

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on March 4, 2004, in Room 526-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Legislative Research Department  
Renae Jefferies, Office of Revisor of Statutes  
Helen Pedigo, Office of Revisor of Statutes  
Fulva Seufert, Secretary

Conferees appearing before the committee:

Senator Dwayne Umbarger  
Senator Nick Jordan  
Matt Jordan, Department of Commerce and Housing  
Hal Hudson, State Director, National Federation of Independent Business (NFIB)  
Patty Clark, Director of Ag Marketing, Kansas Department of Commerce  
Bill Bolin, Executive Director, South Central Kansas Economic Development District (SCKEDD)

Others attending:

See Attached List.

Chairman Wilk asked Ms. Kathie Sparks, Legislative Research, to brief the committee on the following:

**SB 393 - Kansas Center for entrepreneurship**

The Chair opened the Public Hearing on **SB 393**. He welcomed Senator Umbarger who presented the following amendments to build some safeguards into **SB 393** to ensure the rural emphasis throughout implementation:

Page 4, Line 40, Section 5 (b) - change the word may to **shall**

Page 2, line 29, Section 2 (h) - "rural community" means any city having a population of fewer than ~~50,000~~ **25,000** or ~~except as otherwise provided,~~ any unincorporated area, **except as otherwise provided**. Any city or unincorporated areas within any county having a population of more than ~~100,000~~ **75,000** are not eligible; and

Page 2, Line 43, Section (b) - The center shall be governed by a board of 11 directors. The board of directors shall be appointed by the secretary of commerce; **with at least seven of the eleven appointees being from a rural community**.

OnPage 7, Line 13, Section 9 (g) **Sixty (60%) percent of** the Kansas community entrepreneurship fund shall be distributed to regional or local community seed capital funds or economic development agencies **that serve rural communities as defined herein and the remaining forty (40%) percent of the fund shall be awarded on a statewide competitive basis to regional or local community seed capital funds or economic development agencies that serve rural or non-rural communities. Every two years any funds remaining in the sixty (60%) percent rural community pool after all qualified applications are funded shall be reallocated to the forty (40%) percent statewide pool and awarded on a competitive basis. All applications shall meet the following minimum ...**

The bill also creates an 11 member board of directors, Kansas Community Entrepreneurship fund and a new tax credit. (Attachment 1)

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on March 4, 2004, in Room 526-S of the Capitol.

Chairman Wilk thanked Ms. Sparks and welcomed Senator Umbarger to the committee. Senator Umbarger spoke as a proponent for **SB 393** and said that on page 4, line 40, he wanted to replace the word "may" with "shall" and on page 2, line 30, Section 2 (h) strike 50,000 and replace with 25,000 and strike the words "except as otherwise provided." In line 32, strike 100,000 and substitute 75,000. On page 3, line 1, add the following new language: with at least 7 of the 11 being from a rural community as defined. On page 7, line 13, new language which provides a 60% match.

Chairman Wilk thanked Senator Umbarger and welcomed Dr. Don Beggs, President, Wichita State University and the Barton School of Business who spoke as a proponent for **SB 393**. Dr. Beggs told the committee that Wichita State University has had a long history of educating and working with entrepreneurs. He said over 25 years ago, Professor Fran Jabara founded the WSU Center of Entrepreneurship which is ranked nationally today. These academic programs provide many excellent educational and professional programs fostering entrepreneurship. ([Attachment 2](#))

Chairman Wilk thanked Dr. Beggs and welcomed Senator Nick Jordan to the committee. Senator Jordan thanked the committee for hearing **SB 393**. He said there are lots of small businesses in the state and that the response to this bill has been almost as much as the response to the bioscience bill, and he hoped it would be passed out of the committee favorably. He also said that he supported Senator Umbarger's amendments. He stated that 50,000 in the bill is a federal definition and he understood Senator Umbarger's concern. He felt we should be consistent in some other bills, too, and not completely sure we want to do that which gives room for consideration. Suggested that perhaps we should stay away from using percentages.

The Chair thanked Senator Jordan and welcomed Mr. Matt Jordan, Director of Community Development for the Kansas Department of Commerce, who spoke as a proponent for **SB 393**. He said that **SB 393** would create a world-class system to support and grow entrepreneurs in Kansas. He said he believes both **SB 393** and **SB 417** fit together and will offer a comprehensive and coordinated approach that involves collaboration among the Department of Commerce, Kansas Technology Enterprise Corporation, Kansas Small Business Development Centers, and Wichita State University. ([Attachment 3](#))

Chairman Wilk thanked Mr. Jordan and welcomed Mr. Hal Hudson, State Director, National Federation of Independent Business, who spoke as a proponent of **SB 393**. Mr. Hudson said that **SB 393** is specifically directed toward helping Kansas grow small and independent businesses. He reported that out of today's 25 largest U.S. companies, 19 were either small businesses or did not exist in 1960. He stressed that assistance can also be provided to existing small businesses to enable them to grow, expand, and offer more jobs in Kansas. ([Attachment 4](#))

Chairman Wilk thanked Mr. Hudson and called the committee's attention to the written testimony of Mr. Wally Kearns, State Director, Kansas Small Business Development Center (KSBDC). ([Attachment 5](#))

Attention was also called to the submitted written testimony of Mr. Harry A. Watts, Managing Director, KFB Governmental Relations. ([Attachment 6](#))

Written only testimony was also presented by the following: Pete Schrepferman, Wichita Independent Business Association, Professor Fran Jabara, Emeritus, Principal, Jabara Ventures Group, and Blake Schreck, President, Lenexa Chamber of Commerce. ([Attachment 7](#))

Chairman Wilk closed the Public Hearing on **SB 393**.

