

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:03 a.m. on January 21, 2009, in Room 143-N of the Capitol.

All members were present except:

Representative Barbara Ballard- excused

Committee staff present:

Audrey Dunkel, Kansas Legislative Research Department  
Christina Butler, Kansas Legislative Research Department  
J.G. Scott, Kansas Legislative Research Department  
Nobuko Folmsbee, office of the Revisor of Statutes  
Kelly Cure, Chief of Staff  
Kathy Holscher, Committee Assistant

Conferees appearing before the committee:

None

Others attending:

See attached list.

- Attachment 1 Office of Judicial Administration
- Attachment 2 Aviation Research
- Attachment 3 National Aviation Training
- Attachment 4 Kansas Technology Enterprise Corporation

Representative Feuerborn moved to introduce legislation for depositions for district court fines for forfeitures. The motion was seconded by Representative Whitham. Motion carried.

Jerry Sloan, Fiscal Officer of the Office of Judicial Administration, presented an overview of the Governor's revised budget recommendations (Attachment 1). Mr. Sloan stated that salaries for employees and judges are primarily funded by the State General Fund (SGF), which represents 97.67 percent of the FY 2009 budget. Constitutional prohibitions against reducing salaries and statutory provisions for filling vacancies, were noted by Mr. Sloan.

Mr. Sloan responded to questions from Committee members in regards to the impact of the proposed 3% budget cuts relating to court cases and filing time frames, early retirement, voluntary salary reductions and furlough options.

Governor John Moore, presented an overview of the aviation industry as it relates to the difficulties the industry has faced and present concerns with proposed budget cuts. The aviation industry succeeded because of new products and technology. Governor Moore introduced aviation executives who are in attendance to support the presenters.

Jim Crone, Director of Structural Integrity, presented information on the aviation industry's economic impact in Kansas. Emphases was placed on the need for future technology (Attachment 2). Director Crone requested continued support for research and products, and the approval of a \$5,000,000 appropriation.

Dan Dymarkowski, Director of Labor Relations for Hawker Beechcraft, presented an overview of the National Center for Aviation Training (Attachment 3). Director Dymarkowski discussed competition within aviation clusters both global and domestic. The expansion of operations in Kansas with an investment of over \$1,000,000,000, continued educational programs and new program, and opening of the Manufacturing Tech Center and Aviation Service Center in the fall of 2010 were discussed by Director Dymarkowski.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:03 a.m. on January 21, 2009, in Room 143-N of the Capitol.

Dan Dymarkowski responded to questions from Committee members in regards to domestic competition and employment issues.

Governor John Moore responded to questions from Committee members in regards to business utilization of private aircraft and the impact on the aviation industry.

Tracy Taylor, President and CEO of Kansas Technology Enterprise Corporation (KTEC), presented an agency overview. He discussed the impact of the Governor's FY2009 revised budget recommendations (Attachment 4). The Governor's recommendation for FY 2009 cut of \$1.38 million represents funds that have been committed for the current fiscal year. Mr. Taylor asked the Committee to retain its authority to allocate additional cuts across programs in FY 2009 and FY 2010.

Tracy Taylor responded to questions from Committee members in regards to wages and priority focus areas.

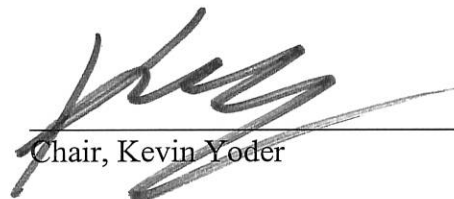
● Additional information requested:

- 10 year history of wages & contract labor & return on investments to the state
- 20 year history of KTEC holdings

Vice-Chair Watson stated that conferees will be rescheduled to testify on **HB 2022** during tomorrow's committee meeting.

The next meeting is scheduled for January 22, 2009.

The meeting was adjourned at 10:50 a.m.

  
Chair, Kevin Yoder

# APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 1-21-09

NAME	REPRESENTING
Tim Meddin	KDOC
John Dougherty	ESO
Matt Casey	GBA
Jerry Sloan	Judicial Branch
Kim Fowler	Judicial Branch
Val DiFuria	SQE
Ani Hyten	Topeka Ind. Living
Bud Burke	Cissna
Berend Kops	Hein Law Firm
Amy Campbell	KMTK
Vicki Lynn Helsel	Budget
Cindy Denton	"
Dave Hottwick	Op. Chamber
Doston Mays	KAPPA
Becky Hutchins	former Rep
John Kieheber	Ks. Chiropractic Assn.



State of Kansas

## Office of Judicial Administration

Kansas Judicial Center  
301 SW 10<sup>th</sup>  
Topeka, Kansas 66612-1507

(785) 296-2256

House Appropriations  
Tuesday, January 20, 2009

Comments on Judicial Branch Budget Issues  
Jerry Sloan, Judicial Branch Budget and Fiscal Officer

The Kansas Judicial Branch is unique in state government. While all employees and judges of the district courts are state employees and their salaries are funded primarily from the State General Fund, nearly all other operating expenses of the district courts are funded by the counties. This results in a Judicial Branch State General Fund budget that overwhelmingly (97.67% in FY 2009) is dedicated to personnel costs. Thus, nearly any budget reduction of any significance must impact staffing.

Of course, we will continue to be as frugal as possible with operating expenses. However, it is interesting to note that, based on FY 2008 expenditures, about one-half of the amount budgeted for other operating expenses was spent either for the travel of district judges to hear cases, which was necessary in multi-county districts, or was paid to state agencies for such things as phones, computer services, printing, and other services. That leaves very little flexibility.

There are also limitations on the amount of savings that can be generated from personnel costs. Thirty-four and sixty-five one hundredths of one percent (34.65%) of the State General Fund budget dedicated to personnel costs pays for judicial salaries. Judges are statutory, elected officials and there are statutory provisions for filling vacancies and constitutional prohibitions against reducing salaries. Therefore, salary expenditures for these salaries cannot be reduced through management.

These limitations leave 63.83% of the State General Fund appropriated for nonjudicial salaries to bear any required budget savings.

To achieve budget savings, we implemented a hiring freeze at the beginning of the fiscal year and we have reduced expenditures for temporary positions. However, from our past experience in taking these measures, we know that we cannot expect savings of more than 1% to 2% of our total budget. A hiring freeze takes some time to realize its full savings potential. In FY 2001 and FY 2002, we faced underfunding of \$1.2 million and \$2.0 million. Supplemental appropriations of \$300,000 in FY 2001 and \$600,000 in FY 2002 were required at the end of the year to avoid furloughs. The approved budget for the following year, FY 2003, was \$3.5 million below our maintenance budget requirements. You may recall that the Supreme Court initiated the Emergency Surcharge in order to fund the budget that year.

The Judicial Branch will certainly do all that it can to help address the fiscal situation, but obtaining significant savings is difficult without resorting to draconian measures that may be contrary to statute.

