

INSTITUTE FOR PUBLIC POLICY AND BUSINESS RESEARCH
THE UNIVERSITY OF KANSAS

ECONOMIC DEVELOPMENT INVESTMENTS OF TEN STATES
A DESCRIPTIVE ANALYSIS

Executive Summary

A Report to
Kansas, Inc.
Kansas Department of Commerce

by

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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.

ECONOMIC DEVELOPMENT INVESTMENTS OF TEN STATES
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TABLE OF CONTENTS

I.	Introduction	1
II.	Procedures	1
III.	Findings	3
	A. General Characteristics of Economic Development Funding	3
	B. Comparison of Kansas' and Other States' Economic Development Funding	4
	C. Summary of Other States' Economic Development Funding	9
	D. Comparison of Strategic Foundation Funding Across States	21
	E. Conclusion	29

LIST OF TABLES

1.	Total State Economic Development Funding by State	5
2.	Economic Development Resources by Strategic Foundation--Kansas . .	8
3.	Economic Development Resources by Strategic Foundation--Arkansas .	10
4.	Economic Development Resources by Strategic Foundation--Colorado .	11
5.	Economic Development Resources by Strategic Foundation--Indiana .	12
6.	Economic Development Resources by Strategic Foundation--Iowa . . .	14
7.	Economic Development Resources by Strategic Foundation--Minnesota	15
8.	Economic Development Resources by Strategic Foundation--Missouri .	17
9.	Economic Development Resources by Strategic Foundation--Nebraska .	18
10.	Economic Development Resources by Strategic Foundation--Oklahoma .	19
11.	Economic Development Resources by Strategic Foundation--Oregon . .	20
12.	States' Funding Emphasis for FY 1990: Rank Order of Strategic Foundation by Level of State Funding	22

LIST OF FIGURES

1.	State Funding by Economic Development Programs: 1990 Rank by Level of State Support	5
2.	State Funding by Economic Development Programs: Rank by % Change in Support, 1989-1990	6
3.	State Funding by Economic Development Programs: 1990 Rank by State Per Capita Support	6
4.	Percent Share by Strategic Foundation, 1990 State Funding for Kansas	8
5.	Percent Share by Strategic Foundation, 1990 State Funding for Arkansas	10
6.	Percent Share by Strategic Foundation, 1990 State Funding for Colorado	11
7.	Percent Share by Strategic Foundation, 1990 State Funding for Indiana	12
8.	Percent Share by Strategic Foundation, 1990 State Funding for Iowa	14
9.	Percent Share by Strategic Foundation, 1990 State Funding for Minnesota	15
10.	Percent Share by Strategic Foundation, 1990 State Funding for Missouri	17
11.	Percent Share by Strategic Foundation, 1990 State Funding for Nebraska	18q
12.	Percent Share by Strategic Foundation, 1990 State Funding for Oklahoma	19
13.	Percent Share by Strategic Foundation, 1990 State Funding for Oregon	20
14.	Business Environment Programs, Total State Funding (Per Capita)	24
15.	Financial Capital Programs, Total State Funding (Per Capita)	24
16.	Human Capital Programs, Total State Funding (Per Capita)	26

17.	Infrastructure Development Programs, Total State Funding (Per Capita)	26
18.	Quality of Life Programs, Total State Funding (Per Capita)	28
19.	Technology/Innovation Programs, Total State Funding (Per Capita)	28

EXECUTIVE SUMMARY

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. Kansas is not alone in its efforts to encourage economic growth through economic development programs. 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 made by 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 six areas of economic development program activity.

II. PROCEDURES

Nine comparison states were chosen based upon geographic location (contiguous to Kansas), similarity in funding sources (i.e., lottery funds), or aggressive economic development policy. The ten states included in the study were Arkansas, Colorado, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, Oklahoma, and Oregon. A contact person was identified in each state. That person 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. Because of the diversity of programs, no attempt was made to compare states at the level of individual programs. Rather, programs were categorized by function or activity and a descriptive analysis of categories of programs was done. The main focus of the

descriptive analysis was on broad categories of economic development programs. The types of programs included in the study were those that fell into the following categories:

1. Business environment (business/community support)--state programs which foster business development and create a favorable business climate by directly reaching communities and businesses. In addition, the state's image, both in-state and abroad, may be enhanced through trade offices and tourism efforts. Business support programs focus upon business creation, expansion, and recruitment in rural and urban areas. Promotion and development of a state's key industries and economic base are included. Also included in the budget data were expenditures or appropriations for economic development infrastructure, the institutional capacity to support these programs (i.e., divisions within the Department of Commerce).
2. Financial capital assistance--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.
3. 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 utilize new processes and technologies, train, and improve employees' performance. Programs may also offer training/retraining to adults who may be unemployed or have skill deficiencies. Financial support and business/education linkages may also be provided and encouraged.
4. Infrastructure development/assistance--state programs which assist communities in creating and maintaining public infrastructure systems, such as site development for business/industrial parks.
5. 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.
6. 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 programs that did not receive state dollars and programs that granted tax adjustments/credits/exemptions/etc. Also excluded were highway projects, water projects, bond-funded programs, and historical preservation programs.

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

II. 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. Because government cannot do it alone, the best economic development strategy involves a partnership between the public sector and the private sector and requires a dynamic process. The survey results showed that:

1. Most states have economic development programs that rely upon partnerships between state and local government and between the public and private sectors.
2. While federal funds and other funds (e.g., 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. Clearly, the initiative for economic development has been taken by most states.

3. States' economic development strategies involved much more than "smokestack 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 must be 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. The mix probably provided versatility and flexibility and allowed for experimentation, specialization, and integration of activities.

5. Some states (e.g., Indiana, Iowa) were evaluating and/or adjusting their economic development programs to improve the state's competitiveness by recognizing and taking advantage of changes in economic forces (local, national, and global).

B. Comparison of Kansas' and Other States' Economic Development Funding

States were compared to determine the strength of their commitment to economic development and the distribution of resources across six strategic foundations or areas. State funding of economic development averaged \$43,162,625 in FY 1990. Kansas was below the \$36.7 million average with funding at \$20,325,133 (Table 1). In FY 1990, Minnesota invested the largest amount in economic development (\$107,137,643) and Nebraska invested the smallest amount (\$19,504,115). Kansas ranked seventh among the ten states in total state dollars invested in FY 1990 (Figure 1). When compared to its close competitors, Kansas ranked fourth (Oklahoma, \$42,864,048; Missouri, \$32,655,255; Colorado, \$21,159,618; Kansas, \$20,325,133; Nebraska, \$19,504,115).

In FY 1990, Kansas was the only state that reduced state funding for economic development (Figure 2). The FY 1990 decrease of \$3,309,561 was 14% below FY 1989 funding. Other states increased support in FY 1990 by an average of 17.49% (range: 0.62% to 99.26%).

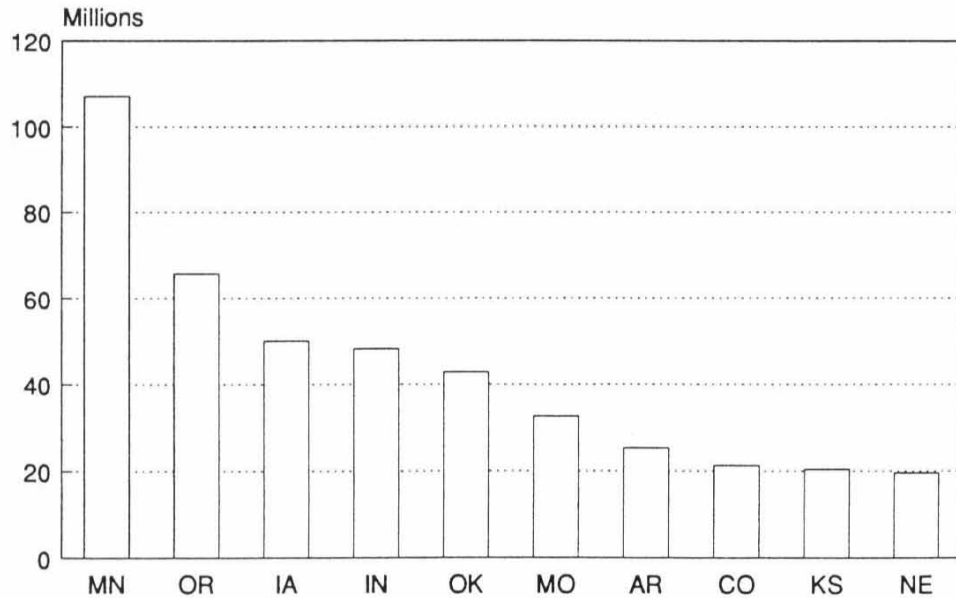
Table 1

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	16	20,011,076	21,159,618	6.06	6.41	5.74
Indiana	31	47,911,907	48,206,898	8.62	8.68	0.62
Iowa	51	46,812,821	48,899,399	16.52	17.25	4.46
Kansas	37	23,634,694	20,325,133	9.47	8.14	-14.00
Minnesota	34	75,280,170	107,137,643	17.48	24.88	42.32
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
TOTAL:	281	\$367,359,519	\$431,626,251	\$10.92	\$12.83	17.49%
AVERAGE:	28.10	\$ 36,735,952	\$ 43,162,625			

