

MINUTES OF THE HOUSE VISION 2020 COMMITTEE

The meeting was called to order by Chairman Tom Sloan at 1:30 p.m. on February 25, 2009, in Room 711 of the Docking State Office Building.

All members were present except:

Representative Clay Aurand- excused
Representative Sean Gatewood- excused
Representative Raj Goyle- excused
Representative Lee Tafanelli- excused

Committee staff present:

Art Griggs, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Corey Carnahan, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Mary Koles, Committee Assistant

Conferees appearing before the Committee:

Stan, Ahlerich, Kansas Inc.
Tracy Taylor, Kansas Technology Enterprise Corporation
Tom Thornton, Kansas Bioscience Authority
Steve Radley, NetWork Kansas
David Kerr, Kansas Department of Commerce

Others attending:

See attached list.

Stan, Ahlerich, President, Kansas Inc. discussed the structure and mission of the Kansas Economic Development Model, the Kansas Inc. Board of Directors, and the Kansas, Inc. Strategic planning process. He noted several needs: include representatives of the military and health care on the board; move from an educational model to a training model where education/learning and technology converge and are relevant to business; and encourage fluidity ([Attachment 1](#)).

Tracy Taylor, President and CEO, Kansas Technology Enterprise Corporation, provided an overview of technology-based economic development in Kansas. His comments included that the Cleantech Industry Initiative provides a huge opportunity for Kansas; the KTEC Pipeline is an invaluable asset; and key is the successful blend of entrepreneurship, collaboration, innovation and technology. He mentioned venture capitalist David Wilhelm, Robert Atkinson, an economic development expert, particularly in the areas of innovation and technology, and Doug Hall, America's #1 Idea Guru, all of whom KTEC has brought to Kansas ([Attachment 2](#)).

Tom Thornton, President, CEO, Kansas Bioscience Authority, Olathe, described the creation of the Bioscience Authority, the strategy it embraces, and the growth it has fostered in only five years: notably the public and private collaborative effort to attract the National Bio and Agro-Defense Facility to Kansas and many startups. He shared his vision of Kansas and bioscience by 2020: a vibrant mix of science and technology in a thriving Kansas ([Attachment 3](#)). Committee members received the Kansas Bioscience Authority's 2008 Progress Report, Focused Strategy, Big Results.

Steve Radley, Director, NetWork Kansas, Wichita, reported that NewWork has over 450 partners in Kansas to provide expertise and educational and economic resources to entrepreneurs and small businesses in rural areas. Goals include empowering communities to develop entrepreneurial environments and their own networks. Needs include: capital, perhaps expand the rural business development and entrepreneurship tax credit; leadership; technology, especially making high speed internet connectivity available to all; and continued collaboration between governmental and quasi governmental entities ([Attachment 4](#)).

David Kerr, Secretary, Kansas Department of Commerce, provided an overview of business recruitment, retention, and expansion. He recommended making strategic choices for growth by focusing on core competencies. Exports are another avenue for growth. He noted Kansas ranks among the top ten states in

CONTINUATION SHEET

Minutes of the House Vision 2020 Committee at 1:30 p.m. on February 25, 2009, in Room 711 of the Docking State Office Building.

several assessments. His primary current and long term concern is the workforce, the need for skilled workers. He provided a copy of his recent testimony in support of **SB 120**, IMPACT - Investments in Major Projects and Comprehensive Training (Attachment 5).

Chairman Sloan opened the meeting for questions from the committee. Questions were asked by Chairman Sloan and Representatives Mario Goico, Tom Hawk, Don Hineman, and Joe Seiwert.

The appropriate conferees responded. Discussions followed.

Chairman Sloan thanked the conferees for their presentations.

The next meeting is scheduled for March 2, 2009.

The meeting was adjourned at 3:00 p.m.