The Chair asked Ms. Kathie Sparks, Legislative Research, to brief the committee on **SB 417**. After the briefing, the Chair opened the Public Hearing on the following:

**SB 417 - Rural business development income tax credits**

Chairman Wilk welcomed Ms. Patty Clark, Director of Ag Marketing, Kansas Department of Commerce, who supported **SB 417**. Ms. Clark said that rural business development was a key priority of the Statewide Economic Revitalization Plan. She said **SB 417** Would invest a total of \$7 million in tax credits across the

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on March 4, 2004, in Room 526-S of the Capitol.

state over a three year period. Ms. Clark said the creation of this tax credit program would motivate private investment in rural communities to ensure regional determination of investment of funds and to maximize the potential of transfer of wealth back to rural Kansas. (Attachment 8)

The Chair thanked Ms. Clark and welcomed Bill Bolin, Executive Director, South Central Kansas Economic Development District (SCKEDD) who supported **SB 417**. (Attachment 9)

Chairman Wilk closed the Public Hearing on **SB 417**.

The Chair announced the reopening of the discussion of **SB 222**.

**SB 222 - Authorizing the Kansas Development Finance Authority to issue mortgage revenue bonds**

Representative Gordon made a motion to insert ©) on page 7, line 19 to read as follows: No contract for a master servicer shall be in effect for a period longer than three years or more than an aggregate amount of \$350,000,000 in mortgage loan servicing without initiating a new bidding process, which ever period of time is greater. Representative Novascone seconded. After discussion, Representative Gordon withdrew the motion with Representative Novascone's consent.

Representative Gordon made a new motion to have language drafted to make reference to original loans, and Representative Novascone seconded. Motion failed.

Representative Gordon made a motion to have language drafted but to leave out the dollar amount. Representative Carlin seconded. Motion passed.

Representative Gordon made a motion to allow the servicer to be paid if the lender chose to service the loan it originates, and Representative Novascone seconded. Motion failed.

Representative Brunk made a motion with the intent of servicing the under served population, and Representative Novascone seconded. Motion failed.

The Chair announced that the committee was back on the bill.

Representative Brunk made a motion to delete the word conventional, and Representative Novascone seconded. Motion failed.

Representative Novascone made a motion to put into statute that Sedgwick and Shawnee County get 25% of the state ceiling, and Representative Gordon seconded. Motion failed.

Representative Kuether made a motion to have the revisor draft a substitute bill and that Substitute **SB 222** be passed out marked favorable for passed. Representative Loganbill seconded. Motion passed. The following Representatives asked to be recorded as "no" votes: Representatives Gordon, Novascone, and Brunk.

Representative Burroughs made a motion to approve the minutes of the February 24, 2004, meeting. Representative Gordon seconded. Motion passed.

The meeting adjourned at 5:50 p.m. The next meeting will be March 9, 2004.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
GUEST LIST

DATE: Thursday, March 4, 2004

NAME	REPRESENTING
Bill Bolin	South Central Kansas Economic Development District
Matt Jordan	Commerce
Kelby Clab	"
Hal Hudson	NFIB/KS
Rob Haley	KDFA
Christine Reimler	KHRC
Norma Phillips	KHRC
Keith Tully	Sedgwick Co/ G.K. Baum & Co
Brad Snapp	Sedgwick County, KS
Mike Pepon	Sedgwick County
Harry A. Webb	KFB
John Dougherty	ESU
MC Pomitt	PSU
Ruth Mullhatter	SPEEA IF PTE 2001
Bill Spalding	SPEEA
Hart Hillman	SPEEA
Shane Michael	SPEEA
Matt Goddard	HCBA

Senate Bill No. 393  
 "Center for Entrepreneurship Act"  
 Proposed Amendments  
 Tuesday, February 24, 2004

*Discussion Note:* Concern and reason for the proposed amendments, the "Center for Entrepreneurship" was touted as a rural economic initiative, but there does not seem to be any safeguards built into Senate Bill No. 393 to ensure the rural emphasis throughout implementation.

1. Page 4, Line 40 Section 5 (b)

(b) The center ~~may~~ **shall** use the Kansas community entrepreneur fund, as defined in section 8, to carry out the purposes of this act by awarding funds to regional and community organizations that provide seed capital to qualified entrepreneurs with an emphasis on those located in distressed and rural communities, as defined in section 1. Up to 10% of the fund balance on July 1 of the year may be used for operations of the center. Awards of the remainder of the funds shall be made on a competitive basis.

