

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

STATE CAPITOL
TOPEKA, KANSAS 66612
(785) 296-7500
stephen.owens@house.ks.gov



P.O. BOX 606
HESSTON, KANSAS 67062
(620) 869-9487

STEPHEN OWENS
74TH DISTRICT

Chairman Robert Olson
Senate Committee on Commerce
Kansas State Capitol
300 SW 10th Ave.
Topeka, KS 66612

February 1, 2021

RE: Testimony in **SUPPORT** of SB 66 – Angel Tax Credit Adjustment and Extension

Chairman Olson & Members of the Committee:

As a dedicated serial entrepreneur and angel investor (not one who has participated in this program), I come before you to rise in support of SB 66. This bill stands to renew one of the very few authorized programs that have a direct impact on entrepreneurial start-ups in Kansas.

Investing in start-ups is very risky. It is a well-known fact that more than 90%¹ of start-ups fail. Yet, small businesses make up 99.7% of US Employers and represent 64% of net new-private sector employment². Nationwide in 2020, there were 3,114,111 new jobs created by 804,398 start-up businesses³.

Kansas has 254,297 small businesses which represents 99.1% of ALL Kansas business. Combined, they employ 604,215 people which represents 51% of the private workforce⁴.

The Kansas Angels Investment Tax credit has been a vital part of the new business development in Kansas. Remember, you don't start with tax credit. Many of the individuals who utilize this program have already invested much of their own resources or leveraged their own assets to get this far.

Kansas recently ranked 6th in outward migration of our population. Data shows instances of businesses choosing Kansas over other states to start their company as a result of this offering. This program truly shows entrepreneurs that Kansas is willing to invest in them if they are willing to do their part.

I urge you to do your part by supporting this bill. Let us send a message to the rest of the nation and let them know that Kansas is a place for brilliant minds!

¹ <https://medium.com/swlh/why-90-of-startups-fail-and-what-to-do-about-it-b0af17b65059>

² https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

³ <https://www.statista.com/statistics/235515/jobs-created-by-start-ups-in-the-us/#:~:text=In%202020%2C%20there%20were%203%2C114%2C111,created%20through%20start%2Dup%20businesses.>

⁴ <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142648/2019-Small-Business-Profiles-KS.pdf>

2019 Small Business Profile

Kansas



254,297 Small Businesses
99.1% of Kansas Businesses

604,215 Small Business Employees
51.0% of Kansas Employees



EMPLOYMENT
9,106
net new jobs



DIVERSITY
42,748
minority-owned
business employees



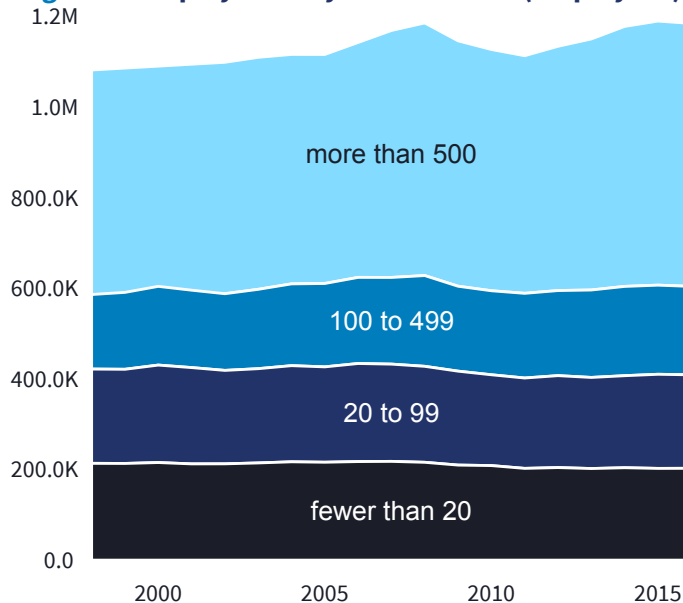
TRADE
2,644
small business
exporters

Overall Kansas Economy

- In the third quarter of 2018, Kansas grew at an annual rate of **2.3%**, which was slower than the overall US growth rate of **3.4%**. Kansas's 2017 growth rate of **0.2%** was down from the 2016 rate of **2.2%**. (Source: [BEA](#))
- In February 2019, the unemployment rate was **3.4%**, down from **3.5%** in February 2018. This was below the February 2019 national unemployment rate of **3.8%**. (Source: [CPS](#))

