

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:00 a.m. on March 5, 2004 in Room 123-S of the Capitol.

All members were present except:

Senator Chris Steineger- excused  
Senator Pete Brungardt- excused  
Senator Susan Wagle- excused

Committee staff present:

Kathie Sparks, Legislative Research  
Susan Kanarr, Legislative Research  
Helen Pedigo, Revisor of Statutes  
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:

Jim Bruner, Quad County Enterprise Facilitation Project  
Betty Melson, Greenwood County Economic Development, Quad County Enterprise Facilitation Project  
Ron Wilson, Huck Boyd National Institute for Rural Development  
Janet Greisel, Northeast Kansas Enterprise Facilitation Project  
Gary Satter, USDA, Northeast Kansas Enterprise Facilitation Project  
Jeff Hofaker, Solomon Valley Regional Learning Center, Director, PCED, PCDCF, SVRLC

Others attending:

See Attached List.

Chairperson Brownlee asked the committee for action on:

**HB 2435--An act concerning the governor's office; renaming the advisory committee on Hispanic affairs as the Hispanic and Latino American affairs commission and placing such commission within the governor's office; providing for the advisory commission on African-American affairs to be within the governor's office**

Chairperson Brownlee stated that she did not know of any changes that need to be made on the bill. She gave a brief explanation of the bill.

Senator Emler moved the bill favorable for passage. Senator Bunten seconded the motion. The motion carried.

Chairperson Brownlee stated that the committee was going to do something unique today in allowing a roundtable discussion of rural economic development issues.

Senator Jordan introduced the speakers and stated that they were all happy to have the opportunity to come before the committee.

Ms. Melson presented the committee with information about Greenwood County. (Attachment 1) She stated that the grassroots approach of the Sirolli Institute has allowed her area to use a model of Enterprise facilitation that works well for them. She stated that currently a challenge for the upcoming entrepreneur who specializes in the production of custom-made horse trailers in her area was the lack of access to capital. She stated that through the rural entrepreneurship committee and enterprise development, she hoped that they would be able to work together to help this individual and others like him.

Chairperson Brownlee asked if the man with the horse trailers had pursued an SBA loan. Ms. Melson stated that he does not have the collateral, and he needs about \$250,000 to get started. She stated that a lot of people in this situation do not have the collateral; the horse trailer producer has a million dollars worth of orders for

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE at 8:30 a.m. on March 5, 2004 in Room 123-S of the Capitol.

luxury trailers, but he does not have the working capital.

The committee was provided with an informational sheet entitled, "Building An Entrepreneurial Region in Northeast Kansas: Growing Businesses from the Grassroots." (Attachment 2)

The committee was provided with a packet of information entitled, "Kansas Rural Entrepreneurship Committee: (Kansas Rural Development Council and Enterprise Facilitation Projects)." (Attachment 3)

Mr. Wilson provided the committee with statement regarding rural development and his role as the director of the Husk Boyd National Institute for Rural Development at Kansas State University. (Attachment 4)

Chairperson Brownlee stated that the group had requested more leadership training, but pointed out that training is not something the Legislature can do because the exact needs were unclear. Ms. Melson stated that just last week, her group went to other counties, and many of them wanted to duplicate what we are doing without using Sirolli.

Chairperson Brownlee pointed out that there are four people on the Commerce committee who are on Ways and Means, so they can help guide monies to these issues.

Mr. Wilson stated that the program was targeted to the most rural of rural Kansas; our primary function is to provide leadership training because we see leadership and entrepreneurship going hand in hand. He said that they take the "Greenbay Packers" approach. Although most NFL teams are based in really big cities, Greenbay, Wisconsin grew a franchise and now it is a national team. He stated that there is a parallel with rural economic development, and that principle ought to be applied here too.

Mr. Hofaker provided the committee with a packet of information entitled, "Solomon Valley Regional Learning Center." (Attachment 5)

Mr. Hofaker stated that mentoring is an important element for rural entrepreneurs as an opportunity for them to get involved in existing local businesses. For example, when the downtown jeweler retires, there should be someone to take over. The state can facilitate growth through tax relief for start up businesses and encouraging technology development such as the internet and virtual connections. He used the example of e-Bay as an opportunity for rural businesses to reach metropolitan markets without having to be located there.

Chairperson Brownlee stated that she and Matt Jordan were at a conference and one of the messages is that Kansas ought to be going after the jobs that are going to India. She stated that Kansas-speak is pretty understandable, in many ways, an American on the phone trying to fix their computer with a person on the other end who has a heavy accent is often quite difficult, so it seems like it would be reasonable to make that happen in Kansas rather than having those jobs go abroad.

Following further discussion, Mr. Hofaker stated that in his role in business development, he is paid through a grant, and most of the people he serves are entrepreneurs. He stated that 50% are aspiring entrepreneurs brought to the Center for Entrepreneurship from Wichita State University, and who need help moving from point A to point Z. He briefly outlined the process for the committee.

Chairperson Brownlee thanked the members of the Roundtable and stated that she thinks that committee is on target with where it is going this year, but that it needs the speakers' input. She also asked them to keep in the backs of their minds how we might measure the success of our efforts in the future.

Chairperson Brownlee adjourned the meeting at 9:00 a.m. The next meeting will be at 8:30 a.m. on March 8, 2004 in Room 123-S of the Capitol.

# Senate Commerce Committee Guest List

Date: March 5, 2004

Tom Burgess	RTMC
SUE PETERSON	K-STAK
ERIC SEXTON	WSU
Matt Jordan	Commerce
Betty Nelson	Quad County Ent.
Janet Grisel	NE Kansas Ent. Facilitation
Vary Jetter	NE KS Ent. Facilitation
Jack Newcomb	Quad County Ent.
JIM BRUNER	ROAD COUNTY CHAIR PERSON
Ed Wg	Area Law Firm
Kerrie Bacon	KODE
Michael Dymington	KA Dean FT Board and Visually Impaired and to CDC Member
ALISA GARCIA	KS ADV COMM on HISPANIC AFFAIRS
Gary Shu	KAEC
Bill Stewart	WLAC
Amirio Rojas	LULAC
Lynne Gonzales	LULAC
Dolores Morales	LULAC
Liliana M. Mandiga	LULAC
Jon JOSEPH	University of Kansas

# Greenwood County Economic Development



Betty Melson, Coordinator

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Eureka, KS 67045

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March 5, 2004

Senator Brownlee, Chairperson  
and members of the Senate Commerce Committee

The grassroots approach to economic development that the Sorolli Institute teaches through Enterprise Facilitation is a model that works. The concept of civic-minded people in communities joining together to help one another is what makes it a success. This approach has brought the responsibility for the survival of communities back to the people in a way that they can help themselves instead of totally depending on Government programs. It is the business-coaching concept that helps the entrepreneur understand the trinity of management (product, marketing, and financial management). Add to this the availability of local people willing to be a resource to help that entrepreneur get off to a good start, by providing advise, support, and encouragement, you have a winning situation for everyone.