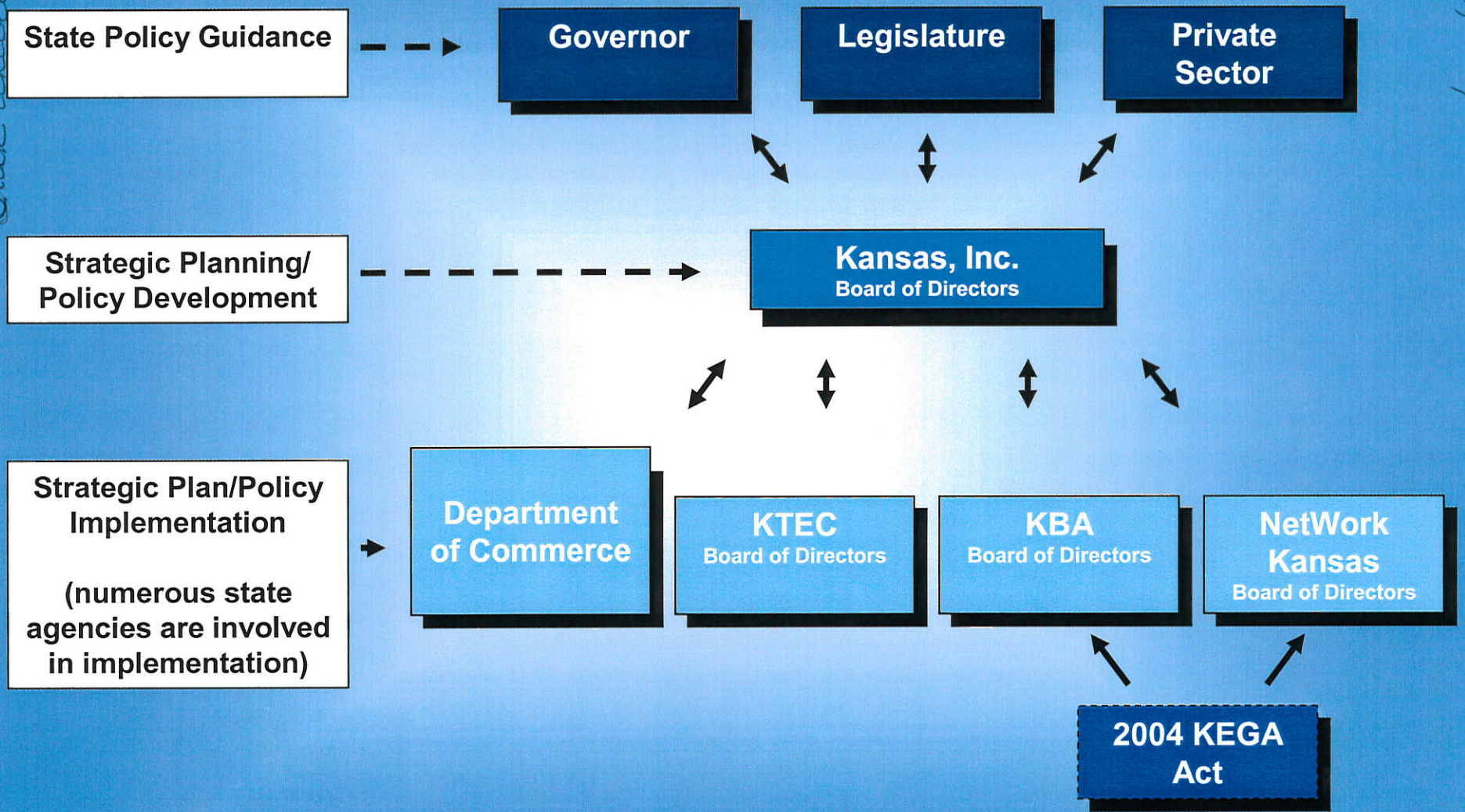
House Vision 2020 Committee Guest List

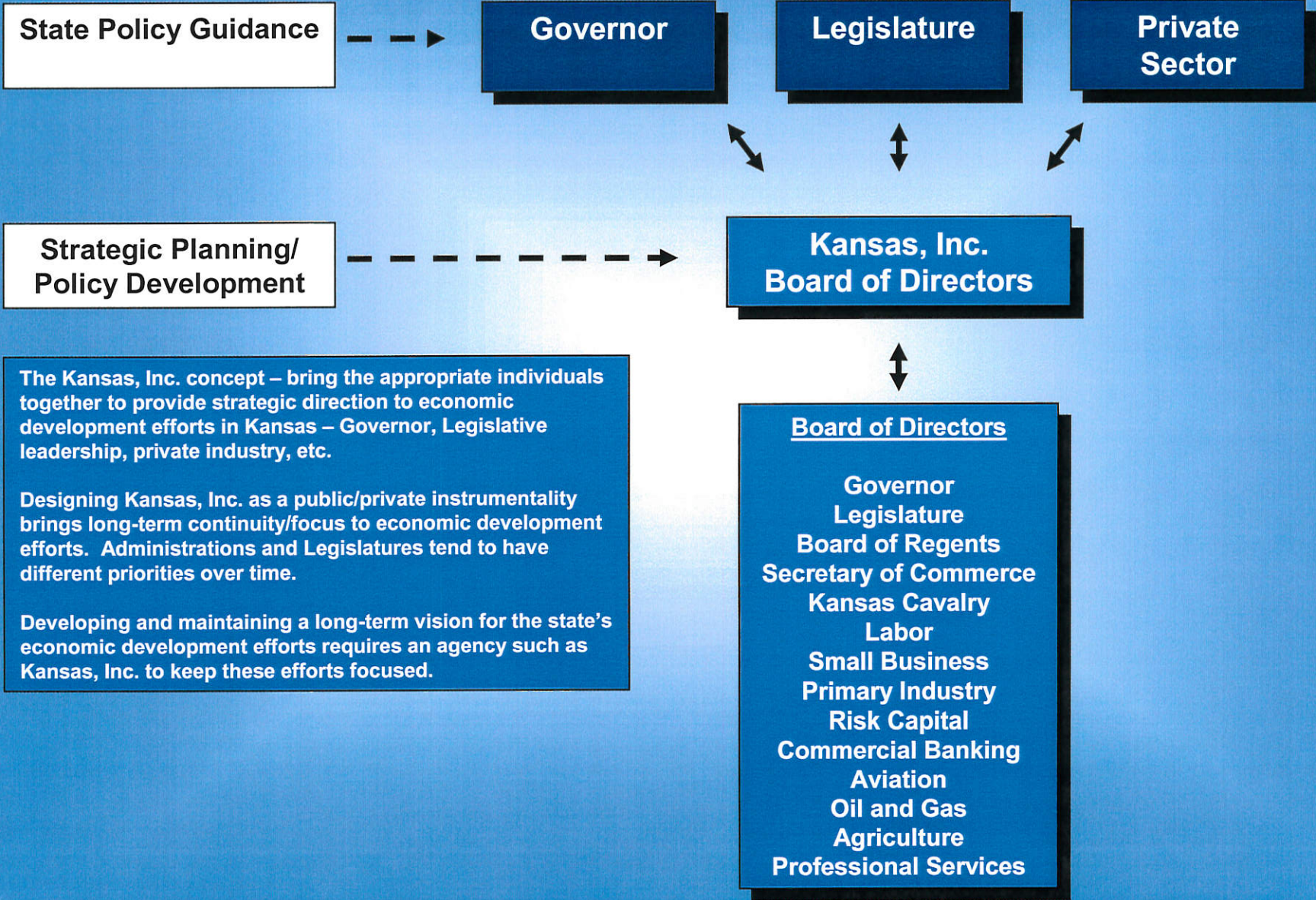
Date: Feb. 25, 2009

| Name | Representing Client/Authority |
|-----------------|-------------------------------|
| Dan Korber | Kansas, Inc. |
| Tom Krutz | KASB |
| Anne Woods | KSBOC |
| STEVE RADLEY | NETWORK KANSAS |
| Brad Skupper | Carter Group |
| STEVE PULZIT | KNTV |
| Scott Heidner | Gacher Braden |
| Tom Thornton | KBA |
| Ron Sucke | KS B 10 |
| John | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

