

SCOPE STATEMENT

Economic Development: Determining the Amounts the State Has Spent on Economic Development Programs and the Economic Impacts on Kansas Counties

Economic Development in Kansas has been funded primarily from Lottery proceeds and gaming revenues. Each year, the first \$50 million in gaming revenues is placed in the State Gaming Revenues Fund and any amounts over \$50 million are placed in the State General Fund. From the Gaming Revenues Fund, 85% of the money is transferred to the Economic Development Initiatives Fund. The Economic Development Initiatives Fund has been used primarily to fund the budgets of the States' three main economic development agencies – the Department of Commerce, Kansas Technology Enterprise Corporation, and Kansas, Inc. In addition, small amounts of the money have been credited to the State Water Plan Fund and have been used for other programs.

Since gaming was first allowed in the State, the Legislature has passed two other major pieces of legislation aimed at spurring economic development in the State. One was the Biosciences Authority Act in 2004, which created a Bioscience Authority and charged it with making Kansas a national leader in the biosciences and with creating new jobs and fostering economic growth. The funding for the Authority comes from withholding taxes on the wages of certain employees in biosciences industries.

The other major piece of legislation was the Kansas Expanded Lottery Act in 2007, which provided for up to four State-owned casinos in Kansas, and allowed for gaming devices to be placed at parimutuel tracks in the State. By law, money the State receives from these additional gaming activities would be placed in the Expanded Lottery Act Revenues Fund, and is to be used only for reducing State debt, State infrastructure improvements, and reducing local ad valorem taxes.

Recently, legislators have expressed an interest in knowing what programs fund economic development activities in Kansas, and how much State, federal, and local money is spent for economic development purposes. They want to know what past audits and current literature show about the effectiveness of spending for economic development activities, and what types of results can be shown in Kansas for the money that has been spent to date.

A performance audit of this topic would address the following questions:

- 1. How much State, federal, and local money has been spent on economic development programs during the past five years?** To answer this question, we would review the appropriation acts and survey State agencies involved in economic development activities to identify the State and federal moneys that have been made available for economic development purposes during the past five years. In addition, we would contact officials from local units of government to determine what moneys they have committed to economic development purposes during that time period. To the extent possible, we would classify the spending into categories such as direct aid to businesses, travel and tourism, infrastructure, and the like. *Note: Because of the large number of local units of*

government spending money on economic development projects, we would need to limit our review of local spending to a small sample of localities.

- 2. What have past audits and recent literature shown about the effectiveness of economic development programs?** To answer this question, we would summarize the main findings from economic development audits we have conducted over the past few years. In addition, we would conduct a search of recent literature and summarize the findings of recent studies to identify what they show about the effectiveness of spending on economic development.

- 3. What results can be seen from State spending for economic development in Kansas?** To answer this question, we would conduct several analyses. We would look at the amount of State money that has been spent on economic development in each county in Kansas in recent years. We would consult with Kansas, Inc. or others such as economists at the universities to develop some outcome measures for economic development activity. We would perform statistical analyses to look at the relationships between the amounts of money spent in each county and the outcomes they achieved. For counties that appeared to achieve particularly good or poor outcomes in relation to the average or to other counties with similar demographics, we would conduct further analyses to try to determine what other factors besides State spending may be affecting the outcomes in those areas. In addition, we would conduct analyses of Kansas' ranking among the 50 states over time on measures such as employment levels, average wages, and the like to determine whether Kansas' relative economic health seems to be improving. In addition, by analyzing tax information from the Department of Revenue and job and wage information from the Department of Labor, we would conduct some specific case studies to look at whether spending to generate business in one community may be having a negative impact on economic activity in surrounding communities. Finally, we would review analyses of tax credits conducted by the Department of Revenue and any reports completed by Kansas Inc. We would conduct additional work in this area as needed.

Estimated Time to Complete: 12-15 weeks