*Discussion Note:* Change language from "may" to "shal".

2. Page 2, Line 29 Section 2 (h)

(h) "rural community" means any city having a population of fewer than ~~50,000~~ **25,000** or ~~except as otherwise provided,~~ any unincorporated area; **except as otherwise provided. Any city or** unincorporated areas within any county having a population of more than ~~100,000~~ **75,000** are not eligible; and

*Discussion Note:* With this language change the population of a city must be fewer than 25,000 in order to be considered rural. Further, no matter what size the city is, if it is in a county with a population more than 75,000 it would not be considered as rural. All unincorporated areas in counties with a population less than 75,000 would also be considered rural.

Counties with populations above 75,000 in 2000 Census were; Douglas, Johnson, Sedgwick, Shawnee and Wyandotte.

3. Page 2, Line 43 Section (b)

(b) The center shall be governed by a board of 11 directors. The board of directors shall be appointed by the secretary of commerce; **with at least seven of the eleven appointees being from a rural community**

House Economic Development  
 3-4-04  
 Attachment 1

as defined herein and shall be comprised of individuals who have demonstrated entrepreneurial success, including one member from each of the following organizations:

- (1) Three at-large entrepreneurs,
- (2) An agricultural entrepreneur knowledgeable in biosciences,
- (3) banking industry,
- (4) travel/tourism industry,
- (5) enterprise facilitation,
- (6) Kansas chamber of commerce and industry,
- (7) Kansas small business development centers,
- (8) Kansas technology enterprise corporation and
- (9) national federation of independent businesses.

*Discussion Note: By requiring that seven of the eleven-member board of directors be from rural communities will help ensure that the Center for Entrepreneurship maintains its rural emphasis.*

4. Page 7, Line 13 Section 9 (g)

(g) Sixty (60%) percent of the Kansas community entrepreneurship fund shall be distributed to regional or local community seed capital funds or economic development agencies that serve rural communities as defined herein and the remaining forty (40%) percent of the fund shall be awarded on a statewide competitive basis to regional or local community seed capital funds or economic development agencies that serve rural or non-rural communities. Every two years any funds remaining in the sixty (60%) percent rural community pool after all qualified applications are funded shall be reallocated to the forty (40%)percent statewide pool and awarded on a competitive basis. All applications shall meet the following minimum

~~based on the following~~ criteria: (1) The organization can provide a 40% match; (2) the organization provides a plan that assures grant funds will be used as seed capital for qualified entrepreneurs; (3) the grant will be used in a distressed or rural community and (4) other criteria as deemed necessary by the Kansas center for entrepreneurship.

*Discussion Note: Under this revised format at least sixty (60%) of the Kansas community entrepreneurship fund shall be set aside every two years for development agencies that serve rural communities, however if the funds are not used after two years the balance rolls over into a statewide competitive fund.*

Testimony before the House Economic Development Committee  
Don Beggs, President  
Wichita State University and the Barton School of Business  
Thursday, March 4, 2004

I would like to thank Chairman Wilk and members of the House Economic Development Committee for allowing me to testify this afternoon in support of Senate Bill 393 which establishes the Kansas Center for Entrepreneurship. My name is Don Beggs and I serve the state of Kansas as the President of Wichita State University. WSU's Barton School of Business is home to nationally-ranked entrepreneurship programs and the WSU Center for Entrepreneurship.

I have been in Kansas for six years and I have been impressed with the "entrepreneurial spirit" that permeates the City of Wichita and the State. It is critical to the future of this State that this spirit be tapped, nurtured and funded. Entrepreneurship is one of the three E's that will shape our economic future: Entrepreneurship, Economic Development and Education. They must all work in tandem to assure our success.

Many successful entrepreneurs have shaped the economy of this State and have paved the way for future generations of entrepreneurs. Charles Koch, Dan and Frank Carney, Tom Devlin, Frank Barton, Sheldon Coleman, Clyde Cessna, Walter Beech and others have put Kansas on the map and made us proud. We must follow their lead and continue to develop our economy through entrepreneurship. Many more entrepreneurs must rise up and succeed in the future for the benefit of our State and its citizens.

It is noteworthy that 65-70% of the 27 million net new jobs for the 15 year period 1980-1995 were attributable to new and small businesses. Also, 70% of economic growth in the U.S. is attributable to entrepreneurial activity.

The provisions in this bill establishing the Kansas Center for Entrepreneurship represents an important step in assuring our economic future through the statewide coordination of activities facilitating entrepreneurship. This Center will work in collaboration with all other organizations in the State to assure that our creative, risk-taking citizens have access to the resources needed to pursue their dreams. These resources include education and training programs, a centralized source of referrals to the Small Business Development Centers and other agencies, web access to information and sources of business assistance, and a pool of start-up funds. By coordinating the efforts statewide, the Center will help to minimize or eliminate duplication of programs and services.