Stan Adrich

*Home Vision 2020
2-25-2009
attachment 1-1*



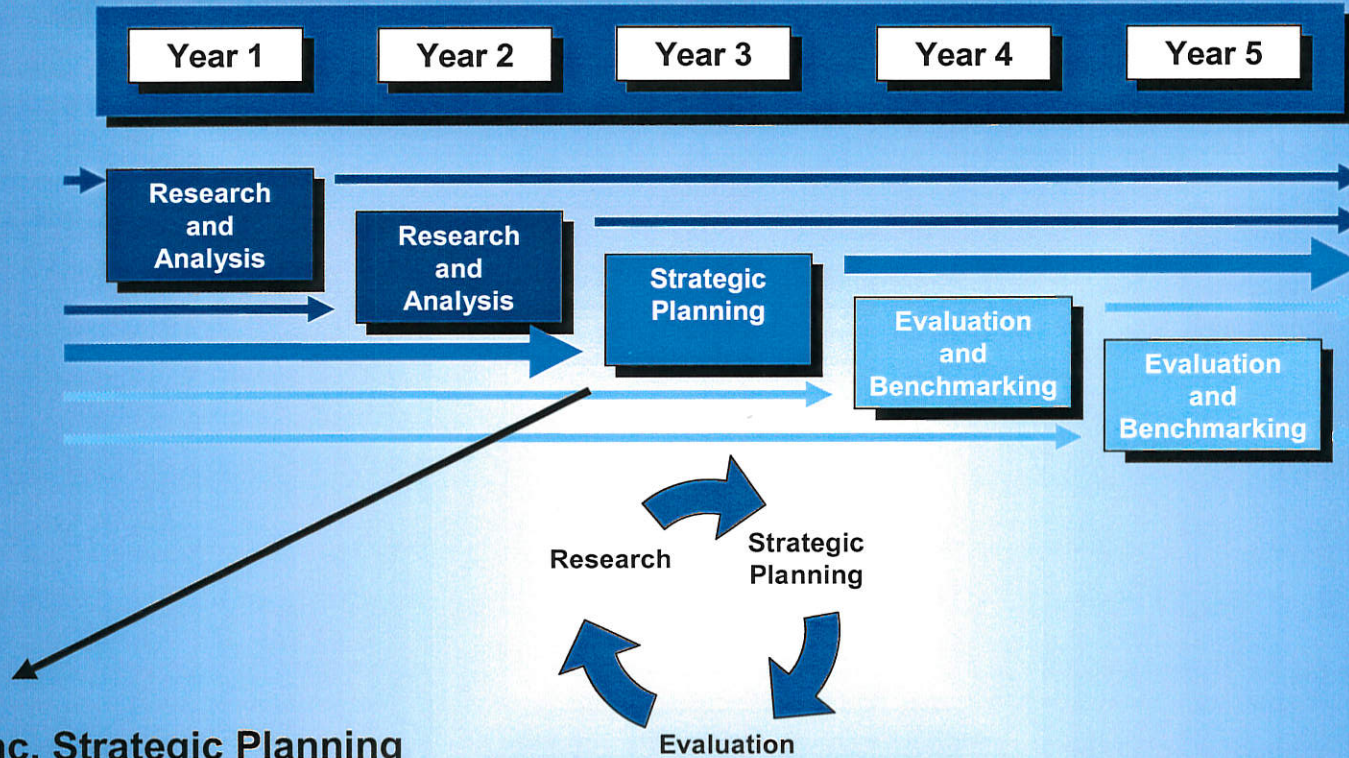


The Kansas, Inc. concept – bring the appropriate individuals together to provide strategic direction to economic development efforts in Kansas – Governor, Legislative leadership, private industry, etc.

Designing Kansas, Inc. as a public/private instrumentality brings long-term continuity/focus to economic development efforts. Administrations and Legislatures tend to have different priorities over time.

Developing and maintaining a long-term vision for the state’s economic development efforts requires an agency such as Kansas, Inc. to keep these efforts focused.

Kansas, Inc. Five-Year Cycle

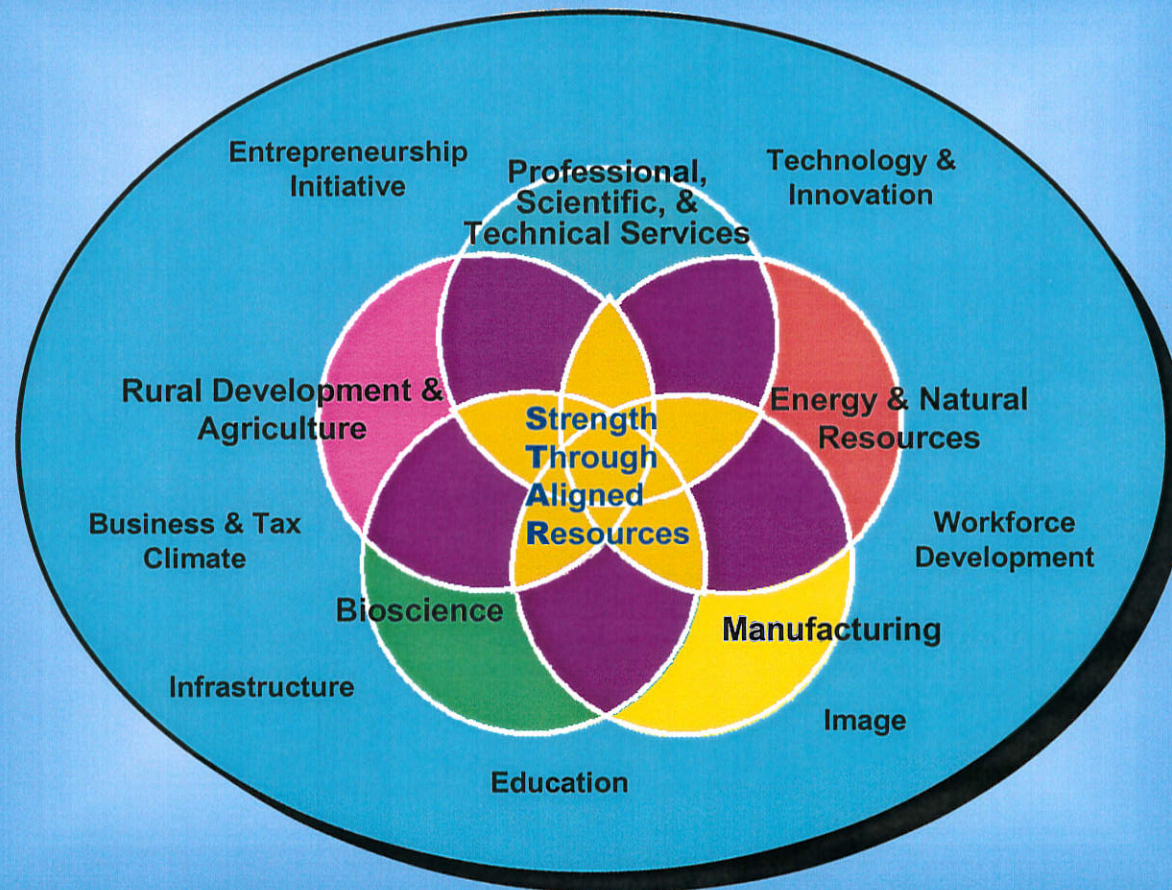


Kansas, Inc. Strategic Planning

- Yearlong process spanning the state
- Research to provide the groundwork for the plan
- Statewide Steering Committee – Business and Industry leadership
- Academic and Policy Resource Expertise
- Statewide Cells – 17 cells throughout the state comprised of community and business leaders

Strategic Planning Vision Statement –

Kansans will notably increase personal and business wealth and improve our quality of life by focusing on our inherent and emerging strengths



The Kansas, Inc. Strategic Plan, entitled *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance* provides 43 strategies accomplished through 98 recommendations that are focused on the state's core strengths and economic development environment.

