

1000 S.W. Jackson St., Suite 100
Topeka, KS 66612-1354



Phone: (785) 296-3481
Fax: (785) 296-5055 TTY: 711
admin@kansascommerce.com
KansasCommerce.com

Pat George, Secretary

Department of Commerce

Sam Brownback, Governor

**Testimony to
The House Standing Committee on Vision 2020
by Jason Glasrud
Kansas Department of Commerce
March 5, 2012**

The Department of Commerce is pleased to have an opportunity to appear before you today to discuss the development and implementation of the Innovation Growth program.

I am pleased to have a few of our partners with me today: Matt McClorey of the Bioscience and Business Technology Center in Lawrence, Trish Brasted of the Wichita Technology Corporation and Trevor McKeeman of the Kansas State University Institute for Commercialization. Our goal today is to collectively provide the committee a brief review of the transition of the Kansas Technology Enterprise Corporation into the Department of Commerce, and lay out the strategy that will proliferate the knowledge and resources that are available to grow wealth in the state. We will also address the mechanism for establishing and tracking performance metrics through a common scorecard which has been developed in collaboration with these partners.

Since the legislature officially transferred the activities and duties of KTEC to the Department of Commerce in 2011, the Secretary of Commerce and staff have had an opportunity to travel throughout the state and meet with each organization in order to develop a greater understanding of their work and the possibilities for expanding wealth creation activities in the state.

House Vision 2020
3-5, 2012
Attachment 1

As you can see from our scorecard that that has been presented to you, the Commerce Department has identified several priorities for the Innovation Growth program and those priorities essentially boil down to two tracks for our team. First: reshape the former KTEC network into a deal-making team that connects the state's university-based assets with private companies to create economic wealth for Kansas and provide a conduit to private sector capital resources to enable companies to expand and grow. This team will manage all Commerce-University touch points related to economic development under a deliberate strategy designed to increase the economic wealth created by the state's university assets. As a part of the overall mission, it will manage the University Research Grants and the Engineering Expansion Grants which were placed in Commerce, primarily to ensure that the research activity at these institutions is linked to private sector research and development needs, as well as ensuring that graduates of our universities are in a position to fulfill the workforce demands in our state.

Matt and Trevor will be able to speak in greater detail on the substantial opportunity that exists at our universities in terms of commercializing intellectual property and leveraging other capabilities to help attract and grow companies and wealth within our state. What I believe is important for this committee to take away this afternoon is that the intent of the Department of Commerce in this role is to sharpen the focus of all of our stakeholders on the Governor's strategic plan that ensures that universities are engines of economic development, and to be the catalyst that connects university-based assets with private companies and private sources of capital to create wealth for Kansas.

In addition to the university partnerships, Commerce is also focused on enhancing and streamlining support for small business and entrepreneurs. Organizations that you might be familiar with such as Network Kansas, MAMTC and the Kansas Small Business Development Center to name a few are examples of how by extension, the Commerce Department is reaching this sector of the economy which is a major driver of employment. The role that the Wichita Technology Corporation performs within this strategy is primarily as a conduit to private sources of funding for direct investment in companies. Possessing relationships in capital markets and the investment community is a vital component to our state's economic expansion and those relationships and

engagements can be captured with the common scorecard. Furthermore, Trish and her team have advocated the need for a concerted effort to attract capital to projects and communities in geographically challenged areas of rural Kansas, and a need to look beyond just the core industries. An area that we have discussed at length is the identification of companies where a change in ownership or succession plan is imminent. Often times, when a business owner decides to retire and sell a company, the business and its assets are at risk for being purchased by out of state interests, and face potential relocation. We are concerned about this aspect of capital migration out of Kansas, and intend to use the resources within the Innovation Growth program to address these challenges.

I would like to be clear that direct investment in startups is not a primary area of focus for this initiative. While spinoff companies from universities is an activity that we certainly will encourage, and will be tracked in the scorecard under the employment category, the dollars we allocate through the Innovation Growth program are not intended to directly support the operations of start-up companies or proof of concept-phase activities.

