

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on March 7, 2006 in Room 526-S of the Capitol.

All members were present except:

Tom Burroughs- Absent
Carl Krehbiel- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Rena Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Steve Radley, Director, Kansas Center for Entrepreneurship
Patty Clark, Director of Ag Marketing & Community Development
Wally Kearns, State Director, Kansas Small Business Development Center

Others attending:

See attached list.

Chairperson Gordon welcomed Steve Radley, Director of the Kansas Center of Entrepreneurship to the Committee who gave an update on the Center.

The Kansas Center for Entrepreneurship was created in 2004 through the Kansas Economic Growth Act with a mission of strengthening the entrepreneurial culture of Kansas. The Center is launching the NetWork Kansas call center, networkkansas.com website, and the StartUp Kansas fund.

NetWork Kansas launches with more than 240 resources participating as NetWork Kansas partners. NetWork Kansas provides the following services specific to the vision of the Kansas Economic Growth Act of 2004 including the following:

- A seamless integrated network of small business service providers in Kansas
- Access through one central portal
- Database tools for client tracking and statistical measurement to facilitate evaluation

The mission of StartUp Kansas is to partner with business support providers who assist in providing or obtaining funding for Kansas entrepreneurs in for-profit business startups and expansions in rural and distressed communities.

The Kansas Center for Entrepreneurship will begin an ongoing process of connecting entrepreneurs and small business owners with the education, expertise, and economic resources they need when they need them. (Attachment 1)

A motion was made by Representative Huntington and seconded by Representative Horst to approve the minutes from the meetings of 2-14 and 2-16. A vote was taken, motion passed.

SB 324 Abolishing the Kansas community entrepreneurship fund

Staff gave a briefing of **SB 324**. The bill would increase the Rural Business Development Tax Credit and the Kansas Community Entrepreneurship Tax Credit from 50 percent to 75 percent; however, the total amount of credits allowed under each program would not exceed \$2,000,000 in FY 2007 which is current law.

The bill would move the Kansas Community Entrepreneurship Fund from the Kansas State Treasury to the Kansas Center for Entrepreneurship.

The bill would delete the language that requires Kansas Department of Commerce to reimburse the Kansas Center for Entrepreneurship for the costs of administration of the program.

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on March 7, 2006 in Room 526-S of the Capitol.

The bill was requested by the Kansas Department of Commerce.

Patty Clark, Director of Community Development for the Kansas Department of Commerce presented testimony as a proponent for **SB 324**. **SB 324** improves the functionality of useful tools provided in the Kansas Economic Growth Act of 2004. Amendments to **SB 324** provide for greater flexibility in management of the StartUp Kansas Fund. The Department of Commerce supports the deletion of the language calling for Commerce to reimburse the Center for the costs of administration of this act. (Attachment 2)

Wally Kearns, State Director, Kansas Small Business Development Center gave testimony as a proponent for **SB 324**. The changes associated with **SB324** are associated with service offerings provided by the Kansas Center for Entrepreneurship.

The change from a 50% to a 75% tax credit is vital for the seven Rural Business Development Tax Credit foundations.

Having the flexibility of loans vs. grants is vital to the long term sustainability of the StartUp Kansas Fund.

It is believed the changes to **SB 324** provide the flexibility required to work effectively in a dynamic entrepreneurial environment. (Attachment 3)

Discussion followed the testimony. The meeting was adjourned at 4:50 pm. The next meeting is scheduled for Thursday, March 9.



House Economic Development Committee

March 7, 2006

Testimony by:

**Steve Radley, Director,
Kansas Center for Entrepreneurship
NetWork Kansas**

Kansas Center for Entrepreneurship Update

Chairperson Gordon, I'm Steve Radley, Director of the Kansas Center for Entrepreneurship. This morning I will provide a brief update concerning the Kansas Center for Entrepreneurship.

History

In 2004 the Legislature passed and the Governor signed the Kansas Economic Growth Act. Incorporated in that landmark legislation was the creation of the Kansas Center for Entrepreneurship with a statutory mission of strengthening the entrepreneurial culture of Kansas. That mission was to be accomplished through the development and maintenance of a comprehensive website of resource providers, the creation of a call center, better coordination of existing and new entrepreneurship education programs and improved access to financing for entrepreneurs. Today is a progress report on all these responsibilities as outlined in the Act.

Mission of the Center

On March 9, the Kansas Center for Entrepreneurship is officially launching the NetWork Kansas call center, networkkansas.com website, and the StartUp Kansas fund. We want to remind you of the luncheon we are hosting to celebrate that launch at Top of the Tower at noon on March 9. NetWork Kansas will provide the first statewide network of resources that provide business building services to entrepreneurs and small business owners. NetWork Kansas launches with more than 240 resources participating as NetWork Kansas partners. Partners include small business development centers, economic development organizations, Kansas Department of Commerce field offices specializing in local and international issues, workforce development centers, local and

regional financial assistance organizations, enterprise facilitation projects, technical assistance centers, organizations that specialize in helping women-owned businesses, and more.

