come from city and county sources - usually from mill levy or sale tax revenue. In many communities the city and county governments are striving to become more actively involved in economic development programs.

3. Cooperation and Economic Development. The survey found that cooperation for economic development is occurring at several levels - local, community and regional. Most of the cooperation and coordination is taking place locally among the private and public sectors in the community. Many communities are also working with other communities in their county or near it.

The communities that are coordinating beyond their home county are doing so through a regional organization.

4. Strategic Planning. Only five of the twenty-four communities surveyed have developed a strategic plan for economic development, and one of those five is in the planning process. However, respondents from both the public and private sectors in fourteen communities expressed an interest in developing one.

5. Economic Development Strategies. Many cities were hesitant to name a primary strategy for economic development; they felt a balanced approach between recruiting, retaining and assisting new firm creation was best. When pressed to name a primary strategy, however, ten cities, or about 42 percent, mentioned retaining and assisting existing industry as their primary strategy. The strategy that was mentioned the least was that of assisting in the creation of new businesses. Communities also indicated that they spend most of their resources on retaining and assisting existing industry, followed closely by recruiting outside companies. Assisting entrepreneurs was a distant third in the amount of resources used.

6. Economic Development Efforts. Every city in our survey tries to identify what it can do to attract and retain business. They all offer financial incentives to encourage economic development, but the range of incentives offered varies greatly. The incentives used most frequently by communities to encourage economic development are tax abatements, infrastructure development, and issuance of tax exempt bonds.

INTRODUCTION

The Kansas economy is adjusting to structural changes in the national and world economies. Rural communities, in particular, are contending with declines in the agricultural and petroleum sectors, which have always constituted the backbone of their communities. To offset the effects of declines in traditional industries, Kansas cities are relying more on economic development techniques.

Although Kansas has a state-level economic development strategy, the effort of each local community is also crucial to economic development. When planning to relocate, expand or start a business, a business looks at what communities have to offer at least as carefully as they consider state policies. If Kansas is to remain competitive in the national as well as international economy, its cities and towns must be strong in their economic development efforts.

This report investigates what medium-sized communities in rural Kansas are doing to encourage economic development. It looks at:

- 1) how these communities are organizing for economic development;
- 2) who is financing economic development;
- 3) what levels of cooperation are occurring;
- 4) what, if any, strategic planning has been completed;
- 5) what is the primary strategy for economic development, and whether the use of resources is consistent with the strategy; and
- 6) what kinds of economic development effort are being undertaken and, in particular, what is the range of financial incentives being offered to induce economic development.

METHODOLOGY

In March 1989, the Kansas Center for Community Economic Development conducted a survey¹ to discover what medium-sized, rural Kansas communities are doing to promote economic development and whether or not they have developed strategic plans. The survey investigated three areas: organizational structure, strategic planning and economic development efforts, and it was administered to 24 cities across Kansas (see Figure 1).

For each community, initial contact for the survey was made with the city manager or city administrator. In some cases the city manager or administrator was not the economic development expert for the community, and he or she referred researchers to the person who was most involved in economic development. The analysis for this report is based on one interview for each community, although a total of thirty-seven people were interviewed. Table 1 shows that the groups primarily responsible for economic development are well represented in our analysis, although city governments are slightly over-represented, and public/private non-profit organizations are slightly under-represented.

The twenty-four cities surveyed range in population size from 10,190 to 56,490.² Two-thirds of the communities surveyed have population estimates in 1986 under 20,000. As Figure 1 shows, the majority of the communities are located in the eastern half of the state. All the communities surveyed are

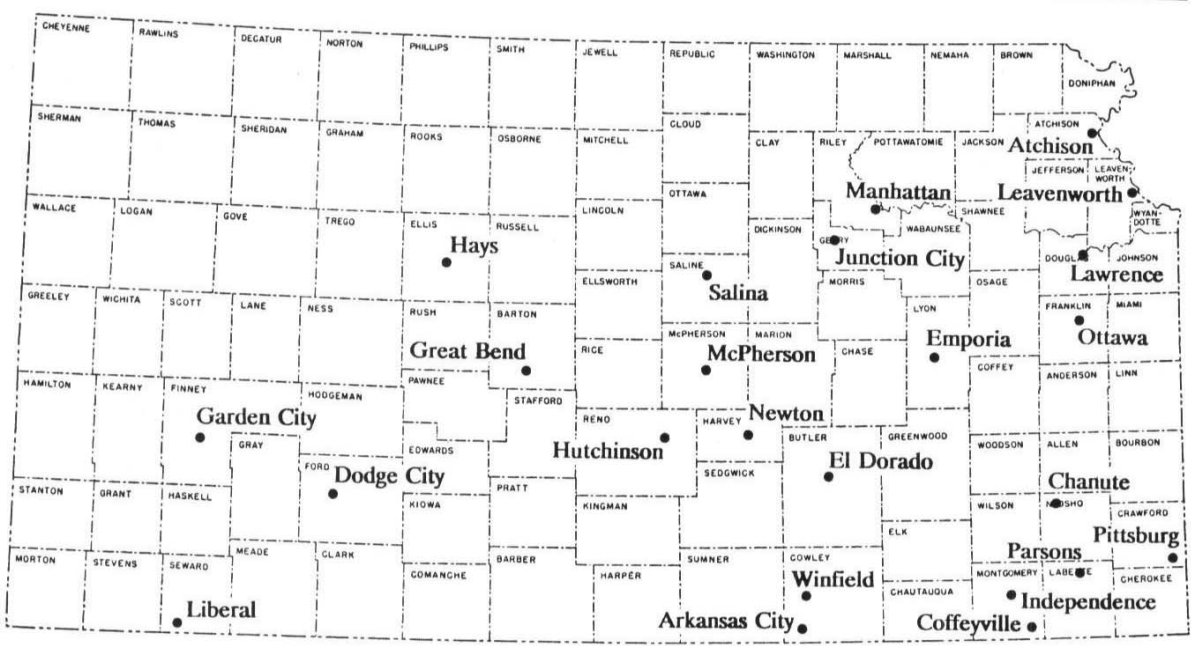
¹A copy of the survey administered is available by request to the Kansas Center for Community Economic Development at the University of Kansas.

