

INSTITUTE FOR PUBLIC POLICY AND BUSINESS RESEARCH  
THE UNIVERSITY OF KANSAS

ECONOMIC DEVELOPMENT EXPENDITURES OF TEN STATES:  
A COMPARISON

A Report to

Kansas Inc.

and

Kansas Department of Commerce

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The findings and views presented in this report are those of the authors and do not necessarily reflect those of Kansas, Inc., the Kansas Department of Commerce, or the University of Kansas.

The original version of this study was contained the report entitled: Economic Development Investments of Ten States: A Descriptive Analysis (Monograph #176, June 1990). This report is an updated version that reflects further research and a more complete expenditure breakdown into seven economic development strategic foundations.

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## EXECUTIVE SUMMARY

### INTRODUCTION

For some time the Kansas economy has been in a state of transition and performing below national averages. Therefore, the state initiated an economic development strategy in 1986 in order to encourage economic growth. Other states have also undertaken economic development efforts to improve their economies. This study, which was funded by Kansas Inc. and the Kansas Department of Commerce, compares Kansas' economic development program expenditures (FY 1989) and allocations (FY 1990) to nine selected states. The purpose of the study was to determine: (1) overall spending for economic development programs in Kansas and the selected states and (2) distribution of state funds across seven areas of economic development program activity.

### MAJOR FINDINGS

1. Seven of the ten states supported over 60 percent of their total economic development budgets using state funds, supplementing state support with federal funds and other sources, such as private sector contributions.
2. State funding of economic development programs averaged \$34,626,538 in FY 1989 and \$41,231,443 in FY 1990. Kansas was below average in state funding of economic development programs, with funding at \$20,940,569 in FY 1989 and \$19,676,133 in FY 1990.
3. In FY 1990, Minnesota invested more economic development funds (\$90,426,996) than any other state, while Nebraska invested the fewest (\$19,504,115), just below Kansas. Kansas ranked seventh out of the ten states in total state investment in FY 1989 and ninth in FY 1990. When compared to its contiguous states, Kansas ranked fourth: (1) Oklahoma; (2) Missouri; (3) Colorado; (4) Kansas; and (5) Nebraska.
4. During the FY 1989-FY 1990 period, Arkansas had the largest increase in economic development funding (99.26%), while Indiana had the smallest increase (0.62%). Of the ten states, Kansas was the only state to reduce funding over the period (-6.04%).
5. Per capita funding for the ten states averaged \$10.29 in FY 1989 and \$12.25 in FY 1990. Kansas was below average at \$8.39 in FY 1989 and \$7.88 in FY 1990. Kansas ranked seventh out of the ten states in per capita funding in FY 1989 and eighth in FY 1990. When compared to its contiguous states, Kansas ranked third: (1) Oklahoma; (2) Nebraska; (3) Kansas; (4) Colorado; and (5) Missouri.
6. Strategic foundations receiving the greatest funding in FY 1990 were business environment (four states) and technology/innovation (three states), while foundations receiving the lowest funding in FY 1990 were infrastructure (six states) and quality of life (four states). Two states provided no support for either area.

7. Kansas' funding emphases in FY 1990 were business environment, technology/innovation, and human capital.
8. Six states (Colorado, Indiana, Iowa, Kansas, Oklahoma, and Oregon) rely on a strategic plan to guide their economic development effort, and four (Indiana, Kansas, Oklahoma, and Oregon) utilize a public/private planning organization to carry out the plan.
9. While most of the states base their economic development efforts on the desire to create jobs and diversify the states' economic base, their economic development strategies involved much more than "smokestack chasing." States have developed a more sophisticated mix of programs which are adjusted to take into account changing local, national, and global economic forces.

#### **IMPLICATIONS**

Comparison of state's economic development budgets revealed considerable diversity among the ten states, despite common problems. These differences across the ten states was evident in terms of overall funding levels, distribution of funding across the seven foundations, and the variety and mix of programs within each foundation. Kansas policy makers, especially those involved in economic development, should note that:

1. Our funding effort is relatively weak. Any further erosion would place Kansas last in the region and the ten-state comparison group.
2. Our funding distribution would appear to be better balanced than others, undoubtedly due to the comprehensive strategic approach we have undertaken.
3. There is increasing emphasis in all states on the key foundations of (1) technology/innovation and (2) human capital. We are sixth in per capita expenditures in both of these areas, indicating a need for greater emphasis on these two foundations in future funding.
4. Renewed commitment is crucial to sustain, if not enhance, consensus support from all sectors of the Kansas community. Additionally, it must be realized that the fiscal difficulties facing Kansas are similar to those facing our neighbors and are the result of persistent, slow growth in state economies. The objective of economic development is to enhance the pie, and in doing so, facilitate the state's ability to fulfill its important obligations in supporting both public and higher education, social services, physical infrastructure, and the many other needs.
5. Further study of this issue is necessary. In particular, the effectiveness of programs, in terms of cost/benefit ratios, should be determined in order to better understand which states are getting a better "bang for their buck."

## **I. INTRODUCTION**

Like the U.S. economy, the Kansas economy is in a state of transition, with the Kansas economy performing below national averages. To encourage growth, the state of Kansas initiated an economic development strategy in 1986. However, Kansas is not alone in its efforts. Other states are also funding economic development initiatives to encourage economic growth. To determine how funding for Kansas economic development compares to funding in other states, Kansas' economic development programs' expenditures (FY 1989) and appropriations (FY 1990) were compared with expenditures and appropriations of selected states. The purpose of the study was to determine (1) the overall spending for economic development programs in Kansas and selected states and (2) the distribution of funds across seven areas of economic development program activity.

## **II. PROCEDURES**

Comparison states were chosen largely based upon geographic proximity to Kansas or because they had similar funding sources (e.g. lottery funds) or economic characteristics. The ten states included in the study were Arkansas, Colorado, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, Oklahoma, and Oregon. A contact person in each state identified programs that should be included in the survey, sent the survey form to the appropriate agency for completion, and returned the completed forms.

Budget data were collected for individual programs, but because of the diversity of programs, no attempt was made to compare states at that level. Rather, programs were categorized by function or activity and a descriptive analysis of categories of programs focused on broad categories of economic development programs. The types of programs included in the study were those that fell into the following strategic foundations:



1. Business environment -- programs that are focused or targeted to create business, create business opportunities, or improve business competitiveness. Program categories include industry recruitment (out-of-state and foreign), business export, business retention and expansion, tourism and image promotion, support for major industry, and film promotion.
2. Commitment/Capacity -- agencies or organizations which form the infrastructure through which the state provides assistance and support for businesses and economic development activities. These entities can be either be proactive in nature, offering strategic planning, or reactive in nature, offering service-oriented general assistance and support, planning, etc. as their main activities. Categories include SBDCs, community and rural economic development, economic development research, economic development data bases and information systems, business incubators, organizational assistance, business assistance centers, and regulatory assistance and reform.
3. Financial capital -- state programs designed to provide businesses in various growth/development stages with adequate capital. Improving business' access to financial capital encourages economic expansion, modernization, and innovation. Capital may be used in a variety of areas: purchasing facilities and equipment, general operations, working capital, development of prototypes, or general start-up needs. In addition, specific projects/areas may be targeted, such as export assistance, small businesses, or high technology.
4. Human capital (development of labor resources) -- state programs which assist in the long-term investment and development of labor resources. Efficient and responsive training, retraining, and general education programs are a central part of this, including programs which target and assist new/expanding/existing businesses in utilizing new processes and technologies, as well as those that train employees and improve their performance. Financial support and business/education linkages may also be provided and encouraged.
5. Infrastructure capital -- state programs which assist communities in creating and maintaining public infrastructure systems and/or site development for business/industrial parks.
6. Quality of life -- state programs which seek to develop and maintain a positive cultural milieu within the state. Programs may increase the availability and diversity of cultural, artistic, recreational, environmental, and historical activities in order to improve the quality of life and economic potential of the state.
7. Technology/innovation -- state programs which stimulate technology development, coordination, application and transfer. The goals of these programs include improving the competitiveness and efficiency of manufacturing and service industries within the state, as well as diversifying and building on the current economic base. Industry/education linkages may be fostered with the focus on improving research and development of new technologies and commercialized products. Technology centers, offices, and information may be available to small businesses and entrepreneurs who wish to develop, produce or utilize new or higher levels of technology.

Excluded from the analysis were: (1) programs that did not receive state dollars; (2) programs that granted tax adjustments/credits/exemptions/etc.; (3) major capital expenditures on infrastructure, such as highway projects, water projects, etc.; (4) bond funded programs; (5) social services, such as training/retraining to the unemployed and housing for the homeless; (6) historical preservation programs; and (7) administrative or support budgets for state agencies. In essence, this comparison is of state expenditures only on programs and projects that have occurred because states have undertaken a planned or deliberate commitment and effort to encourage economic development. It excludes programs which rely solely or predominantly on federal funding, expenditures through tax concessions of any form, and state programs that would or have existed were the state not making an economic development thrust.

To ensure that accurate information was obtained, Legislative Research Bureaus or their equivalent were contacted in each state and asked to check the list of programs and budgets for accuracy and completeness. If disagreements occurred, such as budget data that did not agree or programs were not included that should have been, the reliability check person and the original contact person were interviewed by the research team to obtain accurate data. When necessary, persons directly involved with programs were contacted to obtain accurate data.

### III. FINDINGS

#### A. General Characteristics of Economic Development Funding

The assumption underlying state funding of economic development programs is that government programs can be used to change the nature of the marketplace and business environment. Because government cannot do it alone, there is general acceptance that the best economic development strategy involves a

partnership between the public sector and the private sector and requires a dynamic process. To this end, the survey results showed that:

1. Most states have economic development programs that rely upon partnerships between state/local governments and the public/private sector.
2. While federal funds and other funds, such as private sector contributions were used to supplement state support of economic development programs, seven of the ten states supported over 60% of their total economic development budgets using state funds.
3. States' economic development strategies involved much more than "smoke-stack chasing." States have evolved toward a more sophisticated mix of programs that focused most heavily upon business environment, technology/innovation, and human capital activities.
4. Economic development is a dynamic, rather than a static, process that anticipates and adjusts to changing economic forces. Because of the mix of economic development programs, numerous organizations in both the public and private sectors were involved in program administration. While each state's Department of Economic Development or Commerce was heavily involved, that department was not the only player. Other state agencies, public-private organizations, and private-sector groups and organizations were involved as well. The mix of organizational structures suggests versatility and flexibility in state approaches.
5. Some states, including Indiana and Iowa, were evaluating and/or adjusting their economic development programs to improve the state's competitiveness by recognizing and taking advantage of changes in local, national, and global economic forces.

**B. Comparison of States' Overall Economic Development Funding**

States were compared to determine the strength of their commitment to economic development and the distribution of resources across the seven strategic foundations. State funding of economic development averaged \$41,231,443 in FY 1990. Kansas was below average with funding at \$19,676,133 (Table 1 and Figure 1). In FY 1990, Minnesota invested the largest amount in economic development (\$90,426,996) and Nebraska invested the smallest amount (\$19,504,115). Kansas ranked ninth among the ten states in total state dollars invested in FY 1990 (Figure 1). When compared to its neighbors, Kansas ranked fourth in total state dollar allocations (Oklahoma, \$42,864,048; Missouri, \$32,655,255; Colorado, \$20,912,567; Kansas, \$19,676,133; Nebraska, \$19,504,115).