Entrepreneurs and small business owners call our toll free number, 877-521-8600 to speak with a NetWork Kansas counselor. NetWork Kansas Counselors ask the entrepreneurs a series of questions including physical location, business concept and stage, and what their specific needs and challenges are at this point in the business lifecycle. The counselors then use our unique database tool, Resource Navigator, to research the statewide network and determine which resource(s) can best assist the entrepreneur. The counselors will then facilitate a connection between the entrepreneur and the service provider. NetWork Kansas also utilizes a powerful client-contact database called Biz-Trakker to allow for measurement and evaluation as we follow the client through the network. Entrepreneurs and small business owners can also utilize Resource Navigator online by going to networkkansas.com. The NetWork Kansas website has a wealth of additional information including entrepreneurial classes offered statewide, economic resources available, and news and events going on throughout Kansas.

NetWork Kansas provides the following services specific to the vision of the Kansas Economic Growth Act of 2004 including the following:

- NetWork Kansas provides a seamless integrated network of small business service providers in Kansas
- NetWork Kansas provides access through one central portal, our toll free number and networkkansas.com
- NetWork Kansas provides database tools for client tracking and statistical measurement to facilitate evaluation.

A part of the Center's responsibilities were to work efficiently and effectively with existing resources. The Kansas Department of Commerce, which by statute administers the Center, contracted with the Kansas Small Business Development Center for the operation of the Center. Fort Hays State provides administrative support for The Center. The Center is provided office space at the WSU Metroplex as an in-kind collaboration with WSU. WSU faculty provide assistance to the Center and WSU students are employed as Call Center staff. All 240 of the resource providers network together for the benefit of the entrepreneurs and the Center has utilized the expertise of KCSOURCELINK and the Kauffman Foundation to employ both Resource Navigator and BizTrakker. Kansas, Inc. has been on the ground floor with development of the evaluation model we will use to report back to the administration and the legislature. We think you will agree we have been proficient in our use of existing resources.

The Kansas Economic Growth Act of 2004 also established the Kansas Community Entrepreneurship Fund, StartUp Kansas. The mission of StartUp Kansas is to partner with business support providers who assist in providing or obtaining funding for Kansas

entrepreneurs in for-profit business startups and expansions in rural and distressed communities. Entrepreneurs and small business owners who are starting a business or want to start growing their existing business can access StartUp Kansas funding by working with their local non-profit business service providers that are part of NetWork Kansas. It is important to emphasize that StartUp Kansas will not provide capital directly to startup and existing businesses. We will work with other organizations to compliment or supplement them in providing economic resources.

The StartUp Kansas Committee will meet every other month to review applications. We have completed the service description and will announce the availability of the StartUp Kansas fund on March 9. Initial applications will be due on April 15 with the first potential awards no later than May 10.

Finally, the last item outlined in the Kansas Economic Growth Act of 2004 is to inventory all entrepreneurial education currently being offered throughout the state. The Center for Entrepreneurship at Wichita State received a grant from us to perform this task. They have hired an Educational Outreach Director that is in the process of conducting an inventory of the entrepreneurial classes currently being taught in Kansas, including K-12, community college, regent college, credited and non-credited. Once the inventory is completed, those courses can be promoted through our NetWork Kansas call-center and website. In addition, the inventory can help provide a foundation to begin to create a clear vision for entrepreneurial education in Kansas.

In summary, the launch on March 9 will begin an ongoing process of connecting entrepreneurs and small business owners with the education, expertise, and economic resources they need when they need them. If you have any questions, I'd be more than willing to try and answer them now or you can email me at sradley@networkkansas.com or call 316-978-7312. Thank you.

Steve Radley, Director, Kansas Center for Entrepreneurship,
1845 Fairmount, Box 202, Wichita, Kansas 67260-0202



A Service of the Kansas Center for Entrepreneurship



Search

Submit

Quick Links

Latest News

[NetWork Kansas launches March 9th :](#)

Emerging Kansas

Emerging Business

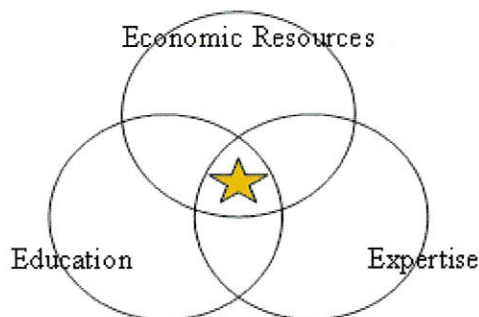
[Campbell Winery is lucky number 13!](#)
NetWork Kansas partner: The Northeast Enterprise Facilitation Initiative

Emerging Industry

[Kansas Grape and Wine Industry](#)
The Wine Industry is gaining popularity and continually growing in the state.