²For a more in-depth analysis of population and economic growth of the communities surveyed see Appendix A.

classified as rural for this report because they are not part of the three major metropolitan areas in Kansas (Wichita, Kansas City or Topeka).

In this report we will describe what communities are doing for economic development rather than prescribe what they should do. These descriptions will provide a context within which each community may examine its own economic development efforts. The report results cover six topics: organizational structure, financing, cooperation, planning, strategies, and current efforts.

FIGURE 1. Map of Medium-Sized Non-Metropolitan Kansas Communities



Source: Institute for Public Policy and Business Research, 1989.

TABLE 1. Organization Interviewed for KCCED Survey and Organization Primarily Responsible for Economic Development

CITY	ORGANIZATION INTERVIEWED	PRIMARY ECONOMIC DEVELOPMENT ORGANIZATION
Arkansas City	Chamber	Chamber of Commerce
Atchison	City Government	Pub/Priv Corp
Chanute	City Government	City Government
Coffeyville	Pub/Priv Corp	Pub/Priv Corp
Dodge City	Pub/Priv Corp	Pub/Priv Corp
El Dorado	City Government	Multi-Gov't Agency
Emporia	Chamber	Chamber of Commerce
Garden City	City Government	Pub/Priv Corp
Great Bend	Pub/Priv Corp	Pub/Priv Corp
Hays	Pub/Priv Corp	Pub/Priv Corp
Hutchinson	Chamber	Chamber of Commerce
Independence	Chamber	Chamber of Commerce
Junction City	Multi-Govt Agency	Multi-Govt Agency
Lawrence	Chamber	Chamber of Commerce
Leavenworth	Pub/Priv Corp	Pub/Priv Corp
Liberal	City Government	City Government
Manhattan	Chamber	Chamber of Commerce
McPherson	Chamber/Corp	For Profit Corp
Newton	Pub/Priv Corp	Pub/Priv Corp
Ottawa	Pub/Priv Corp	Pub/Priv Corp
Parsons	City Government	Pub/Priv Corp
Pittsburg	City Government	City Government
Salina	City Government	Chamber of Commerce
Winfield	Chamber	Chamber of Commerce

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

ORGANIZATIONAL STRUCTURE

Organizational structure for encouraging economic development can be classified according to three models: 1) Government Model, 2) Chamber of Commerce Model, and 3) Partnership Model.

In the Government Model, economic development leadership is provided by the city or county governments or a multi-government agency that is a combination of city and county governments. Five of the twenty-four communities, or about 21 percent, fall into this classification; three can be sub-classified as city government leadership and two as multi-government leadership (see Table 2). The three communities in which city government takes the lead have economic development directors that report to the city manager. In one of the two communities with the multi-government approach, the director is the city manager. In the other community, the director works for the multi-government organization.

The Chamber of Commerce Model consists of the Chamber taking the leadership role in economic development. Eight of the communities fit into this model (see Table 2). Two of the eight communities that employ this approach also have public/private partnerships. However, these partnerships do not take the lead role and therefore the community was not classified as organized by a partnership. Under this model, if the community has an economic development director, the director works for the Chamber. In only one case did the director not work for the Chamber but for a shared partnership corporation between two cities. If there is no director, a chamber executive performs this function.

The Partnership Model involves a public/private corporation taking the lead in the community's economic development effort. The organization can be either

for-profit or not-for-profit. In some cities it is called an economic development corporation, in others a commission and in still others a coalition. No matter what the organization's title, it is a partnership between the government and the private sector. Eleven of the twenty-four communities fall under this classification; ten are non-profit and one is for-profit (see Table 2). In six of the eleven communities, the economic development director works for the partnership. In the other five communities the director either works for the chamber or is a chamber executive. In several of the communities it is difficult to separate the chamber from the public/private corporation.³

TABLE 2. Responses to KCCED Survey Question 1: Which group is primarily responsible in organizing your economic development function?

<u>ORGANIZATION</u>	<u>NUMBER</u>	<u>PERCENT OF TOTAL</u>
GOVERNMENT MODEL:		
City Government	3	12.5
County Government	0	0.0
Multi-Government Agency	2	8.3
CHAMBER OF COMMERCE MODEL:		
Chamber of Commerce	8	33.3
PARTNERSHIP MODEL:		
Pub/Priv Not-For-Profit Corp	10	41.7
Pub/Priv For-Profit Corp	1	4.2

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

³For example, in Hays, the Ellis County Coalition for Economic Development and the Chamber are almost one. The economic development director works for the coalition and is also the chamber president. Another example is McPherson. While the McPherson Industrial Development Company Inc. takes the lead role in community economic development efforts, it is the chamber that provides the staff for this for-profit partnership.

The survey results indicate that the Chamber is more likely to provide leadership for community economic development than the city or county governments (see Table 3). In only four communities did the interviewee respond that city government provided leadership. And county government was considered the least involved in economic development leadership; only two communities consider the county involved enough that they were thought of as providing leadership.

TABLE 3. Responded 'PROVIDES LEADERSHIP' when asked how involved the organization was in economic development

<u>ORGANIZATION</u>	<u>NUMBER</u>	<u>PERCENT OF TOTAL</u>
City Government	4	16.7%
Chamber of Commerce	10	41.7%
County Government	2	8.3%

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

An overwhelming majority of the twenty-four cities had economic development directors. Only four cities did not have economic development directors.⁴ Of the twenty cities that did have directors, three of the directors work as part of the city government; eight work for chambers of commerce; and nine work for a public/private corporation. Two of the communities--Coffeyville and Independence--share a director through one of the public/private corporations. Not all of the economic development directors are full-time. As a matter of fact, many work for numerous communities or counties and some wear several different hats.

