

An Evaluation of the Kansas Center for Entrepreneurship

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ADDITIONAL RESOURCES

In an effort to be efficient with public funds, the following resources were not printed, but are available upon request from Kansas, Inc. at ksinc@ink.org or (785) 296-1460.

1. NetWork Kansas Board of Directors*
2. Sample of Biz-Trakker Screen
3. Resource Partners*
4. StartUp Kansas GO/NO GO Criteria
5. StartUp Kansas Committee*
6. Distribution of Resources Map*
7. Reports of Entrepreneurial Educational Meetings, May 2007
8. Other Documents: Phone System Instructions, Smart Book, Resource Partner Manual, StartUp Kansas Service Description, StartUp Kansas Proposal Review Process
9. Town Hall Report, June 2006
10. Client Satisfaction Survey (conducted by Richard Caplan & Associates)
11. First Year Client Satisfaction Report (conducted through Biz-Trakker)
12. Kansas Agricultural Biosciences Entrepreneurship Forum Agenda, January 30, 2007

**Kansas, Inc. has obtained copies of these documents current as of November 2007. For the most recent information please refer to the NetWork Kansas website www.networkkansas.com*

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I. Executive Summary

The Kansas Prosperity Summits of 2003 led to initiatives in legislation for economic development in Kansas, particularly for entrepreneurship enhancement. Those included the Center for Entrepreneurship, the Center for Entrepreneurship Tax Credit Program and Fund, and the Rural Business Development Tax Credit Program.

The Center for Entrepreneurship (the Center), along with the Center for Entrepreneurship Fund (the Fund) was established in the Kansas Economic Growth Act of 2004 with explicit statements that evaluation of the Center and the Fund would be accomplished through Kansas, Inc. by January 2008. An independent consulting team led by Richard Caplan & Associates of Prairie Village, Kansas and The John E. Arnold Company of Topeka were hired by Kansas, Inc. in June 2007 to conduct an independent assessment of the performance of the Center for its first three years of operation. This evaluation has assessed the entrepreneurial activity across Kansas supported by NetWork Kansas and StartUp Kansas and strived to measure the breadth and depth of these efforts.

To direct the Center, an 11 member Board of Directors of the Center was appointed by the Secretary of Commerce in consultation with the Governor's office. The Board and staff of the Kansas Department of Commerce worked to follow the dictates of the statute, contracting in December 2004 with Kansas Small Business Development Center as the third party to establish the Center. The Center Board and Kansas Small Business Development Center staff and Department of Commerce staff recruited and hired an Executive Director in May 2005. Because there was a similarly-named institution at Wichita State University, the Center changed the name to NetWork Kansas in August, 2005. Likewise, the Fund was changed to StartUp Kansas to avoid confusion and to more appropriately reflect the intent of the use of the Fund monies.

NetWork Kansas has worked diligently to develop procedures, policies, and approaches to provide emerging Kansas entrepreneurs with tools that were user-friendly and practical, and that avoided creating a bureaucracy-based organization.

A call center to provide entrepreneurial information has been established out of NetWork Kansas' Wichita offices. A website was built (www.networkkansas.com) that entrepreneurs and the counselors at the call center can use to assist prospective clients. NetWork Kansas has enlisted the support and help of over 400 Resource Partners who will provide direct services to potential entrepreneurs, refer questions to the call center and receive referrals. These Resource Partners are public and non-profit entities engaged in providing some kind of economic development services.

There has been considerable collaboration, cooperation, and assistance from agencies of the state, particularly the Kansas Department of Commerce and the Kansas Small Business Development Center.

The statute also was explicit that NetWork Kansas was to work through regional and local economic development organizations, such as community development corporations (CDCs), economic development organizations, enterprise facilitation groups, regional foundations, etc. Therefore, NetWork Kansas made no attempt to provide all the services an entrepreneur might need, choosing to provide the tools necessary to be the "Portal" — the single point of contact with a network of resources, increased access to capital, and a

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strong regional approach — through which entrepreneurs can make a call and find help from the other organizations.