Start or Grow Your Business!



Create a customized personal search for the expertise you need for success!



1-4



The Kansas Center for Entrepreneurship was established as a component of the Kansas Economic Growth Act of 2004 to further establish entrepreneurship and small business as a priority for economic and community development in the state of Kansas. Its mission is to promote an entrepreneurial environment throughout the state of Kansas by establishing a central portal that connects entrepreneurs and small business owners with the right resource; expertise, education, and/or economic, at the right time.

Expertise - NetWork Kansas

NetWork Kansas is a statewide service that enables entrepreneurs and small business owners to be connected with the resources they need when they need them! Currently, there are more than 240 NetWork Kansas partners that provide business building services to entrepreneurs and small business owners. Network Kansas works by providing a conduit that bridges the entrepreneur and small business owner with the resource that has the expertise they need. Entrepreneurs and small business owners call 877-521-8600 to speak with a NetWork Kansas Counselor. NetWork Kansas' unique database enables counselors to view the entire network of resource partners and their area of expertise. The NetWork Kansas counselor researches the network with the entrepreneur's needs in mind and refers the entrepreneur to the partners that meet their particular needs. NetWork Kansas also tracks the success of the entrepreneur throughout the process by utilizing a software program called Biz-Trakker developed by the Kaufman Foundation and KCSOURCELINK of Kansas City.

Education - Entrepreneurial Education

The Kansas Center for Entrepreneurship has awarded a grant to the Center for Entrepreneurship at Wichita State University. The purpose of this grant is to perform an inventory of the entrepreneurial education currently being taught throughout the state. The inventory includes non credited and credited courses offered by K-12 schools, community colleges, private colleges, and regents colleges. The goal of this inventory process is to learn what is already available that can be promoted through NetWork Kansas and to determine a vision and mission for entrepreneurial education for the state of Kansas.

Economic Resources – StartUp Kansas

The mission of StartUp Kansas is to partner with business support providers in providing or obtaining seed capital funding for Kansas entrepreneurs in for-profit business startups and expansions in rural and distressed communities. Through its Kansas Community Entrepreneurship Fund, entrepreneurs can access StartUp Kansas funding by working with their local non-profit business support providers. Examples are the seven regional foundations: Northwest Kansas Planning and Development Commission, North Central Kansas Community Network Co., Glacial Hills Resource Conservation and Development Region, Inc., East Central Kansas Rural Development Tax Credit Program, Inc., Southeast Kansas, Inc., South Central Kansas Economic Development District, and Great Plains Development, Inc. Other examples of non-profit business support providers include Main Street Kansas organizations, Chambers of Commerce, Economic Development agencies and other non-profit organizations charged with assisting for-profit entrepreneurs and small businesses in Kansas.

CONTACT INFORMATION

Steve Radley, Director
Phone: 316-978-7312
Fax: 316-978-7311
Email: sradley@fhsu.edu

Erik Pedersen, Operations Manager
Phone: 316-978-7310
Fax: 316-978-7311
Email: epedersen@fhsu.edu