Employment

Figure 1: Employment by Business Size (Employees)



- Kansas small businesses employed **604,215** people, or **51.0%** of the private workforce, in 2016. (Source: [SUSB](#))
- Firms with fewer than 100 employees have the largest share of small business employment. Figure 1 provides further details on firms with employees. (Source: [SUSB](#))
- Private-sector employment increased **0.7%** during the 12-month period ending in February 2019. This was above the increase of **0.3%** during the prior 12-month period. (Source: [CPS](#))
- The number of proprietors increased in 2017 by **1.9%** relative to the previous year. (Source: [BEA](#))
- Small businesses created **9,106** net jobs in 2016. Firms employing fewer than 20 employees experienced the largest gains, adding **6,898** net jobs. The largest losses were in firms employing 20 to 99 employees, which lost **1,577** net jobs. (Source: [SUSB](#))

The Small Business Profiles are produced by the US Small Business Administration's Office of Advocacy (<http://advocacy.sba.gov>). Each report incorporates the most up-to-date government data to present a unique snapshot of small businesses. Small businesses are defined for this profile as firms employing fewer than 500 employees. Net small business job change, employees of minority-owned businesses, and exporter share statistics are based on the 2016 Statistics of US Businesses (SUSB), 2016 Annual Survey of Entrepreneurs (ASE), and 2016 International Trade Administration (ITA) data, respectively.

Income and Finance

- The number of banks decreased by **17** between June 2016 and June 2017 to **252** banks. (Source: [FDIC](#))
- In 2017, **37,201** loans under \$100,000 (valued at **\$534.8 million**) were issued by Kansas lending institutions reporting under the Community Reinvestment Act. (Source: [FFIEC](#))
- The median income for individuals self-employed at their own incorporated businesses was **\$48,470** in 2017. For individuals self-employed at their own unincorporated firms, this figure was **\$24,974**. (Source: [ACS](#))

Median income represents earnings from all sources. Unincorporated self-employment income includes unpaid family workers, a very small percent of the unincorporated self-employed.

Employer Business Owner Demographics

Figure 2: Kansas Employees per Business by Owner's Demographic, 2016

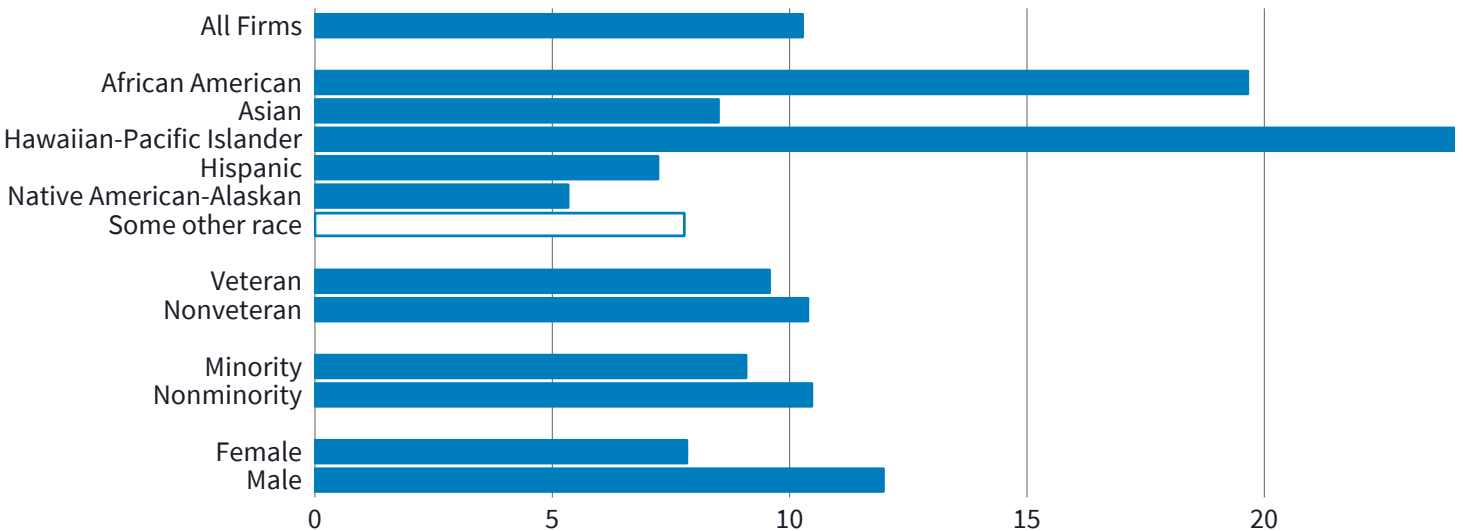
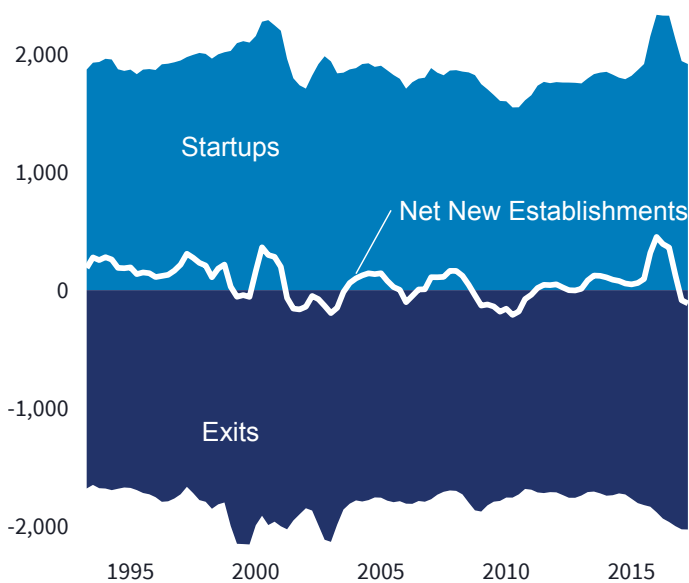


