

**Testimony of Carling Dinkler  
Vice President, Enhanced Capital  
Kansas Senate Committee on Commerce  
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Chairwoman Lynn and Senate Commerce Committee members, my name is Carling Dinkler, and I serve as a Vice President at Enhanced Capital. Since 1999, Enhanced Capital has worked with the private sector to make impactful investments that support public policy goals. We have proudly invested in small businesses underserved by traditional sources of capital, and we have witnessed the great things that happen when these businesses grow and create jobs.

I am honored to address you this morning to discuss the projected positive economic impact of the H.B. 2168, the Ad Astra Rural Jobs Act. A study produced by the Economic Impact Group (EIG), a nationally-recognized firm that specializes in fiscal analysis of economic development measures, projects that, using conservative assumptions and methodologies, investments facilitated by the Ad Astra Rural Jobs Act would support job creation and retention in Kansas' rural communities and provide a positive revenue return to state and local governments.

The Ad Astra Rural Jobs Act would authorize \$166 million in private capital investment into small businesses located in rural parts of Kansas. These investments would be made over a two-year period and deployed into businesses with fewer than 500 employees and less than \$15 million in gross income, located in rural parts of Kansas, and that meet certain specific industry criteria. Approximately half of the capital invested into the fund would qualify for a stream of tax credits taken after the investment capital has been fully deployed. The EIG's study, which uses an industry-accepted economic modeling system called IMPLAN, projects that investments supported by the Ad Astra Rural Jobs Act would create approximately 960 direct jobs and retain approximately 370 existing jobs in rural Kansas. These jobs are projected to have an average wage of \$51,000 annually.

Furthermore, the model projects that for every job created or retained another 1.39 jobs throughout Kansas are supported. The net effect of the projected economic activity and jobs growth is the generation of \$22 million in state and local tax revenue annually over a 10-year period. Over that same period, the associated revenue translates into a return of \$1.92 to state and local government for every dollar in tax credit issued and a return of \$1.03 if only state revenue is considered. It is important to note that the IMPLAN model employs Kansas county-level and accounts for natural economic growth and its positive impact on job creation to better represent a real world scenario.

Should the Ad Astra Rural Jobs Act be enacted a prospective fund manager would be required to submit a third-party, projected economic impact analysis of their investment plan and the jobs it would create or retain. That analysis would have to demonstrate a positive return to the taxpayers in order for the applicant to be approved.

Again, thank you for the opportunity to share this positive economic analysis of the Ad Astra Rural Jobs Act. I appreciate your attention to this important and impactful economic development measure.

### Program Safeguards in the Ad Astra Rural Jobs Act

The Ad Astra Rural Jobs Act contains program safeguards aimed at ensuring taxpayers receive a positive return on their investment and that non-compliance with program requirements results in harsh penalties.

- Fund managers must meet high standards:
  - o Licensed by either the U.S. Small Business Administration or the U.S. Department of Agriculture
  - o Proven track record of similar investment experience
  - o Projection of job creation and retention with financial penalties for failure to meet those projections
  - o Business plan formally reviewed by third-party economist, business plan review must demonstrate that projected investments will provide the state with a net positive return on public resources invested
  
- Up-front investment to generate positive economic activity:
  - o \$166 million in private capital investment must be deployed into small businesses in rural areas before the first tax credit is taken; total amount of credits is claimed by investors over a five-year period
  
- Tight definitions of small businesses that qualify for investment direct private capital investment toward underserved rural enterprises:
  - o Qualified small business must be located in a rural area of Kansas, have fewer than 500 employees and less than \$15 million in gross income, and be engaged in specified sectors
  
- Clawback of tax credits for non-compliance:
  - o Failure to meet investment timeline and keep capital fully deployed in qualified small businesses will result in a re-capture of tax credits
  
- Sunset and program cap:
  - o Amount of tax credits allocated to the program cannot exceed statutory cap
  - o Program cannot renew without affirmative action from the Kansas Legislature
    - Ensures legislators can evaluate program before deciding to renew
  
- Penalties for failure to meet job numbers:
  - o A fund that fails to meet the jobs numbers projected in its application must share profits with the state before it can exit the program

### **Projected Economic Impact of the Ad Astra Rural Jobs Act**

A study conducted by the Economic Impact Group, a company that specializes in economic and fiscal analysis of economic development initiatives, found that small business investments facilitated by the Ad Astra Rural Jobs Act (H.B. 2168), is projected to **create or retain approximately 1,300 jobs** in rural Kansas and provide a net positive return to the taxpayers. Specifically, the report projects the \$166 million in private investment facilitated by the Ad Astra Rural Jobs Act will:

- **Create approximately 960 direct jobs** and **retain approximately 370 jobs** in rural Kansas
  - o Average salary of these projected jobs would be **\$51,000**
- **Support 1.39 jobs** throughout Kansas for every 1 job created by these investments
- Generate **\$22 million in state and local tax revenue** annually over a 10-year period
- Return **\$1.92** in state and local tax revenue for every dollar of tax credit allocated
  - o This state and local revenue return goes to **\$1.87** after a present value discount is applied to account for the time value of money

#### Methodology:

- The study was conducted by Alfie Meek, PhD., who is the president and principal economist at the Economic Impact Group, LLC
- The study uses widely accepted economic theory and employs IMPLAN modeling software, a leading industry modeling system
- The IMPLAN model uses real economic data from Kansas counties
- To ensure that job creation was correctly attributed to the investment and not to other factors, the number of jobs projected to be created was discounted by a historic rate of economic growth in the manufacturing industry