List of Resource Partners

Advanced Manufacturing Institute
Alliance for Technology Commercialization, Inc.
Anderson County Economic Development
Arkansas City Area Chamber of Commerce
Asian American Chamber of Commerce of KC
Atchison Workforce Center
ATHENA PowerLink
Avenue Area, Inc.
Burden Chamber of Commerce and Economic Dev.
Business & Technology Institute
Butler County Economic Development
CANBE: Community Association of Nonprofit Executives
Center for Civic Leadership
Central Exchange
Chanute Workforce Center
City of Abilene
City of Chanute
City of Derby
City of Liberal
City of Maize
City of Parsons
City of Wichita
Citywide Development Corporation of Kansas City, KS
Clay County Economic Development
Cloud County Community College
Cloud County Community College, Geary County
Coffey County Economic Development
Coffey County Economic Development
Coffeyville Community College
Colby Community College
Columbus Economic Development Corp.
Community Resource Network
Council on Philanthropy
County Economic Research Institute, Inc.
Cowley First-Cowley Economic Development
Dodge City Workforce Center
Dodge City/Ford County Development Corporation
Doniphan County Economic Development
Downtown Manhattan, Inc.
Downtown Parsons, Inc.
East Central KS Rural Development Tax Credit
ECI Development Corporation
Edwards County Economic Development Corp.
El Dorado Main Street
Ellis County Coalition for Economic Development
Ellis Mainstreet, Inc.
Ellsworth County Economic Development, Inc.
Emporia Main Street
Emporia Workforce Center
Enterprise Center of Johnson County
Entrepreneurial Development Ctr. at Donnelly College
Entrepreneurial Legal Services at UMKC
Executive Service Corps of Greater Kansas City
FastTrac
Finney County Economic Development Corporation
Fort Scott Area Chamber of Commerce
Fort Scott Community College
Four Rivers Development Inc.-Beloit
Four Rivers Development Inc.-Salina
Fredonia Chamber of Commerce
Garden City Downtown Vision
Garden City Workforce Center
Gardner Area Chamber of Commerce
Glacial Hills RC&D, Inc.
Great Bend Workforce Center
Great Plains Development, Inc.
Greater Kansas City Chamber of Commerce
Greater Miami Economic Development Center
Greater Topeka Chamber of Commerce
Greenwood County Economic Development
Harper County Economic Development Center
Hays Workforce Center
Heartland Business Capital
Heartland Procurement Technical Assistance Center
Higuchi Biosciences Center
Hispanic Chamber of Commerce of Greater KC
Hispanic Economic Development Corporation
Hodgeman County Economic Development
Hoisington Main Street, Inc.
Home Business Connection
Hutchinson Workforce Center
Independence Main Street
Independence Workforce Center
Innovation Center
International Trade Council of Greater Kansas City
InvestMidwest Venture Capital Forum
IRS Small Business Taxpayer Education & Comm.
Johnson County K-State Research and Extension
Johnson County Library
Kansas Bioscience Organization
Kansas City Area Chamber of Commerce
Kansas City Area Life Sciences Institute
Kansas City Kansas Public Library
Kansas City KS Women's Chamber of Commerce
Kansas City Volunteer Lawyers/Accountants for the Arts
Kansas City Workforce Center
Kansas Department of Revenue
Kansas Electric Power Cooperative
Kansas Industrial Training Program
Kansas Insurance Department
Kansas Match
Kansas State University, Pollution Prevention Institute
Kansas Statewide Certification Program, Minority & Women
Kansas Technology Enterprise Corporation
Kansas Women's Business Center
Kansas World Trade Center
KC KS Community College Workforce Development
KC Sourcelink

KDOC Office of Minority & Women Business
 KDOC, Business Development Division, EC Region
 KDOC, Business Development Division, General
 KDOC, Business Development Division, NE Region
 KDOC, Business Development Division, NW Region
 KDOC, Business Development Division, SC Region
 KDOC, Business Development Division, SE Region
 KDOC, Business Development Division, SW Region
 KDOC, Community Development Division
 KDOC, First Stop Clearinghouse
 KDOC, Trade Development Division, Overland Park
 KDOC, Trade Development Division, Topeka
 KDOC, Trade Development Division, Wichita
 Kearny County Community Development
 KSBDC at Cloud County Community College
 KSBDC at Emporia State University