StartUp Kansas was provided with a one-time allocation of \$450,000 and the authorization to provide Tax Credits to donors to obtain additional funds. StartUp Kansas has developed appropriate and fair criteria for evaluating potential recipients and relies also on the Resource Partner who is sponsoring the loan or grant for their judgment on the potential success. At the end of FY 2006 eight donors had contributed \$221,000 to StartUp Kansas, creating and/or retaining 29 jobs in five small communities across Kansas. Loans and grants in four other communities are pending as of the date of this report. Of the total amount to be invested, the support partner must provide at least 40%. StartUp Kansas may provide a maximum of 60%. NetWork Kansas calculates that the loans leveraged approximately \$1.7 million in additional funds from commercial loans and investments.

The challenge for NetWork Kansas is to get the word out about its programs and services. Extensive interviews and surveys of Resource Partners were performed as a part of this evaluation. The survey was distributed electronically and through regular mail to 252 individuals.

In summary, NetWork Kansas outreach and communications efforts are diverse, frequent, and, for the most part, well received by a majority of the entities they strive to serve. Some of the major survey findings include:

- A total of 79% of the survey respondents have had dealings with NetWork Kansas.
- A total of 60% of the users received assistance from NetWork Kansas.
- Of those users, 48% found the assistance “extremely useful,” and 37% described assistance as “somewhat useful.” Only one in seven, or 15%, responded that the assistance they received was not useful.
- An impressive 61% indicated that the staff was extremely effective, and only 6% indicated that the staff was “not useful”.
- The survey found that 70% of the business ventures that had been in communication with NetWork Kansas were moving forward, and only 6% had discontinued their business development efforts. As enhancing business growth is the principle objective of NetWork Kansas, this finding is a significant, positive finding.
- In regards to the 40% matching requirement, slightly more than half (57%) expressed the opinion that the requirement is reasonable, while 43% indicated that it disqualified participation in the loan program.
- Most importantly, 90% of those respondents that had contact with NetWork Kansas indicated that the staff was helpful. These findings are a very strong indication that the call center is performing satisfactorily.
- As a result of these favorable responses, 77% answered that they would recommend NetWork Kansas/StartUp Kansas to others.

There is a growing number of inbound client contacts per month, showing a peak of 6,252 in June 2007, up from the prior year’s number of 1,447 contacts. K-State Research and Extension agents have been enlisted as Resource Partners providing coverage of all counties in Kansas.

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In August 2007, the Board of Directors also authorized a new initiative to be rolled out in September, "E Communities," in which up to \$1 million of the \$2 million in tax credits for StartUp Kansas will be provided to communities which apply by the end of October for up to \$250,000 each, to be awarded by the Board competitively. This innovation is expected to springboard new economic development activities and entrepreneurship.

Overall, Resource Partners, advisors, and the Regional Foundations expressed the opinion that NetWork Kansas and StartUp Kansas are valuable additions to the Kansas economic development armament. Some who have been sponsors are not pleased with the paperwork to process a loan, and StartUp Kansas has responded and made some changes to make it easier.

In summary, NetWork Kansas made substantial efforts in trying to reach the Resource Partners and economic development organizations throughout the state. Some were skeptical that NetWork Kansas was needed, that it duplicated the operations of other economic development organizations. Most, however, felt that Kansas needed more economic development help, and if NetWork Kansas was a way to get the Legislature and/or the Department of Commerce paying more attention to their region and help create jobs and stabilize the local economy, then they would support it.

The program is effective and the operations are cost effective. The Center is carrying out what the legislation intended be done. Although the evaluation was required to occur three years from the date of the creating statute, quantifiable results and progress to date is somewhat limited. However, the Center has complied with the letter and intent of the legislation and the foundation is in place for Network Kansas to have successes going forward.

II. Purpose and Scope of Services

The Center for Entrepreneurship (the Center), along with the Center for Entrepreneurship Fund was established in the Kansas Economic Growth Act of 2004 with explicit statements that evaluation of the Center and the Fund would be accomplished through Kansas, Inc. and reported to the legislature by January 2008. An independent consulting team was hired by Kansas, Inc. in June 2007 to conduct an independent assessment of the performance of the Center for its first three years of operation. Richard Caplan & Associates, of Prairie Village, Kansas, assisted by The John E. Arnold Company, of Topeka, and Professor John Charnes, PhD, Economics, from the University of Kansas was contracted with Kansas, Inc. to perform this evaluation for review by Kansas, Inc. and delivery to the Kansas Legislature.