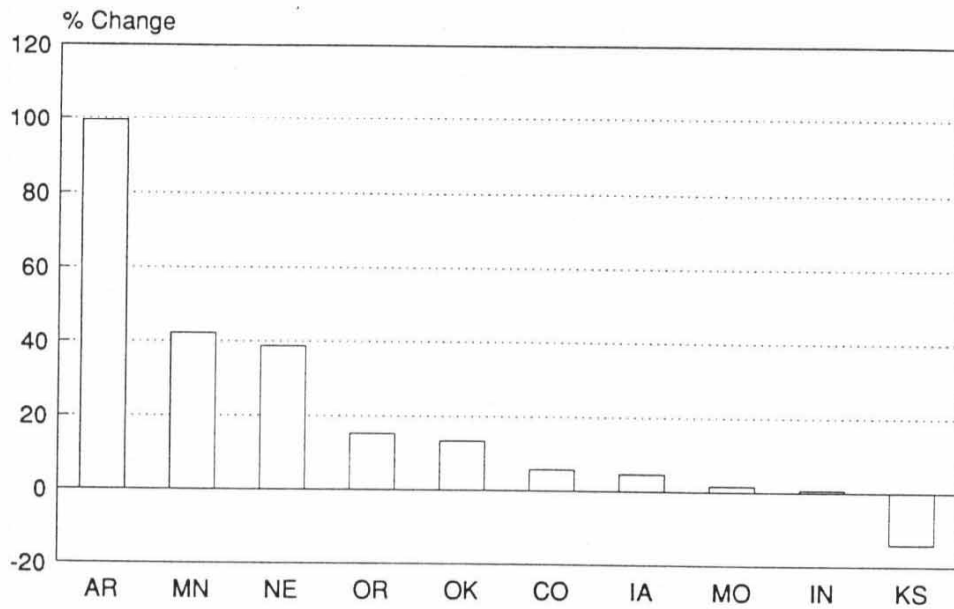
Source: 1990 Institute for Public Policy and Business Research State Survey.

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



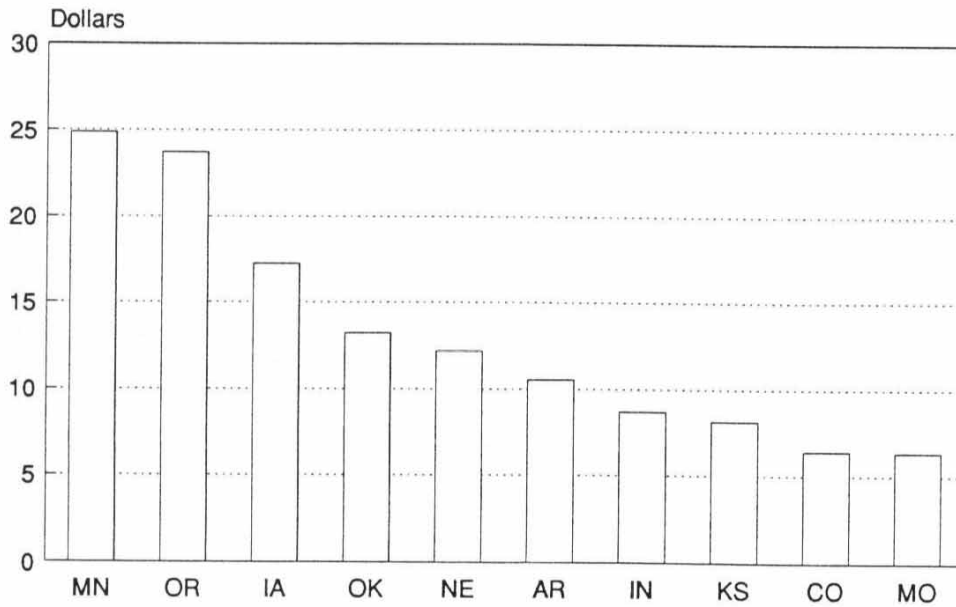
Source: 1990 IPPBR Survey of States

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



Source: 1990 IPPBR Survey of States

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



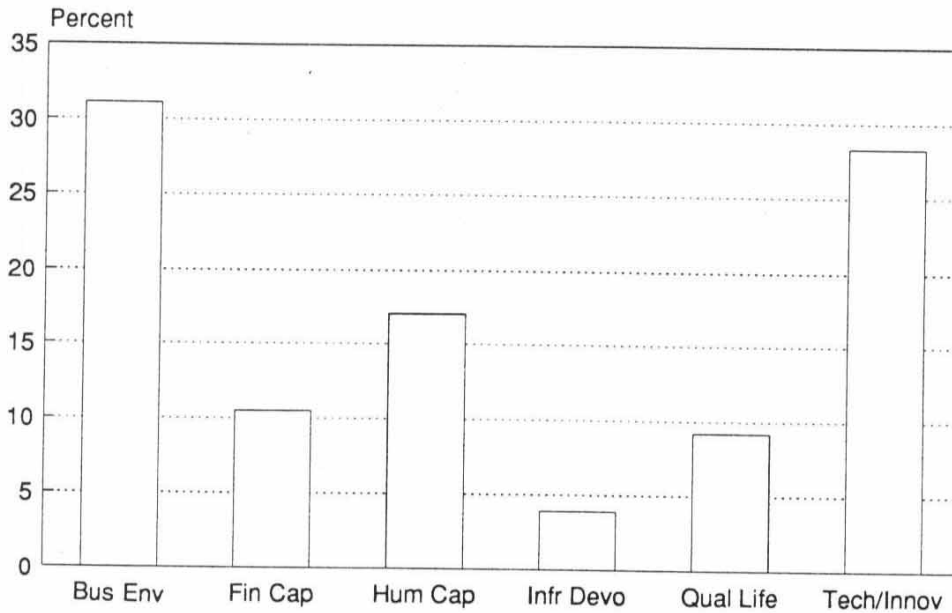
Source: 1990 IPPBR Survey of States

The strength of states' investment was examined with population differences taken into account. Per capita funding averaged \$10.92 in FY 1989 and \$12.83 in FY 1990. Kansas' per capita funding was below average: FY 1989, \$9.47; FY 1990, \$8.14. Kansas ranked fifth out of ten states in per capita funding in FY 1989, but dropped to eighth in FY 1990 because of budget cuts (Figure 3). When compared to its contiguous competitors, Kansas dropped from second (FY 1989) to third place in FY 1990 (Oklahoma, \$13.22; Nebraska, \$12.17; Kansas, \$8.14; Colorado, \$6.41; Missouri, \$6.35).

Kansas had a two-level funding pattern. In Kansas, business environment and technology/innovation were funded at higher levels than the other strategic foundations (Figure 4). Kansas' funding emphases were business environment and technology/innovation, with human capital a distant third (Table 2). All contiguous competitor states' area of emphasis was business environment, with the exception of Nebraska which ranked it second, after technology/innovation. The lowest funded strategic foundations in Kansas were quality of life and infrastructure strategic foundations.