KTEC to gather Industry, Kansas Bioscience Authority and National Experts to Collaborate and Accelerate Kansas Industry

FOR IMMEDIATE RELEASE

CONTACT: Kelly Pearl 785.215.0934

Topeka, Kan. (February 10, 2009) – The **Kansas Technology Enterprise Corporation (KTEC)** today announced the *Kansas Cleantech Industry Initiative* to position Kansas for leadership in an industry that represents one of the fastest growing opportunities for job and wealth creation. Even as the economy has weakened, projected increases in global energy demand, declining supply of existing sources and a desire for U.S. energy independence are long-term drivers expected to remain during the economic downturn.

The *Kansas Cleantech Industry Initiative* will engage a diverse set of stakeholders, including established and emerging cleantech companies, the Kansas Bioscience Authority, industry associations, area utilities, local universities, large commercial end-users, investors and service providers to this sector.

"At this key time in our nation's movement toward Cleantech, KTEC is working to strategically position Kansas to have the maximum opportunity for growth," said **Tracy Taylor, President and CEO of KTEC**. "KTEC has more than 30% of our equity portfolio invested in Cleantech companies, and we clearly see this as a strategic industry opportunity for Kansas. The formalization of the Cleantech Industry Initiative will put even more momentum behind KTEC's effort to improve our economy through entrepreneurship and innovation."

Cleantech is a name for an industry cluster that is dynamic – and is being pursued by many states realizing this will be a growth opportunity. Cleantech is new technology with related business models that offer competitive returns for investors and customers, while providing solutions to global challenges.

The Cleantech industry represents a diverse range of products, services, and processes intended to provide superior performance at lower costs, while greatly reducing or eliminating negative ecological impact, and at the same time improving the productive use of natural resources.

"As an entrepreneur working in this dynamic field, it is tremendously helpful to know that KTEC is recognizing the Cleantech industry's potential – and need for support – as we work to grow here in Kansas," said **Gary Mason, CEO of iSi Recycling**, a Wichita-based Cleantech company. "Now more than ever, businesses need allies and support as we work to build business in an extremely competitive field."

About Kansas Cleantech Industry Initiative: The Kansas Cleantech Industry Initiative is designed to accelerate Kansas' Cleantech economy to capitalize on its natural strengths, as well as identifying areas where we have strong and strategic growth potential. To learn more about the Initiative, visit www.ktec.com/cleantech

About KTEC: KTEC is a private/public partnership established by Kansas to promote technology based economic development. KTEC assists Kansas entrepreneurs and technology companies by supporting the development and commercialization of new technologies through a statewide network designed and built to support researchers, entrepreneurs, and technology companies through each phase of the technology life cycle. The ultimate goal of the program is to create rapid growth companies and higher paying jobs.

www.ktec.com

*News Vision 2020
2-25-2009
Attachment 2-1*

Cleantech Definition

Cleantech represents a diverse range of products, services, and processes, all intended to:

- Provide superior performance at lower costs, while
- Greatly reducing or eliminating negative ecological impact, at the same time as
- Improving the productive and responsible use of natural resources

Industry Segments:

Agriculture

- Natural Pesticides
- Land Management

Recycling & Waste

- Recycling
- Waste Treatment

Water & Wastewater

- Water Treatment
- Water Conservation
- Wastewater Treatment

Energy Generation

- Wind
- Solar
- Biofuels
- Geothermal
- Other

Energy Storage

- Fuel Cells
- Advanced Batteries
- Hybrid Systems

Energy Infrastructure

- Management
- Transmission

Energy Efficiency

- Lighting
- Buildings
- Glass
- Other
- Construction

Transportation

- Vehicles
- Logistics
- Structures
- Fuels

Air & Environment

- Cleanup/Safety
- Emissions Control
- Monitoring/Compliance
- Trading & Offsets

Materials

- Nano
- Bio
- Chemical
- Other

Manufacturing/Industrial

- Advanced Packaging
- Monitoring & Control
- Smart Production

KTEC Cleantech Investments

(in 000's)

Equity Investments
Since 2002

Univ. Programs
Current FY

Proof of Concept
Since 2007

| | |
|------------------------------|--------------|
| Adaptive Ozone | 300 |
| Aerocomm (exit) | * 157 |
| EcoFit Lighting | 200 |
| Edenspace | 250 |
| Heartland | 150 |
| HiPer Technologies | 300 |
| mPathx | 125 |
| NanoScale | 250 |
| Pulse NeedleFree | 60 |
| ReLight America | 147 |
| Rhythm Engineering | 100 |
| Winglet Technology | 150 |
| Zavers | 486 |
| TOTAL (million) | 2.675 |
| % of Active Portfolio | 29.4% |

| | |
|------------------------|--------------|
| CEBC | 240 |
| CRESIS | 125 |
| KPRC | 310 |
| Kansas-NSF* | 600 |
| TOTAL (million) | 1.275 |

ScavengeTech 45

*final approval Jun 1

KTEC Cleantech Investment
\$3.995 million

Cleantech Investment Profiles

Equity Investments

Company:

Adaptive Ozone: proprietary ozone/oxygenation systems that removes corrosive, odorous hydrogen sulfides from wastewater plants.

Aerocomm: wireless RF technology, acquired by Laird Technology in 2007.

EcoFit Lighting: manufactures LED streetlights that cut maintenance costs.

Edenspace: develops enhanced energy crops to produce cellulosic biofuels such as ethanol and butanol.

Heartland: proprietary air-purifying fan.

HiPer Technologies: composite vehicle wheels

mPathx: SmartRack product eliminates the need for AC/DC transformers, saving energy.

NanoScale: application of nanoparticles including environmental remediation, gas scrubbing, and pollutant removal.

Pulse NeedleFree: needle-free animal health injections, cuts back on medical waste.

ReLight America: specialized cable for neon signs listed for use without conduit or insulation bushings.

Rhythm Engineering: intelligent traffic management systems.

Winglet Technology: elliptical wing tips for private planes that reduces jet fuel consumption 4-5%.

Zavers: digital incentive management networks that eliminates paper coupons.

ScavengeTech (POC): remotely monitors turbochargers for natural gas pipeline systems that allows for emissions compliance.

Cleantech Category:

Wastewater Treatment

Energy Transmission: Eliminates need to lay cable

Energy/Lighting Efficiency: Reduces greenhouse gases

Energy Generation: Biofuels

Air Cleanup

Materials: Carbon fiber composite resins

Energy Management

Nano Materials

Waste: Reduces medical waste

Energy Efficiency: Lighting

Reduces fuel usage by decreasing traffic

Transportation: Fuels

Recycling & Waste

Environment: Monitoring/Compliance

Cleantech Investment Profiles

University Programs – FY2009

Project:

Center for Environmentally Beneficial Catalysis (CEBC): generates technologies that will transform the catalytic manufacture and use of chemicals into inherently safe and ecologically responsible processes, while retaining their economic viability.