After the legislation was passed, the Board of Directors of the Center was appointed by the Secretary of Commerce, consulting with the Governor's office. The Board and staff of the Department of Commerce worked to follow the dictates of the statute and to clarify the intents therein, contracting in December 2004 with Kansas Small Business Development Center as the third party to establish the Center. The Center Board and Kansas Small Business Development Center staff and Commerce staff recruited and hired an Executive Director in May 2005. The staff and board realized there was a similarly-named institution at Wichita State University (WSU), in the Center for Business Entrepreneurship, and changed the name to NetWork Kansas in August, 2005. Likewise the Fund was changed to StartUp Kansas to avoid confusion and to more appropriately reflect the intent of the use of the Fund monies.

The Executive Director hired an Operational Manager directly after his hiring. The two had worked together in entrepreneurial enterprises and had complementary skills. The two then set up a Call Center for entrepreneurial information and staffed it with a mix of part-time and full-time counselors who are students at WSU, out of NetWork Kansas' Wichita offices. Staff found a software program, called Biz-Trakker, that allows them to follow up with contacts and provide referrals and other assistance, including tracking job creation and retention. The staff created a website and built in tools that entrepreneurs and the counselors at the Call Center could use to assist prospective clients. Resource Navigator is one of the tools on the website and it provides the service reference that is closest to the client's locale. These tools do a good job of providing the important information quickly and allowing monitoring and reporting to be timely and efficient, in the consultant team's judgment.

NetWork Kansas had some additional startup issues. The legislation provided Tax Credits of 50% to donors and contributors to the StartUp Kansas Fund, as well as to the Rural Business Development Tax Credit funds in the seven Regional Foundations. That amount was found to be unattractive to potential donors, so the staff and boards went back to the Kansas Legislature in 2006 and asked that the amount be raised to 75%. NetWork Kansas had delays in getting the 501(c)(3) status approved, so the staff innovated and urged donations with the pledge they would be returned if that non-profit designation did not occur. The staff learned that the IRS looks more favorably upon the designation if donations are in hand. NetWork Kansas obtained the non-profit designation in March of 2007 following the approval of the 75% Tax Credit legislation by the Kansas Legislature by August of 2006.

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NetWork Kansas has enlisted the support and help of over 400 Resource Partners, who will provide direct services to potential entrepreneurs and will refer questions to the Call Center and receive referrals back. These Resource Partners are public and non-profit entities engaged in providing some kind of economic development services.

There has been considerable collaboration and cooperation and assistance from agencies of the state, particularly the Kansas Department of Commerce and the Kansas Small Business Development Center (KSBDC). The latter provides information to prospective entrepreneurs and existing businesses. Recently KSBDC, in responding to calls, adopted a policy of referring all general calls for assistance to the NetWork Kansas Call Center. While this seems to add an extra step to the provision of assistance to an entrepreneur, it adds to the credibility of NetWork Kansas.

StartUp Kansas was provided with a one-time allocation of \$450,000 and the authorization to provide Tax Credits to donors to obtain additional funds. As of the end of FY 2006 eight Donors have contributed \$221,000 to StartUp Kansas. Those funds are to be loaned out and in some cases granted to help start up businesses and expansions occur. It is expected that many of the loans and grants will be "gap financing", to cover the difference between what a commercial lender will provide and the amount necessary to make the action occur.

StartUp Kansas has developed a solid set of criteria for evaluation of potential recipients and relies also on the Resource Partner who is sponsoring the loan or grant for their judgment on the potential success. The Criteria have four issues that are required in the KEGA, five Criteria the Committee and Board Requires, and seven that are used for Scoring the evaluation with either 1, 5, or 10 points. It is a competitive process and StartUp Kansas intends to run four "rounds" a year. The StartUp Kansas Committee is a sub-set of the NetWork Kansas Board of Directors and each member evaluates the application individually and then after discussion of each member's perception, the group votes to approve or deny. Of the 15 applications received, 10 have been approved and five denied. Another two did not meet the statutory eligibility criteria and were not processed by the Committee. The consultant team judges the process to be rational, fair, and financially sound.