Some of the gaps for supporting entrepreneurs in rural areas are:

- a. Providing helpful and convenient information at the grassroots level for the person with a dream or an idea about starting a business.
- b. Financial support for the entrepreneur with insufficient collateral to get started in their business.

Collaboration between county, region and state levels are getting better and the statewide economic revitalization plan is a step in the right direction. The bottom up approach that Sirolli has taught us through Enterprise Facilitation is a model of what can happen when people work together. Local level access to facilitate programs like Enterprise Facilitation is needed to speed up the process to help the Entrepreneur.

One of the weaknesses of the Sirolli method is the lack of support to the local board after the initial start-up of the program. The Rural Entrepreneurship Committee could work with the existing Enterprise Facilitation projects to develop and promote a program that can train and educate people at the local level on how to provide support for entrepreneurs.

The Legislature could help rural areas by continuing to recognize the need for monetary backing. Funding for the more economically challenged counties on a matching basis can give them the ability to implement programs like Enterprise Facilitation.

For more information about Quad County Enterprise please see the attached information.

Respectfully,

Betty Melson, Coordinator  
Greenwood County Economic Development

*Senate Commerce*  
*03/05/04*  
*Attach #1*



## History of Quad County Enterprise

In 2001 the state of Kansas partnered with the Sirolli Institute to offer requests for proposals for Enterprise Facilitation Demonstration projects in Kansas. Greenwood County took the lead role in a consortium with three other counties, Chautauqua, Elk, and Woodson to form Quad County Enterprise. (On March 1, 2004 Wilson County joined the group) A proposal was submitted to the State of Kansas in December 2001 and in January 2002, Quad County was notified it was the number one choice to receive a grant award for an Enterprise Facilitation Demonstration project. The State provided matching funds up to 66 percent of the cost for the project over a three-year period; total cost of the project for the three years is approximately \$300,000.

Enterprise Facilitation is a method of community development that facilitates new businesses or expansions that create wealth and new jobs in a community. Jack Newcomb was hired June 24, 2002 as the local Enterprise Facilitator and trained in this process. The role of the local Enterprise Facilitator is to connect people with resources through community networking that supports new business development. This confidential service is free of charge to the client.

A Local Board of Management was formed comprised of 55 local citizens and officials within the Quad County region and trained to provide or find resources for the facilitator. This is a local initiative designed to stimulate economic development from a grassroots approach. Community development is accomplished by responsively facilitating the transformation of good business ideas into viable enterprise through sound management, advice, and coaching.

Jack Newcomb was hired June 24, 2002 as the Quad County Enterprise Facilitator. Jack and 12 board members attended a five-day training session with the Sirolli Institute. July 1, 2002 Jack started meeting people and working with clients. As of January 31, 2004 he has met with 143 clients and as a result of those meetings 15 new businesses have started, seven businesses have been retained, expanded, or diversified, and five acquisitions have taken place; creating 50 new jobs and retaining 23 jobs.

Jack is available to assist any person who approaches him with an idea for starting a business or expanding a business. He helps the client determine what their needs may be and then connects them with the appropriate resources. Once the client's needs are identified, he refers them to a specific resource person to meet their needs or he may call on the local board of management to help locate referrals. He introduces clients to the "Trinity of Management" principles used to create a successful business; he encourages them to build a team of individuals who are passionate about producing the product (or service), marketing the product, and managing the finances. The client is ultimately responsible for the success of his or her project. It is the responsibility of the client to decide if the business is viable and to conduct the market research, prepare the business plan, and arrange the financing. The role for Jack is to support these efforts and provide referrals to people or existing programs to assist the client in the process.

Quad County Enterprise formed October 2, 2001, to submit a proposal for an Enterprise Facilitation Demonstration Community by December 19, 2001 to the State of Kansas. In a short period of time, this group had to build community capacity, a one-third match of approximately \$30,000 cash or in-kind contribution per year was needed to apply for the grant. These counties are four of the five poorest counties in the state of Kansas. The group knew it would need to solicit funds from sources other than local government. A committee was formed to contact civic organizations, businesses, and inform the general public and request support. From this initiative two major things were accomplished. The group received financial support from approximately 130 different sources and also received community support, which brought the four counties together as one Community. Quad County realized early it could not enter this coalition and be successful if it did not consider itself as one unified community and work together to help each other. The Commissioners of the four counties entered into an intergovernmental agreement and established responsibilities for each county. Greenwood County agreed to be the lead county and would receive and administer the funds from the State of Kansas. Chautauqua, Elk and Woodson counties collect their portion of cash and submit it to the Greenwood County Treasurer and supply their designated portion of in-kind contributions for the project. This approach of grassroots economic/community development can serve as a model to any small or rural community.

This approach to grassroots economic/community development can be duplicated when people join together to work for the good of their community. The key for the success of Quad County Enterprise is the ability to step past regional boundaries and realize we needed each other. This approach has brought the responsibility for the survival of its communities back to the people in a way that they can help themselves instead of totally depending on Government programs.

Any community that is willing to put forth the effort to help itself can adapt to Enterprise Facilitation. The steps to success would be to educate the people about what Enterprise Facilitation is and what you need from them. Next the people need to be trained. Then build credibility for the Facilitator by introducing him to people. The Quad County Board introduced Jack to nearly 800 people during his first six months. It was the duty of each board member to introduce Jack personally to at least 10 people they knew. By doing this Jack was accepted through the credibility of each board member and word of mouth spread quickly throughout all the communities. Publicize the successes so everybody can celebrate as businesses are built one step at a time. This builds credibility and confidence in the program and more entrepreneurs will step out and seek the facilitator's help. Most of all have fun and enjoying the friendships that are developed along the way.

**Quad County Enterprise**

**Cumulative Statistics Summary from June 30, 2002 to January 31, 2004**

<b>Clients by County:</b>	<b>#</b>	<b>%</b>
Chautauqua County	50	35%
Elk County	21	15%
Greenwood County	37	26%
Woodson County	35	24%
<b>Total</b>	<b>143</b>	<b>100%</b>

<b>Basic Industries:</b>	<b>#</b>	<b>%</b>
Advertising		
Agriculture/Ranching	4	3%
Art	4	3%
Construction	9	6%
Education		
Health Care	6	4%
Hospitality	21	15%
Logging		
Mfgr/Fabr/Assy	19	13%
Non-Profit	1	1%
Publishing		
Real Estate	4	3%
Recreation	3	2%
Retail/Wholesale	35	24%
Services	36	25%
Transportation		
Other	1	1%
<b>Total</b>	<b>143</b>	<b>100%</b>

<b>Types of Assistance:</b>	<b>#</b>	<b>%</b>
Business Concept	75	52%
Team Building	94	66%
Product	35	24%
Marketing	100	70%
Financial Management	128	90%
General Operations	51	36%
Exit	1	1%
Research &/or Referrals	116	81%
<b>Total</b>	<b>600</b>	

<b>Client Outcomes</b>	
New Business	15
Expansion	2
Diversification	3
Retention	2
Acquisition	5
On Hold	72
Abandoned	28
Closed	
Minor Tune-up	16
<b>Total</b>	<b>143</b>