Appropriations Committee

Attachment 1

Date 1-21-09

Budget \_\_\_\_\_

January 21, 2009

# *Aviation Research*

Appropriations Committee

Attachment 2-1

Date 1/21/09

Budget \_\_\_\_\_

## *Agenda*

- ◆ *Current Situation*
- ◆ *Aviation Economic Impact in Kansas*
- ◆ *Industry Need for Future Technology Investment*
- ◆ *Summary of Current Program*
- ◆ *Proposal to Sustain and Grow the Industry*

January 21, 2009

# Current Situation



*The aviation industry is a major contributor to the economic vitality of Kansas and has the potential for significant growth as a national center for aerospace innovation.*



January 21, 2009

# Aviation Economic Impact in Kansas

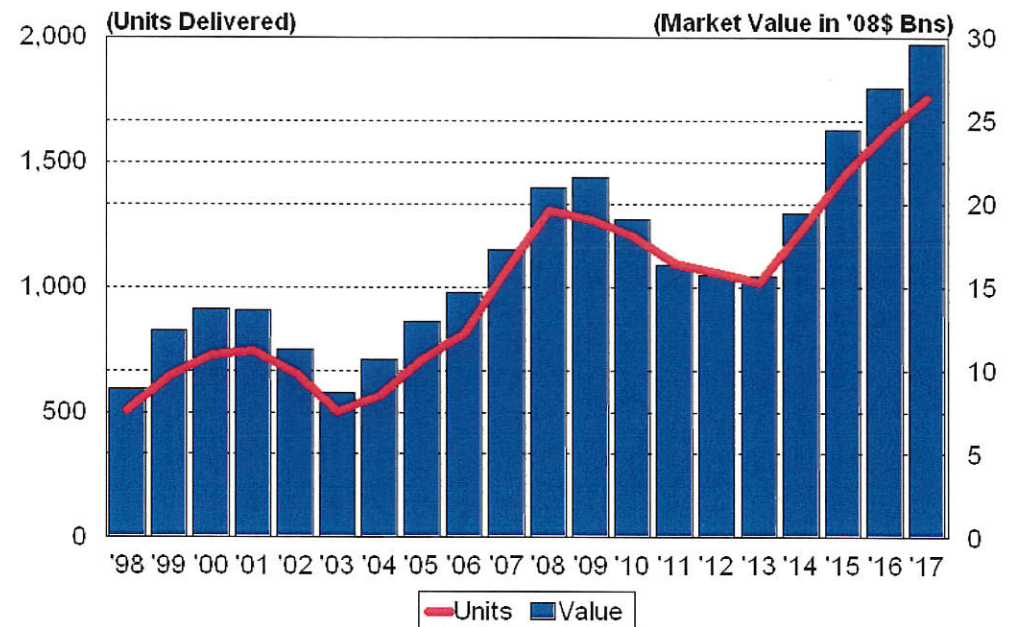
- ◆ 36,500 direct jobs with a payroll of approx. \$2.4 billion
- ◆ Each aviation job generates an additional 2.9 jobs
- ◆ Kansas delivers 54% of all U.S. general aviation aircraft (1,784 aircraft in 2007)

- ◆ State tax budget:

- 22% of total state budget
- \$1.3B in state tax revenue

- Even within an economic downturn, we still have a historic upwards trend

## Business Jet Forecast

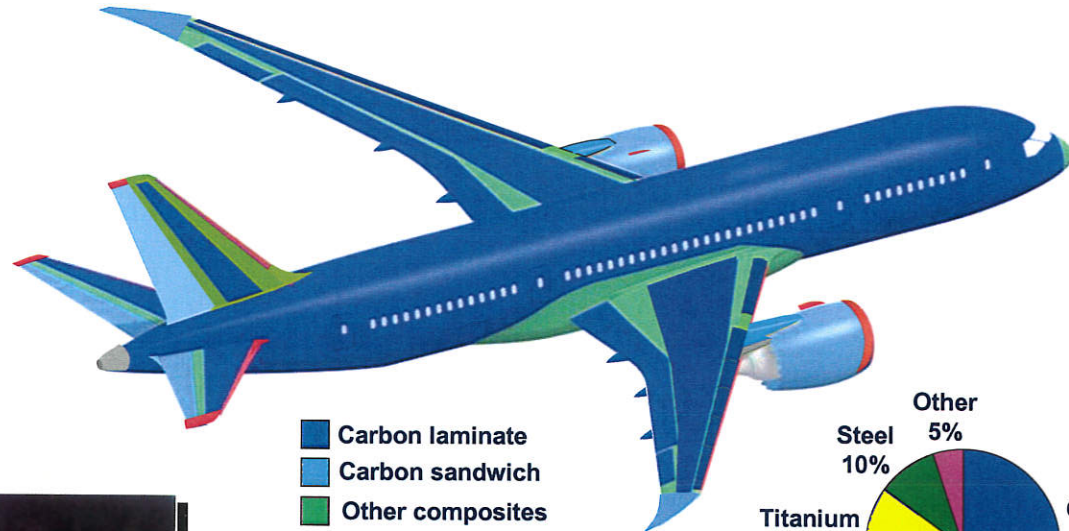


*With your help we can maintain this growth in Kansas*

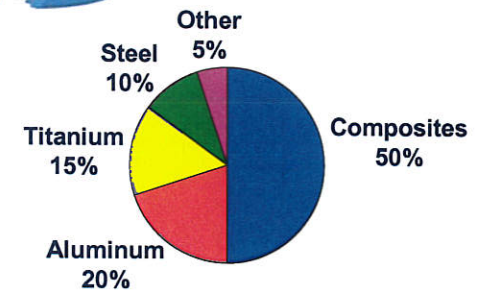
January 21, 2009

# Industry Need for Future Technology Investment

- ◆ Airplane design and construction is changing rapidly



- Carbon laminate
- Carbon sandwich
- Other composites
- Aluminum
- Titanium



- ◆ To maintain the leadership position and grow this market, Industry and the State of Kansas must invest



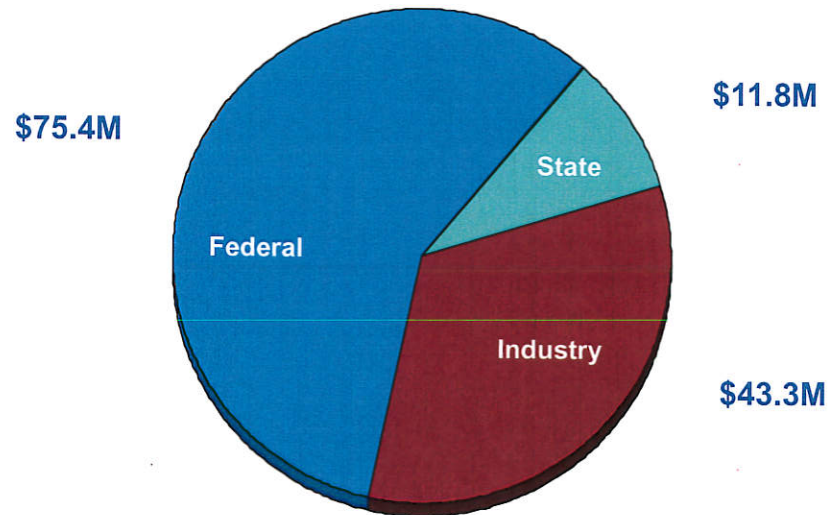
January 21, 2009

# *NIAR Investments and Leverage*

2-8

***The State's investment has allowed us to obtain significant Federal and Industry funding***

Research Investments  
2003-2008  
\$130.5 Million



**10 : 1**

***We need to continue to invest in the technology development for our future products***

January 21, 2009

# *NIAR Investments and Leverage*

*The National Institute for Aviation Research ranks high among the nation's prestigious universities.*