Center for Remote Sensing of Ice Sheets (CRESIS): developing new technologies and computer models to measure and predict the response of sea level change to the mass balance of ice sheets in Greenland and Antarctica.

Kansas Polymer Research Center (KPRC): help clients solve development and production problems in the field of polymers and plastics.

Kansas-NSF EPSCoR: helps in evaluating, modeling and forecasting the biological and ecological consequences of accelerating global changes.

Cleantech Category:

Materials: Chemical

Environment Monitoring

Materials

Environment Monitoring

Testimony of Tom Thornton
President and CEO, Kansas Bioscience Authority
Hearing of Vision 2020
February 25, 2009

Chairman Sloan and Vice Chairman George, members of the Vision 2020 Committee, thank you for your invitation to address this distinguished committee on the Kansas Bioscience Authority (KBA) and the future opportunities we have to stimulate economic growth in this great state.

1. KBA – How we were established

Created by the Kansas Economic Growth Act of 2004 (KEGA), the Kansas Bioscience Authority (KBA) is an independent entity of the state, governed by an 11-person board of directors. The legislature had a unique vision in creating the KBA, which was to develop an authority that would expand bioscience research, foster the formation of bioscience startups and facilitate the expansion of bioscience companies statewide. Through the authority, Kansas offers comprehensive support for world-class research, commercialization, and business expansion to accelerate economic growth and job creation in the state.

The KBA invests in three inter-related areas: expanding bioscience research; fostering the formation and growth of bioscience startups; and facilitating industry expansion statewide.

Our state's hard work is paying off, yet this success was not inevitable or by accident.

You may recall that many originally met our efforts with skepticism. A 2004 article in the *Wall Street Journal* about state bioscience efforts said, "Even Kansas is in the game with a new state authority."

Even Kansas? The insinuation was, good luck, but you're not worthy. We've been taking on those skeptics with our state's spirit of innovation, and, in 2008, after a review of all states' bioscience efforts, Battelle Memorial Institute concluded, "Kansas continues to assert its leadership in the biosciences."

*House Vision 2020
2-25-2009
Attachment 3-1*

Continues to assert leadership! That's the Kansas bioscience community I know. We have, indeed, come a long way in a short time.

Since the 5 short years since our inception, the KBA has seen tremendous progress in its pursuit of economic growth through national and international bioscience leadership. Our research base is expanding. We have aggressively asserted ourselves in key bioscience clusters. Kansas entrepreneurs are developing cutting edge products to fight cancer, osteoporosis and other health care challenges. Foreign companies and researchers are moving to Kansas and investors nationally are betting on Kansas companies. Our states unmatched concentrated pursuit of bioscience leadership has led to a healthy bioscience economy that has never been stronger, and our state is getting the national attention it deserves.

In fact, just last year a national site selection magazine highlighted Kansas' success by placing us in its Top 10 list of states in the nation for biotechnology, alongside powerhouses such as California, Massachusetts, and Illinois.

A great example of the national leadership that Kansas has shown in the biosciences is our successful effort to attract the National Bio and Agro-Defense Facility, or NBAF.

This game-changing success was only possible because of the visionary foresight of our state legislature to create an authority with the independence and we created a remarkable public-private collaboration that can be a model going forward.

Simply put, we were unified as a state, at all levels, and our approach offered the federal government the most cost-effective and flexible path to accelerate the NBAF research mission and protect our livestock from foreign animal disease threats.

The KBA advanced this effort by investing more in foreign animal disease research last year than any other state. We've proven we can play at the national level, and our no-regrets investments ensure we will remain a national leader in the animal health industry.

And though our past success has generated more than 1,117 new jobs, more than \$100 million in capitol expenditures and investments and over \$37 million in new R&D investment, the KBA foresees even greater success in Kansas' bioscience future – success that would not have been possible had it not been for the extraordinary vision of the Kansas legislature in creating the KBA through the Kansas Economic Growth Act (KEGA) and giving us the unique power to position ourselves as a bioscience leader.

2. Vision of the Future → KBA will not exist in 2020

Johnson County:

- BIO 2019: top
- Clinical research: 20 percent of all open trials
- KUMC: NCI cancer center; several compounds developed
- Olathe bioscience park: largest animal health companies in the world supported by KSU research and education programs; companies relocated from all over the world and grown right here
- Industrial bioscience research tops \$2 billion

Lawrence: K-10 renamed the bioscience corridor

- institution known equally for its quality research as its basketball team;
- 10 companies/year spun-out of KU;
- Incubators full of companies
- #1 in pharmacy school in the nation
- Bioscience explode to over 3,000
- Total bioscience employment tops nearly 55,000

Manhattan:

- NBAF has developed efficacious vaccine for FMD
- Lab is managed by KSU
- Vaccine developed by KSU marketed through a Kansas startup achieves over \$1 billion in sales; other startups
- Lab joined by other large-scale federal investments
- KU and KSU together conduct over \$1 billion in research
- NVS

Wichita:

- National center for orthopaedic device development
- Cellulosic industry headquartered there
- Clean Tech

3. How did we get there

- Focus on key clusters, not individual deals
- Built the research foundation
- Integrated it with industry
- Improved access to capital
- PATIENCE!

The achievements of the last 5 years, as well as our investment strategy for the years to come could not have been possible without the visionary foresight of the legislature to create programs such as the KBA, KTEC, and Network Kansas.

In passing the Kansas Economic Growth Act (KEGA), the legislature took an unprecedented approach, creating the KBA as an independent authority and vesting us with the innovative tools and dedicated funding to position our state for national bioscience leadership. Recognizing the critical importance of bioscience to Kansas' long-term competitiveness, and building on previous efforts, the Kansas Economic Growth Act passed with nearly unanimous support to allow the KBA to boldly lead efforts to significantly build bioscience research and industry in the state. This is exactly what the KBA has done; leading Kansas Inc. to highlight in its report to the legislative body that Kansas should most emphatically not change the funding mechanism. Their detailed report also stated that – and I quote:

“No other state program has the kind of stable, dedicated, long-term funding that Kansas has devised. Too often, government budgets over-react to short-term financial crises by decreasing, delaying or discontinuing the funding for programs that provide long-term security and prosperity for the future. Kansas has avoided this scenario with the off-budget diversion of payroll taxes for 15 years. In establishing the KBA, Kansas has implemented a comprehensive, flexible, and well-balanced strategy.”

Kansas has the unique tools already in place to seize international leadership in biosciences. The legislature had the foresight when they created the KBA to give us focus in five areas where Kansas already had existing strengths – these areas include **animal health, bioenergy, biomaterials, drug**

development and plant biology. The KBA has a focused and disciplined investment thesis: leverage the state's existing strengths in these areas to expand bioscience research; foster the formation and growth of bioscience start-ups and: facilitate industry expansion state-wide.