Within the business environment strategic foundation, clear emphases in fund allocation emerged. Tourism and image promotion was the emphasis within this strategic foundation for seven states. In the remaining three states (Kansas, Minnesota, Oregon), it ranked second in funding. The other areas receiving strong funding in many states were out-of-state business recruitment and international promotion. International recruitment was the second highest category funded under business environment for four states (Arkansas, Colorado, Missouri, and Oklahoma). Within this foundation business recruitment received the highest funding in Kansas, and was second highest for Iowa and Missouri. Indiana, Minnesota, and Oregon did not fund out-of-state business recruitment and international promotion.

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



Source: 1990 IPPBR Survey of States

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	8	\$7,115,775	\$6,328,811	\$2.85	\$2.54	-11.06%
B) Financial Capital	5	5,760,000	2,130,000	2.31	0.85	-63.02
C) Human Capital	2	2,700,000	3,450,000	1.08	1.38	27.78
D) Infrastructure	1	1,738,845	800,000	0.70	0.32	-53.99
E) Quality of Life	14	1,762,122	1,867,186	0.71	0.75	5.96
F) Technology/Innovation	7	4,557,952	5,749,136	1.83	2.30	26.13
TOTAL	37	\$23,634,694	\$20,325,133	\$9.47	\$8.14	-14.00%

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

Within the technology/innovation strategic foundation, clear areas of emphasis for fund allocation also occurred. Research and development centers or Centers of Excellence, as they are called in some states, received the largest share of funding within this strategic foundation in eight of the ten states.

C. Summary of Other States' Economic Development Funding

1. 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 sixth in FY 1990. Based upon FY 1990 funding levels, the state's economic development activity focused upon business environment programs and infrastructure development programs in a two-level funding pattern (Figure 5). Infrastructure development and business environment were funded at levels higher than the other strategic foundations.

2. Colorado. Colorado ranked eighth in total state dollars spent in FY 1989 and 1990. The state's investment increased 5.74% in FY 1990 (Table 4). Colorado ranked ninth in per capita spending in FY 1989 and 1990. Based upon FY 1990 funding levels, the state's economic development activity focused upon business environment programs in a highly focused, two-level funding pattern (Figure 6). Business environment was funded at a much higher level than the other strategic foundations.

3. Indiana. Indiana ranked third in total state dollars spent in FY 1989 and fourth in FY 1990. The state's investment held steady from FY 1989 to 1990 because of the ongoing evaluation of economic development programming occurring during that period (Table 5). Indiana ranked 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 distributed funding at three levels: human capital was the highly funded area; business environment, financial capital, and technology/innovation were moderately funded; and infrastructure development and quality of life strategic foundations were minimally funded (Figure 7). In FY 1990, Indiana's three areas of emphasis were human capital, business environment, and financial capital.

Table 3

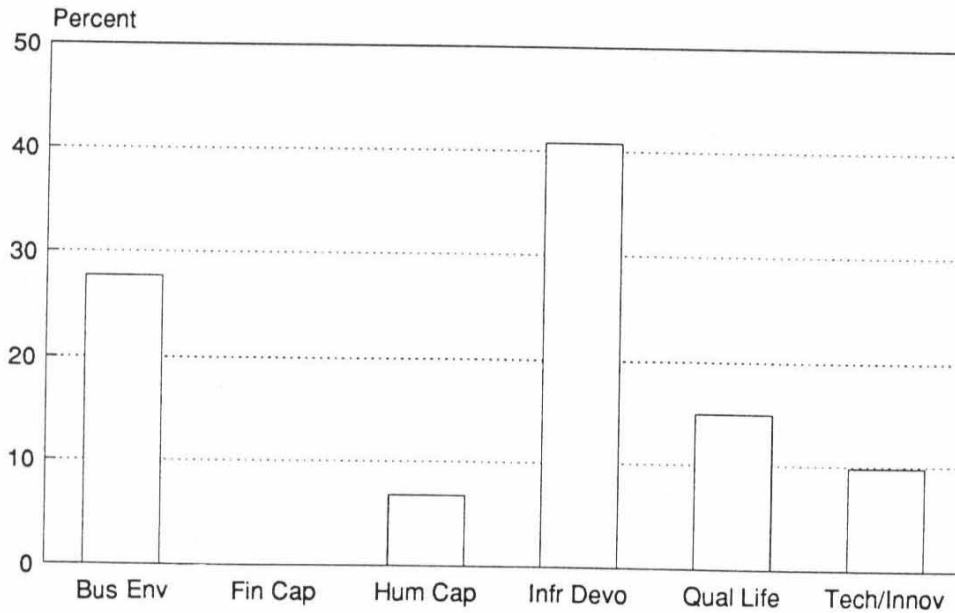
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

ARKANSAS

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	9	\$3,036,166	\$7,005,180	\$1.27	\$2.92	130.72%
B) Financial Capital	1	1,800,000	0	0.75	0.00	-100.00%
C) Human Capital	2	1,580,000	1,688,300	0.66	0.70	6.85%
C) Infrastructure	2	1,513,641	10,307,501	0.63	4.30	580.97%
D) Quality of Life	2	3,400,000	3,800,000	1.42	1.59	11.76%
B) Technology/Innovation	4	1,354,899	2,474,222	0.57	1.03	82.61%
TOTAL	20	\$12,684,706	\$25,275,203	\$5.30	\$10.55	99.26%

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

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



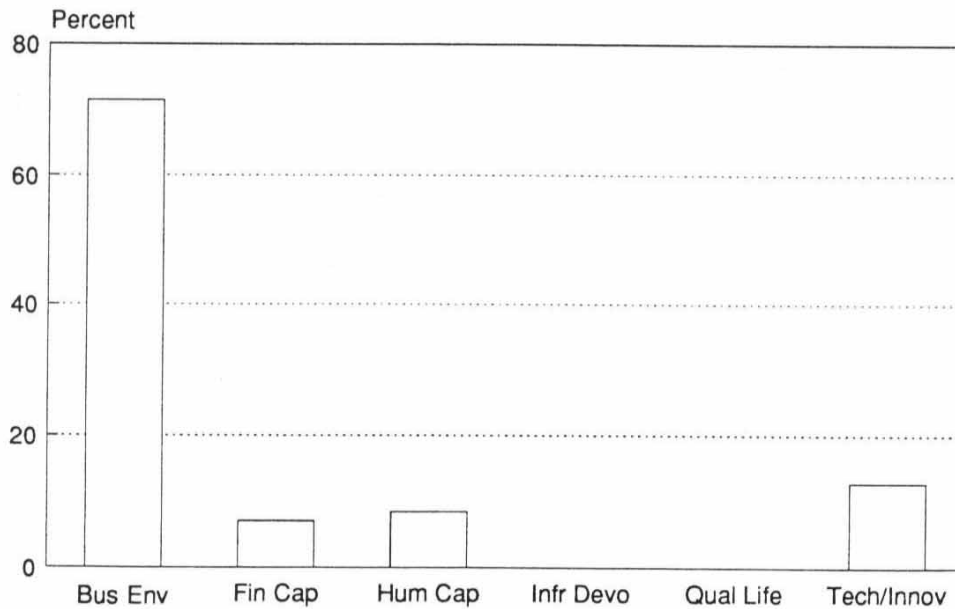
Source: 1990 IPPBR Survey of States

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	11	\$14,845,518	\$15,140,846	\$4.50	\$4.59	1.99%
B) Financial Capital	1	2,000,000	1,500,000	\$0.61	\$0.45	-25.00%
C) Human Capital	2	921,869	1,803,000	\$0.28	\$0.55	95.58%
D) Infrastructure	0			\$0.00	\$0.00	
E) Quality of Life	0			\$0.00	\$0.00	
F) Technology/Innovation	2	2,243,689	2,715,772	\$0.68	\$0.82	21.04%
TOTAL	16	\$20,011,076	\$21,159,618	\$6.06	\$6.41	5.74%