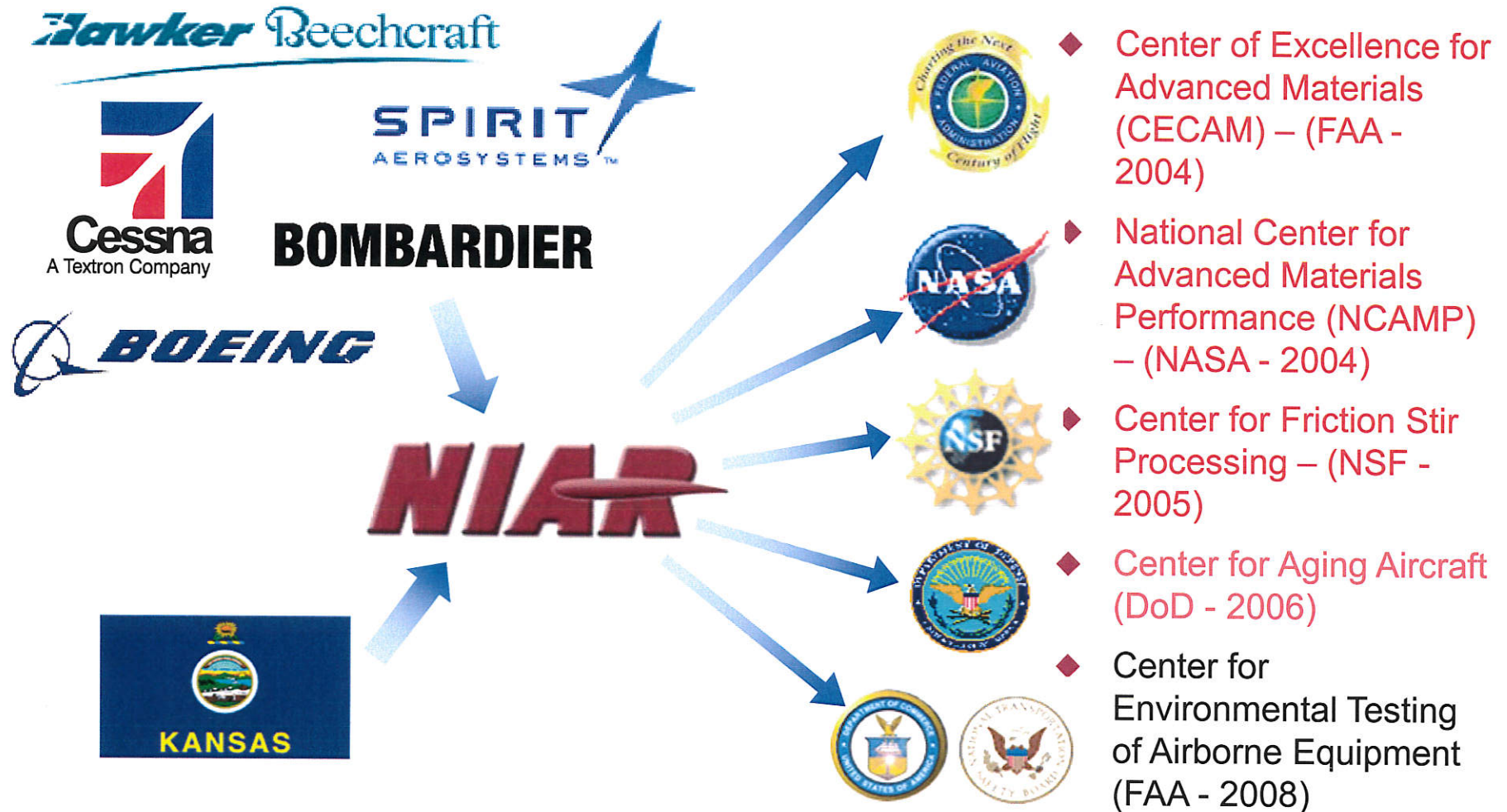
1. *The Johns Hopkins University*
2. *Georgia Institute of Technology*
3. **Wichita State University –  
National Institute for  
Aviation Research**
4. *Massachusetts Institute of  
Technology*
5. *Texas A&M University*
6. *University Maryland – College Park*
7. *University of Colorado*
8. *University of Texas - Austin*
9. *University of Tennessee*
10. *University of Florida*
11. *Mississippi State University*
12. *Princeton University*

Source: National Science Foundation - FY06 - by Aero R & D Expenditures

January 21, 2009

# Federal Leveraging Opportunities

2-7



*The State provided funding has resulted in a 10:1 return*

January 21, 2009

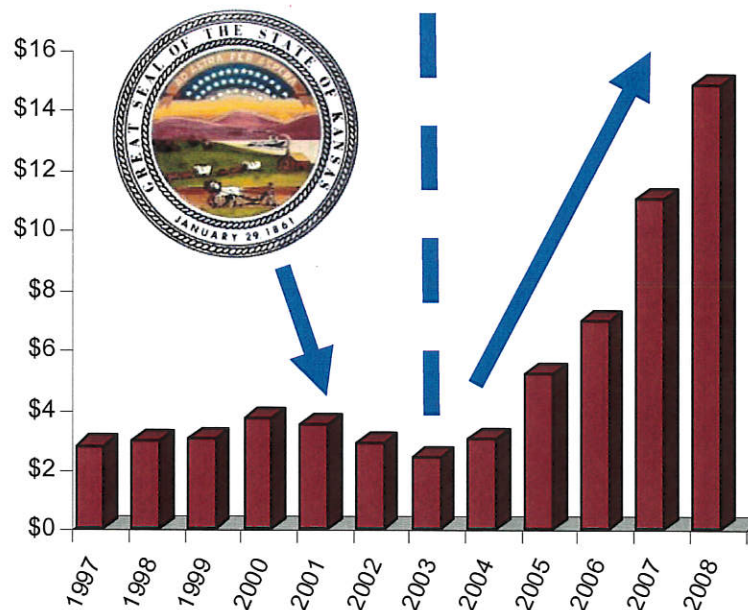
# NIAR Investments and Leverage

- ◆ Prior to the State's investment at NIAR (HB2690), industry was beginning to move research outside of the State
- ◆ We have dramatically changed the ability to perform research within the State !!

HB2690 » \$13M infrastructure

New equipment on-line

Direct Contract Industry R&D at NIAR (in Millions)



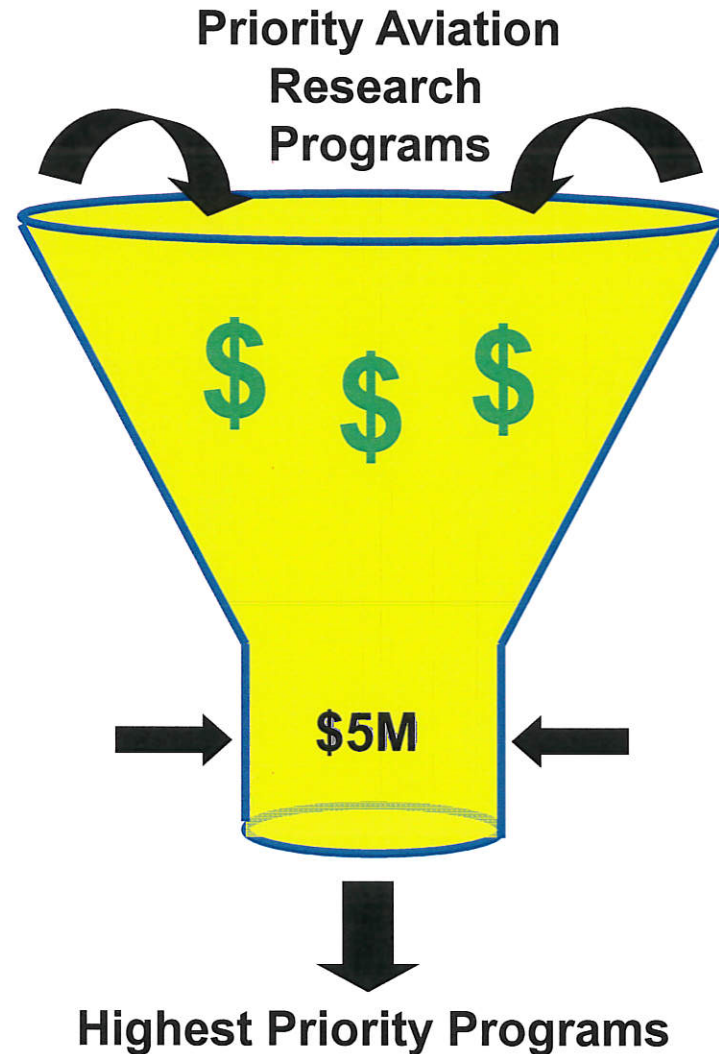
**Thanks to your help, we have changed aviation research capability within Kansas**

January 21, 2009

# Current Program Overview

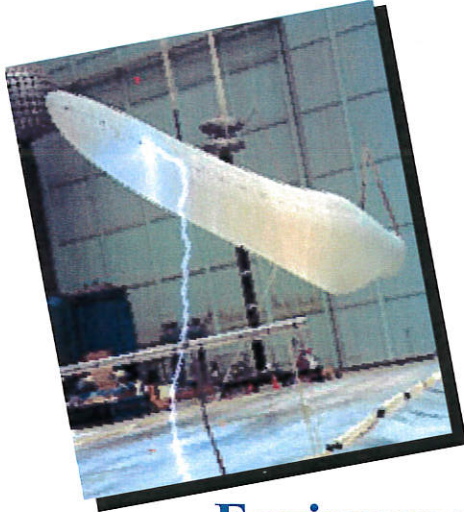
2-9

- ◆ FY2009 appropriation overview (\$5M)
- ◆ Each company proposed high priority research programs totaling more than the appropriated amount (>\$5M)
- ◆ Programs were downselected or descoped to a multi-year approach to fit within the available budget

