



Senate Commerce Committee

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Testimony by:
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Expanding the Culture of Entrepreneurship in Kansas

Chairperson Lynn, and members of the Senate Commerce Committee, thank you for giving us time to speak in support of Senate Bill 90 and provide some information on entrepreneurship in Kansas.

Kansas banks are critical to our work in communities across Kansas and the entrepreneurship tax credit is the fuel to all of the programs that we have implemented.

I want to quickly discuss our work to expand the culture of entrepreneurship across Kansas.

Goal

The ultimate goal is to increase the connectivity between entrepreneurs and resources, increase access to capital, and strengthen the relationship between communities, partners, and entrepreneurs.

I'm going to spend my time discussing two parts of the ecosystem: our referral center and our statewide funding programs. Erik Pedersen, Vice President of Entrepreneurship is going to discuss the Entrepreneurship Communities.

Community Ecosystems

I'd like to ask all of you to refer to a handout on Community Ecosystems in the left hand side of your packets. We will be working from the top to the bottom of that document.

When Erik and I were hired in May of 2005 to launch NetWork Kansas, the first piece of the Kansas Economic Growth Act that really laid the foundation for the entire Kansas ecosystem was to "establish a central portal to connect entrepreneurs to resources"

which meant to create a statewide partner network. Let me give you a definition of NetWork Kansas partner: “A NetWork Kansas partner is any nonprofit or government sector organization or office that provides some type of business building service to entrepreneurs and small businesses.”

Examples include KDOC business development staff, small business development centers, university commercialization centers, certified development companies that provide funding, economic development directors across the state, all of the state departments such as the department of labor and revenue, the secretary of state’s office, SBA, USDA, etc.

An entrepreneur or small business anywhere in the state or outside the state can call our 877 number, chat with us online, or email us, tell us their situation and we will connect them to one or more of our partners in their area.

We launched the NetWork Kansas referral center in March of 2006 with 264 partners, we now have more than 550 partners across the state. We have serviced more than 22,000 clients since our launch. Here are some other statistics from our most recent calendar year.

- *2,637 entrepreneurs contacted the referral center in 2018. (219 per month)*
- *Currently, 3235 are actively engaged in ongoing communication with their referral coordinator,*
- *6,409 referrals were made to our partner network,*
- *884 classes/events were added by our partners to the statewide calendar.*

(The top part of the Ecosystem-transactional)

The second area I would like discuss is our statewide partner loan and venture programs. Our partner network drives our statewide matching loan and venture programs to individual entrepreneurs across the state.

All of our funding programs are structured with 3 things in mind.

- Number 1: We provide matching funds: Our funding programs require matching funds to ensure that we leverage private and/or partner capital.
- Number 2: NetWork Kansas funds are critical to most businesses providing the last bit of capital into a deal: working capital, inventory, and other items that a business needs that the bank may want to loan but cannot because the collateral simply does not fit.
- Number 3: We rely heavily on Kansas banks and partners at the local level to vet deals and administer loans and angel groups to do the same for venture deals. They are integral to our strategy and the reason this type of program design has worked.

Our statewide programs include a largely rural program called StartUp Kansas and the Kansas Capital Multiplier Loan fund which was seeded with \$8.9 million in US Department of Treasury money. Here are some of the combined loan numbers for these two programs. Since inception, StartUp Kansas and the Multiplier Loan fund have provided more than \$19.9 million in loans to 333 businesses and leveraged more than \$239 million in additional capital. These loans represent only 8% of the total capital into the deals. Other notable statistics with the current portfolio: 39% startups and 55% of the businesses are in towns with a population of 10,000 or less. Fifty-three (53) percent of StartUp KS loans had bank involvement and 90% of Capital Multiplier loans have bank involvement.

The venture fund started with \$3.9 million of Treasury money and to date, we have invested \$4.6 million in 36 companies. The venture fund has been more heavily weighted towards big metropolitan areas with 75% of the investments in our largest communities. The venture fund has leveraged more than \$77 million representing almost double treasury requirements for leveraged capital.

As you can see, there is no shortage of demand for the programs we have implemented. This makes it critical that we utilize 100 percent of the entrepreneurship tax credit each year.

Now I'd like to turn it over to Erik Pedersen, Vice President of Entrepreneurship, who will discuss what we consider transformative work, the Entrepreneurship Community Partnership.

Thank you.

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