At Wichita State University, we have a long history of educating and working with entrepreneurs. Over twenty five years ago, Professor Fran Jabara (who is here with us today) founded the WSU Center for Entrepreneurship. What he began years ago has continued to prosper in its educational and professional mission. Today, our entrepreneurship programs continue to be highly ranked nationally. Our Center for Entrepreneurship provides many excellent educational and professional programs fostering entrepreneurship. These include academic programs in entrepreneurship at both the undergraduate and master levels, certificate programs and training in entrepreneurship, programs fostering entrepreneurship in high school students, the Kansas Family Business Forum, and the Metro Awards recognizing the Wichita area's fastest growing small businesses.

Our Center works closely with Youth Entrepreneurs of Kansas to excite young people to the benefits of starting a business in our free enterprise system. The Jabara Scholarships for students in entrepreneurship assure that the best and brightest students have the ability to get their

education in entrepreneurship at Wichita State University without undue burden. They also get the benefit of having Fran Jabara as a mentor. The Rudd Foundation Entrepreneurial Fund provides a special opportunity for our college students to start up their businesses with funding and the assistance of quality professors. All these activities of our Center provide a firm foundation in entrepreneurship to aid in development of the Kansas Center for Entrepreneurship. At Wichita State University, we welcome the opportunity to integrate with the new Kansas Center.

A key element of the Kansas Center is a coordinated call center and centralized portal for help to those interested in starting a business at any location throughout the State. Citizens who need help can simply call this line and obtain excellent referrals to meet their needs. They can also tap the website to obtain necessary information. The Center professional staff will be an excellent resource for this purpose.

The establishment of the Kansas Community Entrepreneurship Fund is a critical element for the Kansas Center. These funds must be managed and distributed properly to maximize their impact on entrepreneurship in Kansas. They must also be replenished and enhanced over time. The tax credit incentives to attract this capital are necessary for this purpose. SB 417 which establishes rural tax credits will be complimentary to SB 393.

Another key element for success of start up ventures is mentoring along the way. This is shown by the success of the John C. Ford Foundation in Dallas. Mentoring by a team of volunteer CPAs, attorneys, bankers and graduate students raised the success rate from only about 20% to over 90% among minority small business owners under this program.

Over time, policies will have to be developed statewide to enhance entrepreneurship. The Kansas Center will facilitate the discussion necessary among all constituents to achieve consensus. It will also be a key player in helping to set the legislative agenda for entrepreneurial activities and funding. The development of the agricultural bioscience industry and summit should be a natural extension of its charge.

The following quote says it all with respect to why SB 393 is important for Kansas.

*"A nation in which each citizen can pursue his or her entrepreneurial dream and a school system which enlightens children to the opportunity to control their own destiny by "making a job" rather than just taking a job can propel us into the 21st century with the momentum to maintain our position of prominence in the world economy." (quote from "Entrepreneurship: Economic Impact and Public Policy Implications." Michie P. Slaughter. Kauffman Center for Entrepreneurial Leadership. 1996).*

In summary, we strongly support the establishment of the Kansas Center for Entrepreneurship to coordinate, develop, and fund entrepreneurial activities across the State. Wichita State University, the Barton School of Business and its Center for Entrepreneurship welcome the opportunity to integrate its activities with the new Kansas Center. We look forward to working with the Department of Commerce, the Small Business Development Centers, and all other interested parties to further entrepreneurship in the State. The Kansas Center for Entrepreneurship is a worthy cause deserving your support. It will lead to a brighter economic future for Kansas and its citizens.



**Testimony on SB 393**  
**The House Committee on Economic Development**

**Matt Jordan**  
**Director of Community Development**  
**Kansas Department of Commerce**

**March 4, 2004**

Chairman Wilk and members of the committee, as you know, I am Matt Jordan and serve as Director of Community Development for the Kansas Department of Commerce. It is a pleasure to appear before you today in support of Senate Bill 393.

The vision for the Kansas Center for Entrepreneurship, as outlined in SB 393, is to create a world-class system to support and grow entrepreneurs in Kansas. Input provided by community and business leaders throughout the Prosperity Summits highlighted the need to support small businesses and to connect more effectively existing business assistance resources. It is, therefore, quite appropriate that these goals are central measures contained in the economic development proposals before you today. Both bills, SB 393 and SB 417, fit together very well to strengthen existing resource through a comprehensive and coordinated approach that involves state and regional resources.

I believe attainment of these goals requires strong collaboration among the Department of Commerce, Kansas Technology Enterprise Corporation, Kansas Small Business Development Centers, and Wichita State University to provide the foundation upon which the Center for Entrepreneurship shall carry out its mission. This collaboration is already taking shape, and Commerce looks forward to strengthening these relationships as we move forward.

These four agencies will serve as the core team required to create and grow the Center. However, full cooperation and involvement by all economic development agencies and educational institutions in Kansas will be required to create such a world-class system.