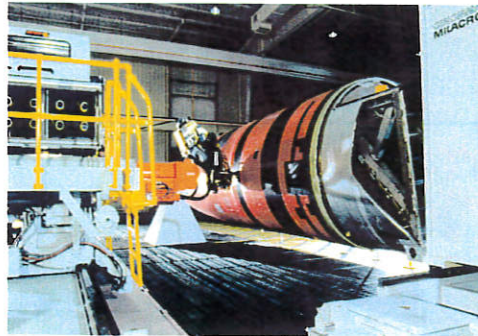


January 21, 2009

# Current Program Overview



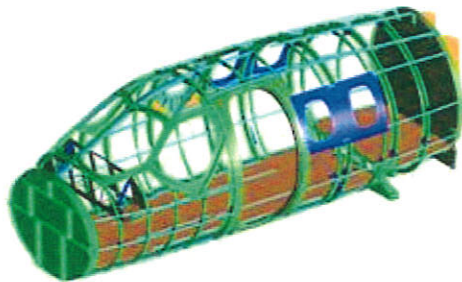
**Environmental Effects**



**Manufacturing**



**Advanced Joining**



**Design**



**Safety**



**Advanced Materials**

*Reduced cycle time-to-market, reduced cost, enhanced quality and safety for improved competitiveness*

January 21, 2009

# Proposal



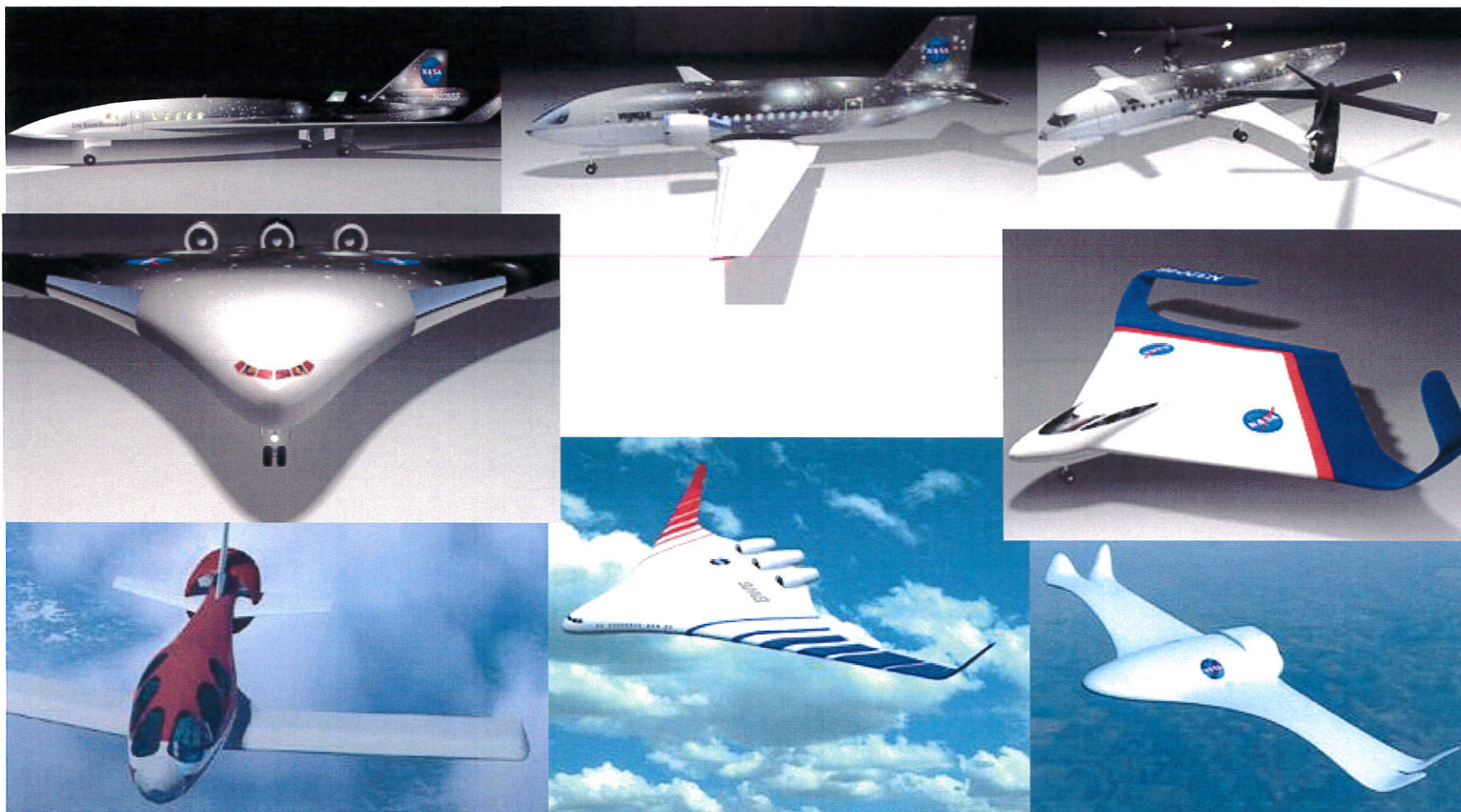
*We request your support for appropriation and approval of the \$5M request for aviation related research in the 2009 Legislative Session*



January 21, 2009

# *Future Products - Future Research*

- ◆ *The Kansas aviation industry needs to be prepared to meet the demand for future products and technology innovations*





January 21, 2009

# Kansas Aviation Industry Representatives



**Hawker Beechcraft**

*Ed Petkus*  
*Hawker Beechcraft Corporation*



**Boeing**

*Thomas Konieczny*  
*The Boeing Company*



**Spirit**

*John Pilla*  
*Spirit AeroSystems*

◆ *Thank you for your support.*



**Cessna**

*David Brant*  
*Cessna Aircraft Company*



**Bombardier**

*Ivan Vlatko*  
*Bombardier Aerospace Corporation*

# National Center for Aviation Training

Kansas House Appropriations Committee

Wednesday, January 21, 2009

Dan Dymarkowski

Director, Labor Relations

Hawker Beechcraft Company

Appropriations Committee

Attachment 3-1

Date 1-21-09

Budget \_\_\_\_\_

Soaring toward *tomorrow!*

# National Center for Aviation Training



National Center for Aviation Training. ***Kansas Air way to the World!***

# National Center for Aviation Training

## *Aviation Industry and Investment*

### Global Competition

- Five global aviation clusters
  - Dallas-Fort Worth, Montreal, Puget Sound, Toulouse, **South central Kansas**
- Hamburg National Centre for Aviation Training
  - Funding of 40 million Euros (\$54m US) over the next five years from the Federal Ministry for Education and Research
- Other Strong Competitors
  - Canada, Brazil, Mexico, European Union, Russia, Japan and China

# National Center for Aviation Training

3-4

## ***U.S. Competition for our Aviation Cluster***

- Ohio – Netjets & Flight Safety
  - 800 jobs/\$200M investment - \$98M State & Local Government
- Oklahoma Opportunity Fund
  - \$45 Million cash and no/low cost customized training
  - \$5,000 tax credit for each engineer hired by companies
- North Carolina - \$600 Million grant fund
  - Wish to develop aviation cluster
  - Greensboro – building an aviation cluster
  - Honda jet had a full page employment ad in Wichita Eagle
- Florida – Embraer – Melbourne, FL
  - 200 jobs/\$50M investment - \$12M+ State & Local Government
  - Aviation Industry Tax Exemptions