Figure 2 shows the average number of employees per employer business by owner's demographic group according to the 2016 Annual Survey of Entrepreneurs (ASE). Unshaded bars display US values; data were withheld because they do not meet Census Bureau publication standards or could disclose information regarding individual businesses.

Turnover among Establishments with Employees

Figure 3: Kansas Quarterly Startups and Exits



- In the third quarter of 2017, **1,905** establishments started up, generating **6,879** new jobs in Kansas. Startups are counted when business establishments hire at least one employee for the first time. (Source: [BDM](#))
- In the same period, **1,731** establishments exited resulting in **6,617** jobs lost. Exits occur when establishments go from having at least one employee to having none, and then remain closed for at least one year. (Source: [BDM](#))
- Figure 3 displays quarterly startups and exits from 1993 to 2017. Each series is smoothed across multiple quarters to highlight long-run trends. (Source: [BDM](#))

The BLS data covers only business establishments with employees. BLS refers to startups as births and exits as deaths. These terms are distinct from the BLS openings and closings categories. Openings include seasonal re-openings and closings include seasonal shutterings. Quarterly startup and exit values may not align with Figure 3 due to smoothing.

International Trade

- A total of 3,190 companies exported goods from Kansas in 2016. Of these, 2,644, or 82.9%, were small firms; they generated 27.6% of Kansas's \$8.4 billion in total exports. (Source: ITA)

Small Business Employment by Industry and Self-Employment by County

Table 1: Kansas Employment by Industry, 2016

Industry	Small Business Employment	Total Private Employment	Small Business Employment Share
Health Care and Social Assistance	103,221	191,669	53.9
Accommodation and Food Services	69,361	115,329	60.1
Manufacturing	59,042	160,006	36.9
Retail Trade	57,744	153,917	37.5
Construction	53,434	65,081	82.1
Other Services (except Public Administration)	47,144	50,989	92.5
Professional, Scientific, and Technical Services	40,860	65,414	62.5
Wholesale Trade	36,756	62,811	58.5
Administrative, Support, and Waste Management	33,102	81,652	40.5
Finance and Insurance	28,671	60,819	47.1
Transportation and Warehousing	16,331	55,850	29.2
Educational Services	13,580	20,516	66.2
Arts, Entertainment, and Recreation	11,334	16,133	70.3
Real Estate and Rental and Leasing	10,928	14,984	72.9
Information	9,349	30,674	30.5
Mining, Quarrying, and Oil and Gas Extraction	5,788	7,571	76.4
Management of Companies and Enterprises	4,795	22,949	20.9
Utilities	1,746	7,287	24.0
Agriculture, Forestry, and Fishing and Hunting	831	861	96.5
Industries not classified	198	198	100.0
Total	604,215	1,184,710	51.0

