

# Kansas Economic Growth Act of 2004

April 12, 2004

On April 2, the Kansas Legislature overwhelmingly endorsed bold strategies to strengthen and stimulate the state's economy. This set of initiatives, called the *Kansas Economic Growth Act*, reflects efforts by the Administration and legislative leaders to meet the needs of the changing Kansas economy. Over the next decade, **the programs contained within this Growth Act will make more than \$530 million in economic development incentives available** through various funding mechanisms to grow emerging industries, serve existing employers, and support small businesses in urban and rural communities. This initiative along with existing programs will help keep Kansas competitive and able to adapt to new opportunities to recruit, retain, and create jobs.

While Kansas has enjoyed success in economic development in the past, the Economic Growth Act significantly increases the state's ability to invest in new job creation opportunities. This act allows the state to more aggressively support economic development efforts in rural communities by regional organizations, to grow the emerging bioscience industry, to better serve entrepreneurs and small businesses, and to ensure the state maintains its quality workforce.

Many observers have noted that this Legislative session is the most important for economic development since 1986. A strong bi-partisan effort made possible the adoption of this much-needed investment in the state economy. The Governor and Administration worked closely with legislative leadership to ensure proposals were complementary and comprehensive in order to meet the wide array of economic opportunities emerging in our state.

These new economic development tools reflect the issues identified last year throughout the Prosperity Summits held in all seven regions of Kansas. Those regional planning sessions involved more than 1,500 community and business leaders under the leadership of Governor Sebelius and Lt Governor Moore.

The Prosperity Summit process was a unique approach to economic development strategic planning. It was unique because, first and foremost, regional leaders from the private sector led this process for their respective areas. Second, each region was asked to identify ways to stimulate and strengthen the economy in that part of state, which recognized and appreciated the important differences found across the diverse economic interests of Kansas. Third, the Governor established the Economic Policy Council consisting of the regional private sector leaders and key members of the Administration to ensure the regional and statewide plans created through this process were developed and acted upon in a timely manner. These steps represent a different approach to economic development planning and implementation in Kansas. This unique approach laid the foundation upon which the Economic Growth Act was formed.

The elements of the Economic Growth Act of 2004 are as follows:

## **Biosciences**

The “Bio-Century” is here, and Kansas is now poised to be a leader in the race for the “Bio-Economy.” The passage of the Kansas Economic Growth Act demonstrates Kansas’ pioneering spirit and commitment to advancing the state’s bioscience industry and research base. With this investment, Kansas stakes its claim on what is estimated to be 15 to 18 percent of the national economy during the next 20 years.

The Kansas Economic Growth Act creates the **Kansas Bioscience Authority** — an independent authority of the state. The purpose of the BioAuthority will be to guide and fund research, commercialization and workforce development programs that support the growth of the state’s bioscience research institutions and private sector.

There are six research and commercialization programs that the Authority will oversee:

- The **Kansas Bioscience Scholar Program** will recruit an estimated 25 eminent and 35 rising star scholars to advance the state’s research expertise in the biosciences.
- The **Kansas Bioscience Research Matching Funds Program** will expand the state’s ability to attract federal research dollars by providing matching funds for federal research grants.
- The **Kansas Bioscience Research and Development Voucher Program** will encourage collaboration between industry and academia by providing funding to Kansas companies to engage in joint bioscience research projects in partnership with universities and colleges.
- The **Bioscience Tax Investment Incentive Program** will aid in the recruitment of bioscience companies to Kansas by making cash resources available to start-up companies experiencing a net operating loss.
- The **Bioscience Development Financing Program** will provide incentives to bioscience companies to expand and locate facilities in Kansas by creating Bioscience Development Districts.
- The **Bioscience Research Facilities Program** will fund the construction and ongoing maintenance of bioscience research facilities at and in association with universities with a goal of adding enough state-of-the-art bioscience research space to support the addition of the eminent and rising star scholars over 10 years. The Kansas Development Finance Authority is authorized to issue bonds on behalf of the BioAuthority to fund bioscience facilities. The Emerging Industry Investment Act will repay the bonds.

Additionally, the Authority will administer two workforce development programs:

- The **Bioscience Academies Program** will fund competitive grants to high schools in Kansas for the purposes of establishing bioscience academies to educate the future bioscience workforce.
- The **Bioscience Higher Education Program** will fund competitive grants to universities and colleges for the purpose of increasing the number of students majoring in bioscience, science education and math education.

It is estimated that more than \$500 million will be invested over a period of 15 years in the **Emerging Industry Investment Fund**, which utilizes the growth of the state tax base associated with the state’s bioscience industry and research institutions to provide the major funding source for the Bioscience Initiative Roadmap.