The Center would operate under a contract managed by the Department of Commerce. Commerce very much welcomes this new responsibility and will make support for the Center a top priority.

The Department of Commerce believes support for entrepreneurs is a vital component of realizing prosperity in Kansas. Furthermore, the Governor and Legislative Leadership have delivered clear direction that growing entrepreneurs needs to receive greater attention by the state's economic development agencies. Commerce fully embraces this charge and will strive to maintain strong partnerships with other key players.

It is of particular importance, as previously described, to promote strong collaboration with the Kansas Small Business Development Centers, Kansas Technology Enterprise Corporation, and the state's educational institutions. Such a partnership through the creation of the Kansas Center for Entrepreneurship will send a strong message that Kansas is indeed a great place to start and grow a business.

**House Economic Development**  
**3-4-04**  
**Attachment 3**

KANSAS

**Statement by  
Hal Hudson, State Director  
National Federation of Independent Business  
Before the House Economic Development Committee  
Re: Senate Bill 393  
Thursday, March 4, 2004**

Mister Chairpman and Members of the Committee:

Thank you for this opportunity to appear in support of Senate Bill 393.

For the record, my Name is Hal Hudson, and I am the Kansas State Director for the National Federation of Independent Business. I represent nearly 6,000 small and independent businesses in Kansas.

It gives me great pleasure to come before you today to support a bill that specifically is directed toward helping us grow small and independent businesses in our state. For too long, economic development efforts of the Legislature have been directed toward assisting large businesses with hundred or thousands of employees, or attempting to recruit and bring such businesses to Kansas.

It is important to note, "Of today's 25 largest U.S. companies, 19 were either small businesses or did not exist in 1960. Kansas' best chance to have a new Fortune 500 company based here is for us to grow our own."<sup>1</sup> Statistics show that most businesses stay in the state, often in the community, where they were started.

While much of the focus of the Kansas Center for Entrepreneurship is helping new businesses get started, it also can provide assistance to existing small businesses to grow, expand, and provide more jobs in Kansas.

We are particularly pleased that this bill prescribes procedures that will utilize and coordinate the efforts of existing organizations and agencies. It also is gratifying to note, for the first time in my 12 years with NFIB, that our organization is mentioned in the bill as one that should be represented on the board of directors of the Center for Entrepreneurship.

We applaud those who have worked on the plan that is represented in S.B. 393, and urge you to support its enactment.

<sup>1</sup> 2004 Guide to Kansas Small Business Issues, page 8.



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214 S.W. 6th Street  
Suite 301  
Topeka, KS 66603-3719  
(785) 296-6514  
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**To:** Chairman Kenny Wilk  
House Economic Development Committee

**From:** Wally Kearns  
State Director

**Date:** March 4, 2004

**Re:** Support for SB 393 and SB 417

I strongly support SB 393 and SB 417 for the reasons stated below.

### **SB 393-Kansas Center for Entrepreneurship**

At no time in American history has starting and owning a small business been so popular and exciting. The importance of entrepreneurs and small businesses to the Kansas economy and Kansans cannot be exaggerated. SB 393 through the Kansas Center for Entrepreneurship accomplishes the following:

- **Serves as a seamless resource center and optimizes the use of existing resources.**
- **Acknowledges the importance of small businesses** –The economic impact from small businesses is very large and all trends indicate it will continue to be so.
- **Provides a more balanced approach to economic development** – Supporting entrepreneurship and small business is not a strategy against large companies or efforts to get outside companies to relocate in Kansas. It is an approach that values both, equally. To use a baseball analogy, supporting and growing existing and cultivating new small businesses from within is like “hitting singles, doubles, and triples” and tech development and recruitment of large companies is like “hitting home runs.” The best baseball teams do both.
- **Takes a balanced approach across industries** – The Kansas Center for Entrepreneurship will provide assistance to businesses in a very wide array of industries. This provides a “diversification” effect similar to that of mutual funds.
- **Reaches more prospective business owners earlier in the process**
- **Reaches more start up businesses earlier** –The Kansas Center for Entrepreneurship will provide Kansas an increased opportunity to get connected with business starts earlier.
- **Expands seminar promotions to identify existing and prospective entrepreneurs** – Expanding such a program (better public communication, perhaps even a media campaign with a prominent Kansan behind the project) could help build a database of prospective business owners and support their growth and evolution.



Emporia State University • Fort Hays State University • Garden City Community College  
Johnson County Community College • Pittsburg State University • University of Kansas • Washburn University  
Manhattan Area Chamber of Commerce • Wichita State University • Cloud County Community College

A Partnership Program with the U.S. Small Business Administration and the Kansas Department of Commerce

House Economic Development  
3-4-04  
Attachment 5

- **Work closely with the Kauffman Foundation** –The Kansas Center for Entrepreneurship will provide Kansas a greater opportunity to partner with the foundation to tap into the investment of people, money and intellectual talent this organization has already made.
- **Promotes entrepreneurial education** – The Kansas Center for Entrepreneurship will work with the board of regents and board of education to create training and course work on entrepreneurship for dissemination to elementary, secondary and vocational-technical schools, community colleges and universities.