An entrepreneur recently said the KBA is increasingly viewed as "smart money." We are "smart money" because, like a venture investor, we have adopted an investment strategy and strategic plan with the following elements:

1. The KBA's investments are **focused**. The KBA is focusing in key clusters, like animal health, drug discovery, and bioenergy, in which Kansas has the opportunity for undisputed national leadership.
2. The KBA **diversifies**: We emphasize research, commercialization and expansion. No one of these alone will get us to national leadership. We must invest in each, and each supports the other.
3. KBA investments are **game-changing**: We are looking to invest in disruptive technologies in a dynamic industry.
4. The KBA investment process is highly **evaluative**: Each application is subject to a rigorous evaluation by KBA staff and the board of directors.
5. The KBA serves as a **strategic partner**: We are not a fire-and-forget organization. The KBA is committed to provide strategic assistance to every investment we make to ensure its ultimate success.
6. The KBA is oriented around **outcomes**: We expect a return on investments for the state, measured by such factors as increased federal R&D investment, venture capital investment, and job creation.

4. Conclusion

Science and technology are two of the most powerful and enduring contributors to the economic vitality and quality of life of all Kansans. The plow and reaper and the establishment of the nation's first land grant research university symbolize the state's great technological heritage. These

19th century developments opened up the greatest agricultural area in the world and laid the economic foundation for the nation's heartland.

Today, Kansas' pioneering spirit lives on in its world-class bioscience researchers and entrepreneurs. This time, innovation is coming from universities, medical centers, and a multitude of technology-intensive businesses. Kansas's economic recovery will be led by innovative bioscience companies all across the state that are developing and producing new innovations, creating new jobs, attracting capital, and producing wealth.

As other states pull back from innovation investments, Kansas has the rare opportunity to stay the course and vault ahead, accelerating our economic recovery and yielding benefits in improved health and economic growth for decades to come.

Especially in challenging economic times, we must not retreat from the vision, mandate, and resources that are helping Kansas achieve big outcomes and making a real impact in the state. Instead, we must seize opportunity.

This time next year, for example, more than 1,500 people will go to work building the National Bio and Agro-Defense Facility, and others will come from all over the country to conduct urgently needed research to protect American agriculture.

Kansas is on the right track. From research, to commercialization, to cluster expansion, we're asserting our leadership in the biosciences. Equally as important, we have become a community. Researchers are collaborating with researchers and companies; companies are solving national challenges and attracting capital, and companies all across Kansas are expanding. I am confident that in 10 years from now, as I talked about before, Kansas will be the undisputed international leader in bioscience innovation and technology.

With that, I am optimistic about the future, and I welcome your questions.

Kansas Center for Entrepreneurship

Testimony Vision 2020
Topeka, Kansas
February 25, 2009

Presented By:
Steve Radley, Director
NetWork Kansas



NetWork Kansas

A Service of the Kansas Center for Entrepreneurship

- Kansas Economic Growth Act—Establish an organization to:
 - Serve as a central portal to help connect entrepreneurs to public sector business building organizations
 - Increase availability of capital in rural areas
 - Assist regional and community organizations in providing seed funding for entrepreneurs
 - Promote business startups and expansions

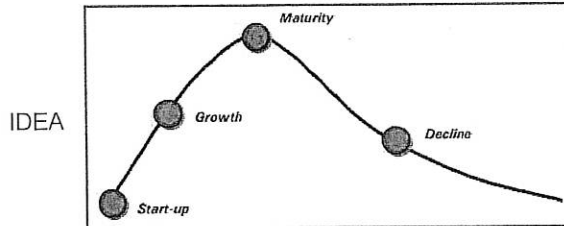
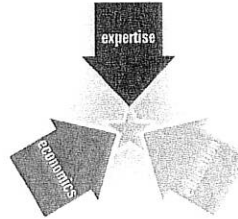
"NetWork Kansas"

House Vision 2020
2-25-2009
Attachment 4-1

NetWork Kansas

A Connecting Point for Entrepreneurs & Small Business

- Expertise
- Educational Resources
- Economic Resources



"NetWork Kansas"

Composition of Jobs 2005-2007

Edward Lowe Foundation at youreconomy.org

| Establishments | U.S. | KS | *E-Community |
|-------------------|-------|-------|--------------|
| Noncommercial | 7.2% | 9.5% | 11.25% |
| Nonresident | 5.4% | 6.6% | 3.5% |
| Resident | 87.5% | 83.9% | 85.27% |
| Stage 1(1-9) | 88.3% | 88.2% | 92.3% |
| Stage 2 (10-99) | 11.0% | 11.2% | 7.5% |
| Stage 3 (100-499) | .62% | .58% | .20% |
| Stage 4 (500+) | .08% | .05% | .01% |

* Includes Anderson, Barton, Butler, Chase, Cheyenne, Cowley, Kiowa, Linn, Marion, Rawlins, Rice, and Thomas counties

"NetWork Kansas"

Establishments/ Jobs 2005-2007

Edward Lowe Foundation at youreconomy.org

| Establishments | KS | Est. growth | Job Growth |
|-------------------|-------|-------------|------------|
| Noncommercial | 9.5% | -1.4% | 2.5% |
| Nonresident | 6.6% | -8.8% | -9.2% |
| Resident | 83.9% | 1.9% | 1.1% |
| Stage 1(1-9) | 88.2% | 2.0% | 1.0% |
| Stage 2 (10-99) | 11.2% | .8% | 1.5% |
| Stage 3 (100-499) | .58% | .1% | 1.4% |
| Stage 4 (500+) | .01% | -2.7% | -.07% |

Includes Anderson, Barton, Butler, Chase, Cheyenne, Cowley, Kiowa, Linn, Marion, Rawlins, Rice, and Thomas counties.

"NetWork Kansas"

New Jobs: 1990-2004

Center for Applied Economics at University of Kansas

- 3.2% of new jobs created by companies moving into Kansas
- 39.8% were expansions of existing businesses
- 57% were startup businesses

In 15 years, 96.8% of new jobs (gross) were startups or expansions!

"NetWork Kansas"

Jobs gained vs. lost: 1990-2004

Center for Applied Economics at University of Kansas

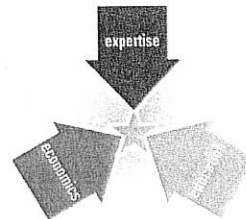
- 19.2% net jobs gained were move-ins vs. move outs
- 48.2% were expansions of existing businesses
- 32.7% were firm births vs. firm deaths

In 15 years, 80.9% of net new jobs were startups or expansions!