⁴Those cities that DO NOT have an economic development director are: Arkansas City, Dodge City, El Dorado and Winfield.

FINANCING ECONOMIC DEVELOPMENT

Despite its relatively low-profile leadership role in administering economic development programs, the public sector is primarily responsible for financing the economic development function. When asked to respond to how involved city government, the chamber of commerce, and county government were in economic development, twenty-one communities mentioned that the city government provides financing and thirteen communities mentioned that the county government provides financing (see Table 4).

TABLE 4. Responded 'PROVIDES FINANCING' when asked how involved the organization was in economic development

<u>ORGANIZATION</u>	<u>NUMBER</u>	<u>PERCENT OF TOTAL</u>
City Government	21	87.5%
Chamber of Commerce	7	29.2%
County Government	13	54.2%

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

A financial survey conducted in March 1989 by the Institute for Public Policy and Business Research at the University of Kansas also found that the public sector was more likely to finance economic development than the private sector. Table 5 shows the 1989 budgets from twenty of the twenty-four medium-sized cities. According to these figures, 83.3 percent of economic development expenditures come from city and county sources. In nine of the twenty

communities in which the budgets were analyzed, the county was the major source of funding and in eight of the communities the city was the major source of financing (see Table 5). In three communities the city was the only source of funding for economic development. In only one community was the major source of funding the private sector. However, in thirteen of the twenty community budgets analyzed, both the public and private sector provided some amount of funding for economic development.

For 1989, these twenty medium-sized Kansas communities have budgeted almost \$2.5 million for economic development. This amount would be even higher if in-kind contributions were included.⁵ The level of funding for economic development varies considerably across Kansas. Of the twenty communities that we have data for, Hutchinson spends the most, \$215,000 budgeted for 1989, and Chanute spends the least, \$48,500 budgeted for 1989 (see Table 5).

⁵In order to obtain consistent data for all communities surveyed, the 1989 budgets were compared to a list of line items. Since the monetary value of in-kind contributions are difficult to measure, they are not included in this survey. However, in some communities, in-kind contributions by the county, city or chamber played a significant role, such as the provision of office space, management, staff assistance, and equipment.

TABLE 5. Economic Development Expenditures in Medium-Sized, Non-Metropolitan Kansas Communities

City	1989 Budget	SOURCES FOR FUNDING			
		City	County	Private	Other(1)
Atchison	\$ 94,100	\$ 94,100	\$ --	\$ --	\$ --
Chanute	48,500	48,500	--	--	--
Coffeyville/Independence Montgomery County Action Council	103,000	27,500	65,000	10,000	--
El Dorado El Dorado Inc. Butler County	60,000	30,000	--	30,000	--
Emporia	129,000	--	129,000	--	--
Garden City	72,365	44,390	15,000	12,975	--
Great Bend	100,000	20,000	60,000	20,000	--
Hays Coalition for Economic Dev	131,500(2)	61,000	160,000	--	--
Ellis County	116,900	63,000	--	33,900	20,000
Hutchinson	81,370	--	81,370	--	--
Junction City	215,000	75,000	140,000	--	--
Lawrence	175,000	57,500	57,500	--	--
Leavenworth	130,000	30,000	50,000	50,000	--
Liberal	100,000	--	50,000	31,000	--
Manhattan	80,000	60,000	20,000	--	--
McPherson	180,000	65,000	45,000	70,000	--
Newton	125,000	36,000	50,000	3,000	36,000
Ottawa	154,000	68,000	44,000	42,000	--
Pittsburg	84,000	50,000	30,000	4,000	--
Salina	151,000	151,000	--	--	--
	169,600	85,000	20,000	25,000	20,000(3)
TOTAL	\$2,500,335	\$1,065,990	\$1,016,870	\$331,875	\$ 76,000

(1) Local utilities companies and airport authorities.

(2) Seed capital pool (\$81,000) and highway program (\$8,500) not included in total.

Source: Upmeier, Helga. *Comparisons of Economic Expenditures in Kansas Communities*, Report No. 162, Institute for Public Policy and Business Research, University of Kansas, March 1989.

Note: This table includes only 20 of the 24 cities from the March 1989 Survey of Community Economic Development. Arkansas City, Dodge City, Parsons and Winfield were not included in the table because their 1989 budget was not available for analysis

"Sources for Funding" may not equal the "1989 Budget" because some sources were estimates.

COOPERATION AND ECONOMIC DEVELOPMENT

Public and private sector interaction and cooperation varies among Kansas communities as seen by how they finance and organize economic development. However, just because a community is organized or financed by one sector does not necessarily imply that they do not cooperate with the other sector. Our research found that, in general, the different sectors did work with each other for community economic development.

This is a good sign for the future of community economic development because other research has found that no matter who is primarily responsible for economic development efforts, public and private sectors must work together to respond to changes in the community and in the external environment (Toft, 1984). Also, cooperative approaches to economic development between communities and counties has certain advantages. Working together, cities can improve marketing and use resources more efficiently. Smaller and poorer cities and counties can work together to compete more effectively with larger and wealthier communities (National Council for Urban Economic Development, 1988).

Most communities responded that the public and private sectors are working together. Table 6 shows only two cases where the county government did not work with the city government or chamber in their economic development effort and only one case where the chamber did not work with the county in the chamber's efforts.

