

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Representative Kenny Wilk at 3:30 p.m. on January 14, 2003 in Room 522-S of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research
Debra Hollon, Legislative Research
Rena Jefferies, Revisor of Statutes
Fulva Seufert, Committee Secretary

Conferees appearing before the committee: Joseph A. (Jay) Kayne, Ph. D., Kayne & Associates,
Leawood, Kansas
Tracy Taylor, CEO of Kansas Technology Enterprise Corp.

Others attending: See attached list

The meeting was called to order at 3:30 p.m. by Chairman Kenny Wilk. The Chairman welcomed the committee and informed the members that there would be twenty days for meetings. The staff introduced themselves, and the Chairman informed committee members that all meetings would start promptly at 3:30, and if he was not in attendance, the Vice-Chair would start the meeting. A seating chart and committee rules were distributed.

Chairman Wilk introduced Jay Kayne, Ph. D. from Kayne & Associates who presented an informative brief history of Economic Development (Attachment 1). This included the origins of state economic development and the legislature's role as state policymaker. He provided the committee with facts and figures which support the importance of entrepreneurial awareness and opportunity, and he challenged the committee to "think outside the box" to make a compelling case about the relative return on investment.

As state policymakers, the role is to:

- Honor entrepreneurship
- Provide life long learning
- Learn from each other
- Ensure an adequate supply of capital
- Examine state policies so they support, not inhibit, entrepreneurship
- Support the growth and skill level of the state's workforce
- Ensure institutions of higher learning are available as resources
- Maintain state-of-the-art infrastructure
- Reinvent government so that it provides real-time support to entrepreneurship

The Chair introduced Mr. Tracy Taylor, C.E.O. of Kansas Technology Enterprise Corporation, who stressed that Kansas should focus on technology, manufacturing, and the aviation industry.

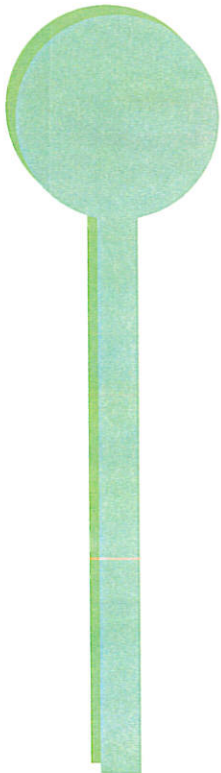
The Chairman opened the meeting for questions, and several legislators asked interesting questions. It was suggested that the key is a good environment where adequate resources can be assembled to make a successful venture. An audit of the current state budget is a necessity as well as an assessment of what the state is currently doing that aids in creating an entrepreneurial environment. The committee was made aware of Ted Haggert's patent acquisition program at K-State and the CalC smoothie drink that is now being marketed in the Dillon's stores.

The Chairman thanked Dr. Jay Kayne for his presentation and Tracy Taylor for his input. The meeting adjourned at 4:50 p.m. The next scheduled meeting is Tuesday, January 21, 2003, at 3:30p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

TUESDAY, JANUARY 14, 2003

NAME	REPRESENTING
Natalie Budget	WIBA
Eric Collins	Ks Governmental Consulting
Darnell Hanson	
Don Hanson	Silver Spring, Okla. Elsworth
Janet McPherson	Ks Farm Bureau
Alan Weis	KTEC
Bill SCHULTE	LOAVERWORTH EDC
Charles Ronson	Konsos Inc.
TED HAGGART	KTEC
Tracy Taylor	KTEC
Michael Teck	KTEC
Robert Choromanski	KTLA
Ronald Seibert	Hein Law Firm



A Brief History of Economic Development

Kansas Legislature
House Committee on Economic Development
January 14, 2003

Jay Kayne
Kayne & Associates



Origins of State Economic Development

- 1950s Mississippi
- "Developing Nation" Mentality
- Cheap Land, Cheap Labor, Low Taxes
- Attracted labor-intensive industries
 - Textiles, Furniture
- 1970s-1980s: Foreign Investment