 KSBDC at Fort Hays State University
 KSBDC at Garden City Community College
 KSBDC at Johnson County Community College
 KSBDC at Pittsburg State University
 KSBDC at University of Kansas
 KSBDC at Washburn University
 KSBDC at Wichita State University
 Lawrence Chamber of Commerce
 Lawrence Regional Technology Center
 Lawrence Workforce Center
 Leavenworth Area Development
 Leavenworth Workforce Center
 Leavenworth-Lansing Area Chamber of Commerce
 Leawood Chamber of Commerce
 Lenexa Chamber of Commerce
 Lenexa Economic Development Council
 Liberal Chamber of Commerce
 Liberal Workforce Center
 Linn County Economic Development
 Logan County Development Corporation
 Manhattan and Junction City Workforce Center
 Manhattan Area Chamber of Commerce
 Marshall County Economic Development Council
 Marysville Main Street
 McPherson Main Street
 Mid America Manufacturing Tech. Ctr., Overland Park
 Mid America Manufacturing Tech. Ctr., Pittsburg
 Mid America Manufacturing Tech. Ctr., Western Kansas
 Mid America Manufacturing Tech. Ctr., Wichita
 Mid-America Incorporated
 Midwest Center for Nonprofit Leadership
 Midwest Energy, Inc.
 Minority Supplier Council of Kansas City
 Mitchell County Community Development
 MO-FAST (MO Federal & State Technology)
 MO-KAN Development, Inc.
 NASA Mid-Continent Technology Transfer Center
 National Association of Women Business Owners
 National Federation of Independent Business
 National Institute for Aviation Research
 Neosho County Community College
 Ness County Economic Development
 Newton Workforce Center
 North Central Regional Planning Commission
 Northeast Johnson County Chamber of Commerce
 Northeast Kansas Enterprise Facilitation Initiative
 Oberlin-Decatur Area Economic Development
 Olathe Chamber of Commerce
 Olathe Economic Development Council
 Osborne Economic Development
 Ottawa Main Street
 Overland Park Chamber of Commerce
 Overland Park Economic Development Council
 Overland Park Workforce Center
 Pawnee Co. Eco. Devo./ Larned Area Center
 Pioneer County Dev./NW KS Planning & Dev.
 Pioneer Electric Cooperative, Inc.
 Pittsburg Workforce Center
 POWER Mentoring Program
 Prairie Enterprise Project
 Pratt Area Economic Development Corporation
 Q.U.A.D. Enterprise Facilitation
 Quest Center for Entrepreneurs, Inc.
 Republic County Economic Development
 Rooks County Economic Development
 Rural Development Association of Northeast KS
 Rural Telephone Service Co., Inc.
 Salina Workforce Center
 SBA Disadvantaged Business Procurement
 SBA Economic Development Department
 SBA HUBZone Program
 SBA Small Business Procurement Program
 SBA, Kansas City District Office
 SBA, Wichita District Office
 SCORE, KC Chapter #19
 SCORE, McPherson Chapter #542
 SCORE, Topeka Chapter #342
 SCORE, Wichita Chapter #143
 See-Kan RC&D Project, Inc.
 Seward County Community College
 Shawnee Area Chamber of Commerce
 Shawnee Economic Development Council
 Sherman County Economic Development
 Smith Center Chamber of Commerce
 Smith Center Economic Development
 Solomon Valley Regional Entrepreneurial Center
 South Central KS Economic Development District
 Southeast Kansas Regional Planning Commission
 Southeast Kansas, Inc.
 Southern Kansas Telephone Co.
 Southwest Johnson County Economic Development
 Southwest Kansas Technical School
 Spring Hill Chamber of Commerce
 St. John Main Street Corporation
 Stevens County Economic Development
 Sumner County Economic Development
 Sunflower Electric Power Corporation
 Sunflower RC&D Area, Inc.
 Sunflower Regional Enterprise Facilitation
 Support Kansas City, Inc.
 Taxpayer Advocate Service
 Topeka Workforce Center
 Trego County Economic Development
 U.S. General Services Administration
 Unified Government of Wyandotte County, Purchasing Division
 University of Kansas Center for Research
 University of Kansas, Tech. Transfer & Intellectual Property
 USDA Rural Development, Area 1
 USDA Rural Development, Area 3
 Wakarusa Valley Development, Inc.
 Western Kansas Business Consulting
 Wichita Area Chamber of Commerce
 Wichita County Economic Development
 Wichita Downtown Development Corporation
 Wichita Independent Business Association
 Wichita Technology Corporation
 Winfield Area Chamber of Commerce
 Workforce Alliance of South Central Kansas