<b>New Businesses vs Existing:</b>	<b>#</b>	<b>%</b>
New Business	124	87%
Existing Business	19	13%
<b>Total New vs Existing</b>	<b>143</b>	<b>100%</b>

<b>Client Contacts</b>	<b>#</b>
Average contacts per client	2.0
<b>Total Contacts</b>	<b>279</b>

<b>Business Creation</b>	
New Businesses Started	15
Businesses Expanded	2
Businesses Retained	2
<b>Total Business Creation</b>	<b>19</b>

<b>Job Creation</b>	
Jobs Created	50.0
Jobs Retained	23.0
<b>Total Jobs</b>	<b>73.0</b>

<b>Clients by Gender</b>	<b>#</b>	<b>%</b>
Female clients	66	46%
Male clients	72	50%
Other (Not for Profits, etc)	5	3%
<b>Total Clients by Gender</b>	<b>143</b>	<b>100%</b>

<b>Active vs Inactive Clients:*</b>	<b>#</b>	<b>%</b>
Active	25	17%
Inactive	118	83%
<b>Total Active vs Inactive</b>	<b>143</b>	<b>100%</b>

<b>Estimated New Sales</b>	<b>\$945,000</b>
<b>Invested Capital</b>	<b>\$658,000</b>

(Notes: A "Client" represents one business or prospective business, regardless of the number of owners. A person or business is considered a Client as of the first substantive business meeting with the Facilitator. Clients with multiple business concepts are counted separately for each concept. When assistance is given in an acquisition situation, jobs are counted as retained rather than created. Clients are counted as female if at least one owner is female. Clients are reported inactive when the date of last contact exceeds 90 days past.

## **Building An Entrepreneurial Region in Northeast Kansas** *Growing Businesses from the Grassroots*

**Overview:** Entrepreneurs are people who create and grow enterprises and entrepreneurship is the process through which entrepreneurs are created and developed. Entrepreneurs create the majority of jobs and are vital local players who strengthen local economic, philanthropic, and cultural communities.

Across the nation, there is a growing interest in entrepreneurship and what it takes to create an entrepreneurial climate. The rationale lies in an opportunity for building a more prosperous and sustainable economy through a rural entrepreneurship development strategy. We need to know why do certain communities and regions in rural America exhibit high rates of entrepreneurship, while other communities do not.

Current thinking about entrepreneurship is to focus effort, whether private, public or nonprofit, on creating a pool of people who are starting and building enterprises. The assumption is that entrepreneurial behavior is not a genetic trait, but one that can be encouraged, developed and assisted. It means taking the human capital in a community and region and converting a growing proportion of it into entrepreneurial human capital.

Many challenges face rural communities in embracing the paradigm shift from traditional resource-dependent economies to entrepreneurial economies. Those challenges may include:

- A rural culture that does not support entrepreneurship
- Lack of community infrastructure, leadership and local self-determination
- Limited public understanding of entrepreneurship
- Scarce financial and technical resources
- Lack of organizational capacity

**Needs:** The key to a successful entrepreneurial community lies in how well regional development strategies and networks work together. A talented and focused entrepreneur can succeed anywhere, but he or she is more likely to succeed in regions that have the following key regional factors in place:

- **Diversity in Sources of Capital**
  - Diverse sources of capital to create and grow startup firms
  - Presence of venture-capital firms
  - Positive attitude towards entrepreneurs by local banks. A banking sector that is flexible and not averse to risk, thus making it easier for them to work with smaller firms.
- **An Enabling Culture**
  - The respect of entrepreneurs by political leaders, CEOs, community leaders and the local media
  - Well diverse culture open to new ideas, new people and risk taking. Local networks that are more open to outsiders
  - An ethic of information sharing that is a critical determinant of a region's entrepreneurial success
  - A culture where entrepreneurs openly share information – about sources of capital, great managers, potential directors, new developments in technology and market information.
- **Networks: The Essential Links**
  - The pervasiveness of networks and the breadth of education, information, mentoring and services that those networks provide
  - Networks that link entrepreneurs to potential sources of capital, new employees, strategic alliances, and service providers such as lawyers, accountants and consultants
- **Supportive Infrastructure**
  - A strong community-based infrastructure that supports entrepreneurs
  - A core of experienced Entrepreneurial Support Organizations that provide comprehensive training and technical assistance to build entrepreneurial skills
  - Colleges and universities are among the most significant parts of the local infrastructure

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Attach # 2



- **“Entrepreneur-friendly” Government**

- The support of local government for entrepreneurs that provides a positive factor in fostering an entrepreneurial culture
- Federal, state and local governments can partner to create a support infrastructure for entrepreneurs
- Entrepreneurs strongly embrace programs where public sector value is achieved through, or in partnership with, the private sector.

**What works:** Rural entrepreneurship flourishes where there is an active community-based rural entrepreneurship sector within the region. **Entrepreneurial Support Organizations (ESOs)** are a vital part of the public entrepreneurship sector. The attributes of ESOs include some or all of the following:

- Entrepreneurial environment that focuses on entrepreneurs first and the associated businesses second.
- Comprehensive business training and technical assistance that build entrepreneurial skills.
- Networking and support systems that nurture entrepreneurs as they develop business ideas, create viable enterprises and grow within the local community.
- Capital access that is necessary to start and grow enterprises.
- Market access that helps entrepreneurs gain awareness of and experience with a wider range of market environments.

For example, in northeast Kansas the **Glacial Hills Small Business Development Program** provides a comprehensive 10 week group business classroom training program. Since 1997, it has assisted over 160 people complete their business skills training, and of those 37 have started their business.

The **Northeast Kansas Coalition for Regional Economic Development (NEKCREd)** is a regional association of individuals, businesses, communities and counties that identifies, coordinates and implements regional development efforts, which help strengthen the economy of northeast Kansas.

The **Northeast Kansas Enterprise Facilitation Initiative** is based on a model developed by the Sirolli Institute to create community networks that support entrepreneurial business development. Community leaders identify local entrepreneurs, connect entrepreneurs with the resources they need including a staff Enterprise Facilitator, and create a local environment that encourages more people to start their own businesses or expand their businesses. This model provides a framework for communities that can be tailored to their unique resources and characteristics. The initiative since June 2003, has worked with 65 clients that have started 6 new businesses that created or retained 6 jobs.

#### **Recommendations:**

- The state and region should make **entrepreneurship a high-priority economic development strategy**
- Increased financial support for **Entrepreneurial Support Organizations** that will create stronger entrepreneurial environments and activity.
- Create a pipeline of entrepreneurs by incorporating **entrepreneurship education** into the curricula of the K-12 school system, Technical Colleges and Universities. Promote entrepreneurship as a possible career choice for students.
- Ensure **access to debt capital** in all parts of the region and state. The Kansas Department of Commerce and Housing micro-loan program that has provided \$100,000 micro-loan pools in some 35 counties should be expanded throughout the rest of the state.
- Provide support to innovative **leadership programs** at the local level that provide opportunities for people to become more involved in their community.