With this \$500 million investment, the Kansas Bioscience Initiative will build off the state's homegrown strengths in the biosciences at our universities and companies, ensure the growth of more than 20,000 bioscience-related jobs and 23,000 indirect jobs, increase federal research expenditures by more than \$1 billion annually, reduce the brain drain of our highly educated students, and drive economic prosperity in the state with the creation of higher-paying jobs.

The Kansas Bioscience Initiative will recruit the best and the brightest researchers to the state of Kansas, facilitate the expansion of the bioscience industry base, build a high quality, competitive bioscience workforce, and foster a technologically rich environment where the products of bioscience-related research and development can be turned into businesses and jobs. Through these measures, a thriving bioscience economy will be established, broadening the state's tax base for years to come. In addition to the economic benefits, the new bioscience research and, in turn, businesses created by this effort will lead to better health, better food and a better environment for our state and our nation

### **Entrepreneurship**

The **Kansas Center for Entrepreneurship** and the **Kansas Community Entrepreneurship Fund** are established to ensure collaboration of resources for entrepreneurial assistance as well as ensure capital is accessible to entrepreneurs from rural and low-income communities. The Secretary of Commerce will appoint an eleven (11) member Board of Directors to oversee the operations of these important business development vehicles. The Department of Commerce and the Board of Directors will ensure the Center develops a world-class system to support and grow entrepreneurs in Kansas. It is estimated that this Center will generate close to \$3 million in business development resources within its first five (5) years of operations.

The Kansas Center for Entrepreneurship will establish an integrated support system to ensure collaboration and efficient use of resources with our existing business development agencies throughout the state. The Kansas Center for Entrepreneurship will create policies to foster entrepreneurship in the state, provide a resource center and specifically serve as a clearinghouse, whereby entrepreneurs will have a 1-800 phone number and a Website resource to assist them. Finally, the Center will oversee and manage the Kansas Community Entrepreneurship Fund.

The purpose of the Kansas Community Entrepreneurship Fund is to ensure that capital is accessible to our entrepreneurs from rural and low-income communities, and that commercial and industrial development creates jobs. The Kansas Community Entrepreneurship Fund, under the direction of the Kansas Center for Entrepreneurship, will make grants to local and regional community seed capital and economic development agencies to assist in providing seed funding for qualified entrepreneurs. The State of Kansas will make the initial contribution to the fund, which will then be matched by federal, foundation, corporate, and individual sources through donations and grants. The Kansas Community Entrepreneurship Fund will provide a much-needed source of seed funding to entrepreneurs across the state. Individuals and corporations will receive up to a 50-percent tax credit for their contributions.

The **Angel Investor Tax Credit Program** seeks to provide much-needed investment dollars and entrepreneurial expertise to Kansas start-up businesses. By issuing tax credits, the state is encouraging angel investors, high-net-worth Kansans seeking to invest in start-up ventures, to provide the funding and experience necessary to help new Kansas businesses succeed. Successful start-up companies create new, high-quality jobs for Kansans and an increased tax base.

Angel investors are successful entrepreneurs and businesspeople spread out across the state of Kansas. These individuals reside in both metropolitan and rural Kansas and represent industry sectors including aviation, agriculture, bioscience, energy, information technology and manufactured goods.

Accredited investors will have the opportunity to utilize a 50-percent credit on a qualified investment as a dollar-for-dollar tax credit. For the next ten years, \$2 million per year in tax credits have been set aside for investment in Kansas start-ups. The Kansas Technology Enterprise Corporation will oversee this seed investment tax credit program.

This new tool will provide valuable capital for many entrepreneurs to build new companies and create high-quality jobs that will ensure sustainable job growth in emerging industries for the state of Kansas.

## **Rural Development**

The **Rural Business Development Program** (\$7 million in tax credits over 3 years) will encourage individuals and businesses to invest in regional foundations in all seven economic development regions in Kansas. This investment, worth \$14 million in cash donations, will provide capital for entrepreneurial efforts in rural communities, ensure regional determination for use of the funds, and encourage local investment in the region's economic future. Individuals and corporations will receive up to a 50-percent tax credit for their contributions. Modeled after the highly successful Community Service Program (but not as a substitute for), this new tool will establish regional business development funds and begin to tap the potential \$350 billion transfer of wealth projected to occur in the next 50 years.