"NetWork Kansas"

Implications from Data

- Communities should focus on helping startups and existing businesses: the "recruitment" economic development mentality (rural communities) must change
- Developing the infrastructure to start new businesses and support existing businesses should be priority one of any rural development strategy
- Infrastructure doesn't mean buildings; it means: expertise (talent), education (knowledge), and economic resources (capital)



"NetWork Kansas"

Entrepreneurship (E) Community

Empowering Communities to Create an Entrepreneurial Environment

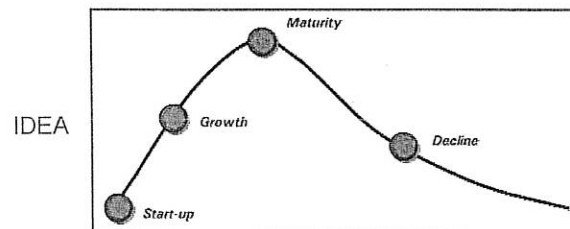
- A partnership between NetWork Kansas and rural communities that creates a local E-Community fund by utilizing the Entrepreneurship Tax Credit
- E-Community Leadership Team Develops Entrepreneurial Vision for the Community (130 plus community members)
- Local Finance Review Board approves loans and/or grants to local entrepreneurs and businesses (subset 70 plus community members)
- NetWork Kansas manages funds and tracks all businesses through semi-annual reports
- Twelve communities raised \$2.634M in first two years

"NetWork Kansas"

E-Community Philosophy

A Connecting Point for Entrepreneurs & Small Business

- Must execute at local level
- Shift from project to process mentality
- Not all resources will be local- but they may be connected through NetWork Kansas

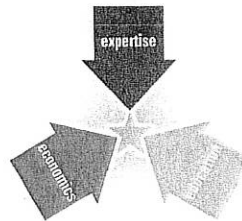


"NetWork Kansas"

Key Elements at Community level

Each community must be a mini NetWork Kansas

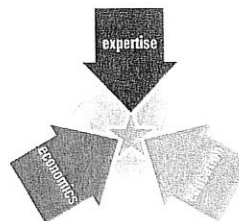
- **Expertise:** Local business coach (SBDCs, Enterprise Facilitation, others)
- **Education:** Who offers what seminars (Community colleges, universities, etc.)
- **Economics:** Funding partners, decision making at the local level, expanding capital across rural counties
- **Benchmark it:** Track all businesses connected to resources



"NetWork Kansas"

How Can You Help

- **Capital:** As the environment improves consider expanding the rural business development and entrepreneurship tax credit to accelerate the build out of capital in rural communities
- **Leadership:** Develop a plan to increase leadership capacity in rural communities through expanded partnerships with Public Square and Hometown Prosperity
- **Technology:** Look for ways to encourage technology infrastructure improvements in rural areas (high speed internet connectivity)
- **Collaboration:** Continue to encourage collaboration among all governmental departments and quasi governmental organizations



"NetWork Kansas"

youreconomy.org Definitions

Noncommercial establishments—educational institutions, post offices, government agencies and other nonprofit organizations.

Nonresident establishments—businesses located in the area but headquartered in a different state.

Resident establishments—either stand-alone businesses in the area or businesses with headquarters in the same state.

“NetWork Kansas”

youreconomy.org Definitions

- **Stage 1 (1-9):** In addition to sole proprietorships, partnerships and lifestyle businesses, this category includes high-potential companies that are beginning to form or are in startup mode. In particular, this group is focused on defining a market, developing a product or service, obtaining capital and finding customers.
- **Stage 2 (10-99):** At this phase, a company typically has a proven product and survival is no longer a daily concern. Instead, growth is the theme. Capital and customers are ongoing issues, but owners begin to focus on tomorrow's needs as well as today's. The company begins to develop infrastructure and standardize operational systems. Leaders begin to delegate more and wear fewer hats.
- **Stage 3 (100-499):** Expansion is a hallmark at this stage as a company broadens its geographic reach, adds new products and pursues new markets. A Stage 3 company introduces formal processes and procedures, including a professional management team and a board of directors. The founder is less involved in daily operations and more concerned with future vision.
- **Stage 4 (500+):** At this level of maturity, an organization dominates its industry and is focused on maintaining and defending its market position. Key objectives are controlling expenses, productivity, global penetration and managing market niches.

“NetWork Kansas”



Vision 2020 Committee

Presentation to the House Committee on Vision 2020

Testimony presented by David D. Kerr, Secretary
Kansas Department of Commerce
February 25, 2009

*House Vision 2020
2-25-2009
Attachment 5-1*

Vision 2020 Committee

➤ **Business Recruitment, Retention and Expansion:**

| | <u>FY 2008</u> | <u>FY 2009</u> |
|----------------------------------|----------------|----------------|
| Recruitment | | |
| Total Projects | 34 | 31 |
| New Jobs | 4,341 | 3,793 |
| Retained Jobs | 1,534 | 647 |
| Average Wages | | \$53,400 |
| Retention & Expansion | | |
| Projects | 155 | 65 |
| New Jobs | 4,213 | 2,425 |
| Retained Jobs | 3,096 | 1,992 |
| Average Wages | | \$35,000 |

➤ **Targeted Industry Clusters**

- ❖ Agriculture
- ❖ Energy
- ❖ Manufacturing
- ❖ Animal Health
- ❖ Plant Sciences
- ❖ Human Sciences
- ❖ Professional Services
- ❖ Logistics

➤ **Kansas Exports:**

| | <u>Total Exports</u> | <u>\$\$ Change</u> | <u>% Change</u> |
|------|----------------------|--------------------|-----------------|
| 2006 | \$ 8.6B | | |
| 2007 | \$10.3B | \$1.641B | 19.0% |
| 2008 | \$12.5B | \$2.198B | 21.4% |

Vision 2020 Committee

➤ Kansas Exports:

| Rank | Code | Description | ANNUAL 2007 | NOV 2008 YTD | %2007-2008 |
|------|------|------------------------------------|-------------------|-------------------|------------|
| | | TOTAL ALL PARTNER COUNTRIES | 10,277,477,026.00 | 11,683,674,404.00 | 26.05 |
| 1 | CAN | Canada | 2,459,209,751.00 | 2,443,091,632.00 | 9.23 |
| 2 | MEX | Mexico | 915,799,405.00 | 1,304,111,473.00 | 57.2 |
| 3 | DEU | Germany | 615,751,046.00 | 575,432,028.00 | 2.85 |
| 4 | GBR | United Kingdom | 593,111,398.00 | 564,620,793.00 | 3.85 |
| 5 | CHN | China (Mainland) | 489,094,709.00 | 483,498,345.00 | 8.05 |

| Rank | Code | Description | ANNUAL 2007 | NOV 2008 YTD | %2007-2008 |
|------|------|--|-------------------|-------------------|------------|
| | | TOTAL ALL COMMODITIES | 10,277,477,026.00 | 11,683,674,404.00 | 26.05 |
| 1 | 88 | Aircraft, Spacecraft, And Parts Thereof | 3,093,873,088.00 | 3,668,622,723.00 | 34.12 |
| 2 | 84 | Industrial Machinery, Including Computers | 1,580,093,507.00 | 1,444,790,074.00 | 1.29 |
| 3 | 10 | Cereals (Wheat, Corn, Grain Sorghum, etc.) | 788,136,910.00 | 1,191,754,167.00 | 66 |
| 4 | 85 | Electric Machinery Etc; Sound Equip; Tv Equip; Pts | 628,886,222.00 | 740,504,640.00 | 31.8 |
| 5 | 2 | Meat And Edible Meat Offal | 517,716,157.00 | 539,511,235.00 | 9.19 |