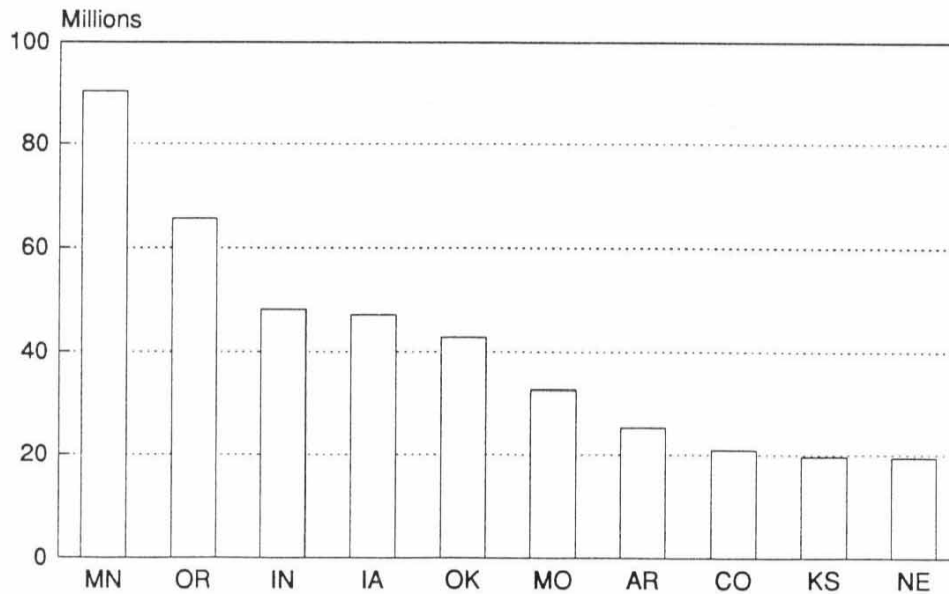
Table 1

TOTAL STATE ECONOMIC DEVELOPMENT FUNDING BY STATE

State	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
Arkansas	20	\$ 12,684,706	\$ 25,275,203	\$ 5.30	\$10.55	99.26%
Colorado	15	19,801,547	20,912,567	6.00	6.34	5.61
Indiana	31	47,911,907	48,206,898	8.62	8.68	0.62
Iowa	47	45,087,785	47,194,774	15.91	16.65	4.67
Kansas	37	20,940,569	19,676,133	8.39	7.88	-6.04
Minnesota	29	58,814,722	90,426,996	13.66	21.00	53.75
Missouri	13	32,177,863	32,655,255	6.26	6.35	1.48
Nebraska	17	14,061,319	19,504,115	8.78	12.17	38.71
Oklahoma	31	37,840,673	42,864,048	11.67	13.22	13.28
Oregon	31	56,944,290	65,598,939	20.58	23.71	15.20
<b>TOTAL:</b>	<b>271</b>	<b>\$346,265,381</b>	<b>\$412,314,928</b>	<b>\$10.29</b>	<b>\$12.25</b>	<b>19.07%</b>
<b>AVERAGE:</b>	<b>27</b>	<b>\$ 34,626,538</b>	<b>\$ 41,231,443</b>			

Source: 1990 Institute for Public Policy and Business Research State Survey

Figure 1  
State Funding of Eco Devo Programs:  
1990 Rank by Level of State Support

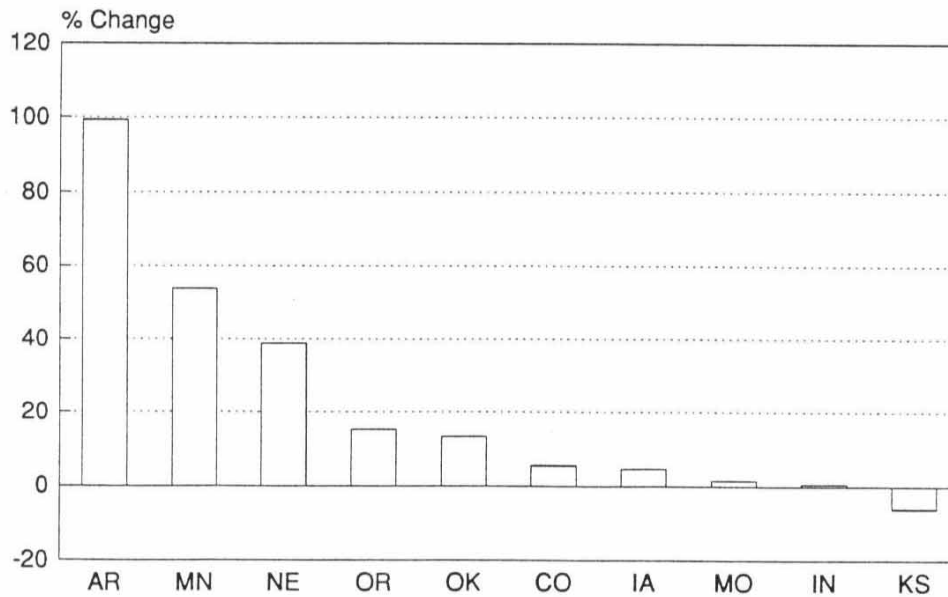


Source: 1990 IPPBR Survey of States

The average number of state economic development programs offered by each state was 27. Iowa offered the most economic development programs (47) and Missouri offered the least. Kansas ranked second in number of programs (37) overall, and when compared to its neighbors, Kansas ranked first (Kansas, 37; Oklahoma, 31; Nebraska, 17; Colorado, 15; and Missouri, 13).

Of the ten states, Kansas was the only state that reduced state economic development funding for economic development between FY 1989 and FY 1990 (Figure 2). The FY 1990 decrease of \$1,264,436 was 6.04% below FY 1989 funding. Overall, the ten states increased support in FY 1990 by an average of 19.07%, with the states' increases ranging between 0.62% to 99.26% (Table 1).

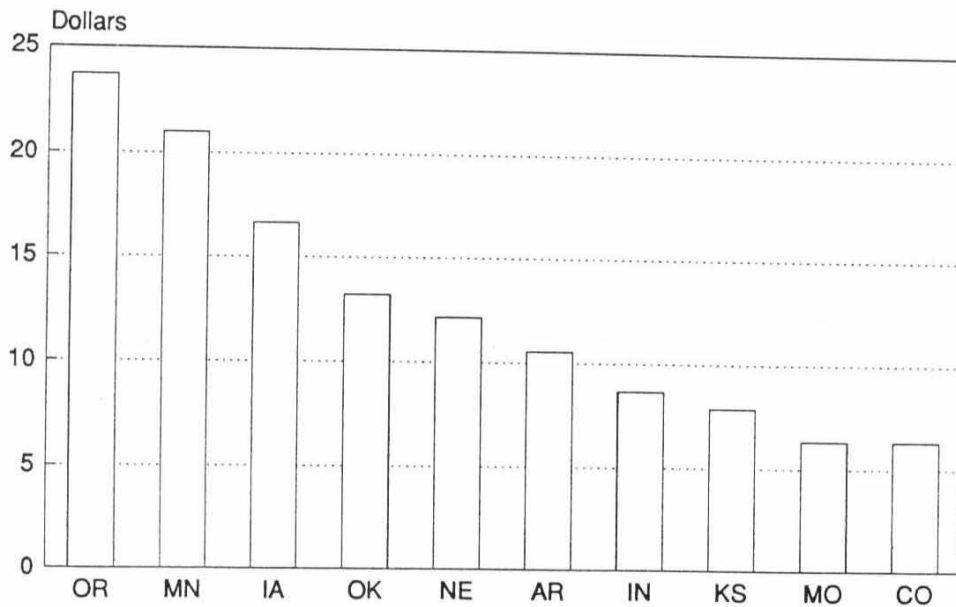
Figure 2  
 State Funding of Eco Devo Programs:  
 Rank by % Change in Support, 1989-1990



Source: 1990 IPPBR Survey of States

The strength of states' investment was examined with population differences taken into account. Per capita funding averaged \$10.29 in FY 1989 and \$12.25 in FY 1990. Kansas' per capita funding was below average: FY 1989, \$8.39; FY 1990, \$7.88. Kansas ranked seventh out of the ten states in per capita funding in FY 1989, dropping to eighth in FY 1990 (Figure 3). When compared to its neighbors, Kansas dropped from second (FY 1989) to third place in FY 1990 (Oklahoma, \$13.22; Nebraska, \$12.17; Kansas, \$7.88; Missouri, \$6.35; and Colorado, \$6.34).

Figure 3  
State Funding of Eco Devo Programs:  
1990 Rank by State Per Capita Support



Source: 1990 IPPBR Survey of States

C. Summary of States' Distribution of Economic Development Funding

1. Kansas. Kansas ranked seventh in state funding in FY 1989, dropping to ninth in FY 1990. Additionally, of the ten states, Kansas was the only state to show an overall decrease in funding (6.04%) through the FY 1989-FY 1990 period. In per capita funding, Kansas ranked seventh in FY 1989 and dropped to eighth in FY 1990. In Kansas, two foundations, technology/innovation and business environment, were funded at significantly higher levels than the other strategic foundations (Table 2 and Figure 4). Technology/innovation funding emphasized programs in (1) research and development and (2) venture capital for start-up technology firms. Business environment funding concentrated on (1) tourism and image promotion and (2) out-of-state industrial recruitment. The lowest funded strategic foundations in Kansas were (1) commitment/capacity and (2) infrastructure development.

Table 2

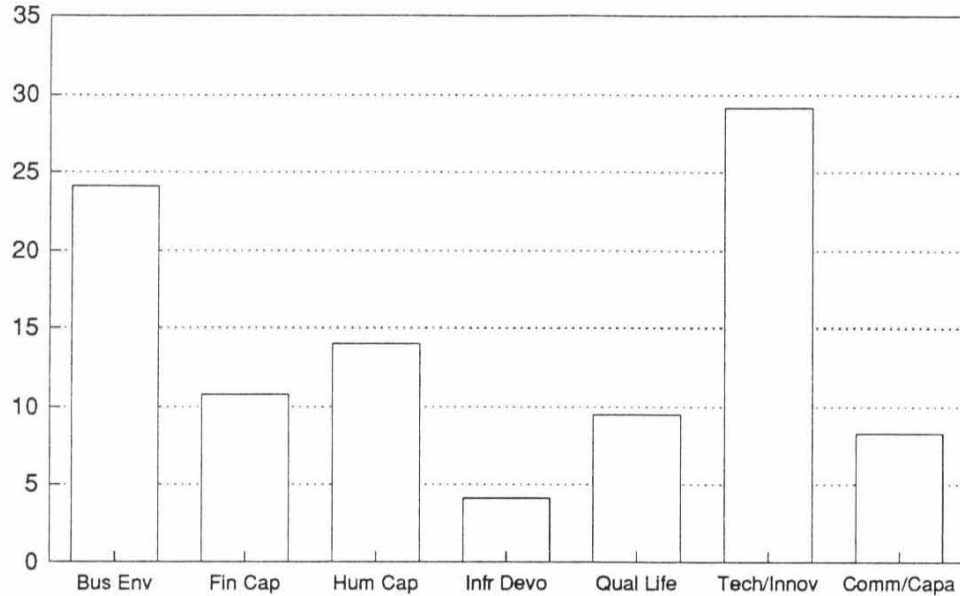
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

KANSAS

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	5	\$3,852,825	\$4,747,774	\$1.54	\$1.90	23.23%
B) Commitment/Capacity	3	1,268,826	1,632,037	0.51	0.65	28.63%
C) Financial Capital	5	5,760,000	2,130,000	2.31	0.85	-63.02%
D) Human Capital	2	1,999,999	2,750,000	0.80	1.10	37.50%
E) Infrastructure	1	1,738,845	800,000	0.70	0.32	-53.99%
F) Quality of Life	14	1,762,122	1,867,186	0.71	0.75	5.96%
G) Technology/Innovation	7	4,557,952	5,749,136	1.82	2.30	26.13%
<b>TOTAL</b>	<b>37</b>	<b>\$20,940,569</b>	<b>\$19,676,133</b>	<b>\$8.39</b>	<b>\$7.88</b>	<b>-6.04%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

Figure 4  
Percent Share by Strategic Foundation  
1990 State Funding for Kansas



Source: 1990 IPPBR Survey of States

2. Arkansas. Arkansas ranked tenth in total state dollars spent in FY 1989 and seventh in FY 1990. The state's investment increased 99.26% in FY 1990 (Table 3). Arkansas ranked tenth in FY 1989 in state funds spent per capita and seventh in FY 1990. Based upon FY 1990 funding levels, the state's economic development activity focused upon infrastructure development programs (Figure 5). Infrastructure development and business environment were funded at levels higher than the other strategic foundations. Infrastructure funding focused solely on providing community loans and grants. Business environment funding mainly stressed tourism and image promotion. However, Arkansas had no funding in FY 1990 for financial capital programs.