Addressing the implementation stage of this effort, Secretary George has referenced the need for a "Strategic Opportunities Team" that can be mobilized to respond immediately to the needs of Kansas companies and strengthen the businesses in our state that want to grow and need to grow but may not have access to the tools to do so. Once implemented, the success of the team, which is made up of the leadership of the organizations that I speak of today, as well as the business development staff at the Commerce Department, will be measured by dollars flowing into Kansas via the newly generated corporate payroll and global sales & licensing revenue, private capital investment, harvest from created equity positions and growth of new and existing companies. To that point, is important to note that firms that have operations out of state or out of country, that want to locate here to take advantage of our extraordinary research capabilities are a necessary component to the success of this strategy.

This strategy is being employed to support business development activities in a world where traditional tools of economic development are declining, such as tax credits and incentive-based attraction. Ultimately what you see

when you inspect the Innovation Growth Program is really a team of resource specialists, located throughout the state who can connect your company, large or small with tools to help you grow.

In summation, the strategy has been designed with a focus on core industries with a strategic importance to Kansas, but is versatile enough to benefit all businesses that want to grow through innovation. Some examples of partnerships with companies that will be shared with you by our conferees today that are engaged in university commercialization activity or accessing capital resources that the Commerce Department is the most enthusiastic about supporting. This once loosely affiliated group will now have a common mission and the Department of Commerce is pleased to have an opportunity to help craft that mission.

Tying this all together is the mechanism by which progress is recorded and evaluated and is the common scorecard. The economic growth drivers that are listed on this scorecard are intended to demonstrate, over time an expansion of enterprises that enhance and diversify the Kansas economy. Revenue from partnerships and licensing activity are listed at the top primarily because we believe that this is an area with an opportunity to yield the greatest return for the state's investment.

I have addressed a few of our thoughts on the capital attraction piece of our strategy, and the scorecard lays out our intent to measure capital attraction through the sources we have listed. Research dollars and grants raised is certainly a university-centric measurement, and we feel it is important to capture funding support from a variety of sources, such as federal, philanthropic and industry origin that support the R&D pursuits. We are tracking employment data as well, despite the fact that a bottom line jobs number will not define success or failure in this initiative. It is about wealth creation, although we expect jobs to be a byproduct of a successful execution of the strategy. The Department of Commerce remains the only state agency that actively converts these assets into new economic wealth by creating value-based partnerships with companies in the private sector. The value of equities is in our opinion another important component to measuring the effectiveness of these partnerships.

I would like to underscore as well that the strategic narrative that is paired with each scorecard is what will make these figures meaningful. None of these organizations have identical visions or methods for generating the economic activity that is measured in the scorecard. Understanding each unique contribution to the larger strategic roadmap for economic development in Kansas is a prerequisite to interpreting the data. We will work with each group to craft a scorecard that is reflective of that unique vision and accurately reflects performance.

The Vision 2020 Committee is about strategic planning and looking into the future on what this state will become in the next decade. The Commerce Department, on behalf of our partners in the Innovation Growth program welcome your input on our progress to this point as well as on the direction we're headed. It is the belief of this agency that committing state resources to enhancing the corporate engagement activity at universities and providing the vital link to private capital resources is not only necessary but fundamental to Kansas' economic expansion.

DRAFT : Kansas Innovation Growth Scorecard

ECONOMIC GROWTH DRIVERS	RESULTS				TARGETS			
	Category	Baseline CY 2010	Current YTD 2011	Forecast CY 2011	Baseline to Date	CY 2014	CY 2017	CY 2019
REVENUE EARNED								
Revenue from Partnerships								
Licensing Revenue								
Company Revenue Growth								
Other Earned Revenue								
CAPITAL ATTRACTED								
Industry/Private Sector Sources								
Philanthropic Sources								
RESEARCH DOLLARS/GRANTS RAISED								
Research Expenditures								
Industry Funding/Sponsored Research								
Federal Awards								
Philanthropic/Other Nonprofit Awards								
EMPLOYMENT								
Companies Attracted/Formed								
Employment								
Payroll								
Average Annual Wage								
VALUE OF EQUITIES								
Market Value of Equities								
Cost of Equities								
Profit from Exits								
TOTAL UNFACTORED RETURN								
CUMULATIVE RETURN ON INVESTMENT								

Provide 3-5 strategic goals that can be tracked to measure progress toward the scorecard measures that most directly reflect the target outcomes of your program.

- 1.
- 2.
- 3.
- 4.
- 5.