We Don't Have The Answers.

But we know who does...

If you have questions about starting or growing a business, we have more than 240 organizations across the state of Kansas ready to help!

It's free and it's free!

NetWork Kansas is a free statewide service that enables entrepreneurs and small business owners to be connected with the resources they need when they need them! **NetWork Kansas** partners provide business building services to entrepreneurs and small business owners. Often, these services are provided to you at no cost! **NetWork Kansas** works by providing a conduit that bridges the entrepreneur and small business owner with the resource that has the expertise they need.

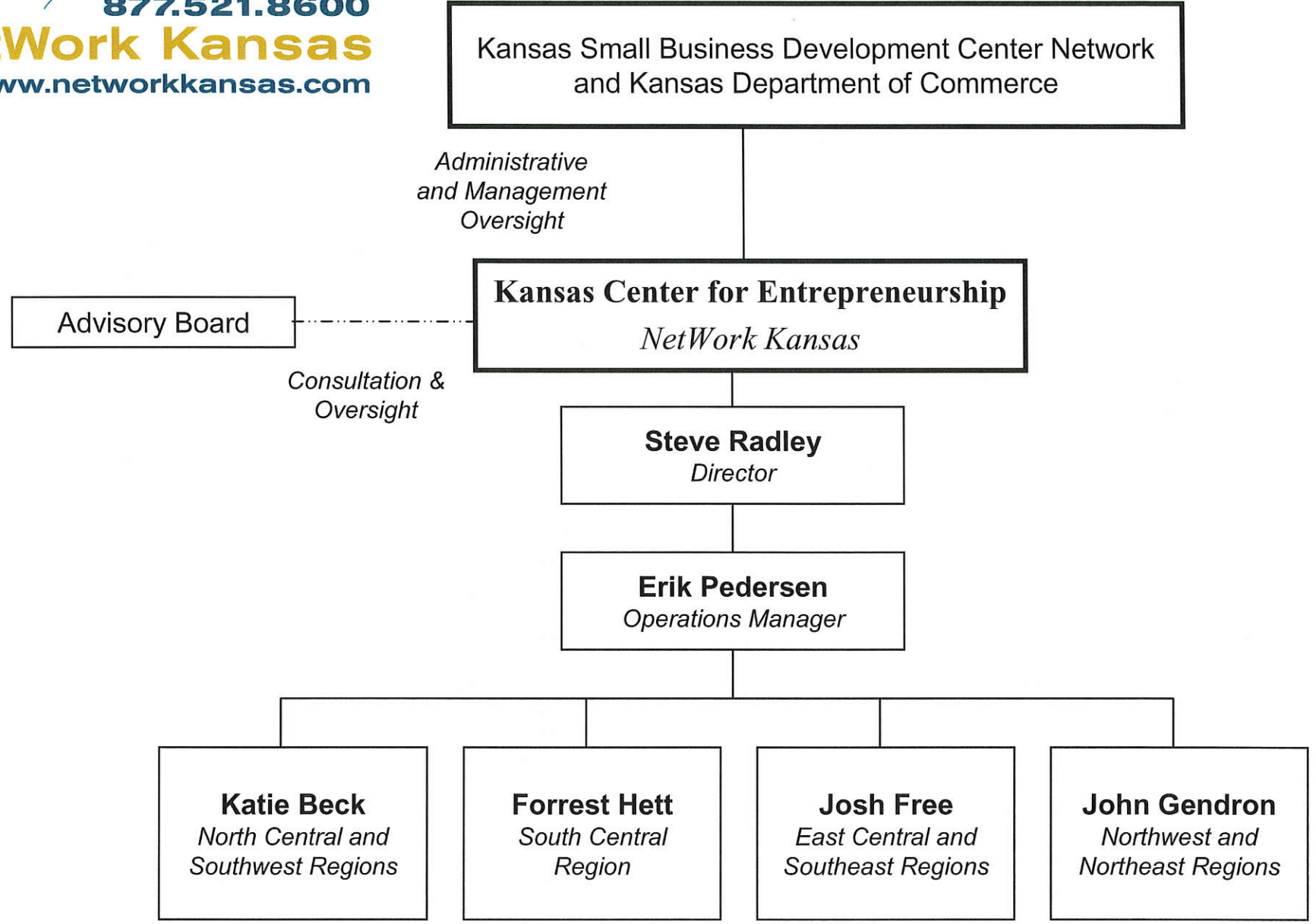
How Does **NetWork Kansas** Work?

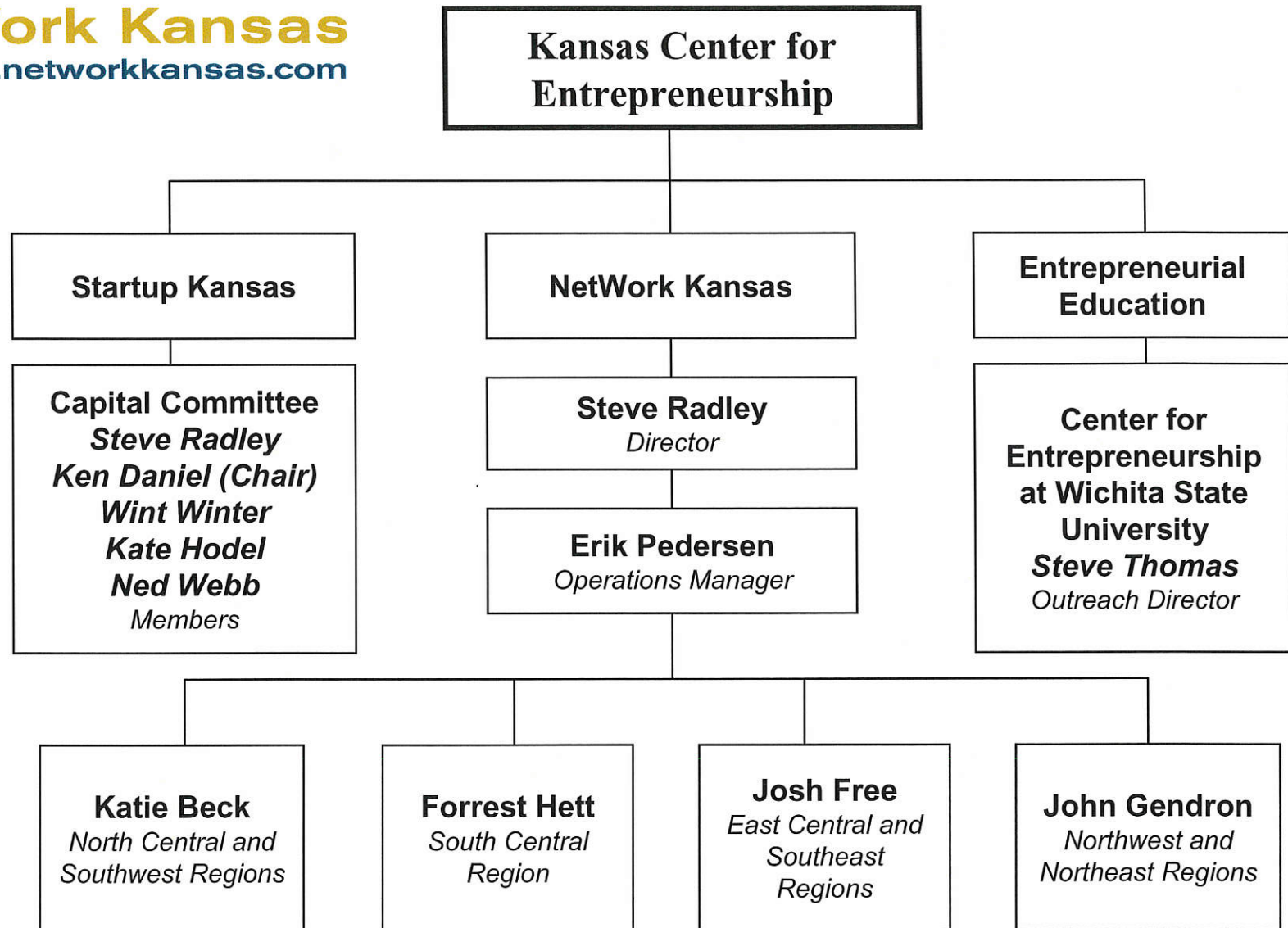
- Simply call **877-521-8600** to speak with a **NetWork Kansas** Counselor.
- **NetWork Kansas's** unique database enables counselors to view the entire network of resources and their area of expertise.
- The **NetWork Kansas** Counselor researches the network with your particular needs in mind.
- The **NetWork Kansas** Counselor then refers you to the partners that meet your particular needs.