Besides cooperation on a local level between the public and private sectors, cooperation was also found to exist on a community level - that is, cooperation among communities within a county or within close proximity. Sixteen of the communities, or about 67 percent, said they did work in conjunction with other cities in their economic development efforts (see Table 7). The cities they cooperated with were primarily smaller ones within their home county that were part of a county-wide organization. Additionally, about 67 percent of the cities worked with their home county to encourage economic development.

On another level of cooperation communities within a region work with each other. Only nine communities responded that they did work with other counties to further economic development (see Table 7). Cooperation with other counties has either been with contiguous counties or through a regional organization.⁶

TABLE 6. Responded 'NO' to working with other organization in its effort when asked how involved the organization was in economic development

ORGANIZATION	OTHER ORGANIZATION		
	CITY	CHAMBER	COUNTY
City	----	0	1
Chamber of Commerce	0	----	1
County Government	2	2	----

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

⁶Mid-America, Inc. in southeast Kansas is an example of a regional organization in Kansas that has cities cooperating on a regional basis. This organization has been in existence since 1957 as a private not-for-profit corporation whose primary strategy is to recruit industry into the region.

TABLE 7. Responses to KCCED Survey Question 7: Does your community work with any of the following in their economic development efforts?

<u>RESPONSE</u>	<u>YES</u>	<u>PERCENT</u>	<u>NO</u>	<u>PERCENT</u>
Other Cities	16	66.7	7	29.2
County	16	66.7	7	29.2
Other Counties	9	37.5	14	58.3

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

STRATEGIC PLANNING

Strategic planning has been defined as positioning the community by candidly assessing its strengths and weaknesses, appraising changes affecting the community, setting goals, and making a plan of action (Toft and Maitlen, 1987). It can be an important part of economic development. Not only does strategic planning give a community a focus, but it results in a strengthened sense of partnership among government, business and education. Strategic planning makes management more effective.

According to the survey results, only five of the twenty-four communities have a written strategic plan - El Dorado, Dodge City, Hays, Liberal and McPherson.⁷ The plans for these communities were all developed within the past three years through a combination of public and private involvement. The cities range in size from just under 11,000 to just over 19,500. In addition, four communities are currently working on developing some sort of strategic plan, and one city is including an economic development policy in its comprehensive plan.

While relatively few communities have strategic plans, a considerable number will develop such plans in the future. Over half of the communities surveyed said they would like a strategic plan for their city (see Table 9). Most of those cities cited public as well as private support for such initiatives. Many communities have already completed some of the elements in the strategic planning process such as commissioning an outside assessment and developing a data base. Ten of the twenty-four communities have had some sort

⁷Several other communities responded that they had a strategic plan. However, what was described did not fit into our definition of strategic planning, or the plan was done so many years ago that it was no longer considered current (see Table 11 for further details).

TABLE 8. Strategic Planning Efforts in Medium-Size, Rural Kansas Communities

CITY	ECO DEVO DIRECTOR	STRATEGIC PLAN	PLAN INTEREST	OUTSIDE ASSESSMNT	ADEQUATE DATA BASE
Arkansas City				X	
Atchison	X			X	X
Chanute	X				X
Coffeyville	X		X	X	X
Dodge City		X(1)	.		
El Dorado		X	.	X	X
Emporia	X	(2)	.		X
Garden City	X		X	X	X
Great Bend	X		X		
Hays	X	X	.	X	X
Hutchinson	X	(3)	X		X
Independence	X		X		
Junction City	X		X		
Lawrence	X	(2)	.	X	.
Leavenworth	X		X		
Liberal	X	X	.	X	
Manhattan	X		X		X
McPherson	X	X	.		X
Newton	X		X		
Ottawa	X		X	X	
Parsons	X		X		
Pittsburg	X		X	X	X
Salina	X	(4)	.		X
Winfield			X		X
TOTAL	20	5	13	10	13

'.' = Missing Data

- (1) Dodge City is in the process of developing a strategic plan. It should be completed in about six months.
- (2) Emporia and Lawrence have a marketing strategy with goals. There may be interest in developing a strategic plan.
- (3) Hutchinson developed what they called a strategic plan five years ago. Since this is not a current plan, for the purpose of this study, Hutchinson was not defined as having a strategic plan. They did express interest in updating their plan.
- (4) Salina sets annual goals for their action plan. For the purpose of this study, their goal setting was not defined as strategic planning.

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

of outside agency assess their strengths and weaknesses. Futhermore, over half of the communities decribe their data bases as adequate to plan for economic development.⁸ In sum, a majority of the communities are laying the groundwork for strategic planning - by developing public/private support, assessing their community, and thinking about data necessary to plan a strategy plan.

The fact that a majority of the communities either have strategic plans or are thinking about developing strategic plans is important. A strategic plan improves a city's chances for success for two primary reasons. First, through the planning process the city establishes realistic expectations and defines sensible methods of pursuing those expectations. Second, in the process of developing the plan the community builds coalitions among local organizations that can be mobilized to efficiently and effectively use available resources (National Council for Urban Economic Development, 1987).

⁸Still, many economic development representatives, about 38 percent, said they felt they could better plan for economic development if they had additional information. Specifically, they felt that labor force statistics, population projections and better marketing information would be helpful.

ECONOMIC DEVELOPMENT STRATEGIES

Three basic economic development strategies are used by communities. They are: 1) to recruit existing business from other locations, 2) to foster the creation of new business, and 3) to help existing business to expand. When asked to name their primary strategy for economic development, most Kansas communities listed one of these three strategies or a combination of them. The retention and expansion of existing businesses was the strategy most frequently mentioned - about 42 percent of the communities listed this as their primary strategy (see Table 9). Only four communities, or about 17 percent, named going after outside companies as their primary strategy. No city called assisting entrepreneurs its primary strategy for economic development. However, this strategy was included when cities cited a balanced approach between recruiting, retaining and assisting.