Presented by:

Gary Satter, Program Coordinator

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Kansas Rural Entrepreneurship Committee  
(Kansas Rural Development Council and Enterprise Facilitation Projects)

**Background**

In October 2003, the Kansas Economic Revitalization Plan was unveiled as the work-product of seven regionally driven economic development summits developed through input provided by more than 1,500 community and business leaders. The charge to the regions was to develop a plan to retain and recruit jobs based on innovative strategies to return prosperity to Kansas and Kansans (see map of regions attached). In addition to a continued commitment to the statewide priorities of education, transportation, and governmental efficiencies, the six key elements of the Economic Revitalization Plan are as follows: **Job Retention and Expansion; Biosciences; Seed Financing/New Business Start Up; Rural Entrepreneurship; Workforce Development; and, Enhanced State Image.**

A common message heard throughout the Prosperity Summits is the need for strong collaboration among economic development agencies to better serve small businesses in rural communities. Simply put, the issue was there were numerous organizations involved in supporting small businesses and that more coordination is needed to maximize outcomes. In particular, there is a need for more strategies that support entrepreneurs in small rural communities. These communities are the most likely to receive lower levels of economic development assistance due to their size and lack of professional economic development staff.

A presentation on November 4, 2003 by Don Macke, Co-Director of the Center for Rural Entrepreneurship, set the framework from which this effort was founded. It was at that session that entrepreneurship was formally identified as the most important rural development opportunity. As the comments highlighted above as well as the following statistics indicate, entrepreneurship is the key strategy upon which other rural and community development plans are to linked.

Proposals calling for passage of the Economic Growth Act note that, "according to the U.S. Department of Labor, the U.S. economy generated more than 27 million net new jobs for the 15-year period of 1980 to 1995. The Labor Department went on to note that of those jobs created, new and smaller firms contributed 65-70 percent of the net new jobs. Entrepreneurship is alive and well in the United States and in many ways is the core of our economic system."

Economic Growth Act materials also note that, "the National Commission on Entrepreneurship found in its research that entrepreneurs are responsible for 67 percent of all innovations and 95 percent of all radical innovations since 1945. Entrepreneurial companies typically experience the fastest growth rates and thus create two-thirds of all new jobs, which help offset the 10 percent of jobs lost annually among large firms due to closure and contraction. Entrepreneurial activity creates economic growth and wealth for reinvestment. Approximately 700,000 new businesses with employees are started annually and approximately two million individuals start a self-employment venture annually. In addition, successful entrepreneurs tend to reinvest into other start-up companies so the growth continues."

Indeed, an ever-increasing body of evidence suggests that entrepreneurship, also known as "grow your own," strategies are key to developing rural economies. In addition, many of these reports highlight the importance of regional cooperation among rural communities in conducting economic development activities. The Federal Reserve Bank of Kansas City, which is considered one the preeminent authorities on this subject, consistently emphasizes the dual philosophies of entrepreneurship and regional cooperation as highly effective strategies to strengthen and expand rural economies.

# Kansas Rural Entrepreneurship Committee

(Kansas Rural Development Council and Enterprise Facilitation Projects)

## Kansas Rural Entrepreneurship Action Plan

In response to the calls heard throughout the Prosperity Summits, the Kansas Department of Commerce in partnership with the Kansas Small Business Development Centers are promoting an effort to strengthen support for entrepreneurs in rural communities. This strategy is based on the following approaches:

1. **Formation of Capital Networks** (Goal: Expand and enhance the availability of financing options available to entrepreneurs in rural communities.)
2. **Seamless Network of Support Services** (Goal: Create a system among all organizations offering services to entrepreneurs that effectively transfers clients between providers and ensures adequate knowledge of programs offered by all parties.)
3. **Leadership Development Programs** (Goal: Support efforts at local and regional levels to ensure there are citizens willing and able to support entrepreneurs and help address community needs.)
4. **Recruitment and Retention of Youth** (Goal: Identify and promote strategies to reduce the "brain drain" in rural areas.)

The Kansas Rural Entrepreneurship Action Plan calls for stronger collaboration among local, regional, state, federal, public, and private economic development agencies to utilize existing resources and develop new programs as needed to accomplish the aforementioned strategic priorities. There is also a need to involve regional leaders, including the leaders of the Prosperity Summits, to ensure those regional plans are tied to these efforts. It is important that this plan involve bankers, local government leaders, and chamber of commerce leaders as key contacts to move this effort forward. **Yet another important element for success will be inclusion of groups not currently involved locally or regionally in efforts to support and grow entrepreneurs.** Furthermore, there is a need to link regions together as the regional focus evolves, particularly for those regional organizations that cover more than one economic development region.

## Kansas Rural Entrepreneurship Committee

This standing committee, under the Kansas Rural Development Council, consists of more than 20 organizations and is led by the Kansas Department of Commerce and Kansas Small Business Development Centers. The intent is to involve any organizations interested in helping achieve the aforementioned strategic goals. Already identified partner organizations are listed below. Other organizations are welcome and will be included as they are identified.

- Enterprise Facilitation Demonstration Projects
- Federal Home Loan Bank of Topeka
- Kansas Assoc. of Community Development Corporations
- Kansas Bankers Association
- Kansas Downtown Development Association
- Kansas Electric Power Cooperatives
- Kansas Farm Bureau
- Kansas Health Foundation
- Kansas, Inc.
- Kansas Resource Conservation & Development Councils
- Kansas Sampler Foundation
- KSU Research & Extension
- KSU Huck Boyd Institute for Rural America
- Kansas Technology Enterprise Corporation
- Regional Planning & Development Commissions
- Rural Life Task Force
- Sirolli Institute
- Travel Industry Association of Kansas
- USDA Rural Development
- US Small Business Administration
- Western Kansas Rural Economic Development Alliance
- Wichita State University

# Kansas Rural Entrepreneurship Committee

(Kansas Rural Development Council and Enterprise Facilitation Projects)

## **Rural Development Proposals**

The information outlined below combines proposals contained in the Governor's Economic Revitalization Plan as well as those contained in the Economic Growth Act unveiled by Legislative Leadership-- principally championed by Senator Nick Jordan and Representative Kenny Wilk. All parties involved in the development of these proposals have worked together in a spirit of cooperation and have shared information to ensure the strategies are complimentary.

The following items are currently under consideration before the Kansas Legislature in various budget requests and legislative proposals to help promote rural economic development and entrepreneurship.

### **Rural Business Development Tax Credits (Senate Bill 417)**

Modeled after the highly successful Community Service Program (but not as a substitute for), this program would encourage cash and non-cash contributions to establish regional business development funds. Individuals or businesses would receive a Kansas income tax credit for their donation made to the regional business development funds. This program would provide capital for entrepreneurial efforts in rural communities, ensure regional determination of use of the funds, and begin to tap the potential \$350 billion transfer of wealth projected to occur in the next 50 years. This proposal calls for up to one million dollars of tax credits in each of the state's seven regions over a three-year period.