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Two Watershed Events

- United Airlines Maintenance Facility
 - Presented incentives guidelines
 - Colorado Legislature Says "NO"
- Sears
 - Threatens to move from the Chicago area
 - Courts several alternative locations (Charlotte, NC & Plano, TX)
 - Illinois assembles competitive incentive package to keep Sears

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1990s—Recognition of A New Reality

- *The Job Creation Process*, David Birch, 1979
- Fortune 500 Companies decline in employment
- Entrepreneurial Growth Companies:*
 - Create 67% of all new jobs/more in economic downturns
 - Responsible for more than 67% of new innovation
 - Economic and community change agents

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Source: National Commission on Entrepreneurship, 2001

EGCs in Kansas, 1997

Labor Market Area	# Companies	# EGCs
Kansas City, MO-KS	44,852	2,287
Wichita	14,402	617
Topeka	10,525	459
Hutchinson	6,702	212
Bartlesville, OK	5,383	189
Garden City	4,423	182
Salina	2,992	87

*Source: National Commission on Entrepreneurship, 2001

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What's Wrong with This Picture?

E-Activity
70%

Other
30%

Percentage Difference in Economic Growth Explained by Entrepreneurial Activity

Source: Global Entrepreneurship Monitor 2000

Other
99.3%

E-Activity
0.7%

Percentage State Economic Development Resources for Entrepreneurship Development

Source: NASDA Survey of State Expenditures 1999

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Why Now?

Realization by state and local policymakers and economic development officials that industrial attraction has diminishing returns as there is a decreasing number of "buffaloes to hunt"

Decline in public revenues is forcing public officials to rethink how they use scarce resources (i.e., how to get more bang for the buck)

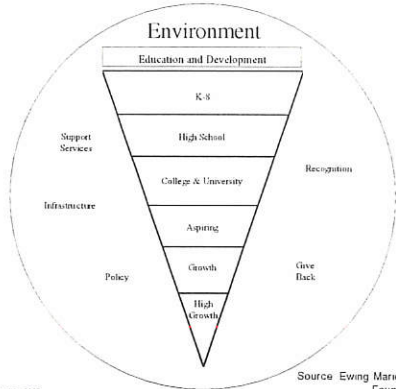
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So What's The Issue?

- Entrepreneurship development takes time—outside the political timeframe.
- Entrepreneurship equals “venture economic development,” requiring a portfolio versus project mentality.
- Impact is incremental.
- Supporters have not made a compelling case about the relative return on investment.
- Public sector perception that “wealth is a four-letter word.”

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Source: Ewing Marion Kauffman Foundation, 2001

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Your Role as State Policymaker

- Celebrate and honor entrepreneurship and individual entrepreneurs
- Provide life-long learning opportunities for potential and active entrepreneurs
- Facilitate the establishment of networks “of entrepreneurs, by entrepreneurs, for entrepreneurs”
- Ensure an adequate supply of capital at all stages of the commercialization process
- Examine state policies so that they support, not inhibit, entrepreneurship

*Source: *Entrepreneurship: A Candidate's Guide*, National Commission on Entrepreneurship, 2002

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Your Role as State Policymaker

- Support the growth and skill level of the state's workforce
- Ensure institutions of higher learning are available as resources
- Maintain state-of-the-art infrastructure
- Reinvent government so that it provides real-time support to entrepreneurs

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*Source: *Entrepreneurship: A Candidate's Guide*, National Commission on Entrepreneurship, 2002



Resources

EntreWorld
www.entreworld.org

National Commission on Entrepreneurship
www.ncoe.org

National Center for Rural Entrepreneurship
www.ruraleship.org

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For More Information

Jay Kayne
Kayne & Associates
Leawood, Kansas
Phone: 913-669-8133
E-mail: jkayne@kc.rr.com

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