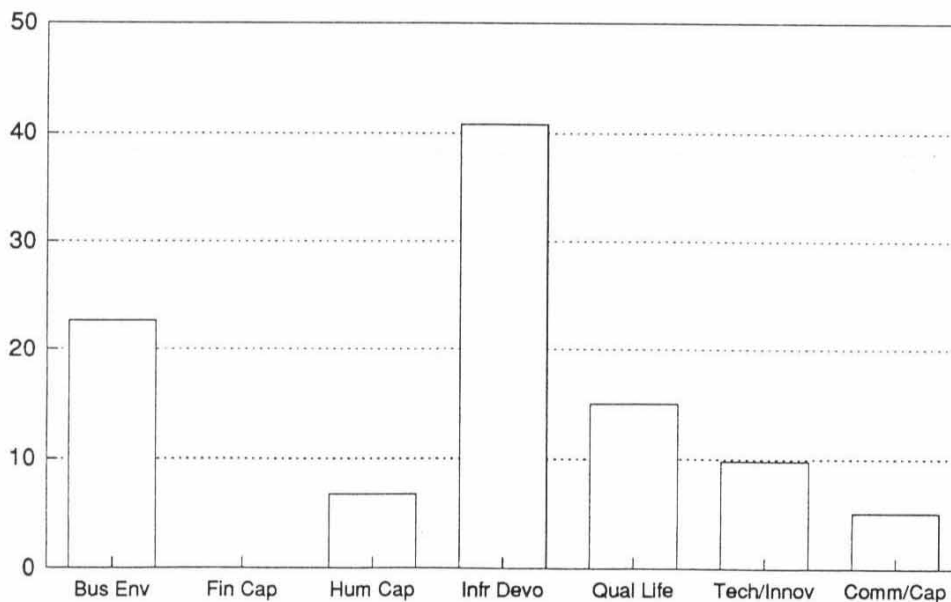


**Table 3**  
**ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION**

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	5	\$2,208,653	\$5,741,280	\$0.92	\$2.39	159.94%
B) Commitment/Capacity	5	827,513	1,263,900	0.35	0.53	52.73%
C) Financial Capital	1	1,800,000	0	0.75	0.00	-100.00%
D) Human Capital	2	1,580,000	1,688,300	0.66	0.70	6.85%
E) Infrastructure	2	1,513,641	10,307,501	0.63	4.30	580.97%
F) Quality of Life	2	3,400,000	3,800,000	1.42	1.59	11.76%
G) Technology/Innovation	3	1,354,899	2,474,222	0.57	1.03	82.61%
<b>TOTAL</b>	<b>20</b>	<b>\$12,684,706</b>	<b>\$25,275,203</b>	<b>\$5.30</b>	<b>\$10.55</b>	<b>99.26%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

**Figure 5**  
**Percent Share by Strategic Foundation**  
**1990 State Funding for Arkansas**



Source: 1990 IPPBR Survey of States

3. Colorado. Colorado ranked eighth in total state dollars spent in FY 1989 and 1990. The state's investment increased 5.61% in FY 1990 (Table 4). Colorado ranked ninth in per capita spending in FY 1989 and tenth in FY 1990. Based upon FY 1990 funding levels, the state's economic development activity focused upon the business environment foundation (Figure 6), with the majority of those funds going to tourism and image promotion programs. Colorado did not, however, fund any infrastructure or quality of life programs.

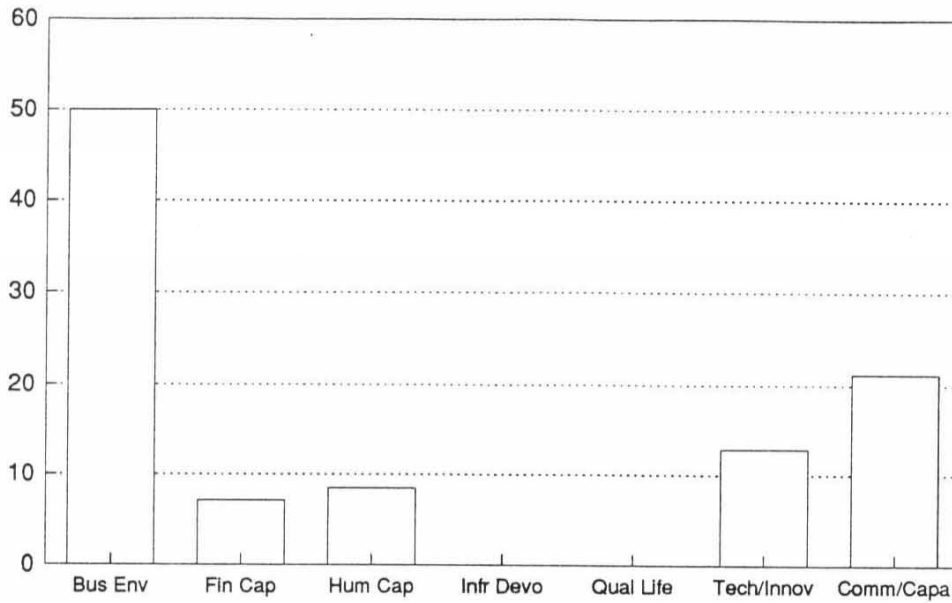
**Table 4**  
**ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION**

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	4	\$9,626,687	\$10,459,562	\$2.92	\$3.17	8.65%
B) Commitment/Capacity	6	5,009,302	4,434,233	\$1.52	\$1.34	-11.48%
C) Financial Capital	1	2,000,000	1,500,000	\$0.61	\$0.45	-25.00%
D) Human Capital	2	921,869	1,803,000	\$0.28	\$0.55	95.58%
E) Infrastructure	0			\$0.00	\$0.00	
F) Quality of Life	0			\$0.00	\$0.00	
G) Technology/Innovation	2	2,243,689	2,715,772	\$0.68	\$0.82	21.04%
<b>TOTAL</b>	<b>15</b>	<b>\$19,801,547</b>	<b>\$20,912,567</b>	<b>\$6.00</b>	<b>\$6.34</b>	<b>5.61%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

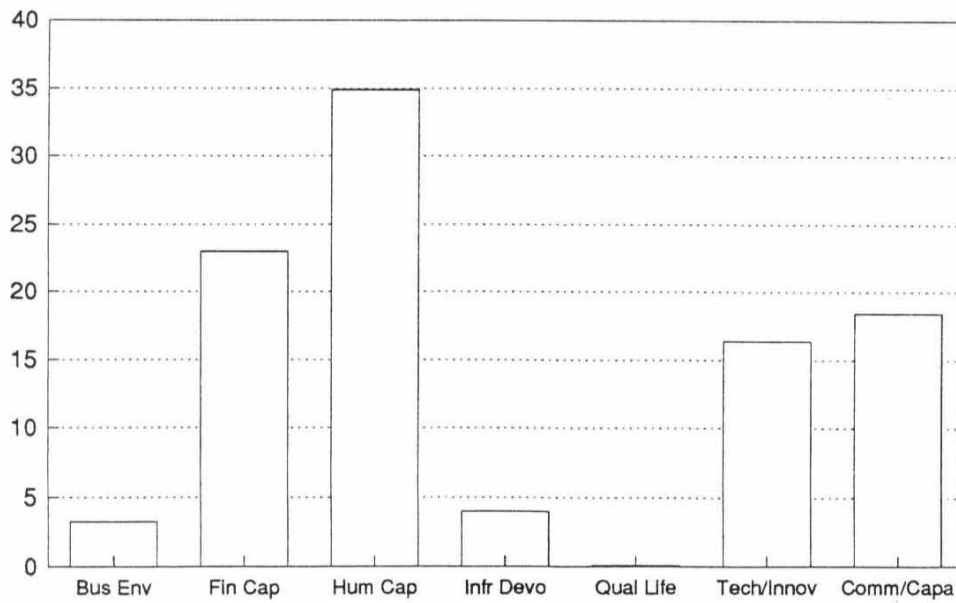
4. Indiana. Indiana ranked third in total state dollars spent in FY 1989 and FY 1990. The state's investment held steady from FY 1989 to 1990 because of the ongoing evaluation of economic development programming during that period (Table 5). Indiana ranked sixth and seventh in state funds spent per capita in FY 1989 and 1990. Based upon FY 1990 funding levels, the state's economic development appropriation pattern illustrated funding at three levels: human capital was the highest funded area; commitment/capacity, financial capital, and technology/innovation were moderately funded; and infrastructure development,

Figure 6  
 Percent Share by Strategic Foundation  
 1990 State Funding for Colorado



Source: 1990 IPPBR Survey of States

Figure 7  
 Percent Share by Strategic Foundation  
 1990 State Funding for Indiana



Source: 1990 IPPBR Survey of States

business environment, and quality of life strategic foundations were minimally funded (Figure 7). Funding in the human capital foundation went to the following programs, in decreasing order of funding: (1) training assistance for new and expanding companies, (2) training assistance for new companies, and (3) worker assistance.

Table 5  
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

Strategic Foundation:	No. of Programs	INDIANA		PER CAPITA		Percent Change
		STATE FUNDS		1989	1990	
		1989	1990	1989	1990	
A) Business Environment	8	\$1,659,777	\$1,609,909	\$0.30	\$0.29	-3.00%
B) Commitment/Capacity	11	8,844,355	8,844,521	1.59	1.59	0.00%
C) Financial Capital	5	10,792,775	11,097,469	1.94	2.00	2.82%
D) Human Capital	3	16,800,000	16,800,000	3.02	3.02	0.00%
E) Infrastructure	1	1,915,000	1,915,000	0.34	0.34	0.00%
F) Quality of Life	1	0	40,000	0.00	0.01	N/A
G) Technology/Innovation	2	7,900,000	7,900,000	1.42	1.42	0.00%
<b>TOTAL</b>	<b>31</b>	<b>\$47,911,907</b>	<b>\$48,206,898</b>	<b>\$8.62</b>	<b>\$8.68</b>	<b>0.62%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

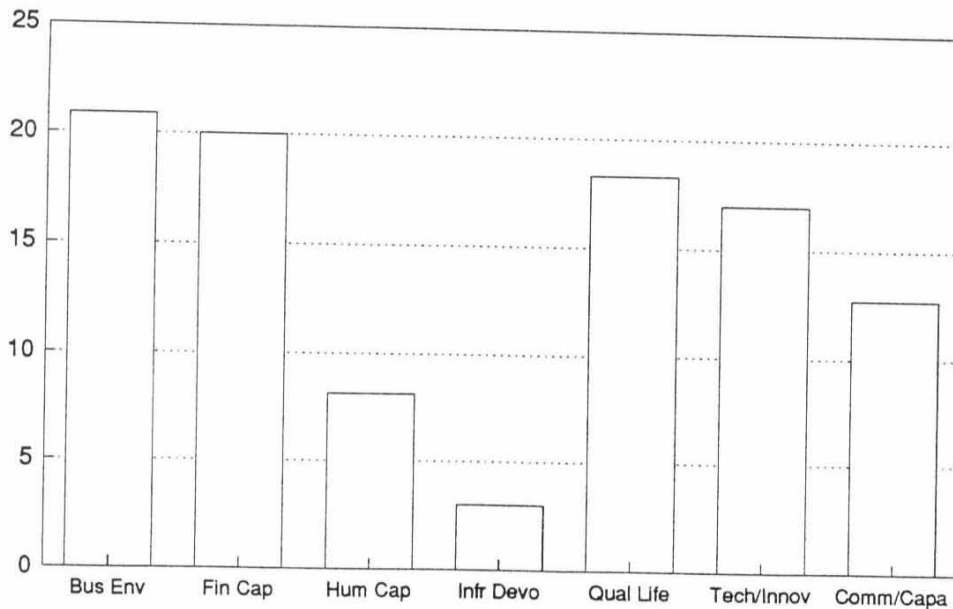
5. Iowa. Iowa ranked fourth in FY 1989 and third in FY 1990 in state funds invested. The state's investment increased by 4.47% in FY 1990 (Table 6). Iowa ranked second and third in state funds spent per capita in FY 1989 and 1990. Based upon FY 1990 funding levels, the state's economic development appropriations were distributed across several areas--business environment, financial capital, quality of life, technology/innovation, and commitment/ capacity. Human capital and infrastructure received much less support (Figure 8). In FY 1990, the programs (within the two top foundations) which received the most support were: business environment -- (1) tourism and image promotion and (2) out-of-state industrial recruitment; and financial capital -- (1) loan/bond financing and (2) small business financing.