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

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



Source: 1990 IPPBR Survey of States

Table 5

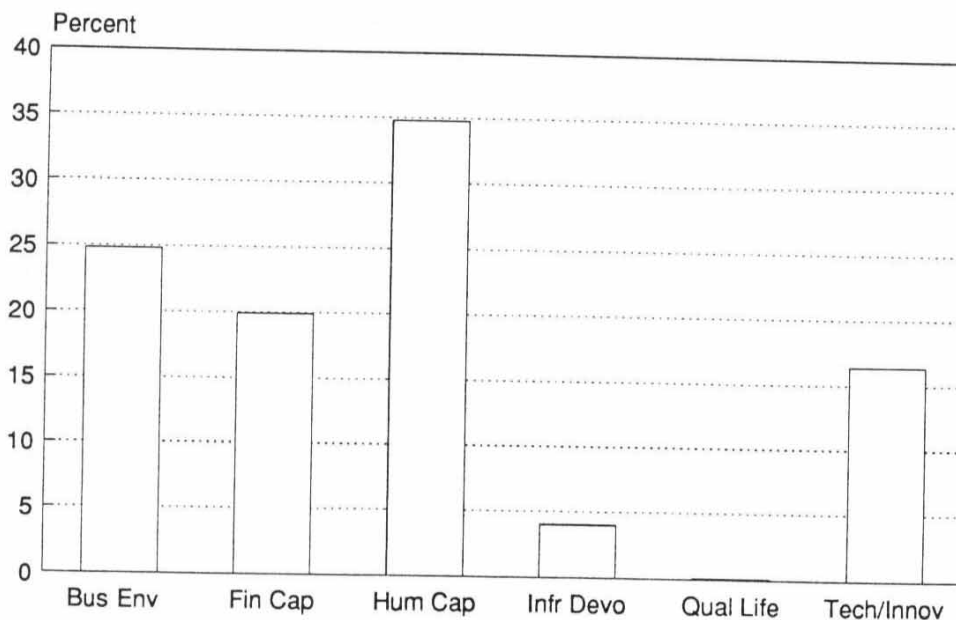
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

INDIANA

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	20	\$12,004,132	\$11,954,430	\$2.16	\$2.15	-0.41%
B) Financial Capital	4	9,292,775	9,597,468	1.67	1.73	3.28%
C) Human Capital	3	16,800,000	16,800,000	3.02	3.02	0.00%
D) Infrastructure	1	1,915,000	1,915,000	0.34	0.34	0.00%
E) Quality of Life	1	0	40,000	0.00	0.01	N/A
F) Technology/Innovation	2	7,900,000	7,900,000	1.42	1.42	0.00%
TOTAL	31	\$47,911,907	\$48,206,898	\$8.62	\$8.68	0.62%

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

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



Source: 1990 IPPBR Survey of States

4. Iowa. Iowa ranked fourth in FY 1989 and third in FY 1990 in state funds invested. The state's investment increased by 4.46% in FY 1990 (Table 6). Iowa ranked third in state funds spent per capita in FY 1989 and 1990. Based upon FY 1990 funding levels, the state's economic development appropriations distributed funding at three levels: high levels--business environment; moderate levels--financial capital, quality of life, and technology/innovation; lower levels--human capital and infrastructure (Figure 8). In FY 1990, Iowa's three areas of emphasis were business environment, financial capital, and quality of life.

5. Minnesota. Minnesota ranked first in state funds invested in FY 1989 and 1990. The state's investment increased 42.32% in FY 1990 (Table 7). Minnesota ranked second in FY 1989 and first in FY 1990 in state funds invested per capita. Based upon FY 1990 funding levels, the state's economic development appropriations distributed funding at three levels, although the difference in funding levels was greater between highly funded (business environment) and moderately funded strategic foundations (human capital, technology/innovation) than between moderately funded and minimally funded areas (quality of life, financial capital, infrastructure) (Figure 9). Support for technology/innovation programs increased dramatically in 1990, indicating increased importance for this strategic foundation. In FY 1990, Minnesota's top funding area was business environment, with technology/innovation and human capital a distant second and third.

6. 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 tenth 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 levels--business

Table 6

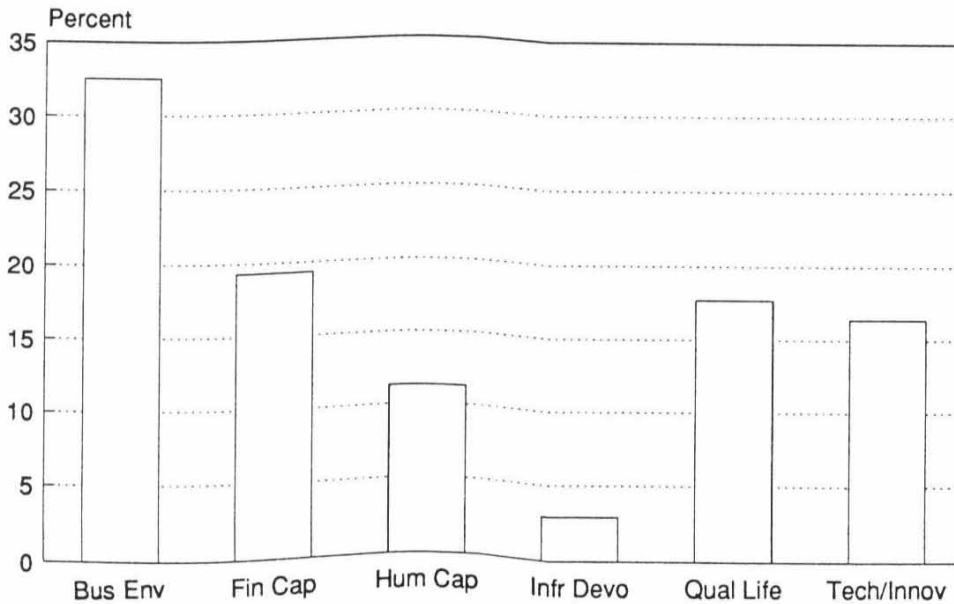
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

IOWA

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	27	\$11,601,871	\$15,880,743	\$4.09	\$5.60	36.88%
B) Financial Capital	6	11,636,132	9,439,792	4.11	3.33	-18.88
C) Human Capital	8	3,884,897	5,534,625	1.37	1.95	42.47
D) Infrastructure	1	2,895,000	1,395,000	1.02	0.49	-51.81
E) Quality of Life	4	7,617,711	8,644,239	2.69	3.05	13.48
F) Technology/Innovation	5	9,177,210	8,005,000	3.24	2.82	-12.77
TOTAL	51	\$46,812,821	\$48,899,399	\$16.52	\$17.25	4.46%

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

Table 7

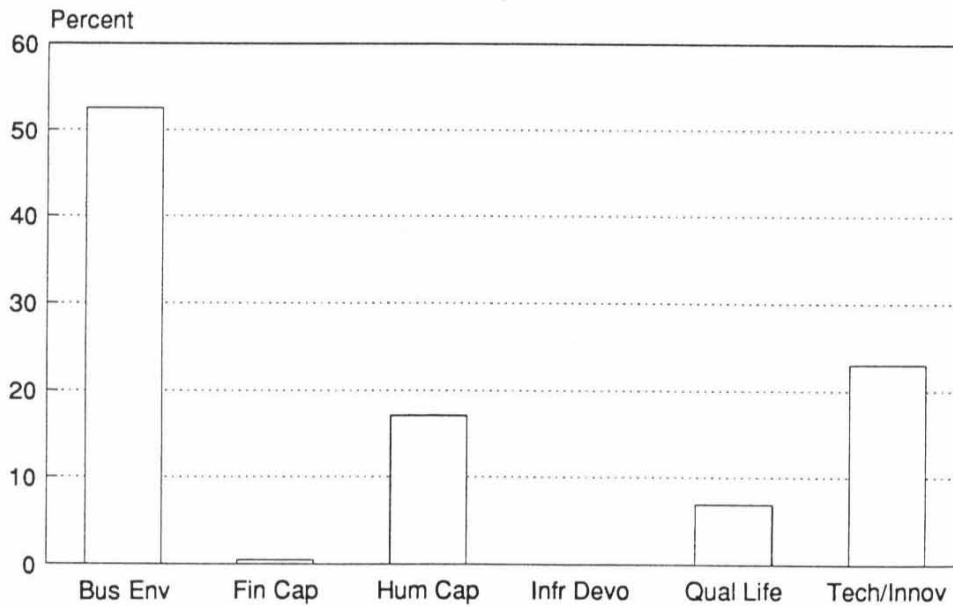
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

MINNESOTA

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	11	\$39,491,682	\$56,381,353	\$9.17	\$13.09	42.77%
B) Financial Capital	1	0	500,000	\$0.00	\$0.12	N/A
C) Human Capital	7	17,765,448	18,275,647	\$4.12	\$4.24	2.87%
D) Infrastructure	0			\$0.00	\$0.00	
E) Quality of Life	3	5,144,003	7,341,085	\$1.19	\$1.70	42.71%
F) Technology/Innovation	12	12,879,037	24,639,558	\$2.99	\$5.72	91.32%
TOTAL	34	\$75,280,170	\$107,137,643	\$17.48	\$24.88	42.32%

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

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



Source: 1990 IPPBR Survey of States

environment; lower levels--human capital, infrastructure, quality of life, and technology/innovation (Figure 10). In FY 1990, Missouri's three areas of emphasis were business environment, human capital, and quality of life.