The Kansas Center for Entrepreneurship is a statewide proactive approach to entrepreneurship.

- **Commitment to excellence in Kansas entrepreneurship** –It is a conscious effort to excel in this area and increase not only the competitive edge of Kansas in its support of its local talent, but the ability of Kansas companies to compete in the global marketplace.
- **Improves access to capital** – Small businesses are always on the lookout for growth funds and capital is often a limiting factor.
- **Establishes a president of the Kansas Center for Entrepreneurship**– Kansas will have a single high-level position that is responsible for supporting the startup and growth of small businesses in Kansas.

#### **SB 417-Rural Business Development Tax Credits**

Improving access to capital at the local and regional level would assist new and expanding businesses in Kansas.

- **Encourages cash and non-cash contributions to establish the regional business development funds.**
- **Stimulates contributions by providing a Kansas income tax credit of 70% of their donation made to the regional business development funds.**
- **Provides capital for entrepreneurial efforts in rural communities.**
- **Empowers the regions to determine the use of the funds.**
- **Positions the regions to tap the potential \$350 billion transfer of wealth projected to occur in the next 50 years.**
- **Provides regional leaders with wide latitude to determine how to use these funds. A primary focus will be placed on direct investments in entrepreneurial business.**

Possible uses and outcomes from these regional funds include:

- **Direct financial investments into growing small businesses from a wide array of industries including value-added agriculture, retail and service, tourism, and agritourism.**
- **Financial support for local and regional small business and entrepreneurial support systems and programs.**
- **Funds to support local and regional priorities in economic and community development.**
- **Crucial link between local community foundations and proposed statewide Kansas Community Entrepreneurship Fund.**

In summary, small businesses create a big impact. Together, SB 393 and SB 417 provide a comprehensive economic development approach to growing the economy of the state of Kansas that includes small businesses and entrepreneurship.



# **Kansas Farm Bureau**

2627 KFB Plaza, Manhattan, Kansas 66503-8155 • 785.587.6000 • Fax 785.587.6914 • www.kfb.org  
800 SW Jackson St., Ste. #1008, Topeka, Kansas 66612 • 785.234.4535 • 785.234.0278

## *PUBLIC POLICY STATEMENT*

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

RE: SB 393—The Kansas Center for Entrepreneurship.

**March 4, 2004  
Topeka, Kansas**

**Written testimony by:  
Harry A. Watts, Managing Director  
KFB Governmental Relations**

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Chairperson Wilk and members of the House Economic Development Committee, thank you for the opportunity to present written testimony on this bill, which proposes to create a Kansas Center for Entrepreneurship. We fully support SB 393.

As you know KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations. We believe that a great number of our KFB members across the state would benefit from the service that this Center will provide.

As you might guess, we have strong public policy that promotes rural revitalization and renewal of our rural communities. It must be a high priority for all citizens in Kansas as well as local, state, and national governments. We support initiatives that will:

- Enhance the economic and social climate for farm and rural families;
- Strengthen activities designed to help rural communities obtain grants and loans for infrastructure improvements;
- Improve the general potential of rural communities to attract and retain people, business and industry; and
- Include all types of farming operations in economic development and incentive programs.

**House Economic Development  
3-4-04  
Attachment 6**

We will always stand up in support of legislation that encourages significant rural economic development, particularly legislation that fosters a strong Kansas agriculture economy.

We believe that Kansas should have a centralized organization that can help identify, support and grow entrepreneurs throughout our rural areas. Many individuals who might have an idea for starting a new business often time will lack the ability to attract adequate business and financial assistance. They also need help from professionals in the field, educational institutions and other "outreach services" that will help our entrepreneurs get started on the path to fulfilling their business and professional dreams.

We are especially pleased to see the interest in this bill to "organize a statewide summit to recommend policy that will foster an economic climate conducive to the development of an agricultural bioscience industry." We also are pleased to see that one of the eleven members of the board of directors for the Center will be an agricultural entrepreneur knowledgeable in the biosciences.

We believe that this bill and others related to the Kansas Economic Growth Act will have significant impact on our members by improving the quality of life within their communities and the surrounding rural counties in which they live and work. And, we firmly believe that this act has the potential to increase the profitability of our Kansas Farm Bureau members.

Thank You.

*Kansas Farm Bureau represents grass roots agriculture. Established in 1919, this non-profit advocacy organization supports farm families who earn their living in a changing industry.*



**Wichita Independent Business Association**

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**THE VOICE OF INDEPENDENT BUSINESS**

Written Testimony submitted on SB 393  
The Kansas Center for Entrepreneurship  
House Committee on Economic Development  
March 4, 2004

Chairman Wilk and Honorable Committee Members,

I am Pete Schrepferman and I am submitting written testimony on behalf of the Wichita Independent Business Association (WIBA) in favor of SB 393. The creation of a Kansas Center for Entrepreneurship is inspiring to our membership and brings hope that we as Kansans can grow our way out of our economic downturn. We see a great opportunity here for the Kansas Center for Entrepreneurship to pull together and utilize existing resources for entrepreneurs and small businesses.