**Table 6**  
**ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION**

Strategic Foundation:	No. of Programs	IOWA		PER CAPITA		Percent Change
		STATE FUNDS		1989	1990	
		1989	1990	1989	1990	
A) Business Environment	13	\$8,461,162	\$9,873,460	\$2.98	\$3.48	16.69%
B) Commitment/Capacity	14	3,140,709	6,007,283	1.11	2.12	91.27%
C) Financial Capital	6	11,636,132	9,439,792	4.11	3.33	-18.88%
D) Human Capital	4	2,159,861	3,830,000	0.76	1.35	77.32%
E) Infrastructure	1	2,895,000	1,395,000	1.02	0.49	-51.81%
F) Quality of Life	4	7,617,711	8,644,239	2.69	3.05	13.48%
G) Technology/Innovation	5	9,177,210	8,005,000	3.24	2.82	-12.77%
<b>TOTAL</b>	<b>47</b>	<b>\$45,087,785</b>	<b>\$47,194,774</b>	<b>\$15.91</b>	<b>\$16.65</b>	<b>4.67%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

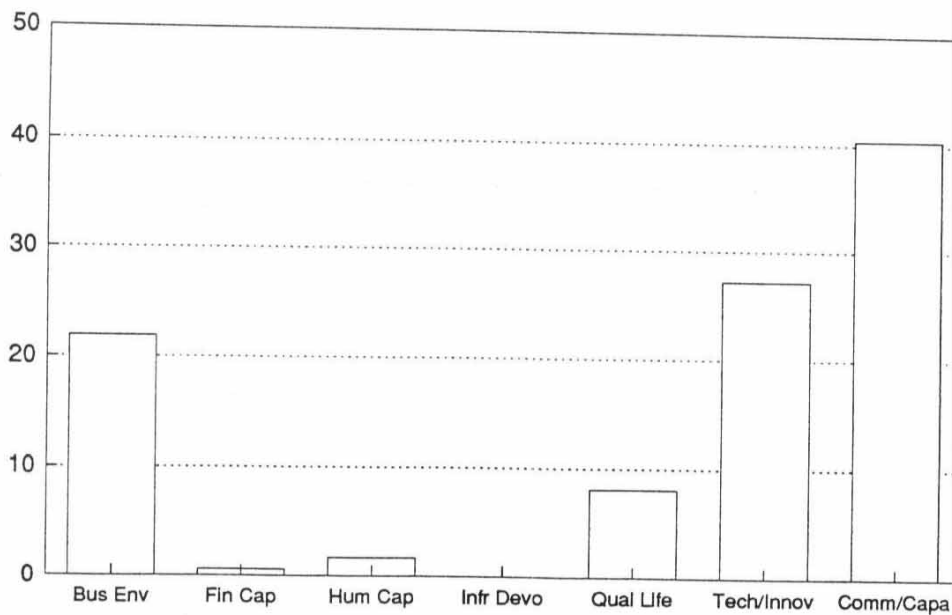
**Figure 8**  
**Percent Share by Strategic Foundation**  
**1990 State Funding for Iowa**



Source: 1990 IPPBR Survey of States

6. Minnesota. Minnesota ranked first in state funds invested in FY 1989 and 1990. The state's investment increased 53.75% in FY 1990 (Table 7). Minnesota ranked third in FY 1989 and second in FY 1990 in state funds invested per capita. Based upon FY 1990 funding levels, the state's economic development appropriations distributed funding somewhat unevenly. Commitment/capacity, technology/innovation, and business environment received the greatest share of state funding (Figure 9). Support for technology/innovation programs increased dramatically in 1990, indicating increased importance for this strategic foundation. In FY 1990, Minnesota's top three funding areas and their programs were: commitment/capacity capital -- community development programs; technology/ innovation - (1) applied technology centers, (2) technical/technology assistance, and (3) research and

Figure 9  
 Percent Share by Strategic Foundation  
 1990 State Funding for Minnesota



Source: 1990 IPPBR Survey of States

product loan assistance; and business environment - (1) tourism and image promotion and (2) business retention. However, Minnesota did not allocate any funds in FY 1990 to infrastructure programs.

Table 7  
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION  
MINNESOTA

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	7	\$14,711,734	\$19,838,298	\$3.42	\$4.61	34.85%
B) Commitment/Capacity	4	24,779,948	36,543,055	5.75	8.48	47.47%
C) Financial Capital	1	0	500,000	\$0.00	\$0.12	N/A
D) Human Capital	2	1,300,000	1,565,000	\$0.30	\$0.36	20.38%
E) Infrastructure	0			\$0.00	\$0.00	
F) Quality of Life	3	5,144,003	7,341,085	\$1.19	\$1.70	42.71%
G) Technology/Innovation	12	12,879,037	24,639,558	\$2.99	\$5.72	91.32%
<b>TOTAL</b>	<b>29</b>	<b>\$58,814,722</b>	<b>\$90,426,996</b>	<b>\$13.66</b>	<b>\$21.00</b>	<b>53.75%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

7. Missouri. Missouri ranked sixth in FY 1989 and 1990 in state funds invested. The state's investment increased by 1.48% in FY 1990 (Table 8). Missouri ranked eighth in FY 1989 and ninth in FY 1990 in state funds spent per capita. Based upon FY 1990 funding levels, the state's economic development appropriations distributed funding at two levels: high -- business environment; lower -- commitment/capacity, human capital, infrastructure, quality of life, and technology/innovation (Figure 10). In FY 1990, Missouri's three highest funded areas and their main programs were: business environment -- (1) tourism and image promotion and (2) small/minority business support; human capital -- training assistance for new and expanding companies; and quality of life -- community arts programs. In FY 1990, Missouri did not fund any financial capital programs.

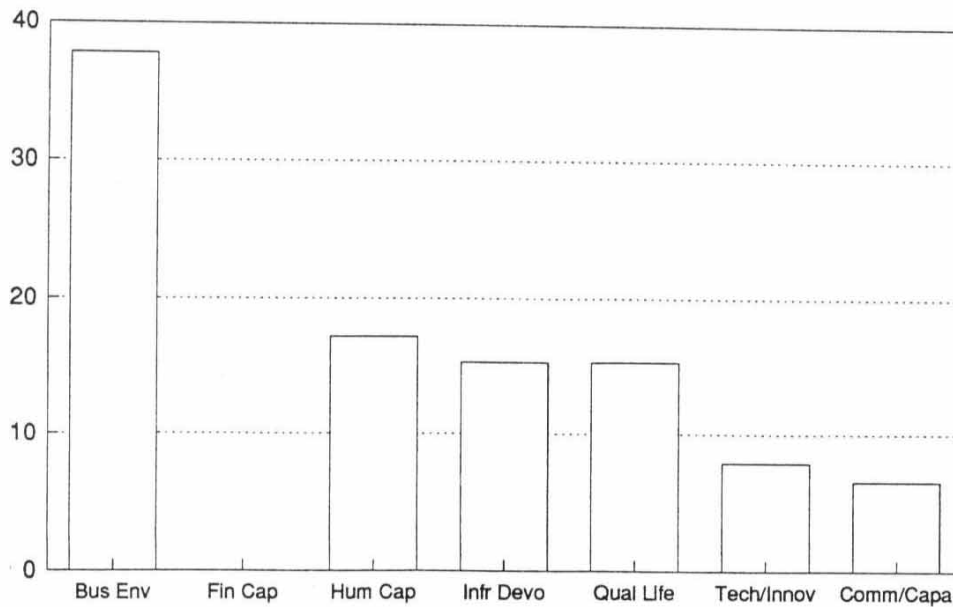
**Table 8**  
**ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION**

**MISSOURI**

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	4	\$11,482,895	\$12,347,220	\$2.23	\$2.40	7.53%
B) Commitment/Capacity	2	1,962,803	2,110,286	0.38	0.41	7.51%
C) Financial Capital	0			0.00	0.00	
D) Human Capital	1	\$6,574,592	\$5,610,230	1.28	1.09	-14.67%
E) Infrastructure	1	5,000,000	5,000,000	0.97	0.97	0.00%
F) Quality of Life	1	4,913,477	5,007,519	0.96	0.97	1.91%
G) Technology/Innovation	4	2,244,096	2,580,000	0.44	0.50	14.97%
<b>TOTAL</b>	<b>13</b>	<b>\$32,177,863</b>	<b>\$32,655,255</b>	<b>\$6.26</b>	<b>\$6.35</b>	<b>1.48%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

**Figure 10**  
**Percent Share by Strategic Foundation**  
**1990 State Funding for Missouri**



Source: 1990 IPPBR Survey of States



8. Nebraska. Nebraska ranked ninth in FY 1989 and tenth in FY 1990 in state funds invested. The state's investment increased by 38.71% in FY 1990 (Table 9). Nebraska ranked fifth in FY 1989 and 1990 in state funds spent per capita. Based upon FY 1990 funding levels, the state's economic development appropriations distributed funding at two levels: high -- technology/innovation; lower -- business environment, commitment/capacity, financial capital, human capital (Figure 11). Foundations receiving no funding in FY 1990 were infrastructure and quality of life. In FY 1990, Nebraska's top funding area was technology/innovation, with the vast majority of its program funds going to applied technology centers.

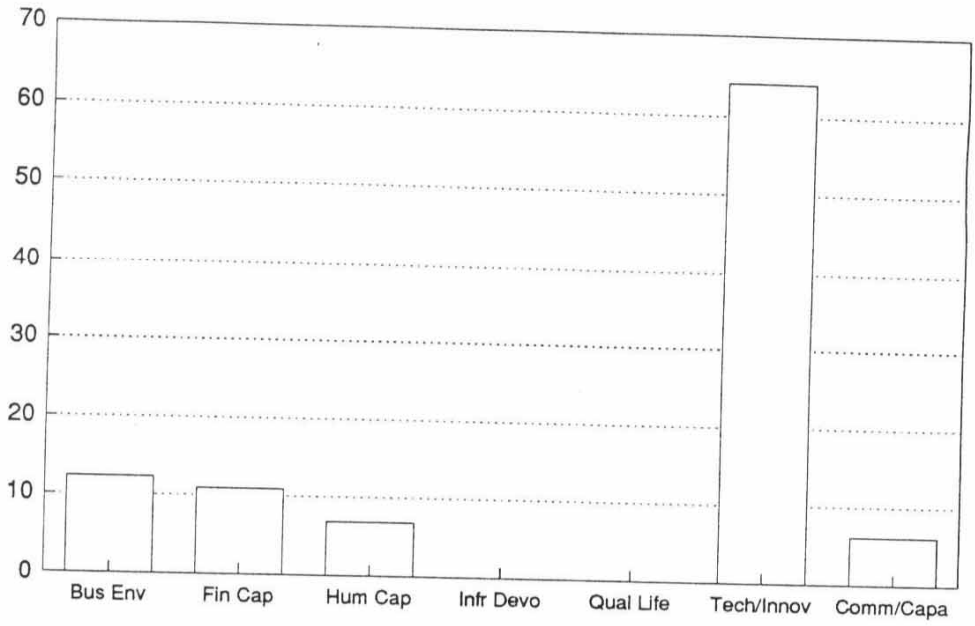
**Table 9**  
**ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION**