Figure 4: Kansas Self-Employment Rates by County, 2017

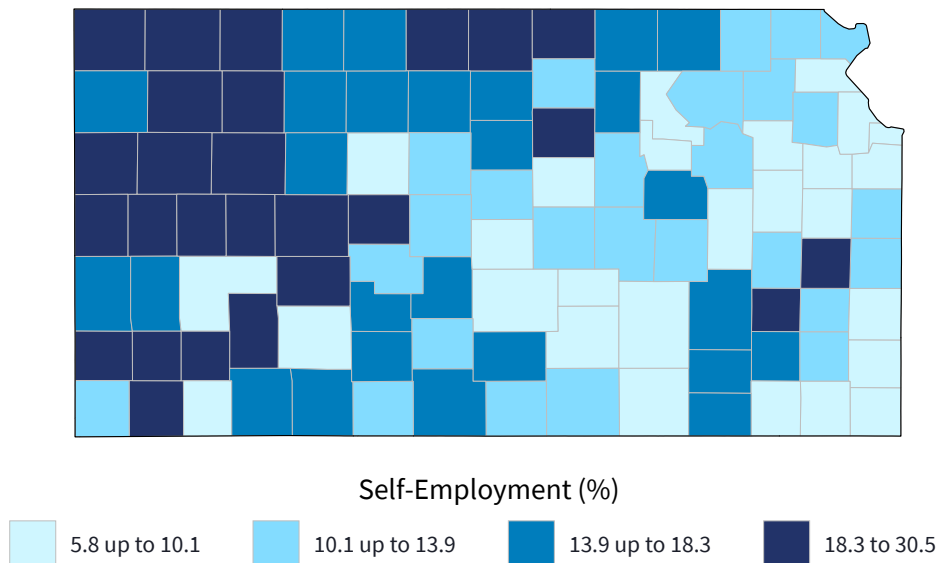


Table 2: Kansas Small Businesses by Industry and Firm Size, 2016

Industry	1-499 Employees	1-19 Employees	Nonemployer Firms	Total Small Firms
Other Services (except Public Administration)	7,325	6,840	28,703	36,028
Professional, Scientific, and Technical Services	6,256	5,767	24,902	31,158
Construction	6,836	6,250	20,662	27,498
Retail Trade	6,376	5,647	20,707	27,083
Real Estate and Rental and Leasing	2,518	2,369	21,271	23,789
Health Care and Social Assistance	5,806	4,776	15,353	21,159
Administrative, Support, and Waste Management	3,062	2,669	14,915	17,977
Transportation and Warehousing	1,939	1,695	9,446	11,385
Arts, Entertainment, and Recreation	976	834	10,012	10,988
Finance and Insurance	3,360	3,021	7,607	10,967
Accommodation and Food Services	4,170	3,076	2,497	6,667
Mining, Quarrying, and Oil and Gas Extraction	887	818	5,598	6,485
Wholesale Trade	2,826	2,126	3,119	5,945
Educational Services	650	501	4,946	5,596
Manufacturing	2,283	1,597	2,852	5,135
Agriculture, Forestry, and Fishing and Hunting	180	168	3,400	3,580
Information	615	475	2,123	2,738
Utilities	49	25	141	190
Total	56,043	48,798	198,254	254,297

Tables 1 and 2 display data from the 2016 SUSB. Table 2 includes additional data from the 2016 Nonemployer Statistics (NES). Figure 4 provides estimates of the rate of self-employment among employed civilians, 16 years and over, including both incorporated and unincorporated businesses, from the 2017 American Community Survey (ACS).

References

The Small Business Profiles, source data, and methodology are available at <https://go.usa.gov/xmb5R>.

- ACS American Community Survey, US Census Bureau
- ASE Annual Survey of Entrepreneurs, US Census Bureau
- BEA Bureau of Economic Analysis, US Department of Commerce
- BDM Business Employment Dynamics, BLS
- BLS Bureau of Labor Statistics, US Department of Labor
- CPS Current Population Survey, BLS
- FDIC Call Reports, Federal Deposit Insurance Corporation
- FFIEC Federal Financial Institutions Examination Council
- ITA International Trade Administration, US Department of Commerce
- NES Nonemployer Statistics, US Census Bureau
- SUSB Statistics of US Businesses, US Census Bureau