TABLE 9. Primary Economic Development Strategies for Medium-Sized, Non-Metropolitan Kansas Communities

<u>Economic Development Strategy</u>	<u>Number</u>	<u>Percent</u>
Recruiting Outside Companies	4	16.7
Retaining & Assisting Existing	10	41.7
Assisting Entrepreneurs	0	0.0
Combination Recruit/Retain/Assist	8	33.3
Other	<u>2</u>	<u>8.3</u>
TOTAL	24	100.0

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

Studies have shown that more (net) new jobs come from existing firms, certain kinds of small businesses, and new firms than from recruiting branch plants (National Governor's Association, 1988). Most cities surveyed seem aware of the importance of existing firms and are recognizing this in their strategic approach to economic development. Also, in general, the percent of resources devoted to economic development supports the notion that communities are looking inward to economic development rather than outward (see Table 10). More resources are devoted to retaining and assisting existing companies than are devoted to recruiting outside companies. Assisting new businesses receives the least amount of resources with a range of 0 to 34 percent.

TABLE 10. Percent of Resources Devoted to Economic Development Strategies

<u>Economic Development Strategy</u>	<u>Mean</u>	<u>Minimum</u>	<u>Maximum</u>	<u>N</u>
Recruiting Outside Companies	38.20	5	80	20
Retaining & Assisting Existing	44.60	9	90	20
Assisting Entrepreneurs	14.76	0	34	17

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

While communities may enter the economic development game with a primary strategy in mind, they are responsive to the opportunities before them. Therefore, cities were hesitant to put a percent amount to resources devoted to the three primary economic development strategies. However, when pressed most did come up with a breakdown. With few exceptions, the cities surveyed devoted

most of their resources to their primary strategy (see Table 11).⁹

A retention and expansion program for a community is important for several obvious reasons. First, existing firms not only already contribute jobs and money to the local economy, but they are the most likely source of future growth. And second, creating an environment that allows existing business to remain and prosper is also a way of ensuring that new firms will want to locate there (National Council for Urban Economic Development, 1988). It can be argued that a proactive approach is desirable for any retention and expansion program. This is a program that is attentive to local business and committed to resolving problems, reaching out to business, and involving the private sector.

While an overwhelming majority of the medium-sized Kansas communities have programs designed to identify the needs or problems of existing businesses, the majority of these programs are quite informal and carried out on an irregular basis. Most of the existing business programs are administered by the chambers of commerce and consist primarily of a single, annual visit. In only one instance is the city the driving force behind the program. However, several communities display proactive elements in their approach.¹⁰

As previously mentioned, most cities surveyed recognize the importance of existing firms. Nevertheless, four communities still listed recruiting outside companies as their primary strategy and seven cities devoted 50 percent or more

⁹One exception was Great Bend; they responded that retaining and assisting existing industry was their primary strategy, but only devoted 20 percent of their resources to that endeavor. This can be explained by the fact that they had several good prospects in the last year. Therefore, while Great Bend spent 60 percent of their resources on recruiting, they do not anticipate that will always be the case. They were just responding to the opportunities before them.

¹⁰An example is the TIP (Tapping Industrial Potential) program in Hays developed by the Ellis County Coalition for Economic Development.

of their budget and/or staff time to that particular strategy (see Table 11).

Although new business is an important source of job creation, the entrepreneur receives the least attention in the economic development strategy game (see Table 10). Four communities responded that they devoted zero resources to this strategy. However, seven of the twenty-four communities have a business incubator (see Table 11) and four other communities showed interest in developing incubators. Furthermore, entrepreneurship is supported through the availability of seed or venture capital funds in eight of the communities (see Table 11).

TABLE 11. Primary Economic Development Strategies and Resources and Programs that support those strategies

CITY	PRIMARY ECO DEVO STRATEGY	RESOURCES DEVOTED MOST TO	EXISTG COMPANY PROGRAM	BUSINESS INCUBATOR	SEED OR VENTURE CAP FUND
Arkansas City	Retain	Retain 80%	X		
Atchison	Retain	Retain 60%	X		
Chanute	Retain	Retain 90%	X		
Coffeyville	Retain	Retain 60%	X	X	X
Dodge City	Other*	Recruit 60%	X		X
El Dorado	Recruit	Recruit 80%			
Emporia	Retain	No Response	X		
Garden City	Recruit	Retain 50%	X		
Great Bend	Retain	Recruit 60%	X	X	
Hays	Combin	Varies	X		X
Hutchinson	Retain	Retain 50%	X	X	X
Independence	Retain	Retain 50%	X		
Junction City	Recruit	Recruit 50%			
Lawrence	Combin	Recruit 55%	X	X	X
		Retain 50%			X
Leavenworth	Combin	Recruit 33%	X		
		Retain 33%			
		Assist 33%			
Liberal	Retain	Retain 50%			
Manhattan	Other*	Recruit 33%	X	X	
		Retain 33%			
		Assist 33%			
McPherson	Combin	Retain 60%	X		
Newton	Combin	Recruit 34%	X		
		Retain 34%			
Ottawa	Recruit	Recruit 60%			
Parsons	Combin	Varies		X	X
Pittsburg	Combin	Recruit 47.5%			X
		Retain 47.5%			
Salina	Combin	No Response	X	X	
Winfield	Retain	Retain 60%			

*Other primary strategies mentioned were to capitalize on strengths, diversify local economy, and linkage with research capabilities at Kansas State University.

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

ECONOMIC DEVELOPMENT EFFORTS

Most communities try to make themselves attractive to new industries and encourage current companies to stay in town. To give themselves what they consider to be a slight edge, cities provide various incentives, from money to speculative buildings, to infrastructure improvements.

One popular economic development venture is industrial parks. Every city in the survey group has at least one industrial park and fourteen of the cities have more than one. Some parks have existed since the 1940s. In 25 percent of the cases, the city was the sole developer of the park.