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	5	\$2,237,000	\$2,370,000	\$1.40	\$1.48	5.95%
B) Commitment/Capacity	5	1,064,319	1,183,115	0.66	0.74	11.16%
C) Financial Capital	2	2,110,000	2,118,000	1.32	1.32	0.38%
D) Human Capital	1	250,000	1,323,000	0.16	0.83	429.20%
E) Infrastructure	0			0.00	0.00	
F) Quality of Life	0			0.00	0.00	
G) Technology/Innovation	4	8,400,000	12,510,000	5.24	7.81	48.93%
<b>TOTAL</b>	<b>17</b>	<b>\$14,061,319</b>	<b>\$19,504,115</b>	<b>\$8.78</b>	<b>\$12.17</b>	<b>38.71%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

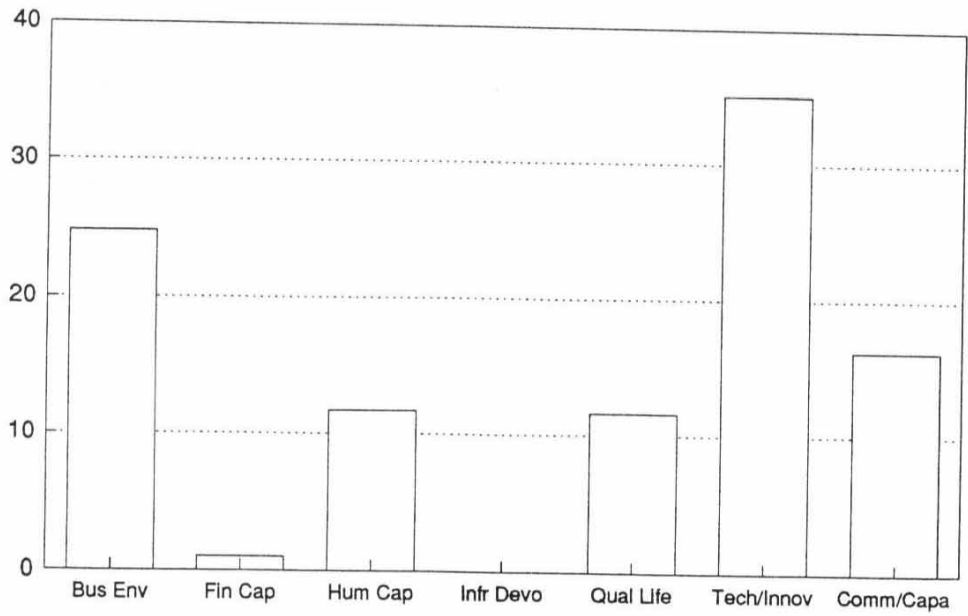
9. Oklahoma. Oklahoma ranked fifth in FY 1989 and 1990 in state funds invested. The state's investment increased by 13.28% in FY 1990 (Table 10). Oklahoma ranked fourth in FY 1989 and 1990 in state funds spent per capita. Based upon FY 1990 funding levels, the state's economic development appropriations distributed funding at two levels: high -- business environment and technology/

Figure 11  
 Percent Share by Strategic Foundation  
 1990 State Funding for Nebraska



Source: 1990 IPPBR Survey of States

Figure 12  
 Percent Share by Strategic Foundation  
 1990 State Funding for Oklahoma



Source: 1990 IPPBR Survey of States

innovation; lower -- commitment/capacity, human capital, quality of life, financial capital (Figure 12). Infrastructure economic development programs received no FY 1990 state support.

In FY 1990, Oklahoma's top areas of emphasis and their main programs were: business environment - (1) tourism and image promotion, and (2) international promotion/recruitment; and technology/innovation - (1) applied technology centers and (2) research and product assistance/loans.

**Table 10**  
**ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION**

Strategic Foundation:	No. of Programs	OKLAHOMA				Percent Change
		STATE FUNDS		PER CAPITA		
		1989	1990	1989	1990	
A) Business Environment	6	\$10,395,798	\$10,608,440	\$3.21	\$3.27	2.05%
B) Commitment/Capacity	14	7,468,435	6,956,746	2.30	2.15	-6.85%
C) Financial Capital	1	0	168,848	0.00	0.05	N/A
D) Human Capital	1	3,388,333	5,044,133	1.05	1.56	48.87%
E) Infrastructure	0			0.00	0.00	
F) Quality of Life	2	4,554,107	5,020,881	1.40	1.55	10.25%
G) Technology/Innovation	7	12,034,000	15,065,000	3.71	4.65	25.19%
<b>TOTAL</b>	<b>31</b>	<b>\$37,840,673</b>	<b>\$42,864,048</b>	<b>\$11.67</b>	<b>\$13.22</b>	<b>13.28%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

10. Oregon. Oregon ranked second in FY 1989 and 1990 in state funds invested. The state's investment increased by 15.20% in FY 1990 (Table 11). Oregon ranked first in FY 1989/1990 in state funds spent per capita. Based upon FY 1990 funding levels, the state's economic development appropriations were in a two-level pattern with business environment, infrastructure development, commitment/capacity, and technology/innovation in the first level and human capital and financial capital in the second (Figure 13). Quality of life was the

Table 11

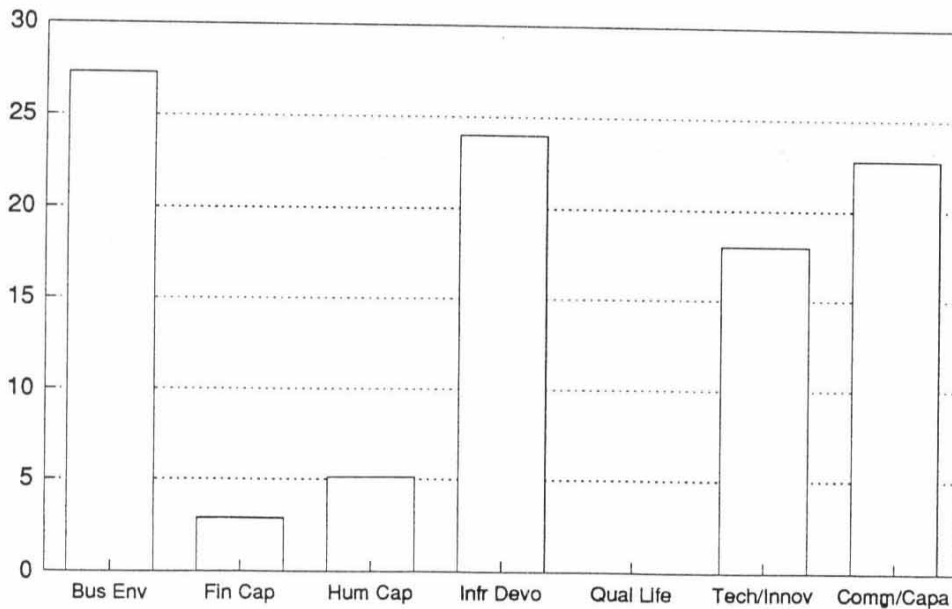
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

OREGON

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	9	\$17,612,609	\$17,912,609	\$6.37	\$6.47	1.70%
B) Commitment/Capacity	7	14,918,803	14,952,137	5.39	5.40	0.22%
C) Financial Capital	3	1,750,000	1,878,000	\$0.63	\$0.68	7.31%
D) Human Capital	3	3,330,000	3,330,000	\$1.20	\$1.20	0.00%
E) Infrastructure	3	7,700,000	15,700,000	\$2.78	\$5.67	103.90%
F) Quality of Life	0			\$0.00	\$0.00	
G) Technology/Innovation	6	11,632,878	11,826,193	\$4.20	\$4.27	1.66%
<b>TOTAL</b>	<b>31</b>	<b>\$56,944,290</b>	<b>\$65,598,939</b>	<b>\$20.58</b>	<b>\$23.71</b>	<b>15.20%</b>

Source: 1990 Institute for Public Policy and Business Research Survey of States.

Figure 13  
Percent Share by Strategic Foundation  
1990 State Funding for Oregon



Source: 1990 IPPBR Survey of States

only foundation to receive no funding in FY 1990. Within the top two foundations, their main program emphasis was: business environment -- business retention and expansion; and infrastructure -- general loans and grants to communities.

**D. Comparison of Strategic Foundation Funding Across States**

State allocations were compared by strategic foundation to determine each states' funding emphasis for FY 1990. A comparison of funding distributions across the seven strategic foundations indicated some similarities among states. Table 12 summarizes each of the seven foundations' rankings, by total state funding level, for FY 1990, and Table 13 shows the top two economic development foundations, also in terms of funding levels, for each state. Finally, Table 14 ranks each state's FY 1990 investment by strategic foundation and lists each foundation's percentage relationship to total state economic development expenditures.

The results indicated some similarities among states. Business environment and technology/innovation programs received first and second funding priority in eight and four states, respectively. Moreover, the strategic foundations receiving lowest funding priority were infrastructure development (six states) and quality of life (four states), with two of those states providing no funds for both of these foundations. Similar trends in strategic foundations receiving the highest and lowest funding levels occurred in FY 1989.

Business Environment. Business environment was the top funded area in FY 1990 for four states: Colorado, Iowa, Missouri, and Oregon. Figure 14 shows the relative investments that states made in this strategic foundation, with funding levels adjusted for differences in population size (per capita funding levels). Oregon exceeded other states' funding levels and allocated the largest business environment per capita expenditure, with the majority of business environment funds going to a business retention and expansion program in FY 1989/1990.

Table 12

ECONOMIC DEVELOPMENT FOUNDATIONS:  
FY 1990 STATE FUNDING LEVEL RANKINGS

Foundation:	Number of States Ranking it:						
	1	2	3	4	5	6	7
Business Environ.	4	4	1	0	0	1	0
Commitment/Capa.	1	1	3	0	2	3	0
Financial Capital	0	2	1	1	1	3	2
Human Capital	1	1	1	4	2	1	0
Infrastructure	1	1	0	1	1	2	4
Quality of Life	0	0	3	0	3	2	2
Technology/Innov.	3	1	1	4	1	0	0

Source: 1990 IPPBR Survey of States.

Table 13

ECONOMIC DEVELOPMENT FOUNDATIONS:  
FY 1990 FUNDING PRIORITIES

Foundation:	States Where Foundation is First or Second Funding Priority:
Business Environ.	Arkansas, Colorado, Iowa, Kansas, Missouri, Nebraska, Oklahoma, Oregon
Commitment/Capa.	Colorado, Minnesota
Financial Capital	Indiana, Iowa
Human Capital	Indiana, Missouri
Infrastructure	Arkansas, Oregon
Quality of Life	none
Technology/Innov.	Kansas, Minnesota, Nebraska, Oklahoma

Source: 1990 IPPBR Survey of States.