7. 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 sixth in FY 1989 and fifth 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 levels--technology/innovation; lower levels--business environment, financial capital, human capital (Figure 11). In FY 1990, Nebraska's top funding area was technology/innovation, with entrepreneurial environment and financial capital a distant second and third.

8. 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 levels--business environment and technology/innovation; lower levels--human capital, quality of life, financial capital (Figure 12). In FY 1990, Oklahoma's two areas of emphasis were business environment and technology/innovation, with human capital a distant third.

9. 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 and second 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 levels--business environment; lower levels--technology/innovation, infrastructure development, human

Table 8

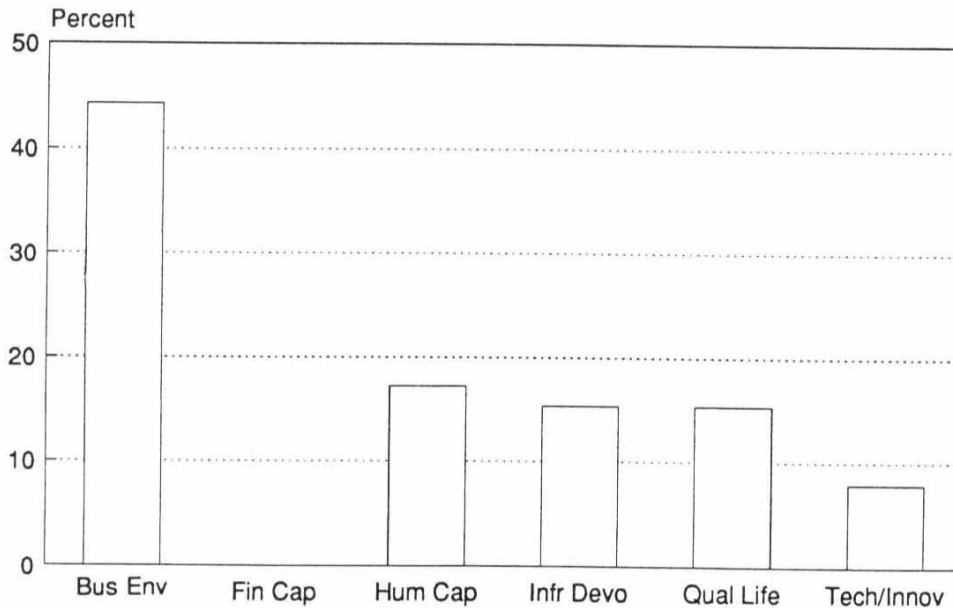
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

MISSOURI

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	6	\$13,445,698	\$14,457,506	\$2.62	\$2.81	7.53%
B) Financial Capital	0			0.00	0.00	
C) Human Capital	1	\$6,574,592	\$5,610,230	1.28	1.09	-14.67%
D) Infrastructure	1	5,000,000	5,000,000	0.97	0.97	0.00%
E) Quality of Life	1	4,913,477	5,007,519	0.96	0.97	1.91%
F) Technology/Innovation	4	2,244,096	2,580,000	0.44	0.50	14.97%
TOTAL	13	\$32,177,863	\$32,655,255	\$6.26	\$6.35	1.48%

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

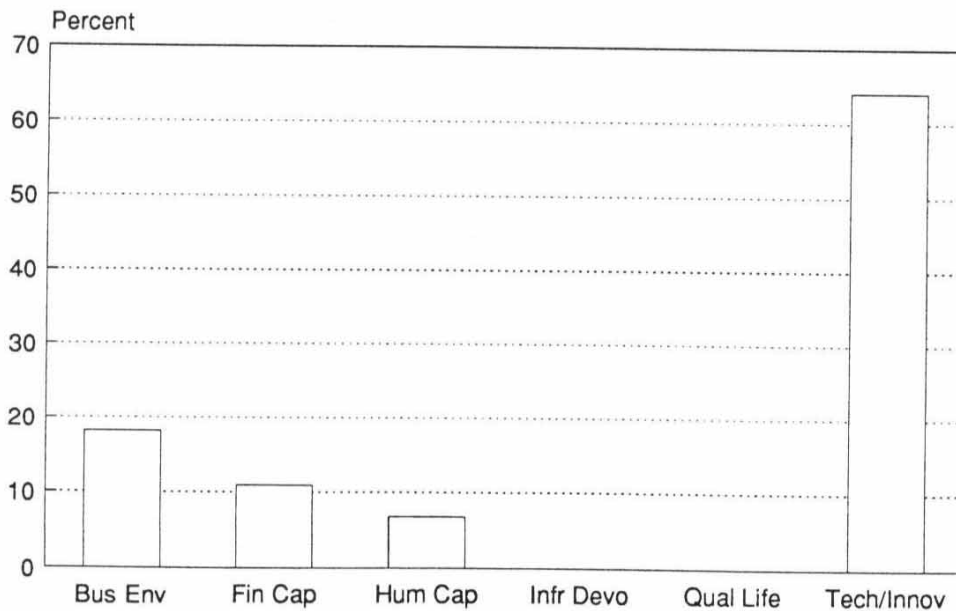
Table 9
ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION

NEBRASKA

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	10	\$3,301,319	\$3,553,115	\$2.06	\$2.22	7.63%
B) Financial Capital	2	2,110,000	2,118,000	1.32	1.32	0.38%
C) Human Capital	1	250,000	1,323,000	0.16	0.83	429.20%
D) Infrastructure	0			0.00	0.00	
E) Quality of Life	0			0.00	0.00	
F) Technology/Innovation	4	8,400,000	12,510,000	5.24	7.81	48.93%
TOTAL	17	\$14,061,319	\$19,504,115	\$8.78	\$12.17	38.71%

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

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



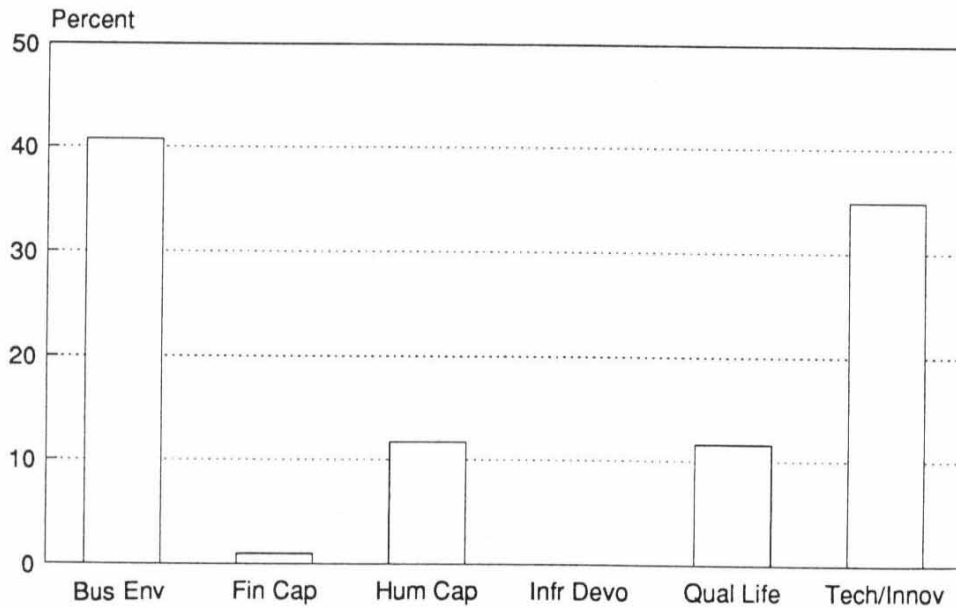
Source: 1990 IPPBR Survey of States

Table 10
 ECONOMIC DEVELOPMENT RESOURCES BY STRATEGIC FOUNDATION
 OKLAHOMA

Strategic Foundation:	No. of Programs	STATE FUNDS		PER CAPITA		Percent Change
		1989	1990	1989	1990	
A) Business Environment	20	\$17,864,233	\$17,565,186	\$5.51	\$5.42	-1.67%
B) Financial Capital	1	0	168,848	0.00	0.05	N/A
C) Human Capital	1	3,388,333	5,044,133	1.05	1.56	48.87%
D) Infrastructure	0			0.00	0.00	
E) Quality of Life	2	4,554,107	5,020,881	1.40	1.55	10.25%
F) Technology/Innovation	7	12,034,000	15,065,000	3.71	4.65	25.19%
TOTAL	31	\$37,840,673	\$42,864,048	\$11.67	\$13.22	13.28%