Enterprise zones are also a popular economic development effort. All twenty-four communities have such zones. Most of the zones were established within the first two years after the state passed the legislation authorizing them.

Incubators are relatively new to the economic development endeavor. As previously mentioned, only seven cities have incubators, each of which had been established since 1987 (see Table 11). The establishment of incubators does not seem to follow a pattern, as each facility was developed by a different entity or combination of entities.¹¹

Also less wide-spread is the establishment of seed or venture capital funds (see Table 11). As previously mentioned, only eight of the communities surveyed have seed or venture capital funds. Of those, three are privately based and five are community based.

¹¹For example, Southwestern Bell provided the start-up financing and technical assistance for the incubator in Garden City; while the city, Riley County, the chamber and KSU cooperated to develop the incubator in Manhattan.

As Table 12 shows, each of the communities offer some sort of financial incentives to encourage economic development. The one most often cited was tax abatements. Nineteen of the twenty-four communities, or 79.2 percent, used abatements in the last two years. Eighteen cities, or 75 percent, provided infrastructure improvements as an economic development incentive. In third place was the issuance of tax-exempt bonds. Sixteen, or 67 percent, of the cities have issued such bonds in the past two years for economic development.

Other financial incentives were not quite so prevalent. Half of the cities said they had offered direct loans to private businesses; one-third of the communities made donations of unused real property. Loan guarantees, loan subsidies, sale leaseback arrangements and direct cash contributions were used by only 25 percent of the cities. In only one instance was shared-equity used as a financial incentive.

Common sense tells us that cities should be cautious when they offer financial incentives for industrial recruitment so the costs to the community are less than benefits the community receives. It can be argued that financial incentives should be targeted for firms that complement the community's existing economic base and incentive packages offered to business should also increase the productivity of the local economy (National Governor's Association, 1988).

Furthermore, the rules of fair play tell us that incentives offered to recruit firms should also be made available on comparable terms to existing firms that want to expand. And it can also be argued that incentives should be conditional on the creation of jobs of a specific skill level (National Governor's Association, 1988).

While our survey did not specifically explore the conditions associated with the use of incentives or who was receiving the incentives, these are

important issues to be examined when financial incentives are considered. Consequently, some communities are adopting policies or guidelines to help them decide what concessions they can offer.

Many communities have various ways to market themselves aside from offering incentives to lure businesses. Since business decision-makers never have all the information they need to select the best location for their business, a community with a marketing program has an edge.

For a marketing program to be effective, it requires certain elements: 1) the local business climate needs to be evaluated from the perspective of potential investors; 2) the potential for capital investment within the community also needs to be evaluated; 3) realistic growth opportunities, those which are likely to make additional investments in business facilities, should be targeted; and 4) any deficiencies in the business climate need to be addressed (National Center for Urban Economic Development, 1987).

Most of the marketing programs employed by Kansas communities did not appear to have these elements - they were not so sophisticated in their marketing approach. For the majority of communities surveyed, their marketing approach displayed a broad range of elements - from national advertising to video production. Direct mail took the lead in marketing efforts. And advertisements in various media and videos depicting the cities' advantages were highly utilized. However, the ads seemed to have been a long-standing strategy while the videos were a relatively new way to promote the communities.

Table 12. Financial Incentives Used in the Last Two Years to Encourage Economic Development

CITY	TAX	LOAN	LOAN	DIRECT LOANS	SHARED
	ABATEMENTS	GUARANTEES	SUBSIDIES	TO PRIVATE BUSINESSES	EQUITY
Arkansas City	X				
Atchison					
Chanute	X	X	X	X	
Coffeyville	X			X	
Dodge City			X		
El Dorado	X	X			
Emporia	X			X	
Garden City				X	
Great Bend	X		X	X	
Hays	X		X	X	
Hutchinson	X			X	X
Independence	X				
Junction City	X	X			
Lawrence	X				
Leavenworth	X				
Liberal				X	
Manhattan	X			X	
McPherson	X	X		X	
Newton	X				
Ottawa	X				
Parsons		X		X	
Pittsburg	X	X	X	X	
Salina	X		X		
Winfield	X				
TOTAL	19	6	6	12	1

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

Table 12 (Continued)
 Financial Incentives Used in the Last Two Years
 to Encourage Economic Development

CITY	SALE - LEASEBACK	DIRECT CASH CONTRIB	DONATE UNUSED PROPERTY	ISSUE TAX EXEMPT BONDS	INFRA- STRUCTURE	TOTAL
Arkansas City				X	X	3
Atchison					X	1
Chanute		X	X	X	X	8
Coffeyville			X	X	X	5
Dodge City			X		X	3
El Dorado		X			X	4
Emporia		X		X	X	5
Garden City				X	X	3
Great Bend	X			X	X	6
Hays		X	X	X	X	7
Hutchinson		X		X	X	6
Independence	X			X	X	4
Junction City	X			X	X	5
Lawrence				X	X	3
Leavenworth			X	X		3
Liberal						1
Manhattan	X	X			X	5
McPherson	X		X			5
Newton						1
Ottawa						1
Parsons	X			X	X	5
Pittsburg			X	X	X	7
Salina				X		3
Winfield			X	X	X	4
TOTAL	6	6	8	16	18	

Source: Kansas Center for Community Economic Development, Survey of Community Economic Development, Institute for Public Policy and Business Research, March 1989.

CONCLUSIONS

All of the cities in our survey recognize the need for economic development. Each city, however, defines economic development according to its own standards, each is at a different point in creating a economic development program, and their strategies are diverse. Nevertheless, several conclusions can be drawn from the survey results.

1. Medium-sized, non-metropolitan Kansas communities are split in their organizational approach between three models: government, chamber and partnership. The public/private corporations and chambers of commerce were typically the organizational leaders.