The Consultants hired to evaluate the program have talked to each of the Board members, many of the advisory committee members, many of the regional foundation members, many of the Small Business Development Centers, and all of the Resource Partners who are sponsors about the operations, successes, and lapses of NetWork Kansas and StartUp Kansas. The Consultants also sent surveys to all Resource Partners and Clients on their list in Kansas to obtain an objective and written response to evaluation questions. The tabulated responses and many of the survey comments are reported on in Section V of this evaluation.

A set of questions about the Board members' expectations and the performance of NetWork Kansas and StartUp Kansas were asked of all Board members.

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A sample of some of the comments of the Board Members included these:

- “NetWork Kansas has a great mission and is right on track for encouraging small entrepreneurs. Entrepreneurs that use the Resource Partners can benefit.”
- “Getting those tax credits to local communities in the “NetWork Kansas Communities” initiative is a great idea for eco devo. It will be a big deal.”
- “Most entrepreneurs don’t know that NetWork Kansas exists. Most of the Resource Partners have come in the back door, or have been accidental.”
- “I read a report a year ago submitted to the Legislature and was appalled at the number of calls. He thinks marketing is lacking, as it is with most entrepreneurs. The portal is a good idea but they’ve got to get the word out.”
- “NetWork Kansas is relying on computers and high tech communications but large portions of Kansas are without high speed Internet access. Many cities have bad water coming out of the tap, and those are not too concerned with Internet access.”
- “The biggest challenge for success is public awareness and coordination. NetWork Kansas needs to let the people know they have the answers to the entrepreneurial questions: I’ve got an idea and need help; where do I go? What exists for help?”
- “It’s a good approach to encourage the entrepreneurial spirit in the global economy.”
- “StartUp Kansas is a surprise. Didn’t expect it to be successful and it is good.”
- “StartUp Kansas is the major success, but the Call Center is good too.”

A sample Board Questionnaire and Answer from one Board member:

1. “What did the Board expect as StartUp actions for NetWork Kansas?
A: Expectations of the Board were to get the infrastructure up and running smoothly, quickly. Use initiative to get it going, follow up to make sure it works.
2. “Have those expectations been met for NetWork Kansas?
A: Expectations have been met. Above and beyond what the Board wanted. Staff asked the key question: What are our results? Get the Resource Partners together with clients, was the answer.
3. “On a scale of 1 to 10, 10 being best, how would you rate NetWork Kansas?
A: Rated 8.5 (for this particular person)
4. “Same for StartUp Kansas?
A: Not the same. What StartUp Kansas has done is so exciting. I’d rate them a 9.5. To be entrepreneurial for entrepreneurs in a bureaucracy is very difficult. In a bureaucratic environment it is difficult to be entrepreneurial. But they have pulled it off. They are advocates for entrepreneurs.

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5. "Same for Staff as a whole?"

A: Rated 9.0 Excellent staff. Very good communicators. They make sure everyone's informed. They go out of the way to keep us informed.

"Great staff overall. Other successes include a program created by Steve and Erik to create awareness of open-ended support for an unfunded organization. Getting awareness out there of the Network and the Fund and do it at the state level; rural entrepreneurial development: they created a vehicle to raise money in the local community. It allows a community to take over incentives and tax credits and raise funds/investment capital not tied to any criteria that other programs have, like low-income, disadvantaged neighborhoods, etc. This program's criteria is whatever the local communities want to do; they create the program criteria, raise the money, and just use the benefits of the tax credits. One of the strengths of that program is that multiple locals involved in the program spread the word about the NetWork Kansas and StartUp Kansas by word of mouth, the best kind of PR."