If approved, this bill would invest a total of \$7 million in tax credits across the state over three years for regional organizations. The sale tax credits (at a 70% rate) would amount to more than \$10 million in cash donations that will be used to support entrepreneurial businesses and organizations. Regional leaders will be given wide latitude to determine how to use these funds, however, 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.
- Initial job creation impact between 500 and 700 jobs (valued at \$15,000 investment per job) plus ongoing job creation benefits from use of revolving loans in the future.
- Financial support for local and regional small business and entrepreneurial support systems, such as new or expanded Enterprise Facilitation projects.
- Local and regional priorities to support economic and community development such as support for rural healthcare providers.
- Vital link between local community foundations and proposed statewide Kansas Community Entrepreneurship Fund.

### **Kansas Center for Entrepreneurship (Senate Bill 393)**

The *Kansas Center for Entrepreneurship Act* will establish a resource center to ensure collaboration and efficient use of resources with our existing business development agencies throughout the state. The Kansas Center for Entrepreneurship will create policies to foster entrepreneurship in the state, provide a resource center and specifically serve as a clearinghouse, whereby entrepreneurs will have a 1-800 phone number and a Website resource to assist them. Finally, the center will oversee and manage the Kansas Community Entrepreneurship Fund.



**Kansas Rural Entrepreneurship Committee**  
(Kansas Rural Development Council and Enterprise Facilitation Projects)

**Kansas Community Entrepreneurship Fund**  
(Senate Bill 393)

The purpose of the *Kansas Community Entrepreneurship Fund Act* is to ensure that capital is accessible to our entrepreneurs from rural and low-income communities, and that commercial and industrial development creates jobs. The Kansas Community Entrepreneurship Fund, under the direction of the Kansas Center for Entrepreneurship, will make grants to local and regional community seed capital and economic development agencies to assist in providing seed funding for qualified entrepreneurs. The State of Kansas will make the initial contribution to the fund, which will then be matched by federal, foundation, corporate, and individual sources through donations and grants. The Kansas Community Entrepreneurship Fund will provide a much-needed source of seed funding to entrepreneurs across the state. Individuals and corporations will receive up to a 50 percent tax credit for their contributions.

**Enterprise Facilitation**  
(Contained in Governor's FY05 Budget Request)

The plan includes funding to continue support of the Enterprise Facilitation projects currently in existence. A total of \$200,000 from the Economic Development Initiatives Fund is included in the Department of Commerce FY 2005 budget. This will provide up to \$40,000 for each project to build upon the success of the programs. Each project must submit proposals to Commerce in order to receive this additional funding. Funding will provide one or more of the following benefits: extend the life of the project, add new services for the region, or expand the project's service area. State funds will be matched with local funds to enhance the capacity of the project.

Enterprise Facilitation is designed to utilize the intelligence found in communities, train a broad spectrum of local citizens, and generally increase local capacity to help themselves develop new and retain existing small businesses. The Enterprise Facilitation program has successfully addressed many of the complex needs and priorities identified by the regional summit process for rural Kansas. Continued funding of the projects capitalizes on that success. The five project areas cover 24 rural counties with a collective population of approximately 175,000 (see map attached).

**Agritourism**  
(Existing Commerce Initiative; Various legislative proposals)

Agritourism is an agency-wide initiative at the Department of Commerce as part of the Revitalization Plan's approach to rural development. Commerce will help develop a coordinated but flexible agritourism plan in partnership with other stakeholders. Funding for this initiative will be allocated from internal Department resources.

A number of bills have been introduced to promote and support this growing industry. These proposals should be carefully monitored to determine their long-term impact upon existing budgets and the fledgling agritourism industry.

**Angel Investment Tax Credit**  
(Senate Bill 480)

Local angel investors provide the bulk of seed capital prior to institutional venture funds — 80 percent of seed and start-up capital for entrepreneurial ventures. The ratio of potential to active angel investors is estimated at five to one, and angel investors traditionally become more involved as "active" investors to assist start-ups.

# Kansas Rural Entrepreneurship Committee

(Kansas Rural Development Council and Enterprise Facilitation Projects)

The *Angel Investment Tax Credit Act* will provide tax incentives for our successful business persons to not only invest in Kansas start-ups, but also to serve as advisors for such companies. Such credit would allow an investor to utilize 50 percent of a qualifying investment as a dollar-for-dollar credit to reduce Kansas income tax owed by the investor. Angel investors are successful business people who come from all over the state and from all Kansas industry sectors, including aviation, agriculture, bioscience, energy, information technology, and retail.

## Kansas Downtown Redevelopment Act (Senate Bill 520)

The *Kansas Downtown Redevelopment Act* is proposed to promote, stimulate, and develop the general and economic welfare of the State of Kansas and its rural and low income communities, to encourage the rehabilitation and use of real property located in downtown areas that have become vacant or minimally utilized, and to assist in the development and redevelopment of eligible areas. Cities will have the opportunity to apply to the Kansas Department of Commerce to designate a downtown redevelopment area, whereby abatement of real property tax increments will be available for properties that have undergone approved improvements.