Table 14

STATES' FUNDING EMPHASIS FOR FY 1990:  
RANK ORDER OF STRATEGIC FOUNDATIONS BY PERCENT OF TOTAL STATE FUNDING

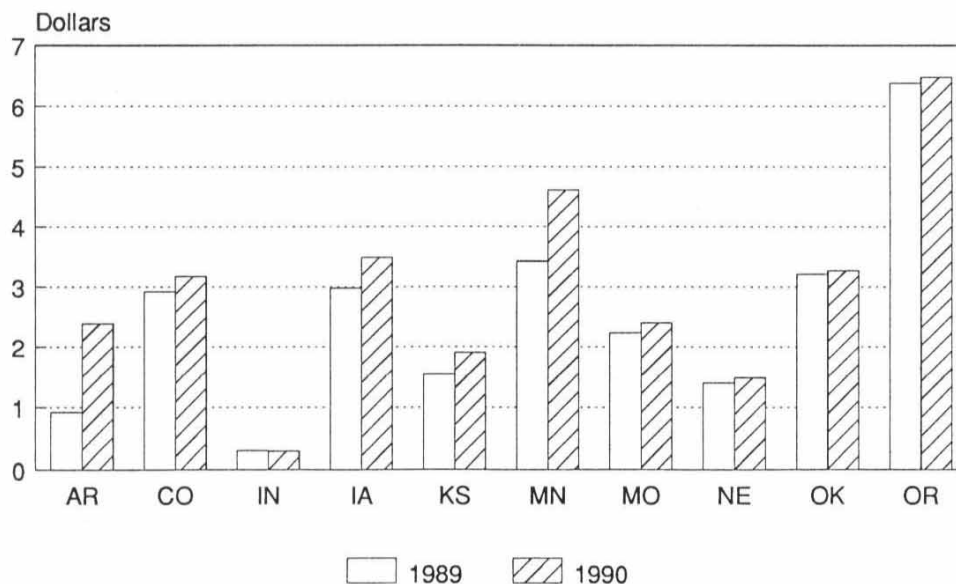
<b>Arkansas:</b>		<b>Minnesota:</b>	
1. Infrastructure	(40.8%)	1. Commitment/Capa.	(34.3%)
2. Business Environ.	(22.7%)	2. Technology/Innov.	(23.0%)
3. Quality of Life	(15.0%)	3. Business Environ.	(18.5%)
4. Technology/Innov.	(9.8%)	4. Human Capital	(17.1%)
5. Human Capital	(6.7%)	5. Quality of Life	(6.9%)
6. Commitment/Capa.	(5.0%)	6. Financial Capital	(0.5%)
7. Financial Cap.	(0.0%)	7. Infrastructure	(0.0%)
<b>Colorado:</b>		<b>Missouri:</b>	
1. Business Environ.	(50.0%)	1. Business Environ.	(37.8%)
2. Commitment/Capa.	(21.2%)	2. Human Capital	(17.2%)
3. Technology/Innov.	(12.9%)	3. Quality of Life	(15.3%)
4. Human Capital	(8.5%)	4. Infrastructure	(15.3%)
5. Financial Cap.	(7.1%)	5. Technology/Innov.	(7.9%)
6. Infrastructure & Quality of Life	(0.0%)	6. Commitment/Capa.	(6.5%)
		7. Financial Capital	(0.0%)
<b>Indiana:</b>		<b>Nebraska:</b>	
1. Human Capital	(34.9%)	1. Technology/Innov.	(64.1%)
2. Financial Cap.	(23.0%)	2. Business Environ.	(12.2%)
3. Commitment/Capa.	(18.4%)	3. Financial Capital	(10.9%)
4. Technology/Innov.	(16.4%)	4. Human Capital	(6.8%)
5. Infrastructure	(4.0%)	5. Commitment/Capa.	(6.1%)
6. Business Environ.	(3.3%)	6. Infrastructure & Quality of Life	(0.0%)
7. Quality of Life	(0.1%)		
<b>Iowa:</b>		<b>Oklahoma:</b>	
1. Business Environ.	(20.2%)	1. Technology/Innov.	(35.1%)
2. Financial Capital	(19.3%)	2. Business Environ.	(24.8%)
3. Quality of Life	(17.7%)	3. Commitment/Capa.	(16.2%)
4. Technology/Innov.	(16.4%)	4. Human Capital	(11.7%)
5. Commitment/Capa.	(12.3%)	5. Quality of Life	(11.6%)
6. Human Capital	(11.3%)	6. Financial Capital	(1.0%)
7. Infrastructure	(2.9%)	7. Infrastructure	(0.0%)
<b>Kansas:</b>		<b>Oregon:</b>	
1. Technology/Innov.	(28.3%)	1. Business Environ.	(27.3%)
2. Business Environ.	(23.4%)	2. Infrastructure	(24.0%)
3. Human Capital	(17.0%)	3. Commitment/Capa.	(22.8%)
4. Financial Capital	(10.5%)	4. Technology/Innov.	(18.0%)
5. Quality of Life	(9.2%)	5. Human Capital	(5.1%)
6. Commitment/Capa.	(7.8%)	6. Financial Capital	(2.9%)
7. Infrastructure	(3.9%)	7. Quality of Life	(0.0%)

Source: 1990 Institute for Public Policy and Business Research State Survey.

In FY 1990, Arkansas, Colorado, Iowa, Minnesota, Missouri, and Oklahoma funded business environment within a \$2.00 to \$5.00 per capita range. For the remaining states (Indiana, Kansas, and Nebraska), FY 1990 funding was in the \$0.30 to \$1.90 range.

Kansas ranked eighth in FY 1990 per capita funding and state dollars allocated to business environment programs. When Kansas' allocation is compared to its adjacent states, it can be seen that only Nebraska has a smaller per capita funding level. Of the remaining contiguous states, Colorado and Missouri funded business environment as their top emphasis and at funding levels exceeding Kansas' investment. However, Kansas' funding increased by 23% from FY 1989 to FY 1990, a significantly greater increase than its neighbors. Overall, Indiana was the only state to decrease funding (-3%), and all other states increased funding within the range of 1.7% to 159.94%.

Figure 14  
Business Environment Programs  
Total State Funding (Per Capita)



Source: 1990 IPPBR Survey of States

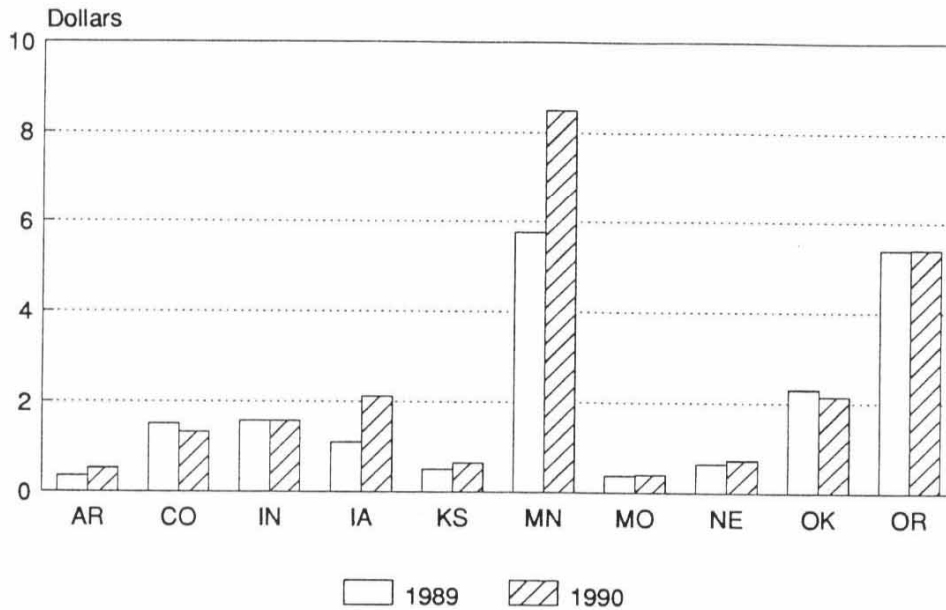


Within the business environment strategic foundation, state funding emphasized tourism and image promotion programs and received the greatest proportion of business environment funding in all states except Oregon, where it ranked second. Other areas receiving strong funding in many states were international recruitment, out-of-state business recruitment, and business retention. Indiana and Minnesota, however, did not fund any out-of-state business recruitment and international promotion programs.

Commitment/Capacity Capital. Commitment/capacity capital programs were the top funding priority for Minnesota, and its FY 1990 per capita allocation of \$8.48 significantly exceeded all other states. Additionally, over 90% of its commitment/capacity funds went to a community development program. Figure 15 presents a comparison of FY 1989 and FY 1990 commitment/capacity per capita allocations for all states. Oregon, second in its per capita commitment/capacity allowance of \$5.40, is between Minnesota's significant contribution and the funding ranges of the other states. In the \$1.00 to \$2.50 range, Iowa and Oklahoma dedicated per capita allocations of \$2.12 and \$2.15, respectively, while Colorado and Indiana were closer to the lower end of the range. Four states, including Arkansas, Kansas, Missouri, and Nebraska, all had per capita commitment/capacity allocations below \$1.00.

Overall, Kansas ranks eighth in FY 1990 per capita allocations. Colorado and Oklahoma are the only two states which exhibit a decrease, whereas Arkansas, Iowa, and Minnesota show the greatest increases. When compared to its adjacent states, Kansas is ranked fourth, with its allocation exceeding only Missouri's. However, Kansas experienced the greatest increase, due to the initial funding of community strategic planning (HB 2603), while two of its neighbors, Colorado and Oklahoma, actually decreased their commitment/capacity expenditures.

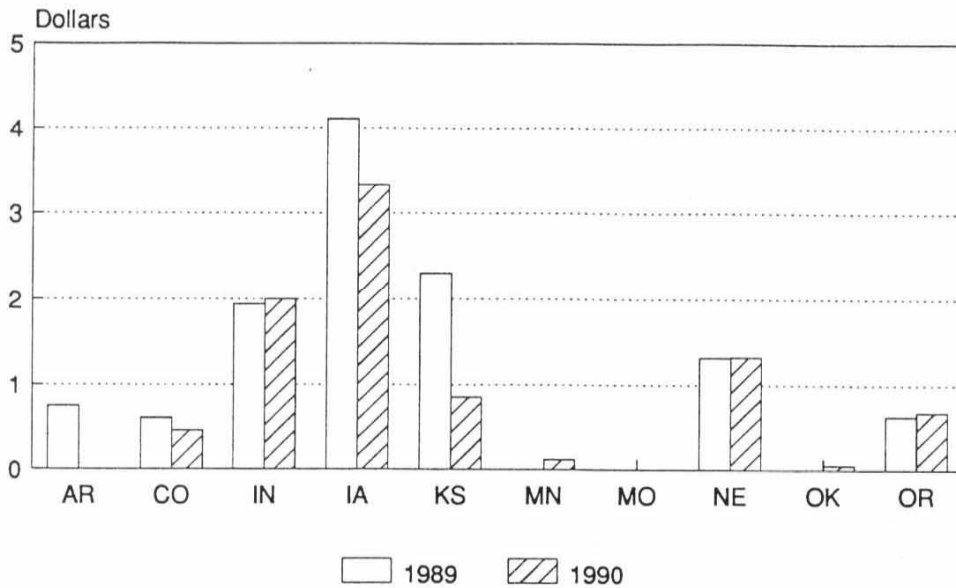
Figure 15  
Commitment/Capacity Capital Programs  
Total State Funding (Per Capita)



Source: 1990 IPPBR Survey of States

Financial Capital. None of the ten states funded financial capital as the area of top emphasis. However, it was the second or third highest funded area for three states: Indiana, Iowa, and Nebraska. Of the remaining seven states, five funded it as their lowest or second lowest area. While most states' business environment funding was in the \$2.00 to \$5.00 per capita range (Figure 14), most states' FY 1990 financial capital funding ranged from \$0.45 to \$1.73 (Figure 16). Only Iowa funded above the \$2.00 per capita range for both years. It is important to note that Kansas' funding dropped from over \$2.00 per capita in FY 1989 to \$0.85 in FY 1990 because capitalization of some programs was completed in FY 1989. Additionally, the state expenditure is determined by the program's rate of investment, an amount determined outside of the appropriations process.

Figure 16  
Financial Capital Programs  
Total State Funding (Per Capita)

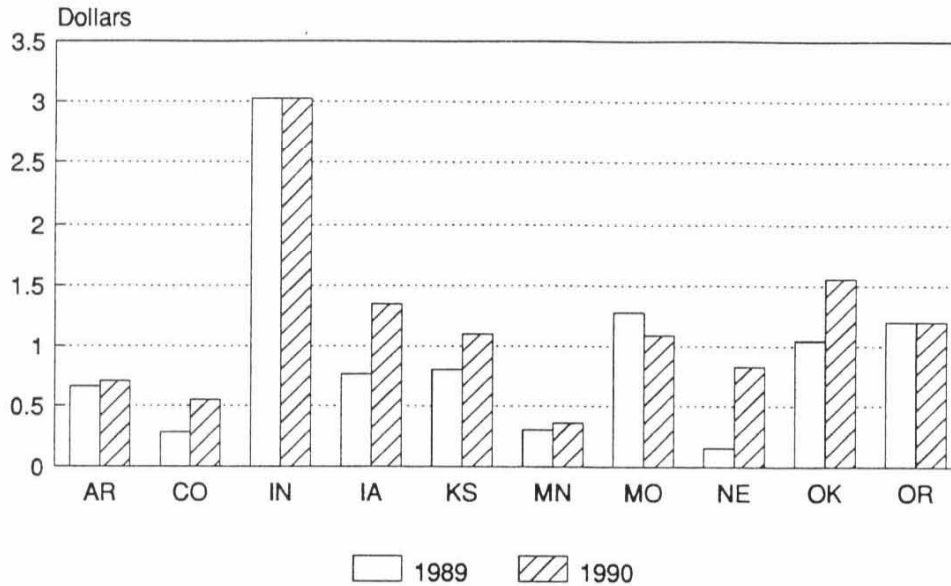


Source: 1990 IPPBR Survey of States

In FY 1990, Kansas ranked fourth in per capita funding of financial capital programs and sixth in state dollars allocated. Of Kansas' contiguous states, Nebraska ranked financial capital as its third area of emphasis and, not surprisingly, spent more per capita in FY 1990. Overall, four of the ten states offer loan/bond financing (Indiana, Iowa, Kansas, and Oregon), and four support risk financing programs (Arkansas, Iowa, Kansas, and Minnesota). Furthermore, four of the seven states funding this strategic foundation in FY 1989 and 1990 reduced funding during this period, due in part to decreasing one-time program capitalization efforts. The average percent change was -20.43%.