2. Despite the fact that the private sector seems to be leading the way, it is the city and county governments that are actually financing economic development initiatives, and city and county governments are striving to become more actively involved in economic development.

3. While counties were less likely to join each other in their economic development efforts, cities did cooperate with each other. Those cities that did work with communities outside their home county generally did it through a regional organization.

4. Only five communities have actually designed a strategic plan for economic development. However, many economic development organizations and/or local governments routinely set goals and objectives or have had an outside agency assess their strengths and weaknesses.

5. Many of the communities surveyed are focusing primarily on assisting and retaining existing business and little is being done to encourage entrepreneurship. Some communities are still focusing most of their resources on recruiting outside industry.

6. Virtually every community believes it needs to offer financial incentives to encourage economic development.

A common remark about economic development was that it is a tough business. People realize that communities are competing with each other at all times, each one trying to edge ahead of the others. Many of them feel they need to become more aggressive.

Yet people believe their cities have come a long way in the past few years. Cities are moving toward more formal economic development programs, complete with their own directors. People believe Kansas and its communities have potential, but that a better game plan is needed.

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APPENDIX A
POPULATION AND ECONOMIC GROWTH OF MEDIUM-SIZED,
NON-METROPOLITAN KANSAS COMMUNITIES: 1980 TO 1986

The twenty-four communities that participated in the community economic development survey fall into three growth classifications - increasing, declining and stable growth. Growth for these communities for this report is analyzed in two inter-related ways: population growth and economic growth.

Population Growth:

In general, Table A shows that cities and their home counties experience similar growth rates from 1980 to 1986. The most notable exception was El Dorado and Butler County. El Dorado's population declined by 4.9 percent from 1980 to 1986, while Butler County's population increased by 7.2 percent.

Other slight anomalies to the city/county trend were Manhattan and Riley County; and Arkansas City, Winfield and Cowley County. In the case of Riley County, Manhattan experienced a slight growth rate (3.4 percent), while the county experienced a bare decline (-0.2 percent) from 1980 to 1986. In Cowley County, the county showed a slight increase (0.5 percent), while the two major cities in the county declined.

The percent change in population growth from 1980 to 1986 was greatest in southwestern Kansas (see Table A). Garden City and Seward County experienced the greatest percent change in population for the region with increases of 24.7 percent and 27.2 percent, respectively. Other counties and communities that border metropolitan areas also experience growth - most notably Leavenworth

County with 10.6 percent increase in population from 1980 to 1986 (see Table A).

Based on previous population levels and population estimates for 1986, it can be argued that some cities maintained a stable population from 1980 to 1986 (see Table A). Those cities are McPherson, Manhattan, Hutchinson, Salina and Newton.

The southeastern part of the state has been hit hardest by population declines (see Table A). Montgomery County experienced a 2.6 percent decrease in population from 1980 to 1986, which was the greatest decline for the region for the survey population. Franklin and Atchison counties in the northeast, which has typically been a growth region for the state, also experienced population declines.

Economic Growth:

Economic growth for this report is determined by three variables: establishments, employment, and payroll income. While number of establishments and total annual payroll has risen for all twenty-two counties in the survey population from 1980 to 1986, employment growth ranges from a 52.9 percent increase in Finney County to a 19.4 percent decrease in Atchison County (see Table B).

Douglas County, which includes Lawrence, experienced the biggest percent increase in the number of establishments from 1980 to 1986 with a 35.5 percent increase (see Table B). It was followed by Finney County (Garden City) with a 25.5 percent increase, and Harvey (Newton) and Butler (El Dorado) counties, which each had a 22.8 percent increase. Atchison County (Atchison) had almost no establishment growth from 1980 to 1986 with only a 0.3 percent increase. Labette County (Parsons) also experienced slow establishment growth with a 1.8

percent (or ten establishments) increase.

Finney County had the biggest increase in annual payroll for the period with a 94.4 percent growth (see Table B). The next biggest payroll gainer was Douglas County with a payroll increase of 56.6 percent. Seward County (Liberal) also experienced high payroll growth with an annual payroll increase of 56.4 percent. Neosho (Chanute) and Montgomery counties (Independence and Coffeyville) were the only counties that did not have double figure payroll growth.

Finney County's employment grew the most from 1980 to 1986 with a 52.9 percent increase (see Table B). It was followed distantly by Seward County (Liberal) and Geary County (Junction City) with 21.9 percent and 16.1 percent employment increases, respectively. The big employment loser for the period was Atchison County with a loss of 19.4 percent.

Based on the three economic variables - establishments, employment, and payroll - and their percent change from 1980 to 1986, the following counties can be classified as experiencing high economic growth for the time period: Finney, Douglas, Seward, Riley, Geary, Ford and McPherson counties. The following can be classified as experiencing poor economic growth from 1980 to 1986: Atchison, Montgomery, Neosho, Reno, Harvey, Crawford, and Butler.

When population growth is analyzed along with economic growth variables, it can be argued that the following counties have sustained losses from 1980 to 1986 (see Table A and Table B): Atchinson, Montgomery, Neosho and Crawford counties. On the other hand, the following counties have experienced prosperity during the time period (see Table A and Table B): Finney, Seward, Ford, Douglas, Geary and Leavenworth.