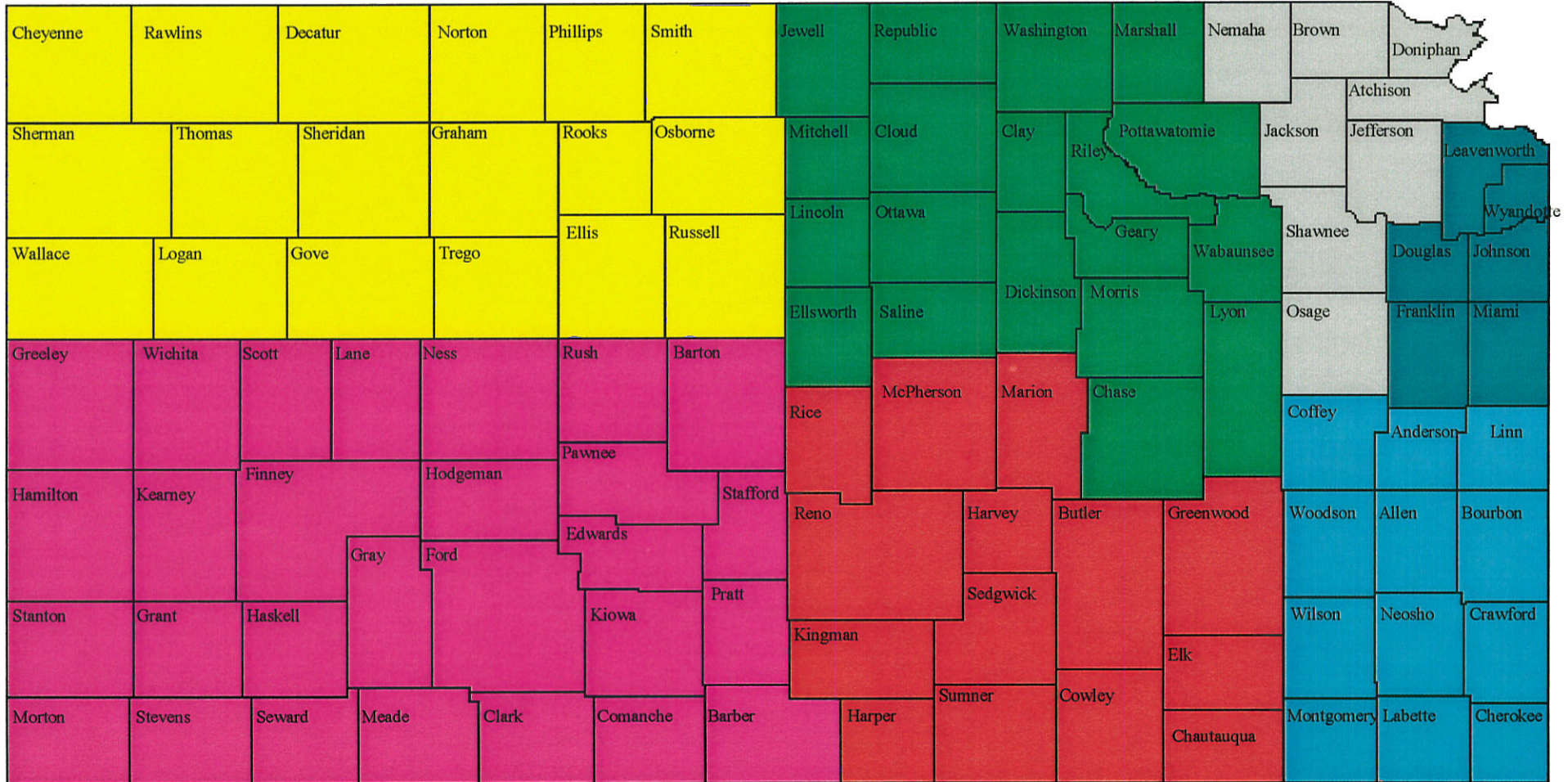
### Rural Entrepreneurship Outcomes

Through the work of the Rural Entrepreneurship Committee and its Action Plan, the following positive impacts are expected to strengthen support for entrepreneurs and rural development:

1. **Enact rural development proposals** (Goals 1 and 2)
  - Intended Outcome: Implementation of the aforementioned proposals to strengthen and expand programs available to entrepreneurs.
2. **Develop comprehensive website connecting all resource providers** (Goal 1)
  - Intended Outcome: Support activities of proposed Center for Entrepreneurship as a way to improve delivery of services to clients.
3. **Conduct joint training sessions** (Goal 2)
  - Intended Outcome: Reduce the number of training sessions while increasing the number of participants at each offering.
4. **Center for Entrepreneurship** (All goals)
  - Intended Outcome: Create a world-class center to support and grow entrepreneurs in Kansas through a website, call-center, and policy development and outreach activities.
5. **Actively support Enterprise Facilitation, Angel Investment Networks, and other Entrepreneurial Support Programs** (Goals 2 and 3)
  - Intended Outcome: Offer effective mentoring and support systems to grow and sustain emerging entrepreneurs.
6. **Increase the number of qualified entrepreneurs in rural Kansas** (All goals)
  - Intended Outcome: More jobs and growing populations in rural communities.

# ECONOMIC DEVELOPMENT REGIONS

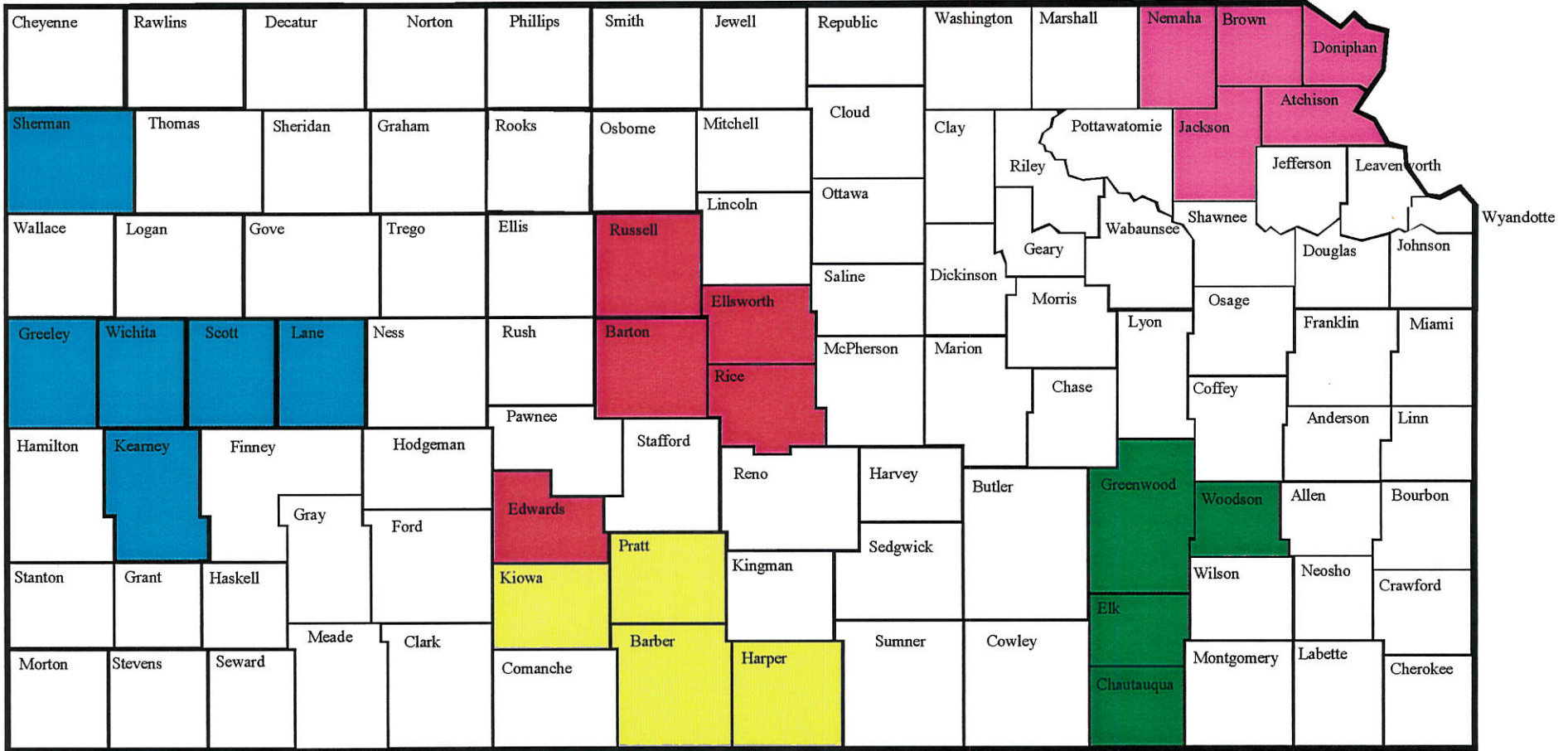
3-4





# KANSAS ENTERPRISE FACILITATION PROJECTS

3-7



3-7

- Blue = Western Kansas
- Green = Quad Counties
- Rose = Northeast KS
- Yellow = Sunflower RC&D
- Red = Prairie Enterprise



Rural Entrepreneurship  
Statement to  
Senate Commerce Committee  
Senator Karin Brownlee, Chair  
March 5, 2004

Ron Wilson

Madam Chairman and Members of the Committee:

We are pleased to participate in today's discussion on rural entrepreneurship. I am Ron Wilson, director of the Huck Boyd National Institute for Rural Development at Kansas State University, Manhattan. The Institute is a public-private partnership between K-State and the Huck Boyd Foundation of Phillipsburg, Kansas.