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

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



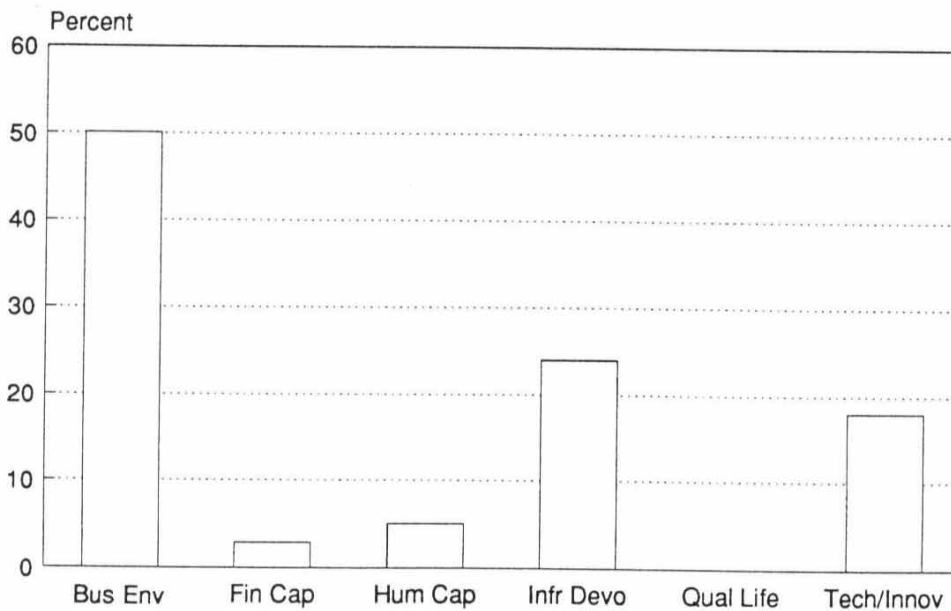
Source: 1990 IPPBR Survey of States

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	16	\$32,531,412	\$32,864,746	\$11.76	\$11.88	1.02%
B) Financial Capital	3	1,750,000	1,878,000	\$0.63	\$0.68	7.31%
C) Human Capital	3	3,330,000	3,330,000	\$1.20	\$1.20	0.00%
D) Infrastructure	3	7,700,000	15,700,000	\$2.78	\$5.67	103.90%
E) Quality of Life	0			\$0.00	\$0.00	
F) Technology/Innovation	6	11,632,878	11,826,193	\$4.20	\$4.27	1.66%
TOTAL	31	\$56,944,290	\$65,598,939	\$20.58	\$23.71	15.20%

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

capital, and financial capital (Figure 13). In FY 1990, Oregon's top area of funding emphasis was business environment, with infrastructure development and technology/innovation a distant second and third.

D. Comparison of Strategic Foundation Funding Across States

State allocations were compared by strategic foundation to determine the range of investment across states and the level of investment made in FY 1989 and FY 1990. To illustrate states' funding emphasis, distributions of funds across the six strategic foundations were compared. Table 12 ranks each state's investment by strategic foundation. Seven of ten states' top funding emphasis was the business environment strategic foundation. This is not too surprising since substantial portions of each state's Department of Economic Development or Commerce were included in the analysis because of their focus on economic development. Other strategic foundations were less likely to be under the umbrella of a major state agency that focused on economic development. The strategic foundations receiving lowest funding priority were infrastructure development (seven states) and quality of life (five states). Similar trends in strategic foundations receiving the highest and lowest funding levels occurred in FY 1989.

The states not funding business environment as their highest funding area included Arkansas--infrastructure, Indiana--human capital, Nebraska--technology/innovation. Technology/innovation was the first or second highest funded strategic foundation for five states: Colorado, Kansas, Minnesota, Nebraska, and Oklahoma. Human capital was one of the top three areas of emphasis in five states: Colorado, Indiana, Kansas, Minnesota, Missouri, and Oklahoma. Thus, the strategic foundations receiving consistently high levels of funding in a majority of the states were business environment, technology/innovation, and human capital.

Table 12

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

Arkansas:	Colorado:	Indiana:
1. Infrastructure	1. Business Environ.	1. Human Capital
2. Business Environ.	2. Technol./Innov.	2. Business Environ.
3. Quality of Life	3. Human Capital	3. Financial Capital
4. Technol./Innov.	4. Financial Capital	4. Technol./Innov.
5. Human Capital	5. Infrastructure and	5. Infrastructure
6. Financial Cap. (\$0)	Quality of Life (\$0)	6. Quality of Life
Iowa:	Kansas:	Minnesota:
1. Business Environ.	1. Business Environ.	1. Business Environ.
2. Financial Capital	2. Technol./Innov.	2. Technol./Innov.
3. Quality of Life	3. Human Capital	3. Human Capital
4. Technol./Innov.	4. Financial Capital	4. Quality of Life
5. Human Capital	5. Quality of Life	5. Financial Capital
6. Infrastructure	6. Infrastructure	6. Infrastructure (\$0)
Missouri:	Nebraska:	Oklahoma:
1. Business Environ.	1. Technol./Innov.	1. Business Environ.
2. Human Capital	2. Business Environ.	2. Technol./Innov.
3. Quality of Life	3. Financial Capital	3. Human Capital
4. Infrastructure	4. Human Capital	4. Quality of Life
5. Technol./Innov.	5. Infrastructure and	5. Financial Capital
6. Financial Cap. (\$0)	Quality of Life (\$0)	6. Infrastructure
Oregon:		
	1. Business Environ.	
	2. Infrastructure	
	3. Technol./Innov.	
	4. Human Capital	
	5. Financial Capital	
	6. Quality of Life (\$0)	

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

Business Environment. Business environment was the top funded area in FY 1990 for all states except Arkansas, Indiana, and Nebraska. Figure 14 shows the relative investments that states made in this strategic foundation, with funding corrected for differences in population size (per capita funding levels). Minnesota's large increase in funds allocated in FY 1990 placed it ahead of all other

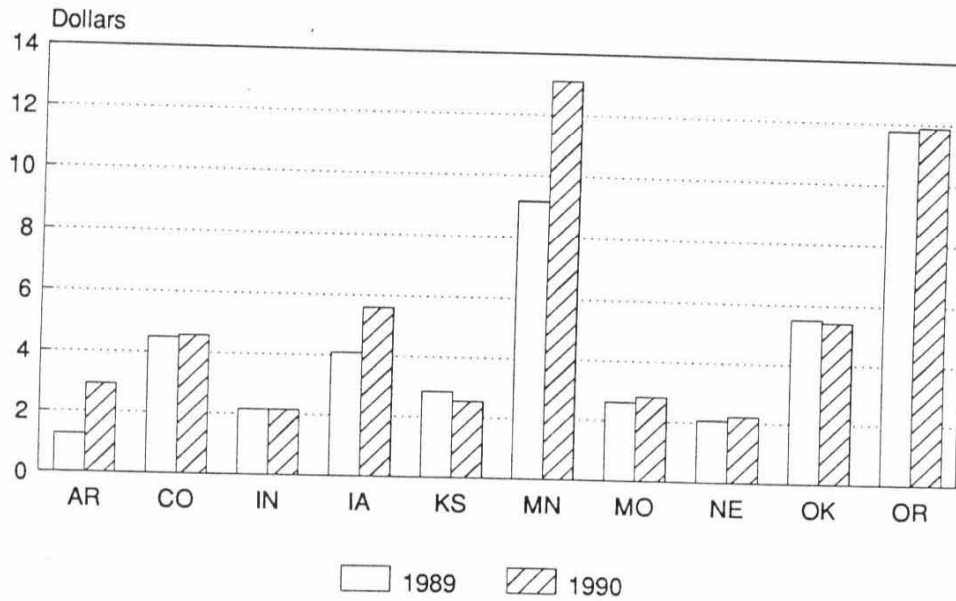
states. Minnesota and Oregon far exceeded other states' funding levels. In FY 1990, Colorado, Iowa, and Oklahoma funded business environment within a \$4.00 to \$6.00 per capita range. For the remaining states--Arkansas, Indiana, Kansas, Missouri, and Nebraska--FY 1990 funding was in the \$2.00 to \$3.00 range.