**They want our high-paying jobs and tax revenue!**

# National Center for Aviation Training

3-5

## ***Kansas Aviation Industry***

### **The State View**

- Kansas is the Aviation Cluster for research and manufacturing, but we can lose it!
  - Examples: Long Beach, CA, New York, and Germany – Lost their aviation clusters!
  - Auto industry is moving South – Michigan & Ohio are losing their clusters

**“It is difficult to build an aviation cluster, but easy to destroy one!”** Richard Aboulafia, Teal Group

# National Center for Aviation Training

3-6

## *Aviation in Kansas: The Impact*

- Each aviation job generates 2.9 additional jobs
  - Total of **142,350** direct and indirect jobs
  - 100+ FAA Part 145 Repair Stations
  - Concentrated Aviation Supplier Network
  
- Kansas aviation wages of \$2.4 billion a year
  
- **\$1.3** billion of the State's \$5.9 billion budget related to the aviation industry

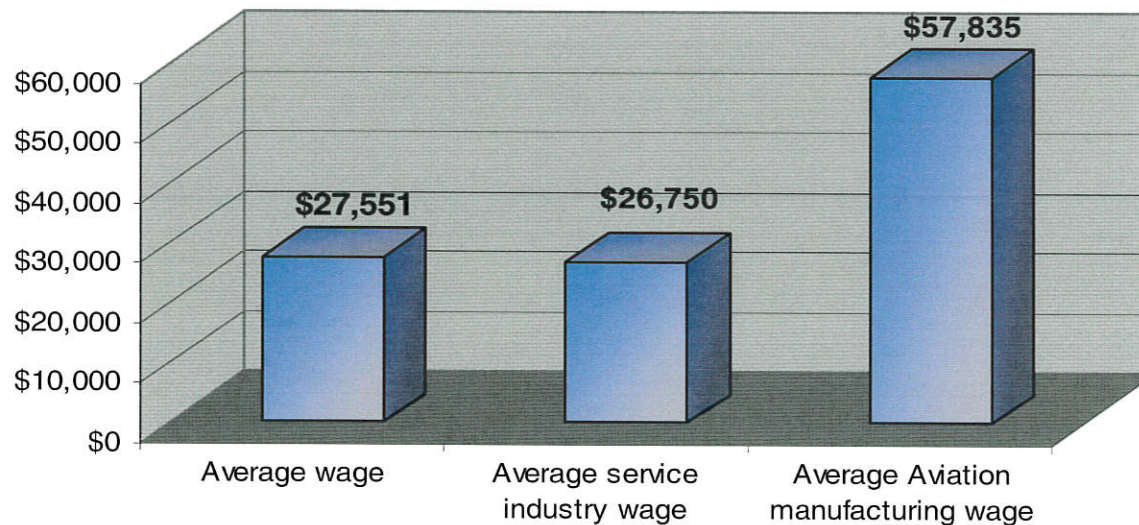
Source: WSU Center for Economic Development & Business Research

# National Center for Aviation Training

3-7

## *Aviation Jobs for Kansans!*

*Average Wages*



Source: WSU Center for Economic Development & Business Research



# National Center for Aviation Training

3-8

## *Long-Term Aviation Workforce Demands*

- Credit collapse affecting:
  - General aviation industry
  - Finance, oil & gas, agriculture, and retail sales
- Downturn will impact short-term hiring requirements
- Projected need:
  - Remains 10,000 workers over the next 10 years
  - An additional 12,000 needed for retiree replacement
- New technology requires:
  - Retooling & retraining investment in existing workforce

**20,000 skilled workers still needed over the next 10 years**

Source: WSU Center for Economic Development & Business Research

# National Center for Aviation Training

3-9

## *What your support has yielded!*

- New Programs:
  - Will have developed, expanded, and launched 26 new programs by Spring of 2010
- Have purchased:
  - Initial aviation equipment
  - Require over \$50 million in equipment to outfit new center
- Are continuing to build:
  - Flexible, Business-Driven, High-Tech Training System
- Aviation companies have invested in Kansas

**Success = Continued Steady Investment**

# Results: Kansas Return on Investment

## **Spirit AeroSystems Chooses Wichita To Expand Operations**

- \$260 million investment

## **Cessna Aircraft Company to Locate Citation Columbus Plant in Kansas**

- \$780 million investment

## **Bombardier to enlarge Wichita Plant**

- Announces new aircraft
- Expansion plans are being finalized



## **Suppliers**

- **Flight Safety**
- **Many Others**



# National Center for Aviation Training

## Aviation Programs – New & Expanding

Enrollment	2007	2008 <sup>1</sup> July-Dec	2009 <sup>2</sup>
➤ FAA Aviation Maintenance Technician	127	205	475
➤ Avionics Technician	0	21	50
➤ Composites Technician	128	46	250
➤ Aerostructures Technician	182	77	225
➤ Mechanical Design Technician	0	11	30
➤ Aviation Cabinetmaker Technician	19	25	60
➤ Machine Technology	10	33	85
➤ Metal Joining Technology	25	37	100

### Wichita State University - New Transfer Degrees

- Aerospace Engineering Management Technology
- Mechatronics Engineering Technology

<sup>1</sup> July through December 2008  
<sup>2</sup> Projections

# National Center for Aviation Training

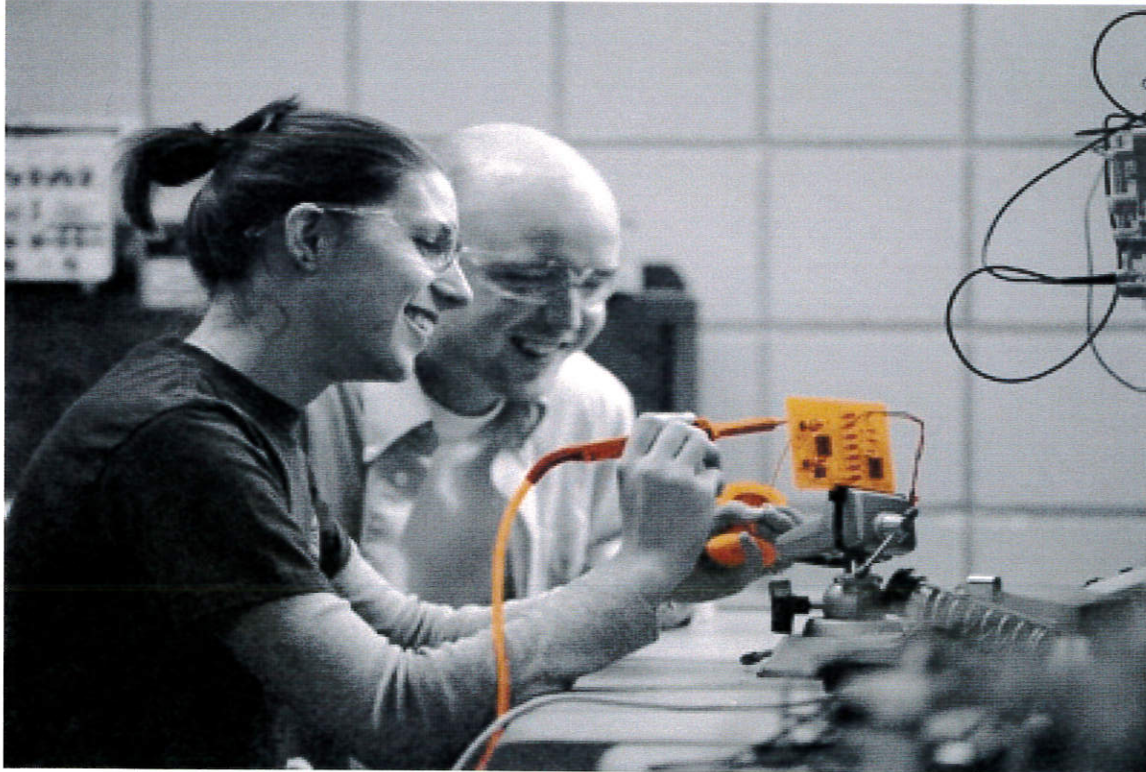
3-12

## New Programs Offered Beginning in Fall of 2009

- Advanced Engineering
  - Manufacturing Engineering Design
  - CATIA - Design
  - Machining
  - Manufacturing Engineering Technician
  - Manufacturing Robotics Engineering
  - Industrial Engineering Technician
  - Quality Engineering Technician
  - Aeronautical Engineering Technician
- Mechanical Systems Technology
- Programmable Logic Controls Technician
- Nondestructive Testing
- Lean Manufacturing Process Technician
- Industrial Systems Technology
- Aerospace Quality Control
- Advanced Coating Technician
- Composite Technician - Inspection  
Repair
- Aerospace Fiber Optics
- Project Management Certification

# Increased Capability

3-13



## Educational Programming for Business

- Company Customized & Proprietary Training Provided
  - 50+ Aviation & Manufacturing Companies being served
  - Custom Designed Hybrid Training (Online, Classroom & Laboratory)

# Business Support

## ***Over \$3M Equipment & Scholarships Business Investment***

### **Sample of Donors include:**

- Rockwell Collins
- Boeing IDS
- Bombardier Learjet
- Cessna Aircraft Co.
- Spirit AeroSystems Co.
- Garmin International
- Hawker-Beechcraft Co.