We believe encouraging entrepreneurship is a vital strategy for rural Kansas. Many rural communities do not have the "deep pockets" or critical mass to be likely to attract big businesses from outside their community or region. A more effective strategy is to build business from within, one job at a time, by encouraging local entrepreneurs to start and build their enterprises. Such a strategy requires patience and a long-term commitment. We appreciate the recent emphasis on entrepreneurship by key legislators such as yourself and by the Kansas Department of Commerce Community Development Division.

Local leadership is fundamental to the progress of rural communities and to the support of entrepreneurs. Our Institute is focused on encouraging such leadership in a variety of venues. During the past six years, more than 1,080 Kansans participated in new leadership programs that were facilitated through the Institute. In a survey of a sample of participants in those programs, participants estimated that they spent an additional 267 hours of volunteer service per week as a result of their participation in these programs. On an annualized basis, based on the estimated value of volunteer service, these leadership program participants provided their communities an amount of volunteer service valued at \$229,641.36 -- an excellent benefit for the people of Kansas. In addition, the Institute currently has an on-line data base of case studies of more than 500 entrepreneurs and community leaders who have been featured on the Institute's "Kansas Profile" radio program, which is distributed statewide weekly.

An excellent example of a grass-roots effort to initiate entrepreneurship education is found at the newly created Solomon Valley Regional Learning Center in Phillipsburg. The Huck Boyd Foundation and Phillips County Economic Development were instrumental in creating this center, which is offering entrepreneurship classes from Wichita State University through distance education with positive results. This initiative was pursued by visionary leaders in Phillipsburg, in partnership with WSU. Jeff Hofaker is the coordinator of this effort in Phillipsburg.

Senate Commerce  
03/05/04  
Attach # 4

We want to emphasize four topics as part of the discussion on rural entrepreneurship:

1) Mentoring - It is very useful for a budding entrepreneur to access the advice and counsel of a seasoned, experienced business person.

2) Transition/transfer issues - Another opportunity for entrepreneurs is to acquire and grow an existing small or local business. We have many existing businesses facing generational or business transition issues. We need education for both buyers and sellers of these existing businesses on making such ownership transitions successfully.

3) Tax relief for new homegrown businesses - During the first year of a business, the new enterprise must purchase equipment and supplies. Tax relief during those first years would enable the business to have breathing room before assuming its full tax burden, and help assure the business of long-term success. Tax abatements or incentives can be an important tool when recruiting new or outside businesses, and perhaps such benefits could be offered to indigenous businesses as well.

4) Technology - Telecommunications technology makes it possible for rural communities to overcome the "distance penalty." Entrepreneurs can now live and work in a rural setting with its many advantages of lower costs and high quality of life, and interact electronically with markets and consumers around the world.

Thank you again for your support of rural entrepreneurs.

# Solomon Valley Regional Learning Center

\*Focusing on Entrepreneurship\*

Fischer Building  
205 F. Street—P.O. Box 508  
Phillipsburg, Kansas 67661  
Phone: 785-543-5809  
SVRLC@ruraltel.net  
Class IP # — 192.168.002.253

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Making Rural Kansas the next frontier for business development

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Jeff Hofaker

Director— PCED, Inc  
Director— PCDCF, Inc.  
Director— SVRLC



Conrad Corman

Assistant Director —SVRLC

Senati Commerce  
03/05/04  
Attach #5



Solomon Valley Regional Learning Center

SVRLC Office P.O. Box 508 205 F Street

Phillipsburg, KS 67661

Phone: (785) 543-5809, Fax (785) 543-5762

E-mail [pcdcf@ruraltel.net](mailto:pcdcf@ruraltel.net)

February 11, 2004

Huck Boyd National Institute for Rural Development  
C/O Ron Wilson  
216 Call Hall  
Manhattan, KS 66506-1604

Dear: Ron Wilson

The Solomon Valley Regional Learning Center helps individuals develop and grow businesses. This is currently done through six key facets, which are: 1) by offering distance learning through video conferencing, 2) having two base curriculums and incorporation of other smaller classes, 3) a business mentor program, 4) a full time director for the learning center, 5) a business incubator building to assist with start-up, and; 6) utilization of Phillips County Development & Community Foundation to create a future regional/local venture fund for business development and expansion in a rural setting. The learning center is located in the Fischer Building in downtown Phillipsburg, the building is approximately 30,000 sq/ft the learning center utilizes 1400 sq/ft and plans to move into approximately 5000 sq/ft of the building. The learning center has one classroom right now that is equipped with computers and video conferencing. The video conferencing equipment is used for in class presentations and act as the conduit access for the long distance learning.

Classes are offered through the learning center from universities and other organizations to help entrepreneurs with their businesses. These long distance learning capabilities, TI internet access, and a common location for a classroom environment based in a rural location allows participants to interact with professors, other groups, and students using the same technology from any other location in the world. This center utilizes and brings together existing groups and organizations offering some of the best education and curriculum for the active and aspiring entrepreneur. Active entrepreneurs use the facility and courses to expand and create a more efficient rural business. Aspiring entrepreneurs need the additional assistance to move them from idea to business concept (business plan), because in most cases, have never had a business and current ly have a full-time job and family. Because of those circumstances, historically they have to make the greatest sacrifices of time, money, and family to start a business. The learning center creates a better catalyst for moving the aspiring entrepreneur into the active and working entrepreneur with a new business.

The learning center has teamed up with Wichita State University's Center of Entrepreneurship to bring courses like Developing a Business Plan and Growing and Managing an Entrepreneurial Firm. These two courses relate to a broad range of entrepreneurs from farmers, bankers, electricians, gift shop owners, and many more. Some topics covered in the two courses are preparing income statements, cash flow statements, discussing stages of growth, strategic planning, time management, succession issues, and other topics. The courses can be taken as workshop or continuing education credit. Other courses from WSU and other sources are being pursued for the future. Courses such as e-Business, Computer & Software Training, Management Training, and other educational courses that will help the future of businesses and long term economic development growth.