TABLE A. City and County Population for Medium-Size, Rural
Kansas Communities: 1980 to 1986

COUNTY	CITY	COUNTY			CITY		
		Population 1980	Population 1986*	% Change 1980-86	Population 1980	Population 1986	% Change 1980-86
ATCHISON	Atchison	18,397	17,900	-2.7%	11,879	11,400	-4.0%
BARTON	Great Bend	31,343	32,800	4.6%	16,608	17,390	4.7%
BUTLER	El Dorado	44,782	48,000	7.2%	11,551	10,990	-4.9%
COWLEY	Arkansas City	36,824	37,000	0.5%	13,201	12,990	-1.6%
COWLEY	Winfield	36,824	37,000	0.5%	11,877	11,650	-1.9%
CRAWFORD	Pittsburg	37,916	37,600	-0.8%	18,770	18,310	-2.5%
DOUGLAS	Lawrence	67,640	72,600	7.3%	52,738	56,490	7.1%
ELLIS	Hays	26,098	27,700	6.1%	16,301	17,810	9.3%
FINNEY	Garden City	23,825	30,300	27.2%	18,256	22,770	24.7%
FORD	Dodge City	24,315	26,300	8.2%	18,001	19,710	9.5%
FRANKLIN	Ottawa	22,062	21,900	-0.7%	11,016	10,750	-2.4%
GEARY	Junction City	29,852	31,100	4.2%	19,305	20,290	5.1%
HARVEY	Newton	30,531	30,800	0.9%	16,332	16,380	0.3%
LABETTE	Parsons	25,682	25,400	-1.1%	12,898	12,700	-1.5%
LEAVENWORTH	Leavenworth	54,809	60,600	10.6%	33,656	36,230	7.6%
LYON	Emporia	35,108	35,100	-0.0%	25,287	24,610	-2.7%
MCPHERSON	McPherson	26,855	27,600	2.8%	11,753	12,190	3.7%
MONTCMERY	Coffeyville	42,281	41,200	-2.6%	15,185	13,970	-8.0%
MONTCMERY	Independence	42,281	41,200	-2.6%	10,598	10,370	-2.2%
NEOSHO	Chanute	18,967	18,800	-0.9%	10,506	10,190	-3.0%
RENO	Hutchinson	64,983	65,300	0.5%	40,284	41,500	3.0%
RILEY	Manhattan	63,505	63,400	-0.2%	32,644	33,750	3.4%
SALINE	Salina	48,905	50,000	2.2%	41,843	42,830	2.4%
SEWARD	Liberal	17,071	18,900	10.7%	14,911	16,560	11.1%

*Estimates

Source: U.S. Bureau of the Census, *Current Population Reports*, P-26, No. 86-A and *Kansas Statistical Abstract* 1986-87, Institute for Public Policy and Business Research, 1988.

TABLE B. Economic Growth for Selected Counties: 1980 to 1986

COUNTY	CITY	ESTABLISHMENTS			MID-MARCH EMPLOYMENT			PAYROLL (000'S)		
		1980	1986	% Change 1980-86	1980	1986	% Change 1980-86	1980	1986	% Change 1980-86
FINNEY	Garden City	744	934	25.5%	7,608	11,630	52.9%	\$90,610	\$176,139	94.4%
SEWARD	Liberal	556	681	22.5%	6,459	7,875	21.9%	\$90,017	\$140,783	56.4%
GEARY	Junction City	538	644	19.7%	5,242	6,087	16.1%	\$48,241	\$70,091	45.3%
RILEY	Manhattan	948	1,158	22.2%	10,869	12,381	13.9%	\$97,576	\$150,413	54.1%
FORD	Dodge City	718	796	10.9%	8,256	9,365	13.4%	\$93,804	\$141,302	50.6%
McPHERSON	McPherson	731	836	14.4%	9,851	10,928	10.9%	\$102,554	\$150,019	46.3%
DOUGLAS	Lawrence	1,246	1,688	35.5%	17,213	18,875	9.7%	\$177,405	\$277,778	56.6%
COWLEY	Winfield	720	814	13.1%	8,442	9,245	9.5%	\$104,599	\$145,293	38.9%
COWLEY	Arkansas City	720	814	13.1%	8,442	9,245	9.5%	\$104,599	\$145,293	38.9%
LABETTE	Parsons	542	552	1.8%	6,484	6,973	7.5%	\$68,780	\$106,539	54.9%
LYON	Emporia	725	866	19.4%	11,096	11,659	5.1%	\$136,507	\$185,632	36.0%
FRANKLIN	Ottawa	450	475	5.6%	4,244	4,439	4.6%	\$39,104	\$54,699	39.9%
LEAVENWORTH	Leavenworth	716	851	18.9%	9,137	9,548	4.5%	\$91,425	\$128,684	40.8%
BARION	Great Bend	1,079	1,127	4.4%	11,491	11,483	-0.1%	\$138,626	\$162,905	17.5%
ELLIS	Hays	771	943	22.3%	8,644	8,417	-2.6%	\$88,637	\$105,298	18.8%
SALINE	Salina	1,458	1,567	7.5%	20,259	19,526	-3.6%	\$241,944	\$307,768	27.2%
NEOSHO	Chanute	531	552	4.0%	5,552	5,337	-3.9%	\$63,901	\$67,432	5.5%
BUTLER	El Dorado	797	979	22.8%	9,113	8,701	-4.5%	\$114,097	\$132,448	16.1%
CRAWFORD	Pittsburg	842	869	3.2%	10,578	9,811	-7.3%	\$118,567	\$136,509	15.1%
HARVEY	Newton	626	769	22.8%	11,057	10,246	-7.3%	\$127,798	\$160,254	25.4%
RENO	Hutchinson	1,489	1,721	15.6%	24,142	21,979	-9.0%	\$298,090	\$355,867	19.4%
MONTGOMERY	Independence	977	1,027	5.1%	14,291	11,986	-16.1%	\$167,826	\$181,004	7.9%
MONTGOMERY	Coffeyville	977	1,027	5.1%	14,291	11,986	-16.1%	\$167,826	\$181,004	7.9%
ATCHISON	Atchison	346	347	0.3%	5,430	4,375	-19.4%	\$61,469	\$70,940	15.4%

Source: Calculated from County Business Patterns, 1980 and 1986.