NetWork Kansas will also follow you through the process to ensure that your particular needs are met.

So call us now and let us help you in your journey towards success!

***NetWork Kansas** is a service of the Kansas Center for Entrepreneurship. The Kansas Center for Entrepreneurship was established by the Kansas Economic Growth Act of 2004 to further establish entrepreneurship and small business as a priority for economic and community development in the state of Kansas. Its mission is to promote an entrepreneurial environment throughout the state of Kansas by establishing a central portal that connects entrepreneurs and small business owners with the right resource; expertise, education, and/or economic, at the right time.*

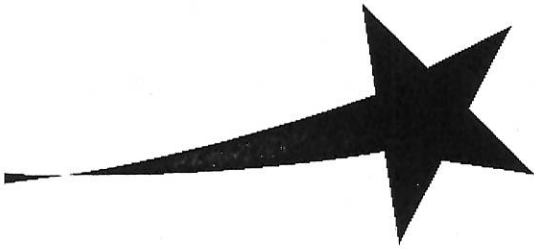






KANSAS
DEPARTMENT OF COMMERCE

Howard R. Fricke, Secretary



House Economic Development

March 7, 2006

For more information on this topic contact:
Patty Clark, Director of Ag Marketing & Community Development
Phone: (785) 296-5253
Fax: (785) 296-3776
e-mail: pclark@kansascommerce.com

www.kansascommerce.com

House Economic Development
Attachment 2
March 7, 2006

Chairwoman Gordan and members of the Committee, I am Patty Clark and I serve as Director of Community Development for the Kansas Department of Commerce. I appreciate the opportunity to appear before your committee in support of SB 324 and thank the Interim Committee on Economic Development for introducing the bill this session.

The Kansas Economic Growth Act of 2004 provided many useful tools to enhance entrepreneurial success and rural development in Kansas. SB 324 simply improves the functionality of those tools.

The Rural Business Development Tax Credit program and the Kansas Community Entrepreneurship Tax Credit program were created to increase access to capital for our Kansas entrepreneurs. The financing for these programs comes from the marketing of 50% tax credits to donors. Economic development is an intangible product in the competitive world of fund raising and these programs must be moved to the 75% tax credit level if they are to succeed. In other words, donors need more of a reason to give.

In addition, the Kansas Community Entrepreneurship Fund (StartUp Kansas) is currently situated in the Kansas State Treasury and thus cannot offer to donors the federal tax incentive because it cannot qualify as a 501-c-3 not-for-profit organization. SB 324 addresses that shortcoming by simply moving the Fund to the Kansas Center for Entrepreneurship.

Amendments to SB 324 also provide for greater flexibility in management of the StartUp Kansas fund by allowing the Center and its Board of Directors to not only grant funds to local and regional economic development organizations, but also to lend those funds and help create a more sustainable revolving loan fund over time.

Allowing the already marketed tax credits to be retroactively increased to 75% would be a good faith gesture to those contributors that have already provided donations to the Rural Business Development Tax Credit Foundations.