The combination of providing both seed money for start up costs as well as incentives for private investments in the effort is a balanced approach that will not only provide much needed assistance to entrepreneurs, but also provides for participation of the established business person. This balanced approach should provide for a very favorable outcome to this initiative.

The cornerstone of the WIBA membership is the spirit of entrepreneurship and it is our pleasure to support the effort set out in SB 393. Thank you for the opportunity to submit written testimony in favor of SB 393.

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House Economic Development  
3-4-04  
Attachment 7

Testimony before the  
House Economic Development Committee  
by  
Professor Fran Jabara, Emeritus  
Principal, Jabara Ventures Group  
Thursday, March 4, 2004

Chairman and members of the House Economic Development Committee, thank you for the opportunity for me to appear this morning in support of Bill 393 which establishes the Kansas Center for Entrepreneurship.

I am Fran Jabara, founder of Jabara Ventures Group, a merchant banking and investment company. In my prior life I was a member of the faculty at Wichita State University beginning in 1949 and served the University for 40 years until I resigned in 1989. Over that time I was a Distinguished Professor in of business and served as Dean of the College of Business Administration for seven years. I am proud of my service to the state; however, I am most proud of my role in starting the Center for Entrepreneurship at Wichita State University in 1977. In 1990 the Center was granted authority to offer the only BA degree in entrepreneurship in the Regents system. At that time there were six individuals majoring in entrepreneurship. Today, you will find 170 individuals majoring in entrepreneurship and at Wichita State University every student majoring in business is required to take one course in entrepreneurship.

I tell you this only to indicate my long belief in the importance of entrepreneurship and the development of entrepreneurs. Also, the growing interest in entrepreneurship is evident in the growth of the number of students interested in entrepreneurship here as well as nationally. In addition, roughly 80% of the current Forbes 400 list of wealthiest Americans are first-generation entrepreneurs whose most common characteristic can be summed up as, "started with little or nothing and built major enterprise creating enormous wealth." This entrepreneurial dominance of the list of America's wealthiest has held true for every year since the magazine started publishing the list in 1982.

I have had the distinct pleasure to have had as students, friends, and colleagues individuals who have emerged as living examples of what has been seen in the Forbes list.

Early in my teaching career, Dan Carney, co-founder of Pizza Hut, was a student of mine. Pizza Hut is known throughout the free world; however, after Pizza Hut was sold to PepsiCo Dan Carney has remained an extremely active entrepreneur. To this day, Dan continues to search for and invests in many different entrepreneurial enterprises. Throughout my teaching career, many of my former students have become successful entrepreneurs. The Kansas Center



proposed by the bill is crucial for the development and continued support of our future entrepreneurs.

The Kansas Center for Entrepreneurship being proposed in SB 393 is a wonderful step providing a mechanism for identifying and supporting the development of entrepreneurs in the Kansas. It is difficult to identify what it takes to develop a business concept as a budding entrepreneur. Bob Reiss, in his book *Low Risk, High Reward: Starting and Growing Your Business With Minimal Risk*, suggests a number of key attributes of successful entrepreneurs: passion, curiosity, high energy, flexibility, a bit of an ego, and integrity. These are all factors I have found to be critical in my experience as well.

However, it is also important to have knowledge or access to expertise to assist in the development and early planning. The number of resources available are vast and diffuse which makes an entity such as the Kansas Center for Entrepreneurship an important collaborative entity which will provide coordination of existing resources to the benefit of potential entrepreneurs all across the state. In addition, the ability to provide access to capital is a necessary addition which is provided as a part of SB 393 as leverage funds working in conjunction with regional seed funds.

I ask you to join me in supporting SB 393 which proposes the development of the Kansas Center for Entrepreneurship. Senate Bill 417, which would provide rural tax credits, compliments the bill being considered, and also deserves your consideration. I have spent the majority of my personal and professional life working to support and develop entrepreneurs in Kansas and all across the world. It is my expectation with the development of the Kansas Center for Entrepreneurship in conjunction with many of the other entities already in place in Kansas, including the Center for Entrepreneurship at Wichita State and the Kansas Small Business Development Centers Kansas can embark on a new path of making our own economic destiny.

Thank you for your attention and I would stand for questions.



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TO: Representative Kenny Wilk, Chairperson  
Members, House Economic Development Committee

FROM: Blake Schreck, President  
Lenexa Chamber of Commerce

DATE: March 4, 2004

RE: **Support for SB 393—Kansas Center for  
Entrepreneurship**

The Lenexa Chamber of Commerce would like to express its support for the concepts embodied in Senate Bill (SB) 393, which would establish the Kansas Center for Entrepreneurship within the Kansas Department of Commerce and create the "Kansas community entrepreneurship fund" and other tax credits to help provide seed capital to qualified entrepreneurs.

