

**House Committee on Commerce, Labor, and Economic Development  
 Testimony in Support of House Bill 2123  
 Presented by Eric Stafford, Vice President of Government Affairs**

**Wednesday, February 1, 2023**

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to provide testimony in support of House Bill 2123, which would establish the Right-to-Start Act.

We appreciate the efforts by the Right to Start organization to draw attention to regulatory burdens placed on businesses by government, which often-times can become a barrier to entry for start-up companies. The Kansas Legislature has taken steps over the last few years to reduce the state’s regulatory burden for existing companies. HB 2123 attempts to lessen that burden for new businesses, which is a noble effort.

For a variety of reasons, Kansas struggles with our start-up community. Below is an excerpt from our 2020 Annual Competitiveness Index where GrowthEconomics conducted a full review of how Kansas ranks in a variety of metrics.

<b><u>2019 Overall ‘Best States for Small Business and Entrepreneurship’ 2019 – low/mid performer</u></b>	<b>Rank/grade (rank 1 is best)</b>
• Thumbtack (2018)	32
• Wallet Hub –Start a Business	16
• Kauffman Indicators of Entrepreneurship (2018)	38
• Seek Business Capital - Start a Business (2020)	28

Similar to overall ‘Best for Business’ rankings, Kansas as a Best State for Small Business also ranks mid-range. One report comment is worthy of note:

- From **Seek Business Capital**:

*“What makes starting a business in Kansas a little iffy is the poor rate of early startup survival. Only 76.49 percent of Kansas startups survive their first year, notably below the U.S. average. Kansas’s five-year business survival rate is less than stellar as well.”*

<b>Where a state is better than KS by more than 5 ranks</b>	Alabama	Arkansas	Idaho	Indiana	<b>Kansas</b>	Minnesota	Missouri	South Carolina	Wisconsin
Business Growth Index	27	39	4	20	<b>30</b>	15	16	11	32
Economic Diversification	33	36	26	31	<b>35</b>	11	22	23	27
Entrepreneurial Change	12	31	3	29	<b>37</b>	14	6	18	39
Entrepreneurial Vitality	15	46	14	19	<b>39</b>	16	49	30	34
Research & Innovation	15	46	25	34	<b>35</b>	9	31	38	21
Financial & Institutional Capital	17	36	42	28	<b>26</b>	15	32	41	27

Our ACI cites states doing better in entrepreneurial vitality are Alabama, Idaho, Indiana, Minnesota and South Carolina. Research and innovation and access to capital are two factors cited as reasons why those states seem to perform better.

HB 2123 has several components. First, it establishes the office of apprenticeship to focus on supporting young businesses. The bill also encourages the state to focus funding on companies less than five years old.

One provision we would like to express concerns about is Section 3 (a) where the state is encouraged to award five percent of state contracts to start-ups. While this is not a mandate, we express caution over any effort to set aside an arbitrary number of state contracts for a certain group. State contracts should utilize the most competitive bidding standards where applicable or the most qualified based selection process to protect taxpayers.

Outside of that provision, we do appreciate HB 2123 to help ease the barrier to entry for start-up entities. Thank you for the opportunity to provide testimony in support of House Bill 2123, and I'd be happy to answer questions at the appropriate time.