# National Center for Aviation Training

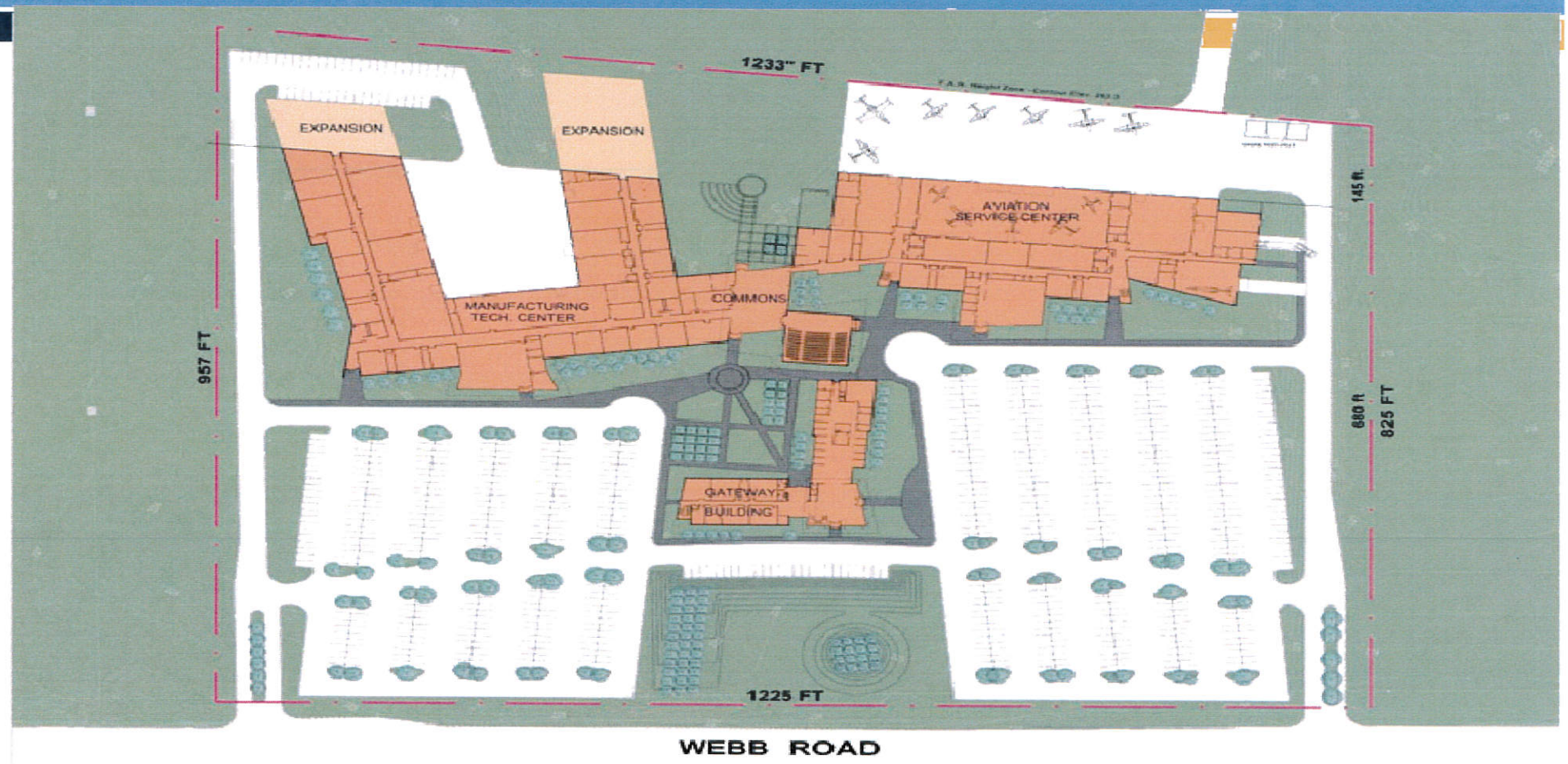
3-15



- County, City, State, Aviation Manufacturers, and Federal Partnership
  - \$50m+ in facility invested
  - Require \$50m+ Infrastructure support (equipment & curriculum)
  
- Manufacturing Tech Center & Aviation Service Center
  - Opening Fall of 2010



# The Layout Expandable – Easy Access



**CENTER FOR AVIATION TRAINING**  
**Jabara Campus**

SCHILLER  
 COOK  
 FRIEY  
 ARCHITECTURE

National Center for Aviation Training. ***Kansas Air way to the World!***

# National Center – What is it?

- **224,000 square feet – 25 acres includes:**
  - Aviation Service Academy
  - Advanced Manufacturing Institute
  - Career Development/Pre & Post Assessment
- **Capacity**
  - 1,500 day and evening full-time students
- **Enjoys strong FAA involvement and support**
- **Curriculum developed by:**
  - Technical College
  - NIAR
  - Aviation Company Subject Matter Experts
- **Provides flexible space for our Customer training needs**

# NIAR/WSU Partnership

## National Institute for Aviation Research

- First national partnership of research and technical education
- Translate research to education & training
- Great opportunity for students to see their future

## Wichita State University

- Seamless path of transfer
- University students access to high tech labs
- Technical students access to university faculty

# National Center for Aviation Training

3-19

## *Aviation's Future in Kansas*

- Difficult Year (2008)
  - Two major labor disruptions
  - Credit market collapse (3<sup>rd</sup> quarter)
  - Still had most business aircraft deliveries in history
  - 2009 will be challenging as we adjust to market conditions
- Projected rebound early to mid 2010 – Aviation will back stronger!
  - Remember shortly after 9/11 we had a worker shortage
- To **protect and defend** our aviation future we must:
  - Be the leader in Research – NIAR
  - Kansas remain the **leader** in Aviation Manufacturing
  - Be the leader in Technical Training

“States and Cities with aviation clusters must understand that it is a defensive business” Richard Aboulafia, Teal Group

# National Center for Aviation Training

3-20

- To Assist the Kansas Aviation Industry
  - Employs 36,500, tax revenues of \$1.3 Billion, State's leading economic sector
- Relationship between NIAR & Tech Training
  - We are pooling our intellectual & capital resources

Requesting continued investment of \$5 million for aviation training in each of the next four years

- Equipment and machinery
- Programs and curriculum

Soaring toward *tomorrow!*



# THANK YOU!

For your support & efforts last session  
and for your continued commitment and  
work for Kansas future!

National Center for Aviation Training. *Kansas Air way to the World!*



KANSAS TECHNOLOGY  
ENTERPRISE CORPORATION

**Ensuring Kansas' Prosperity through Technology**

KTEC specializes in supporting technology-based economic growth – and has a strong track-record of generating higher paying technology-oriented jobs -- which is just what the Kansas economy now needs. During these challenging economic times KTEC provides innovation and a focus on technology to grow the state out of its economic downturn.