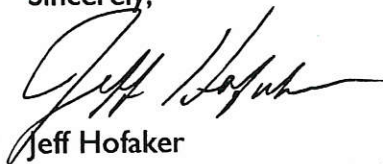


Funding provided to assist with the establishment of the Learning Center, Marketing & Entrepreneurship classes is made possible through donations by: Dane G. Hansen Foundation, First National Bank, Aquila, Farmers National Bank, Nex-Tech, Cy & Gladys Moyer, Mapes & Miller C.P.A's, City of Phillipsburg,, Scott-McCoppin , Mineral-Right Inc.)

Our long term aspirations are to incorporate this learning in a mentoring and educational format into a format that would inspire our K-12 grades youth to consider and pursue entrepreneurship as an alternative to being trained just to get an education and get a job. Another avenue that is currently being considered is utilizing leadership training into a our entrepreneurship and mentoring program to encourage our youth and others to create our future by following and developing their dreams and visions here in Kansas, while hopefully understanding the rural advantage.

This program itself started with a vision. From that visionary thought, a project and center was developed. We are still perfecting that plan, but we feel very confident about the future of the center and the essential need to develop these rural, aspiring entrepreneurs, who have been slipping through the cracks, because of location, education, time and financial circumstances.

Sincerely,



Jeff Hofaker

Director – Phillips County Economic Development

Director – Phillips County Development & Community Foundation

## Center helps a rural Kansas town

By Amy Geiszler-Jones

Like many rural American towns, Phillipsburg, Kan., has seen its population and businesses dwindle. The town of about 2,600, located in northwest Kansas about 20 miles from the Nebraska border, has been losing the equivalent of a family of five every month for 20 years.

But Phillipsburg native Sally Brandon, who will open a second business there later this month, thinks things will change, in small part because of classes being offered by WSU's Center for Entrepreneurship.

The WSU center has teamed up with the Solomon Valley Regional Learning Center in Phillipsburg to offer classes to stimulate new start-up and to grow existing businesses. Terry Noel, assistant professor, taught the first class, on developing business plans, last fall. Center director Don Hackett is currently teaching the class "Growing Your Business."

"The new business possibilities that I saw come out of that business plan class give me some hope for Phillipsburg," says Brandon, a class participant whose new business, The Shepherd's Mill, will employ four people. The Shepherd's Mill will offer custom processing of the wool from sheep, alpaca, lama and other fiber-producing animals. Jeff Hofaker, director of Phillips County Economic Development Inc., sees similar promise. "Out of the 11 students that took the business planning class ... six were viable businesses, and one 'Sally's' is financed and running," he says.

In early 2002, the PCED board started looking at ways to stimulate entrepreneur growth in the region.

"The basic premise started as creating some type of center to be the catalyst for bringing in education and offering added incentives for developing businesses in a rural setting" says Hofaker.

Noel, the WSU faculty member, sees these kinds of entrepreneurship classes as critical in breathing life into small towns. "There's a world of smart people out there and all they need is a few tools in their tool kit," says Noel. Hofaker agrees. "Rural businesses can be created if appropriate training and education is given to guide entrepreneurs."

Through the Phillips County Development and Community Foundation, which was established in 2003 as a 501 (c) (3) non-profit organization, a grant funded from the Dane G. Hansen Foundation, and commitments by mentoring businesses, the PCED opened the Solomon Valley Regional Learning Center less than a year ago to focus on entrepreneur development. The Phillips County Development and Community Foundation, established in 2003 as a 501 (c) (3) non-profit organization, whose purpose was to be an area foundation to assist with economic and community development projects and long-term venture funding for entrepreneurs and business expansion.

Many rural towns are looking to stimulate their economic development efforts. Brandon, for example, says Holdrege, Neb., economic officials asked her and her husband to base The Shepherd's Mill there, but the couple wanted to stay in their home area. While Brandon had already developed a business plan for The Shepherd's Mill with some help from the Small Business Development Center in Hays, she still enrolled in Noel's class last fall to put the finishing touches on her plan. "It was a great opportunity to put the polish on and to get some one-on-one help," says Brandon, who co-owns another Phillipsburg business that sells looms, yarns and spinning fibers. Brandon says the class paid off. Bankers told her and Jeff that the business plan developed through the center made the difference in getting the financing for her unique business approved.

Although more than 250 miles separate Phillipsburg from Wichita, Hofaker says the PCED asked WSU to offer the classes because its Center for Entrepreneurship is nationally recognized and it is the only center in the state with an established curriculum in entrepreneurship. The WSU center agreed to help out since its "mission is to encourage entrepreneurship activity," Hackett says. "As a center we try to be responsive to folks who want learning. "We've also had feelers from other communities," says Hackett. "This is something that several communities in Kansas are facing. There's a need for this kind of thing."

The Legislature is currently looking to create a Kansas Center for Entrepreneurship to beef up economic development in the state. The center would be a resource center for new business owners, and a state fund would help provide startup cash for the entrepreneurs.

Technology has allowed the Phillipsburg/WSU partnership to work. The classes met in Phillipsburg with the WSU instructors for a few times, and then interactive television was used, as well.



**Learning Center – Business Incubator  
Site (Fischer Building – Phillipsburg, KS)**

- Fischer Building
  - 30,000 sq/ft of space
  - Majority space used for business incubation
  - Director and PCED, PCDCF offices located in building
  - Manager for the building
  - Learning Center Occupies 1200 sq/ft currently – with future renovations 7000 sq/ft
  - Rural businesses/groups can also utilize the video conferencing to enhance business production
  - Premise behind incubator is to lower cost of new business in first years and then transplant into community after 2-3 years



**Brooke Corporation  
utilizes PCED business incubator**

- Helped start Brooke Corp. in the incubator space – started with 26 employees and now has over 100 part/full time employees
- At the present time Brooke is going through another expansion.
- Brooke utilizes video conferencing as a private business to be able to be established in our area



**Solomon Valley Regional Learning Center  
\* Focusing on Entrepreneurship \***



" Making Rural America the next frontier for business development "

**Solomon Valley Regional Learning Center**

- Premise
  - Bringing education to entrepreneurs
  - Growing home grown businesses
  - Expanding – existing local businesses through education
  - Long term - showing our youth the advantage to becoming an entrepreneur
- Incorporation of "Distance Learning" – (Video Conferencing)
- Utilization of existing education (WSU – Center of Entrepreneurship)
  - Other organizations / universities
- Mentoring (by business Sponsors)
- Incubation Space (Fischer Building)
- Alternative start-up & expansion funding opportunities (foundation / grants / entrepreneurial revolving loan fund)
- Full-time Center Director (Facilitator)

## Learning Center (continued)

- Currently located on main floor of Fischer Building
- Renovations (5000 sq/ft – 2<sup>nd</sup> floor) for future permanent location
- Classes
  - 2 main courses
    - Business Planning and Development (Feasibility)
    - Growing your Business (Expansion)
  - Future classes
    - Web construction, Quick/Money Books, Computer Fundamental, E-commerce, Advertisement/Mktg Overviews, Leadership, Succession
- Workshop & CEU's available – Course Credit (Future)
- Businesses and organizational training classes can utilize the center for computer / distance learning

## Grant Writing Class



## Business Planning Course (Wichita State University)



## Business Growth & Expansion Class