We support the deletion of the language calling for Commerce to reimburse the Center for the costs of administration of this act. The act clearly calls for the state to make an annual appropriation to cover the salaries and operations, and the statute also allows the Center to use up to 10% of the beginning fiscal year balance of the fund to offset the expense of operations. Commerce received no additional resources to administer either the Center or the tax credit programs, so there simply are no additional funds available from the Commerce budget.

Thank you for your continued efforts to enhance the economic vitality of rural communities and entrepreneurial culture of Kansas.

House Economic Development Committee SB324

March 7, 2006

Testimony by:

**Wally Kearns, State Director,
Kansas Small Business Development Center**

Chairperson Gordon and members of the Economic Development Committee, I'm Wally Kearns, State Director of the Kansas Small Business Development Center. I appreciate the opportunity to appear before your committee in support of **SB 324**.

Mission of the Center

The changes associated with SB 324 are largely associated with one of the three service offerings provided by the Kansas Center for Entrepreneurship, the StartUp Kansas Entrepreneurship fund. The goal of StartUp Kansas is to provide seed capital to entrepreneurs who are looking to start a new business or expand an existing business. The Kansas Center for Entrepreneurship formed a StartUp Kansas committee that is made up of four members of the Kansas Center for Entrepreneurship Board of Directors and Steve Radley, the Director of the Kansas Center for Entrepreneurship. The four members are Ken Daniel, CEO of Midway Sales and Distributing in Topeka; Wint Winter, CEO and General Counsel, Peoples Bank in Lawrence; Kate Hodel, formerly with the Kauffman Foundation in Kansas City, and Ned Webb, Consultant, with the Sirolli Institute in Topeka.

There are two different issues related to the recommended changes. I would like to cover each one individually. The first issue relates to fundraising and the second relates to management and sustainability. These issues have also been reviewed and discussed with the entire Board of Directors.

First, I'd like to talk about fundraising.

As part of the Kansas Center for Entrepreneurship strategic planning process, Goal #7 states the following: Develop a marketing strategy that achieves 100% utilization of tax credits that have been provided through the Kansas Economic Growth Act of 2004. Objective 1 relating to that Goal is to determine optimum organization and product structure for maximum utilization of tax credits.

In order to have the best chance of success and achieve 100% utilization of the tax credits, it is our recommendation that the funds be in a 501C3 organization and at a percentage that maximizes the impact for the donor. That is the reason behind the recommendation of 75% tax credit and the funds being moved out of the state treasury; it provides a more sellable benefit to the donor.

The change from a 50% to a 75% tax credit is vital for the seven Rural Business Development Tax Credit foundations and the Kansas Center for Entrepreneurship to be able to market and sell the tax credits. The sale of the tax credits will improve access to capital for new and existing businesses at the local and regional level.

The change from 50% to 75% is not due to a lack of effort on behalf of the seven Rural Business Development Tax Credit foundations; the foundations collaborated with other resources to identify strategies for selling the tax credits and also had the opportunity to attend Foundation Board training hosted by the Kansas Department of Commerce. Two KSBDC regional center directors also attended the training.

In addition to determining the optimum organizational and product structure, we have set another objective in relation to achieving 100% utilization of the tax credits. Objective 2 states the following: Develop a collaborative marketing strategy of tax credits between the Kansas Center for Entrepreneurship and the seven regional foundations. It is the Kansas Center for Entrepreneurship's position that the most effective way to market the tax credits throughout the state will be in a collaborative effort across regions. Once approved, the first action item will be to setup an initial meeting with the seven regional foundation presidents so a collaborative, non competitive effort can be developed to achieve success.

The second issue that I would like to discuss relates to management and sustainability.

There are two fundamental reasons for having the flexibility of loans vs. grants. First, it is vital to the long term sustainability of the StartUp Kansas fund. Loans will allow StartUp Kansas to recoup funds as the entrepreneur pays the local organization back so that we can get the money into another entrepreneur's hands. This also reduces the dependence on and effort required for fundraising and optimizes the use of staff resources. The second reason is that in some cases, the local organization does not need a grant, they simply need a loan. In a real life scenario, an SBDC staff person is working with an entrepreneur, a local bank, and regional foundation. In order to make the package work, an additional amount of funds are needed to bridge the gap between the appraised value of the property and the needs of the entrepreneur. In this scenario, StartUp Kansas could provide an uncollateralized loan to the regional foundation that essentially, makes the loan work. When the entrepreneur pays the regional

foundation back, StartUp Kansas would receive the money provided. This is a scenario that enables StartUp Kansas to augment or supplement a package that essentially makes something work that would not have worked otherwise.

For these reasons, I believe that the changes provide the flexibility required to work effectively in a dynamic entrepreneurial environment.

Again, I thank you for this opportunity and would welcome your questions at this point.

Contact Information:

Wally Kearns, State Director, Kansas Small Business Development Center
Network. ksbdc.wkearns@fhsu.edu 785-296-6514