Human Capital. Human capital was the top FY 1990 funded strategic foundation for Indiana, and was the second and third area of emphasis for Missouri and Kansas, respectively. Figure 17 shows the human capital per capita investment for all states. On a per capita basis, Indiana invested more than all other states for both years. States investing between \$1.00 and \$2.00 per capita included

Figure 17  
Human Capital Programs  
Total State Funding (Per Capita)



Source: 1990 IPPBR Survey of States

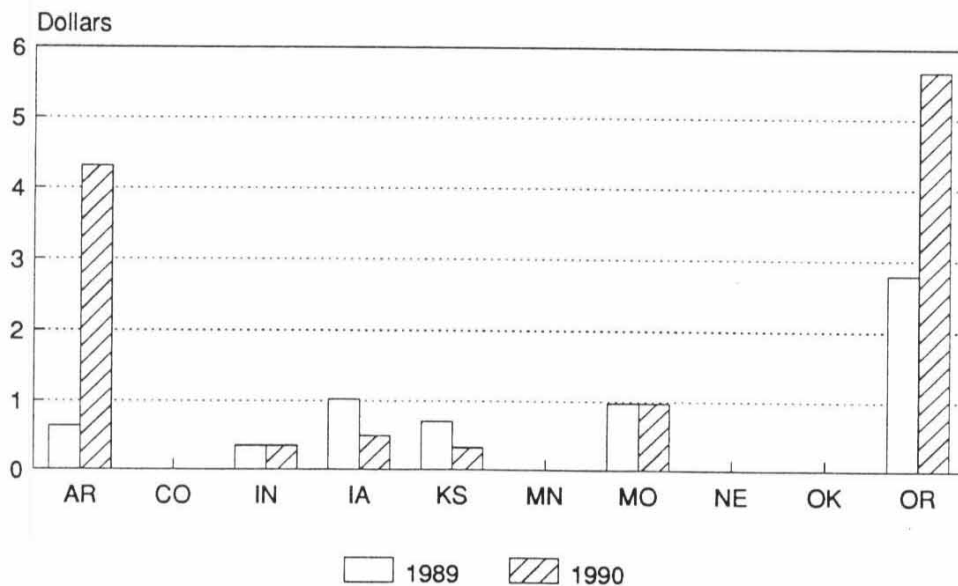
Iowa, Kansas, Missouri, Oklahoma, and Oregon. Arkansas, Colorado, Minnesota, and Nebraska invested less than \$1.00 per capita.

In FY 1990, Kansas ranked fifth in per capita funding of human capital and sixth in total state dollars allocated. Colorado and Nebraska allocated less than \$1.00 per capita, while the other contiguous states (Kansas, Missouri, and Oklahoma) ranged from \$1.09 to \$1.56. Missouri was the only state that reduced human capital funding in FY 1990 (-14.67% change). Indiana and Oregon showed no change. Nebraska increased funding to a program offering training assistance for new and expanding companies by over 400% in FY 1990, and Colorado also sharply increased its funding for training assistance for new and expanding companies and started training assistance for existing companies. Kansas increased human capital funding by 27.78% for programs offering training assistance to existing, new, and expanding companies.

Infrastructure. In FY 1990, infrastructure development was the top area of emphasis for Arkansas and second area of emphasis for Oregon. Indiana and Missouri ranked it fifth and fourth, respectively, and all other states ranked it seventh.

Figure 18 illustrates the relatively low level of per capita funding for most states. In FY 1990, Kansas ranked sixth in per capita funding and total state dollars allocated for infrastructure. Colorado, Nebraska, and Oklahoma allocated no funds, and Missouri allocated \$0.97 per capita. Kansas allocated \$800,000 or \$0.32 per capita in FY 1990, a reduction of nearly 54% from FY 1989. Overall, only Arkansas and Oregon aggressively funded this strategic foundation, with both states allocating large sums to community loan and grant assistance.

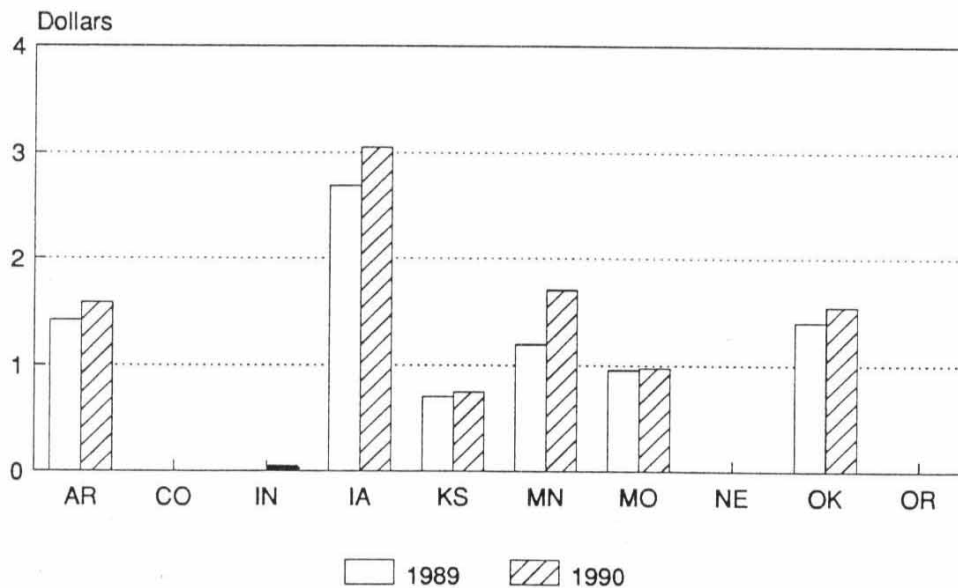
Figure 18  
Infrastructure Development Programs  
Total State Funding (Per Capita)



Quality of Life. None of the states surveyed placed quality of life as their top FY 1990 funding area. In fact, seven of the ten states placed this strategic foundation in the lower half of their funding levels. Quality of life

was the third highest funded strategic foundation in Arkansas, Iowa, and Missouri. Figure 19 shows that, when corrected for population differences, Iowa's funding level (\$3.05 per capita in FY 1990) was well above the other states. Arkansas, Minnesota, and Oklahoma's funding exceeded \$1.00 per capita. In three of those four states, public television/radio programs received the greatest funding, with Minnesota placing more funds into community arts programs.

Figure 19  
Quality of Life Programs  
Total State Funding (Per Capita)



Source: 1990 IPPBR Survey of States

In FY 1990, Kansas ranked sixth in per capita funding and in total state dollars allocated. Of Kansas' contiguous states, Colorado and Nebraska did not fund this strategic area, and Missouri and Oklahoma both exceeded Kansas' funding level. Missouri barely increased its funding of this area in FY 1990 (1.91% change), while Kansas increased its funding by 5.96%. Overall, Minnesota's 42.71% increase was the largest.

Table 15

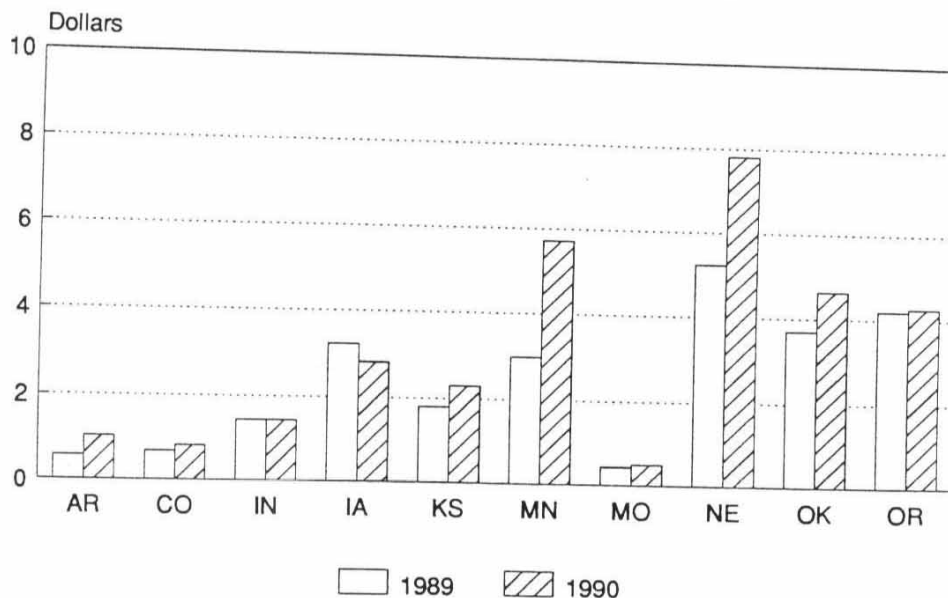
## OVERVIEW OF STATE ECONOMIC DEVELOPMENT ACTIVITIES

State	Strat. Plan	Pub./Private Planning Org.	Tech. Authority	Prim.Fund. Source	Top Two Foundations	Prim.Focus of Bus.Dev.
Arkansas	N	N	Y	federal	Infra./Bus.Env.	retention
Colorado	Y	N	N	state	Bus.Env./Com.Cap.	attract./retention
Indiana	Y	Y	Y	state	Hum.Cap./Fin.Cap.	attraction
Iowa	Y	N	N	state/lottery	Bus.Env./Fin.Cap.	retention
Kansas	Y	Y	Y	state/lottery	Tech.Inn./Bus.En	retention/start-ups
Minnesota	N	N	Y	state	Com.Cap./Tech.Inn.	attraction
Missouri	N	N	N	federal	Bus.Env./Hum.Cap.	attraction
Nebraska	N	N	N	state	Tech.Inn./Bus.Env.	retention/start-ups
Oklahoma	Y	Y	Y	state	Tech.Inn./Bus.Env.	retention
Oregon	Y	Y	N	state/lottery	Bus.Env./Infra.	retention

Source: 1990 Institute for Public Policy and Business Research State Survey.

Technology/Innovation. Technology/innovation was the top FY 1990 funding strategic foundation for Kansas, Nebraska, and Oklahoma, and the second or third highest funded strategic foundation for Colorado and Minnesota. Figure 20 reflects the emphasis Nebraska placed on developing this strategic foundation. Nebraska allocated nearly \$8.00 per capita in FY 1990. Minnesota, Oklahoma, and Oregon allocated between \$4.27 and \$5.72 per capita in FY 1990, followed by Kansas and Iowa at \$2.30 and \$2.82 respectively.

Figure 20  
Technology/Innovation Programs  
Total State Funding (Per Capita)



Source: 1990 IPPBR Survey of States

In FY 1990, Kansas' ranked sixth overall in per capita funding of technology/innovation and seventh in total state dollars allocated. Of the states contiguous to Kansas, Colorado and Missouri allocated less per capita, whereas Nebraska and Oklahoma allocated more per capita than did Kansas. While Nebraska's per capita funding level exceeded all other states in FY 1990, Minnesota and



Oklahoma allocated more state dollars to technology/innovation economic development programs. Minnesota's FY 1990 allocation was a 91.32% increase over FY 1989. Arkansas had the second highest increase (82.61%), followed by Nebraska's 48.93% increase. Only Iowa decreased funding in this area. Kansas' 26.13% increase was about average. Within the technology/innovation strategic foundation, research and development centers (or Centers of Excellence) received the largest share of funding in eight of the ten states.