The Department of Commerce, with assistance from the Department of Revenue, will select existing regional organizations to serve as stewards for these new business development investment pools. Regional leaders will be given wide latitude to determine how to use these funds, however, a primary focus will be placed on direct investments in entrepreneurial business. Possible uses and outcomes from these regional funds include:

- Direct financial investments into growing, small businesses from a wide array of industries including value-added agriculture, retail and service, tourism, and agritourism.
- Creation of up to 700 new jobs plus ongoing job creation benefits through reinvestment of funds in communities with a population fewer than 50,000.
- Financial support for local and regional small business and entrepreneurial support systems, such as new or expanded Enterprise Facilitation projects.

- Local and regional priorities to support economic and community development such as support for rural healthcare providers.
- A vital link between local community foundations and proposed statewide Kansas Community Entrepreneurship Fund.

The **Kansas Downtown Redevelopment Program** is intended to encourage the redevelopment of the downtown areas in rural and distressed communities. By offering property tax rebates on downtown-area properties that have been improved, we will help reinvigorate central business districts, improving the economic heart of a community. The governing body of a city or a county proposing to establish a such redevelopment area will apply to the Department of Commerce to put this tool into action.

Individuals and small businesses will receive a rebate over a 10-year period for property taxes collected on properties that have undergone improvements. For the first five years after an improvement is made, a rebate will be given to the property owner for 100-percent of the incremental tax increase between the initial year and that year's assessed evaluation. Over the next five years, property tax assessments will incrementally return to full value. This mix of rebate and gradual increases helps entrepreneurs recover the costs of improvements to facilities in distressed areas without harming cash flow and the overall viability of the business.

The purpose is to promote, stimulate, and develop the general and economic welfare of rural and low-income communities in Kansas. It also encourages the rehabilitation and use of real property located in downtown areas that have become vacant or minimally utilized. These improvements must be on property within an approved redevelopment area having a vacancy rate that exceeds 15-percent, or where the value of the property has not increased by more than 15-percent in the past 10 years.

This program will make significant strides in promoting the revival of our valuable downtowns throughout the state of Kansas.

### **Workforce Development**

**Modernization of Workforce Development** is a once-in-a-generation restructuring of training programs in order to create a seamless, market driven system that is fully integrated and maximizes state resources. The Department of Commerce is working closely with the Department of Human Resources, Board of Regents, Local Workforce Investment Boards, and other interested parties to create this new system. This initiative also develops a new trust fund to enable existing educational institutions to deliver coordinated programs and services addressing the needs of employers in Kansas. The new workforce training system will accomplish the following objectives:

- Establish a single point of contact for businesses to promote accountability and efficiency in state government.
- Create an integrated workforce system designed to address the needs of new and existing Kansas businesses and citizens.

- Integrate workforce development programs with those functions that promote job creation, retention, and attraction.
- Ensure that all Kansans, including persons with disabilities, have access to meaningful employment opportunities through a new, integrated workforce system.

### **Other Priorities**

The Governor's fiscal year 2005 budget addresses the following important economic development priorities.

A proposal to fund an **enhanced State Brand Image** represents a significant increase in state support to establish and market a durable, flexible, and dynamic image of Kansas that benefits existing economic development and tourism activities.

**Base Realignment and Closure (BRAC)** is an initiative to secure and grow the important economic and homeland security interests represented in the state's military installations. The Department of Defense looks to reduce its military footprint by twenty-five percent as a result of the BRAC process. Military installations in Kansas contribute over \$2.0 billion annually to the Kansas economy. This effort is clearly a top economic development priority over the next year. Communities and military support groups throughout the state will match state funds on a one-for-one basis.

Lastly, the Governor's Budget includes continuing the state's financial support of **Enterprise Facilitation**. This program is an innovative approach to small business and community development currently active in twenty-five rural counties throughout western, central, and eastern Kansas. Enterprise Facilitation is designed to utilize the intelligence found in communities, train a broad spectrum of local citizens, and generally increase local capacity to help themselves develop new and retain existing small businesses. This program has successfully addressed many of the complex needs and priorities identified by the regional summit process for rural Kansas. Continued funding of the projects capitalizes on that success. The five project areas serve a collective population of approximately 175,000 Kansans.

The ability to create and retain jobs remains a top priority for this Administration. These new incentives indeed represent a significant investment in the future of the Kansas economy. The bi-partisan effort to develop and adopt the Economic Growth Act of 2004 demonstrates that we are more effective when working together to create and retain jobs. In fact, we need all interested parties actively engaged in order to keep Kansas competitive in this new global marketplace. New opportunities await businesses in Kansas. We now stand better able to take full advantage of those new opportunities to brighten our collective economic future.