➤ State Marketing/Branding:

- **Top 10 Pro-Business States** – Pollina Corporate Real Estate (29 factor assessment)
- **10 Most Competitive States** – Site Selection magazine (Job Creation/Capital Investment)
- **Silver Shovel Award** – Area Development magazine (Job Creation/Capital Investment)
- **America's Top States for Business** – CNBC (11th Overall, 8th in Transportation & Cost of Living, 11th in Workforce)
- **Top 10 in Biotechnology** – Business Facilities Magazine (5th in Funding Research, 4th in State Investment)

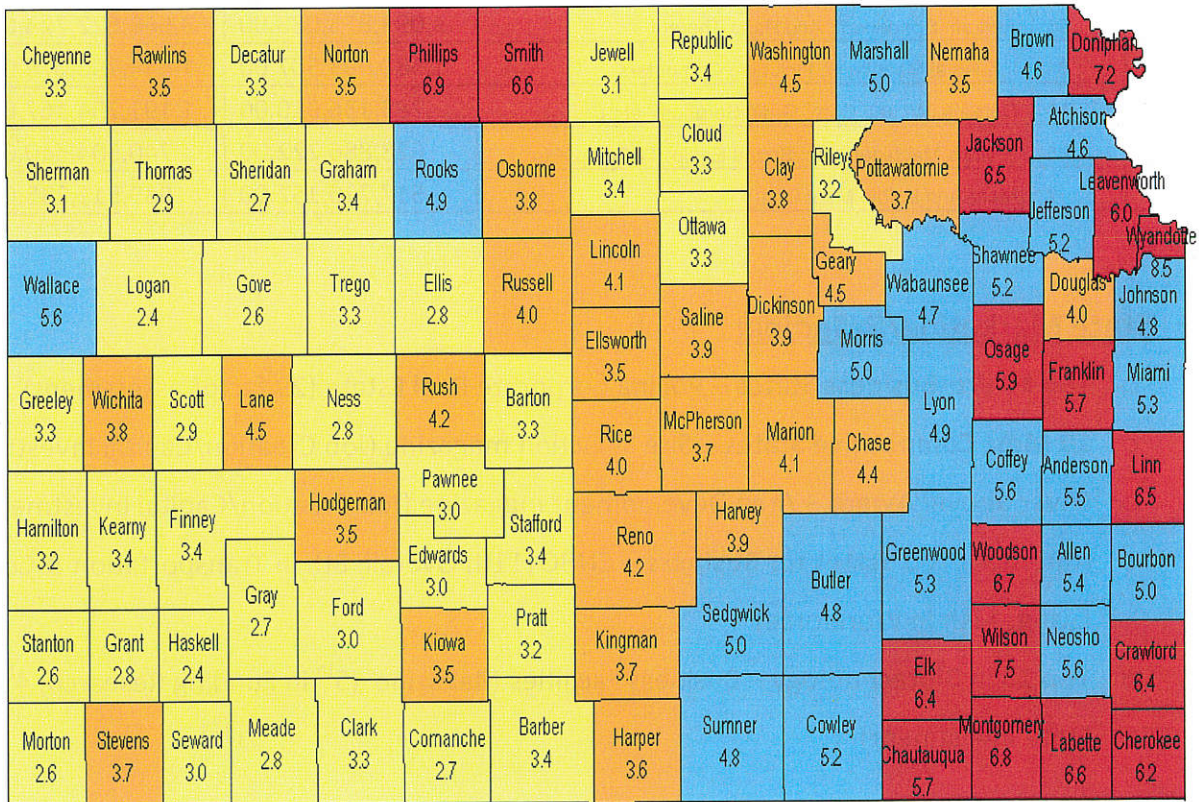
Vision 2020 Committee

➤ **Kansas Workforce:**

- ❖ National Unemployment Rate (December, 2008) 7.2%
- ❖ Kansas Unemployment Rate (December, 2008) 4.9%
- ❖ Kansas Counties w/Unemployment Rate < 4.0% 55

UNEMPLOYMENT RATES FOR DECEMBER 2008
 State Rate = 4.9%

KS_Counties by Rate



Testimony in support of SB 120 Presented to the Senate Commerce Committee

By Secretary David D. Kerr
Kansas Department of Commerce

February 17, 2009

Chairman Wysesong and members of the Committee:

Thank you for this opportunity to appear in support of SB 120, a bill that will further broaden the appeal of the state Investments in Major Projects and Comprehensive Training (IMPACT) program and is of great interest to service-sector companies.

The bill would clarify the use of program funds for certain costs, including the ability to use the funds to pay wages for new employees during training. As the nature of the workforce and the demands of industries change over time, our recruitment tools and strategies must remain flexible.

As businesses show interest in our state, they always look to the package of incentives that we can bring to the table. Businesses will look at how they can use the incentive package funds that best suits their needs. Their needs will vary by industry and include needs such as capital investment, direct training, curriculum development, workforce recruitment, etc.

If an incentive offer is limited to expenses such as capital investment and direct training costs, a company may not be able to utilize the full award or they may discount the value of the award. And in a comparison between a rigid offer and another state's flexible offer, the company will value the offer with the greatest flexibility. The company may even devalue the offer in their calculations to better reflect the portion of the award they think they can realistically use.

For projects that do not have much capital investment but create a significant number of jobs—including many service sector projects—this flexibility created by SB 120 has considerable value. For awards that do not include a portion for Major Project Investment (MPI) or non-training costs, the flexibility this bill provides is crucial. Over the past decade, the service sector is one of the fastest growing sectors of the Kansas economy. Our finance, insurance, engineering and real estate firms are especially active. Our incentives need to match their needs.

At a time of limited resources, we should all look to efficiencies and a targeted and agile approach to recruitment. This bill allows the state to use the same resources in better and more useful ways. I appreciate your interest and strongly encourage the advancement of this bill to attract and grow Kansas businesses and the Kansas economy. Thank you.