KTEC is recognized as a leader in the field of technology-based economic development. KTEC's demonstrated success has attracted the **State Science and Technology Institute's (SSTI) national conference** to Kansas in October 2009. KTEC has a high level of credibility with entrepreneurs, business leaders, university administration and private investors throughout Kansas.

There is concrete evidence that KTEC's efforts are improving the entrepreneurial climate in Kansas, which **ranked 8th in the nation for "Gazelle Jobs"** - according to the 2008 State New Economy Index. Rapid growth "Gazelle" companies account for 80% of new jobs created nationally.

The New Economy Index also ranked **Kansas a "Top Mover" in "Fastest Growing Firms."** Through our direct equity investments and business assistance, KTEC has helped Kansas experience a large increase in the number of "fast growing firms" (i.e. those with growth exceeding 200% over 4 years). These firms provide a strong base for the state's current and future growth.

KTEC understands the entrepreneurial culture and is recognized as a premier supporter of entrepreneurial programs through the KTEC PIPELINE and through our hands-on business assistance incubators. KTEC's results speak for themselves. In fiscal year **2008 alone**, KTEC was responsible for:

- \$101M of additional federal investment
- \$46M of private equity investment
- \$207M of increased sales
- Creation and retention of 933 jobs

With the current faltering state economy, KTEC understands the need for cutbacks in every state supported organization or department. That being said, elimination of programs that have specifically proven to grow the economy should be considered a major blow to the future prosperity of our state.

**KTEC FY09 Budget Summary**

For FY09, the Governor recommends cutting \$1.38 million and specifies which areas to cut. These cuts are impossible to make since the vast majority of funds are committed for the current fiscal year.

On December 7, 2008 the KTEC Board of Directors strategically allocated \$374,000 in cuts across programs in anticipation of a 3% overall reduction. KTEC requests that it be allowed to retain its statutory authority to allocate any additional cuts across programs in both FY09 and FY10.

<u>FY09 recommendations</u>	<u>Governor</u>	<u>KTEC Board (December revision)</u>	
Approved budget	\$12,471,442	\$12,471,442	
Reduction	(1,387,566) 11.1% reduction	(374,143) 3.0% reduction	
	\$11,083,876	\$12,097,299	Appropriations Committee
			Attachment <u>4-1</u>
			Date <u>1/21/09</u>
			Budget _____

(approved budget includes carryover of \$439,184 from FY08)



# House Appropriations Committee

January 20, 2009

Tracy B. Taylor  
KTEC President & CEO

**Ensuring Kansas' Prosperity through Technology**



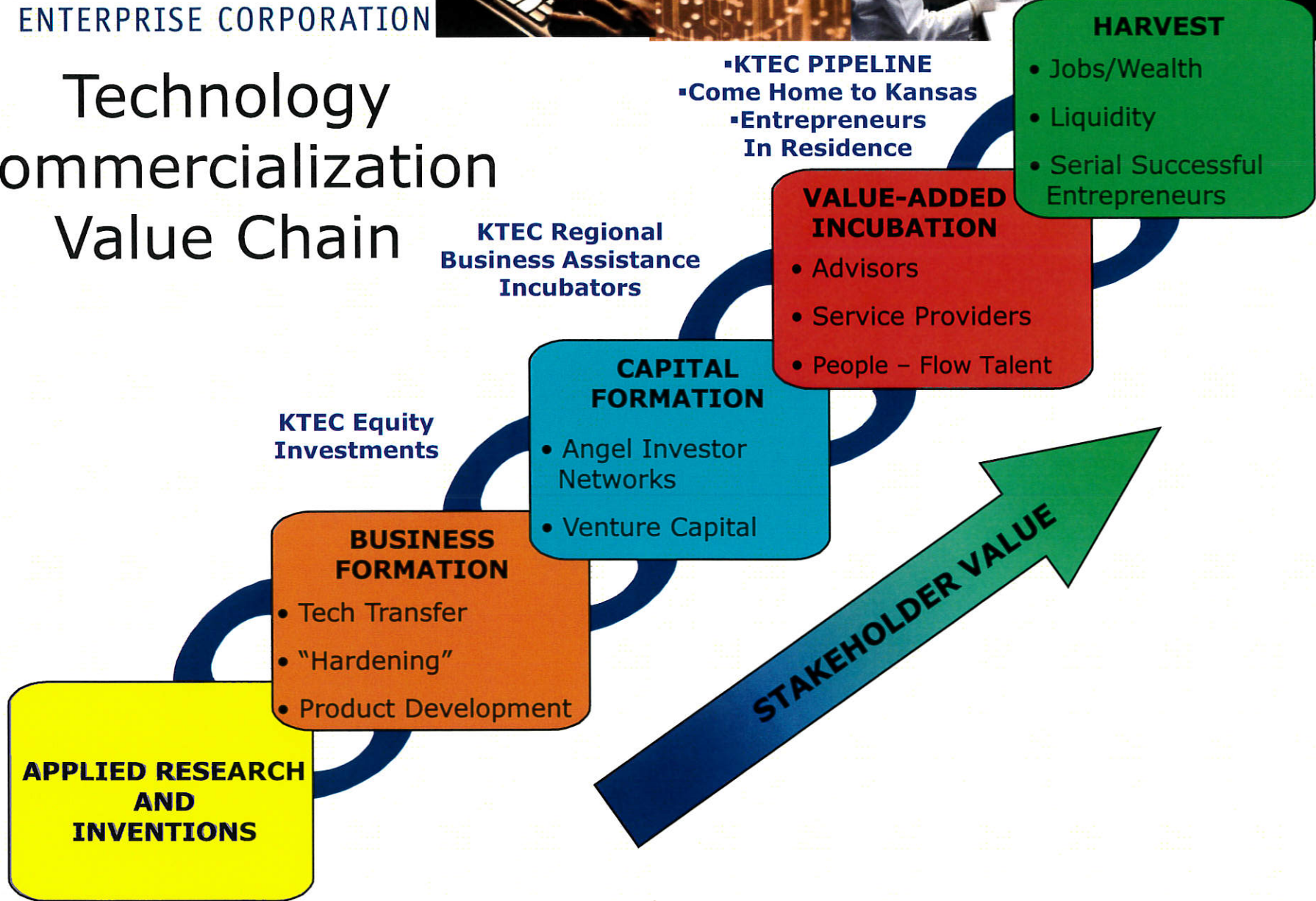


# About KTEC

- Created by Legislature in 1986
  - “Redwood-Krider Report” articulated need for entrepreneurship and technology economic development
- Governed by 20-member, industry-led board of directors
  - Includes private sector, university, legislature and administration representatives
- Funded by the Economic Development Initiatives Fund
  - Consists of revenues from the Kansas Lottery & Gaming Commission



# Technology Commercialization Value Chain



**KTEC Regional  
Business Assistance  
Incubators**

**KTEC Equity  
Investments**

- **KTEC PIPELINE**
- **Come Home to Kansas**
- **Entrepreneurs In Residence**

**Ensuring Kansas' Prosperity through Technology**



# KTEC Areas of Focus

## Research

### Centers of Excellence

- BIOC, *Univ. of Kansas*
- ITTC, *Univ. of Kansas*
- NIAR, *Wichita St. Univ.*
- AMI, *Kansas St. Univ.*
- KPRC, *Pittsburg St. Univ.*

**Experimental Program to Stimulate Competitive Research (EPSCoR)**

**Small Business Innovation Research (SBIR) assistance**

## Investments

### Direct Equity Investments

**Angel Tax Credits**

**Creation of Angel Networks**

### Entrepreneur Development

- KTEC PIPELINE
- Come Home to Kansas
- Entrepreneurs -in- Residence Program

## Business Assistance

### Incubators

- NISTAC, *Manhattan*
- LRTC, *Lawrence*
- ECJC, *Lenexa*
- KUMCRI, *Kansas City*
- ATC, *Pittsburg*
- WTC, *Wichita*
- WKTC, *Great Bend*
- Quest, *Hutchinson*