In FY 1990, Kansas ranked eighth in per capita funding of business environment programs and ninth in state dollars allocated. Of Kansas' contiguous states, only Nebraska has a smaller per capita funding level. Business environment was Kansas', and not Nebraska's, top funding area. The remaining contiguous states (Colorado, Missouri, and Oklahoma) funded business environment as their top emphasis just as Kansas did, but those states' funding levels exceeded Kansas' investment. Kansas' funding decreased by 11% from FY 1989 to FY 1990, and Oklahoma showed a 2% loss. Indiana showed no change, and all other states increased funding.

Financial Capital. None of the ten states funded financial capital as the area of top emphasis. 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 \$6.00 per capita range (Figure 14), most states' FY 1990 financial capital funding ranged from \$0.45 to \$1.73 (Figure 15). Only Iowa funded above the \$2.00 per capita range for both years. 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.

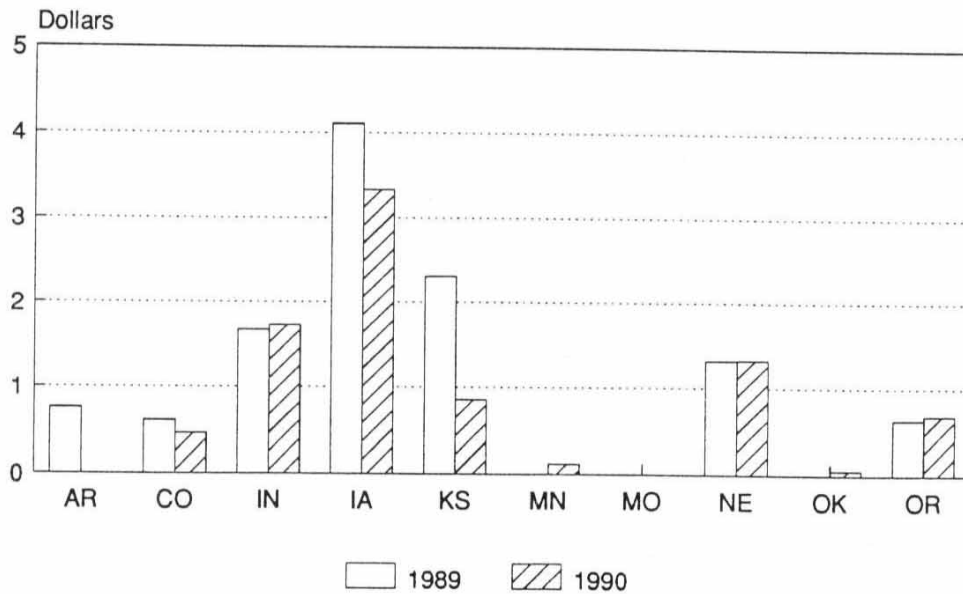
In FY 1990, Kansas ranked fourth in per capita funding of financial capital programs and sixth in state dollars allocated. Of Kansas' contiguous states, Nebraska ranked financial capital as its third area of emphasis and, not surprisingly, spent more per capita in FY 1990. Four of the seven states funding this

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



Source: IPPBR State Survey

Figure 15
Financial Capital Programs
Total State Funding (Per Capita)



Source: IPPBR State Survey

strategic foundation in FY 1989 and 1990 reduced funding from 1989 to 1990. The average percent change was -20.43%.

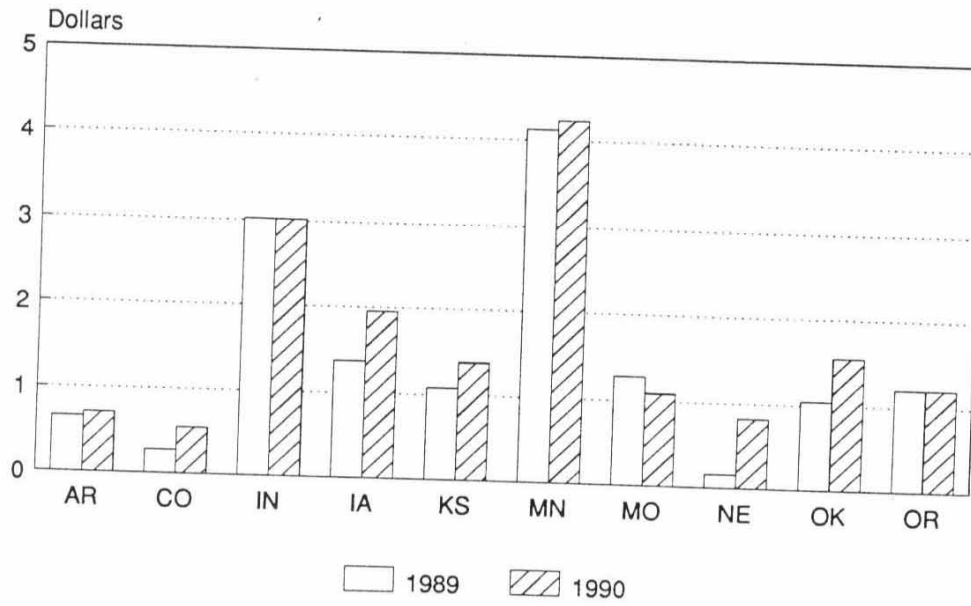
Human Capital. Human capital was the top FY 1990 funded strategic foundation for Indiana, and was the second or third area of emphasis for Colorado, Kansas, Minnesota, Missouri, and Oklahoma. Figure 16 shows the human capital investment for all states, corrected for population size. On a per capita basis, Minnesota and Indiana invested more than all other states for both years. States investing between \$1.00 and \$2.00 per capita included Iowa, Kansas, Missouri, Oklahoma, and Oregon. Arkansas, Colorado, 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 human capital funding by over 400% in FY 1990 and Colorado nearly doubled its funding. Kansas increased human capital funding by 27.78%.

Infrastructure. In FY 1990, infrastructure development was the top area of emphasis for Arkansas and second area of emphasis for Oregon. Missouri ranked it fourth and all other states ranked it fifth or sixth. Figure 17 illustrates the relatively low level of funding for most states.