**It is good public policy to encourage and promote entrepreneurship.** Entrepreneurial companies typically experience the fastest growth rates and create most of the net new jobs in the U.S. each year, producing economic growth, additional tax base, and reinvestment. But aspiring entrepreneurs have many risks and challenges to overcome, and it is therefore vital that the state take steps to ensure that entrepreneurship continues to thrive in Kansas.

SB 393 provides critical new resources to strengthen and support entrepreneurs, including a one-stop clearinghouse for information and referrals, improved collaboration among existing business development agencies statewide, creation of policies to foster entrepreneurship, and a new fund and tax credits that will encourage investments in entrepreneurial seed capital. As a result, **SB 393 provides entrepreneurs with additional tools that improve their chances to succeed.**

**Because supporting entrepreneurship will positively impact the economy and encourage business development in communities statewide, the Lenexa Chamber of Commerce urges the committee to consider SB 393 favorable for passage.** Thank you for your time and attention to this issue.

## House Committee On Economic Development

Kansas Department of Commerce  
Patty Clark, Director of Ag Marketing

### Testimony Regarding Rural Business Development Tax Credits SB 417

March 4, 2004

Good afternoon, Chairman Wilk and members of the Committee. I am Patty Clark, Director of the Ag Marketing Division, Department of Commerce, and on behalf of the Department, I wish to acknowledge our strong support for SB 417.

During the Prosperity Summit process, rural economic development was a cornerstone of discussion. Conversation centered upon regionally led rural initiatives for business retention and recruitment, leadership training, investment pools, and the looming transfer of wealth that may, once again, transform the face of rural mid-western communities.

An outcome of these discussions made rural business development a key priority of the Statewide Economic Revitalization Plan. As a result, the concept of regional business development funds emerged.

Modeled after, but not replacing, the highly successful Community Service Program, SB 417 would encourage cash and non-cash contributions to establish these regional business development funds. Individuals and businesses would receive a Kansas income tax credit of 70% of their donation made to such a fund.

First and foremost, these funds would be managed by regional boards to ensure use is regionally determined. The investments from the fund would provide capital for entrepreneurial efforts in rural communities and begin to tap the potential \$350 billion transfer of wealth predicted to flow in the next five decades.

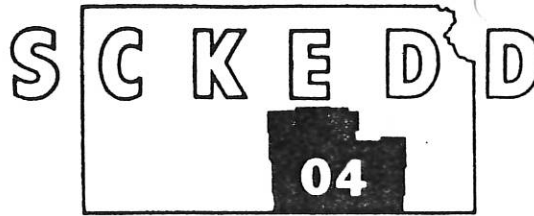
If approved, this bill would invest a total of \$7 million in tax credits across the state over three years. Regional fund managers would be given wide latitude to determine how to best utilize these funds, but direct investments in entrepreneurial businesses would be a predictable outcome.

Additional outcomes could include job creation, private financial support for new or expanding Enterprise Facilitation projects, local and regional healthcare priorities, and providing a bridge between local foundations and the proposed statewide Kansas

House Economic Development  
3-4-04  
Attachment 8

Community Entrepreneurship Fund to further leverage regional business development opportunities.

We strongly support the creation of this tax credit program to motivate private investment in rural communities, to ensure regional determination of investment of funds, and to maximize the potential of transfer of wealth back to rural Kansas.



## **SOUTH CENTRAL KANSAS ECONOMIC DEVELOPMENT DISTRICT**

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**Testimony by Bill Bolin, Executive Director  
In Support of SB 417 Addressed To  
House Economic Development Committee  
March 4, 2004**

Mr. Chairman:

Thank you for the opportunity to testify. The Board of Directors of the South Central Kansas Economic Development District, Inc. (SCKEDD) fully supports this bill and the establishment of regional foundations.

SCKEDD has been an Economic Development District for 32 years, and a Certified Development Company for 21 years. Our loan programs date back to 1979. They are gap-financing loans used to cover that part of the loan not wanted by banks. At times, more than one program has been used to cover the gap.

We have an EDA Revolving Loan Fund, Rural Development Intermediary Relending Program, and SBA Microloan Program. Initial funding of these programs totaled \$5,730,000. SCKEDD has made in excess of 600 loans with these funds creating or retaining 2,600 jobs.

Recapitalizing the loan funds continues to be the problem. The federal agencies require matching funds, and SCKEDD has been unable to raise sufficient matching funds. The establishment of regional foundations will provide the much-needed additional loan funds.

Every five years, SCKEDD is required by the Economic Development Administration to prepare a Comprehensive Economic Development Strategy (CEDS) for our entire fourteen county area. The CEDS process makes clear the area's economic development needs. Because of funding limitations, those needs can only be partially addressed by SCKEDD, or not addressed at all. The regional foundations will provide an excellent tool that enhances the ability of regional organizations, like SCKEDD, to meet their area's economic development needs.

On SCKEDD's behalf, I would ask the committee to support this bill.

**House Economic Development  
3-4-04  
Attachment 9**