**E. State Planning and Organization for Economic Development**

Six of the ten states surveyed, including Colorado, Indiana, Iowa, Kansas, Oklahoma, and Oregon, have economic development strategic plans in place, and four of those six, including Indiana, Kansas, Oklahoma, and Oregon, have public/private planning organizations to oversee the development and execution of their state's strategic planning efforts. Additionally, five states, including Arkansas, Indiana, Kansas, Minnesota, and Oklahoma, have science and technology authorities to oversee their technology development and transfer initiatives. Public/private planning organizations and technology development and transfer are perceived as an important part of a state's economic development infrastructure because they represent a stable, long-term commitment which can be less susceptible to the ebb and flow of the political environment.

All of the states surveyed stated that their current interest in economic development activity was driven by economic recessions in the early to mid 1980s. Most of the states also experienced economic downturns which were greater and longer in duration than the nation as a whole, due to their undiversified economic bases and heavy reliance on weakened industries such as mining, petroleum, agriculture, manufacturing, and natural resources.

Each state differs in its economic development approach. Therefore, Table 14 lists each state and condenses its economic development efforts by identifying

whether or not the state has: (1) a strategic plan, (2) public/private planning organization, and (3) technology authority. The table also indicates: (1) the primary source of the state's economic development funding; (2) the top two strategic foundations; and (3) the primary business development strategy-- retain/expand existing businesses through assisting competitiveness; assist new business creation; or attract from outside of the state. A summary of state activities is presented in the following paragraphs.

Arkansas. The state does not have a strategic plan. Its economic development activities focus on community development and assisting established industries. Arkansas concentrates on business retention/expansion to assist firms in developing product and process competitiveness. Because small firms within the state tend to lack critical resources to update products, meet the changing needs of customers, and respond to changes in technology, the state has chosen to focus on direct assistance through its retention/expansion strategy. Although Arkansas does not have a public/private planning organization, it does have a technology office to oversee its technology/innovation programs. Federal funding is Arkansas' primary funding source, with 60% of program funding coming from the federal government.

Colorado. Colorado's five year strategic economic development plan, developed by the governor's office, focuses on attracting and retaining businesses in growing areas (manufacturing, services, wholesale trade, retail trade, transportation, communications, and public utilities). Specific program initiatives offer business assistance and attempt to improve the state's business climate. Colorado does not have a public/private planning organization or technology office, and its economic development programs utilize state funds as their primary funding source. The overall goals of the state's strategic plan are to create jobs and increase income.

Table 15

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State	Strat. Plan	Pub./Private Planning Org.	Tech. Authority	Prim. Fund. Source	Top Two Foundations	Prim. Focus of Bus. Devo.
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Indiana	Y	Y	Y	state	Hum. Cap./Fin. Cap.	attraction
Iowa	Y	N	N	state/lottery	Bus. Env./Fin. Cap.	retention
Kansas	Y	Y	Y	state/lottery	Tech. Inn./Bus. En	retention/start-ups
Minnesota	N	N	Y	state	Com. Cap./Tech. Inn.	attraction
Missouri	N	N	N	federal	Bus. Env./Hum. Cap.	attraction
Nebraska	N	N	N	state	Tech. Inn./Bus. Env.	retention/start-ups
Oklahoma	Y	Y	Y	state	Tech. Inn./Bus. Env.	retention
Oregon	Y	Y	N	state/lottery	Bus. Env./Infra.	retention

Source: 1990 Institute for Public Policy and Business Research State Survey.

Indiana. Indiana's strategic plan strives to reposition the state's economic base, taking advantage of future economic trends and responding to changes in its manufacturing base. Under the state's public/private planning organization, Indiana Economic Development Council, the strategic plan emphasizes investment across several strategic areas: work force training, technological competitiveness, capital flow, infrastructure, structure and delivery of economic development programs, and services which create and strengthen business. Indiana has a technology office to direct its technology/innovation efforts, and its primary source of economic development funding is the state.

Iowa. Programs and reforms in Iowa have focused on the main thrust of the state's strategic plan: business retention. The plan assists in insuring strategic economic development program investment in the following categories: work force and education, economic diversification, technology, infrastructure, and environment/energy. Iowa does not have a technology office and it finances its economic development programs with state funds and lottery revenues. Goals of the state's plan include: creating jobs, diversifying the economy, and keeping pace with technological/economic changes.

Kansas. Kansas' strategic plan focuses upon long-term strategic investment to build on and complement the current economic base. The role of the state, as overseen by the public/private planning organization, Kansas Inc., is: (1) establish an optimum basis for growth through strategic investment across seven economic development foundations to enhance the state's strengths and mitigate its weaknesses with respect to business expansion/retention, start-ups, and attraction; (2) determine the optimal allocation of state resources across those foundations to maximize the expansion, creation, and attraction of businesses; (3) nurture relationships between key institutions (local government, business, higher education, other groups) in order to achieve a synergism of

commitment, effort, and activity across the seven foundations; and (4) facilitate innovation and adaptation to change in the state's economic life. The objective is to first bring the state economic performance to the U.S. average level, then to consistently exceed it. Kansas has a technology office, KTEC, to administer its technology/innovation programs, and its economic development programs are funded through state funds and lottery/gaming revenues.

Minnesota. Job creation is the primary concern of Minnesota's economic development goals. Because the state has a "decentralized" approach to economic development, an economic development strategic plan does not exist. The state's approach provides financial incentives, technical assistance, promotion, and tax incentives, leaving the actual programs up to communities. The primary reason for this method has been fueled by a state-wide desire to achieve immediate, short-term job creation and solve the economic problems of rural communities. This had led to a focus on attracting businesses. Furthermore, Minnesota does not have a public/private planning organization, but it does have a technology office to oversee its technology/innovation programs. The state is the primary source of economic development funding.

Missouri. Through a wide, varied mix of programs, Missouri attempts to attract businesses. Missouri does not have strategic plan or a public/private planning organization, even though economic development is one of the state's top priorities. International trade and business recruitment have been the focus of the state's efforts, but one of the greatest problems facing Missouri is inadequately funded programs, especially in financial areas. Additionally, the primary funding source for Missouri's economic development programs are federal funds, and they make up over 57% of total economic development resources. The state's efforts have recently been broadened to assist small businesses and

start-ups and reach two broad goals: (1) create better employment opportunities and (2) attract capital investment. Missouri does not have a technology office.

Nebraska. Nebraska does not have a strategic plan or public/private planning organization, but its economic development thrust is clear: business retention and start-ups (new business creation). Through its primary commitment to building technology infrastructure, the state created opportunities for its existing economic base. Early short term, technical assistance programs have been expanded in the last four years to include more long term activities, such as technology transfer and research. Even though the technology/innovation foundation is funded at levels significantly greater than other foundations, the state does not utilize a technology office to oversee its technology/innovation programs. The principle source of economic development funding comes from state funds.

Oklahoma. Oklahoma developed its comprehensive strategic plan after identifying the key strengths and weaknesses of the state's economy. The state's public/private planning board, Oklahoma Futures, oversees the strategic plan. The primary focus is business retention. Oklahoma's technology office controls its technology/innovation efforts, and the primary source of economic development funds is the state. Oklahoma's strategic plan has several goals: improve education, increase per capita income, create jobs, diversify the economic base, increase research funding and personnel, improve government infrastructure and capacity, increase business start-ups, and create a viable financial system.

Oregon. The overall goal of Oregon's strategic plan goes beyond creating more jobs. Its main objectives are to retain business and to distinguish Oregon in three ways: (1) create a superior work force; (2) maintain an attractive environmental quality of life; and (3) create an international frame of mind. Integrated state programs focus on creating self-sustaining state government

institutions. Investment is the basis of the state's overall strategic objectives: (1) forming institutional partnerships (business, labor, government, education, and environment); (2) investing in infrastructure; and (3) containing business costs (e.g., workers' compensation rates, unemployment insurance, and energy rates). The state's public/private planning organization, Oregon Progress Board, is responsible for the maintenance and continuing development of the state's strategic plan. Oregon does not have a technology office, and its primary source of economic development funding comes from state appropriations and lottery revenues.

#### F. Conclusion

Comparison of states' economic development budgets revealed considerable diversity among the ten states and among Kansas' contiguous states, despite common problems. This diversity was reflected in differences in overall funding levels of the states' economic development programs as well as in differences in how the strategic foundations, and programs within those foundations, were funded to achieve different economic goals. In sum, the study reveals that:

1. State funding of economic development programs averaged \$34,626,538 in FY 1989 and \$41,231,443 in FY 1990.
2. In FY 1990, Minnesota invested more funds in economic development than all other states. Nebraska invested the fewest funds, just below Kansas.
3. Kansas was below average in state funding of economic development programs, with funding at \$20,940,569 in FY 1989 and \$19,676,133 in FY 1990.
4. Kansas was the only state to reduce the overall state funding for economic development. The FY 1990 decrease of \$1,264,436 was a 6% reduction over FY 1989.
5. Kansas ranked seventh of the ten states in total state dollars in FY 1989 and ninth in FY 1990.
6. In state funding of economic development, contiguous states' FY 1990 rankings were: (1) Oklahoma; (2) Missouri; (3) Colorado; (4) Kansas; and (5) Nebraska.

7. When population differences were factored into the analysis, rankings changed. Ranking in per capita funding among contiguous competitors were: (1) Oklahoma; (2) Nebraska; (3) Kansas; (4) Colorado; and (5) Missouri.
8. Per capita funding for the ten states averaged \$10.29 in FY 1989 and \$12.25 in FY 1990.
9. Kansas' per capita funding was below average at \$8.39 (FY 1989) and \$7.88 (FY 1990).
10. Kansas ranked seventh out of the ten states in per capita funding in FY 1989 and eighth in FY 1990.
11. Strategic foundations receiving the highest level of funding in FY 1990 were business environment (four states) and technology/innovation (three states).
12. Strategic foundations receiving the lowest level of funding in FY 1990 were infrastructure (six states) and quality of life (four states), with two states providing no state support for both areas.
13. Kansas' funding emphases in FY 1990 were business environment, technology/innovation, and human capital.
14. Six states - Colorado, Indiana, Iowa, Kansas, Oklahoma, and Oregon - rely on a strategic plan to guide their economic development efforts, and four - Indiana, Kansas, Oklahoma, and Oregon - utilize a public/private planning organization to carry out the plan.
15. Most of the states base their economic development efforts on the desire to create jobs and diversify the state's economic base.

**G. Implications for Kansas**

1. Our funding effort is relatively weak. Any further erosion would place Kansas last in the region and the ten-state comparison group.
2. Our funding distribution would appear to be better balanced than others, undoubtedly due to the comprehensive strategic approach we have undertaken.
3. There is increasing emphasis in all states on the key foundations of (1) technology/innovation and (2) human capital. We are sixth in per capita expenditures in both of these areas, indicating a need for greater emphasis on these two foundations in future funding.
4. Renewed commitment is crucial to sustain, if not enhance, consensus support from all sectors of the Kansas community. Additionally, it must be realized that the fiscal difficulties facing Kansas are similar to those facing our neighbors and are the result of



persistent, slow growth in state economies. The objective of economic development is to enhance the pie, and in doing so, facilitate the state's ability to fulfill its important obligations in supporting both public and higher education, social services, physical infrastructure, and the many other needs.

5. While Kansas and the nation currently face the risk of a recession, it is important to see this as an opportunity rather than a threat. By maintaining or increasing our state's economic development efforts during a recession, it will provide us with a competitive advantage which will create greater growth opportunities during the economic recovery.
6. Further study of this issue is necessary. In particular, the effectiveness of programs, in terms of cost/benefit ratios, should be determined in order to better understand which states are getting a better "bang for their buck."