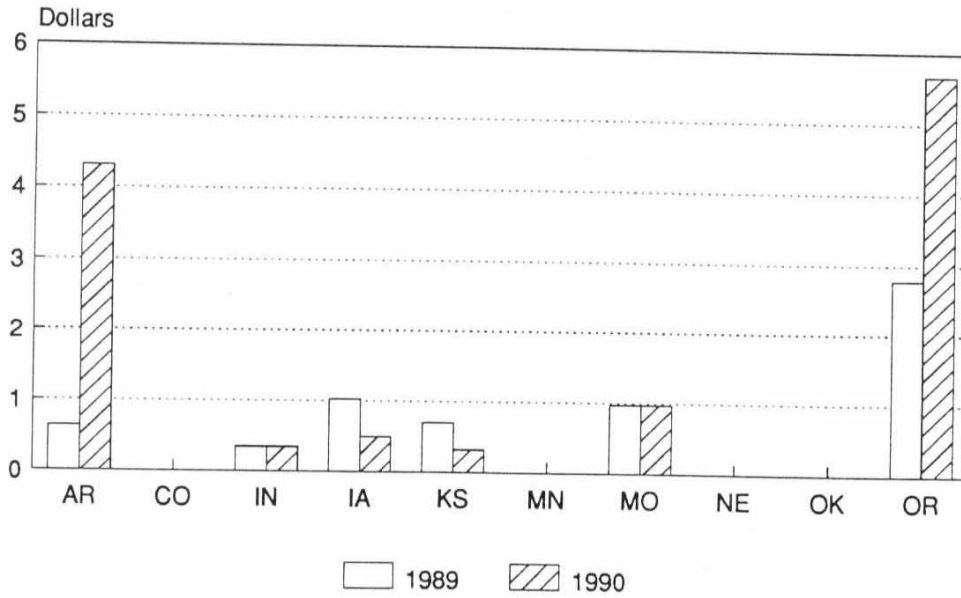
In FY 1990, Kansas ranked sixth in per capita funding and total state dollars allocated for infrastructure. Colorado, Nebraska, and Oklahoma allocated no funds, and Missouri allocated \$0.97 per capita. Kansas allocated \$800,000 or \$0.32 per capita in FY 1990, a reduction of nearly 54% from FY 1989. Only Arkansas and Oregon aggressively funded this strategic foundation, with both states allocating much larger sums in FY 1990 than in FY 1989.

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



Source: IPPBR State Survey

Figure 17
Infrastructure Development Programs
Total State Funding (Per Capita)



Source: IPPBR State Survey

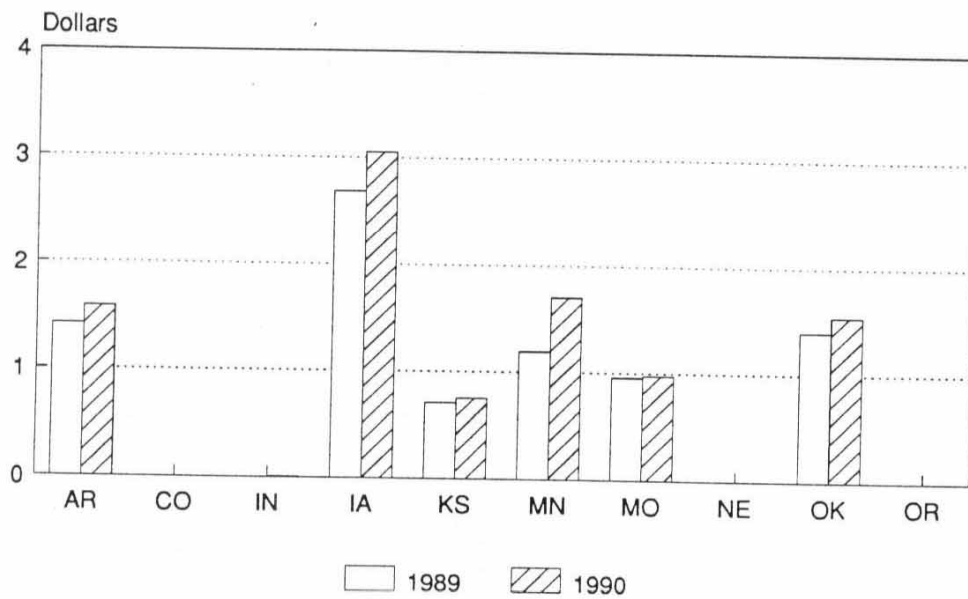
Quality of Life. None of the states surveyed placed quality of life as their top FY 1990 funding area. Seven of ten states placed this strategic foundation in the lower half of their funding levels. Quality of life was the third highest funded strategic foundation in Arkansas, Iowa, and Missouri. Figure 18 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 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%. Minnesota's 42.71% increase was the largest.

Technology/Innovation. Technology/innovation was the top FY 1990 funding strategic foundation for Nebraska, and the second or third highest funded strategic foundation for Colorado, Kansas, Minnesota, Oklahoma, and Oregon. Figure 19 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.

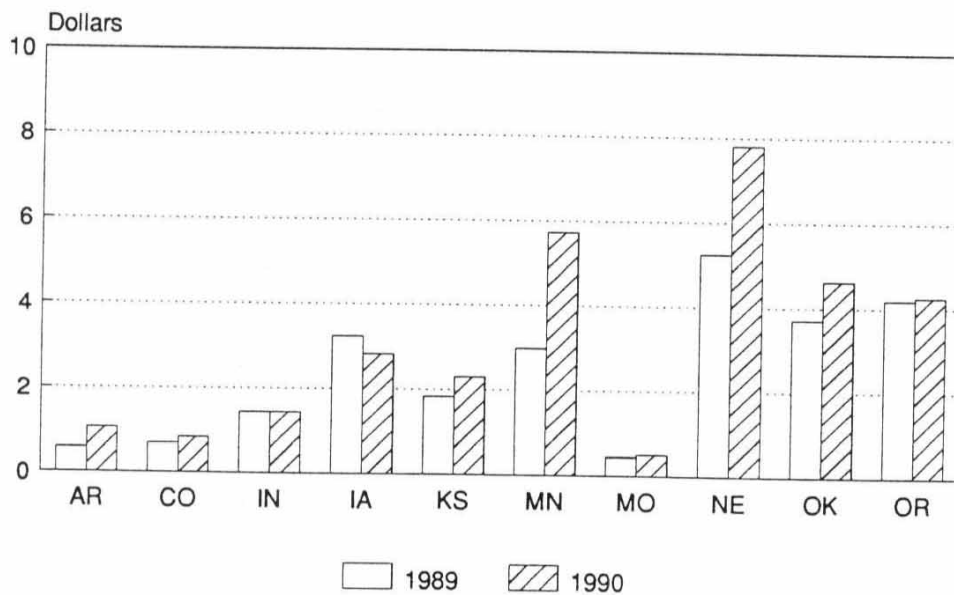
In FY 1990, Kansas ranked sixth in per capita funding of technology/innovation and seventh in total state dollars allocated. Of Kansas' contiguous states, Colorado and Missouri allocated less per capita and Nebraska and Oklahoma allocated more per capita than did Kansas. While Nebraska's per capita funding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

Figure 18
Quality Of Life Programs
Total State Funding (Per Capita)



Source: IPPBR State Survey

Figure 19
Technology/Innovation Programs
Total State Funding (Per Capita)



Source: IPPBR State Survey

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.

E. 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.

1. State funding of economic development programs averaged \$36,735,952 in FY 1989 and \$43,162,625 in FY 1990.
2. In FY 1990, Minnesota invested more funds in economic development than all other states and Arkansas invested fewer funds.
3. Kansas was below average in state funding of economic development programs, with funding at \$23,634,694 in FY 1989 and \$20,325,133 in FY 1990.
4. Kansas was the only state to reduce the overall state funding for economic development. The FY 1990 decrease of \$3,309,561 was a 14% 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. Kansas ranked fifth out of the ten states in per capita funding in FY 1989 and eighth in FY 1990.
7. In state funding of economic development, contiguous competitor states' FY 1990 rankings were: (1) Oklahoma; (2) Missouri; (3) Colorado; (4) Kansas; and (5) Nebraska.
8. 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.
9. Per capita funding for the ten states averaged \$10.92 in FY 1989 and \$12.83 in FY 1990.

10. Kansas' per capita funding was below average at \$9.47 (FY 1989) and \$8.14 (FY 1990).
11. Strategic foundations receiving the highest level of funding in a majority of states in FY 1990 were business environment, technology/innovation, and human capital.
12. Strategic foundations receiving the lowest level of funding in FY 1990 were infrastructure (seven states) and quality of life (five states).
13. Kansas' funding emphases in FY 1990 were business environment, technology/innovation, and human capital.
14. Two patterns of strategic foundation funding occurred: two- and three-level patterns. States with strategic foundation funding clustered at three levels were Minnesota (ranked first in size of state budget), Indiana (ranked third), and Iowa (ranked fourth). States with fewer state dollars to invest had a two-level funding pattern. This tended to create a more highly focused economic development funding pattern, as a larger share of the state's investment was concentrated in one or two strategic areas.