**Mid-America Manufacturing Technology Center (MAMTC)**



# KTEC Values

- **Private sector oriented** – results driven, pro-active and customer oriented
- **Continuous innovation** – KEGA, KansasBio, KTEC PIPELINE, Come Home to Kansas, SITAKS
- **Lean organization** – reduction of staff from 19 to 11
- **Strategic without duplication** of services in Kansas
- **Commercialization focus** – fill essential gaps and force collaboration



## So What?

- Emerging entrepreneurial growth companies are responsible for 67% of new jobs (more in economic downturns) and 95% of all radical innovations since WWII
- Jobs created by tech companies pay approx. \$50,000
  - Two times the average salary of non-technology jobs (approx. \$26,000)
- Reduces brain drain
- Diversifies tax base
- A region's economic prosperity is closely tied to its entrepreneurial capacity
- Entrepreneurial companies seek talent, capital, networks and infrastructure

\* *Based on the National Commission on Entrepreneurship, 2001*



# KTEC Innovation Example

- Life Sciences Initiative
  - Kansas Economic Growth Act (KEGA)
    - Kansas Bioscience Initiative
  - Government research funding focused on IT, life sciences and nanotechnology



# A Brief History of Economic Development

Kansas Legislature  
House Committee on Economic Development  
January 14, 2003

Jay Kayne  
VP of Entrepreneurship  
Kauffman Foundation

# So What's The Issue?

- Entrepreneurship development takes time—outside the political timeframe.
- Entrepreneurship equals “venture economic development,” requiring a portfolio versus project mentality.
- Impact is incremental.
- Public sector perception that “wealth is a four-letter word.”
- Technology-based economic development needs to be outside the political process



# Your Role as State Policymaker

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



# 2008 State New Economy Index

- There is concrete evidence that KTEC's efforts are improving the entrepreneurial climate in Kansas, which was **ranked 8th in Nation for "Gazelle Jobs"** - according to the 2008 State New Economy Index. Rapid growth "Gazelle" companies account for 80% of new jobs created.
- The New Economy Index also ranked **Kansas a "Top Mover" in "Fastest Growing Firms."** Through our direct equity investments and business assistance, KTEC has helped Kansas experience a large increase in the number of "fast growing firms" (i.e. those with growth exceeding 200% over 4 years). These firms provide a strong base for the state's current and future growth.



# SITAKS

- Software and Information Technology Association of Kansas
  - Founded by KTEC in 2008
  - State-wide information technology trade association similar to Kansas Bio
- 2,182 information technology companies in Kansas/54,000 jobs
- Mission: Educate, provide leveraging opportunities between companies, speak as unified voice on issues impacting industry, connects private/public sectors
- Issues: Talent recruitment, capital formation, technical training costs, entrepreneurial assistance

**Ensuring Kansas' Prosperity through Technology**



## Kansas Bioscience Organization (KansasBio)

- Advocate for the bioscience community in Kansas
- Founded in 2004 by KTEC
- Trade organization representing the bioscience industry continuum in Kansas
  - Human, Plant and Animal
  - Academic, Industry and Government
  - Entrepreneurial ventures, start-ups, service providers
- Led Kansas presence BIO 2006 (Chicago), BIO 2007 (Boston) and upcoming BIO 2008 (San Diego)
  - Hill's Pet Nutrition donates two-story pavilion for use at tradeshow



# KTEC PIPELINE

- The KTEC PIPELINE identifies talented and entrepreneurial Kansans and matches them with best-in-class training, resources and mentors to enhance their success as technology entrepreneurs in Kansas.
- Kansas is the only state that is systematically identifying top technology talent and connecting them to become future leaders.
- The KTEC PIPELINE adds to KTEC's comprehensive technology program, ensuring the most important component to any successful economy - cadre of innovators that will lead the Kansas economy for generations to come.

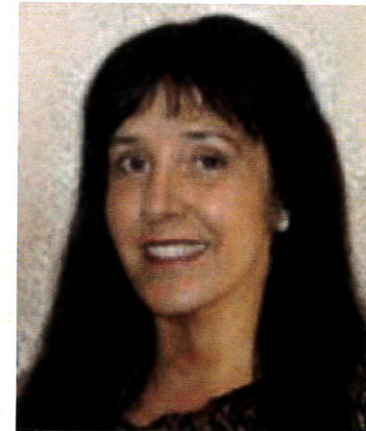
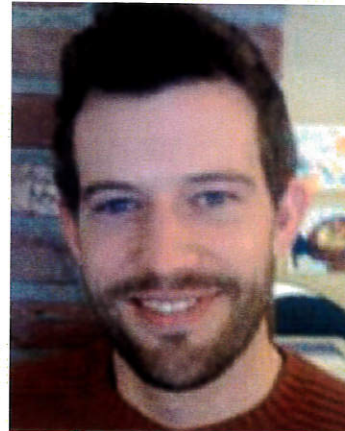


# KTEC PIPELINE Innovators Receive

- Best-in-class training in fundamentals of technology entrepreneurship.
- Three-day formal learning sessions each quarter. Innovators will receive cutting-edge education, skill building and networking.
- Access to mentors from technology businesses in or with strong ties to Kansas.
- One-year stipend for discretionary use while exploring opportunities for a startup technology venture.
- Access to venture capitalists with capabilities of financing early stage technology companies.
- Leverage use of resources to highest potential talent.



# 2008 PIPELINE Innovators



**Ensuring Kansas' Prosperity through Technology**



# Come Home to Kansas Initiative

- #1 issue for bioscience and IT companies is talent recruitment
  - Garmin, LSI Logics, Perceptive Software, etc.
- KTEC & partners launched [www.comehometokansas.com](http://www.comehometokansas.com) to address issue
- Site shows thousands current technology job openings, plus strong cluster of recognizable companies in Kansas
- Software crawls internet to match people with career opportunities



Greg had the vision to see the vast possibilities to be harvested in the biopharmaceutical industry. So he cultivated his idea, rediscovered his roots and transplanted his dream to Kansas. He's just one of a lot of smart natives who are following their heads back to the heartland.

Come Home To  
**KANSAS**  
We will help you grow. [www.ComeHomeToKansas.com](http://www.ComeHomeToKansas.com)





# Capital Formation

- Implemented Kansas Angel Tax Credit Program Legislative Change
- Creation of Angel Networks in South Central, Southeast and Northeast Kansas



# KTEC National Recognition

- The State Science and Technology Institute (SSTI) selected KTEC to host its national conference in Overland Park, October 2009
  - Administration's proposed elimination of KTEC will have happened by conference date
- National Institute of Health (NIH) and National Science Foundation (NSF) have both recognized KTEC PIPELINE as innovative in people development for technology-based economic development programs
- National Business Incubation Association (NBIA) selected Enterprise Center of Johnson County (a KTEC business assistance incubator) to host its host of its national conference in Kansas City, April 2009



## FY 2008 Results

- **\$207.26 million** increased sales
- **933 jobs** created or retained
- **\$100.64 million** - Federal funds leveraged
- **\$46.17 million** - private investment leveraged



# KTEC Cumulative Results

- **\$1.95 billion** in increased sales
- **16,700 jobs** created or retained
- **\$642 million** - federal funds leveraged
- **\$456 million** - private investment leveraged



# FY09 Budget Summary

- For FY09, the Governor recommends cutting \$1.38 million and specifies which areas to cut. These cuts are impossible to make since the vast majority of funds are committed for the current fiscal year.
- On December 7, 2008 the KTEC Board of Directors strategically allocated \$374,000 in cuts across programs in anticipation of a 3% overall reduction. KTEC requests that it be allowed to retain its statutory authority to allocate any additional cuts across programs in both FY09 and FY10.

<u><b>FY09 recommendations</b></u>	<u><b>Governor</b></u>	<u><b>KTEC Board (December revision)</b></u>
Approved budget	\$12,471,442	\$12,471,442
Reduction	<u>(1,387,566)</u> 11.1% reduction	<u>(374,143)</u> 3.0% reduction
	<b>\$11,083,876</b>	<b>\$12,097,299</b>

(approved budget includes carryover of \$439,184 from FY08)



# Thank You.

For more information about visit:  
[www.ktec.com](http://www.ktec.com)

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