Other Board members comments are as follows:

- "Staff is on target. The only problem so far is in getting the word out."
- "Success from staff in getting the tools developed and up and running. Results beyond that are just too new."
- "The biggest hope is that the project is given time to get where it is heading. The fear is that the Legislature will set the criteria for evaluation too high and unreasonably."
- "I'm from Missouri and what I see is that this program is much better than Missouri's. They constantly work for big business—the home run in the eco devo world. But we're working with the small town, grow-your-own businesses."
- "The challenge was and is to build trust among non-profit service providers. It was necessary for everyone to say over and over that NetWork Kansas was not a competitor but was there to help those organizations reach their clients. Had to do it over and over. It takes time to build those relationships. Staff did good with what they could control: building capacity internally, making contacts, and building the website and Call Center."
- "Board expectations have been met, but we worry that Legislative expectations will be critical. Are we getting enough of what they want? It may be a disappointment."
- "Still don't know what a 'distressed neighborhood' is. Rural is very important to the Legislature; they think rural is what this is."
- "Hard to get the word out. Partners have to be hammered to get them to listen. There are 270 or 280 of them and they have their own agenda. That's been difficult."
- "I've done start ups and it just takes some time. Marketing the concept is key."

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- “Best successes have been in pulling the educational resources, the inventory, together. We also did a good job on the Bioscience Authority Forum. Don’t know why we got that one, but I’m proud of the job staff did in pulling that together.”

In summary, Board members rate NetWork Kansas average 7.9 on the 1 to 10 scale; Board members rate StartUp Kansas as an 8.6, and Board members rate the staff as 9.16 on average.

Conclusions

The Board of NetWork Kansas is generally pleased with the progress made and the staff work. Each member believes the big challenge is to get the word out about what NetWork Kansas is doing and can do to help create jobs and help grow our own industries. Board members are realistic that it’s a big state, with great diversity of needs from east to west and north to south, even rural and urban, with nearly 300 organizations offering similar or even competing services, so progress at being “The Portal” and the coordinating entity is difficult and success will take time. The Board is near-unanimous that StartUp Kansas is a great concept and is offering sound incentives for contributions and sound gap financing decisions.

The Consultant team believes the Board is an appropriate mix of the state’s offering in entrepreneurial talent and given time for the organization to mature will lead to increased successes.

A sampling of comments from Regional Foundations, Advisory Committee members, and Resource Partners include:

- “NetWork Kansas is a benefit to rural Kansas.”
- “NetWork Kansas could be useful in helping to organize uniform entrepreneurial education.”
- “The major negative heard from locals: It’s tough to refer a client to NetWork Kansas if we feel we can help. It’s our job first.”
- “The Call Center Counselors do a good job. They’re very professional.”
- “The purpose of coordination of all eco devos is a good concept.”
- “The idea of simplifying and consolidating eco devo agencies is sound but fraught with difficulties just like it is in consolidating school districts and cities and counties.”
- “In Western Kansas SBDCs and EDA and the Department of Commerce are thought to be more of a resource and useful.”
- “The SBA has classes and rants against Entrepreneurial Centers. The same for the Business Development Centers, which are hosted by FHSU. There is nothing

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positive from Hays. Nobody in Western Kansas has anything good to say about NetWork Kansas.”

- “NetWork Kansas has been able to do things that otherwise would have been very difficult. They are quasi-governmental and they’ve been very good at balancing that with the private sector and being service oriented.”
- “The real challenge is how to stay connected to your Resource Partners when your relationship is ‘event-based’ and you have had no specific need over a period of time? How do you make sure they are really partners?”
- “Start up was on target. There needs to be a coordinating entity. There are nearly 300 agencies providing some kind of eco devo services.”
- “They’ve done everything the statute directed, even going above and beyond. The challenge is getting the word out that it’s not just another eco devo entity.”
- “The biggest problem I have with NetWork Kansas is the way they run the StartUp Kansas fund. They make the sponsors do all the work and there is no compensation for that work. When a loan is out 20 years and the sponsor has to do annual reports and service the loan over that period, that’s a big disincentive to participate. It’s not much of a partnership either.”
- “The staff is good. They take care of the people component.”
- “The Legislature had incredible vision in creating the Center. Key was finding the right people to lead it and the Board did. The staff is easy to work with, collaborative, and they work hard.”
- “The two key staffers have incredible patience also. Before they went to Western Kansas they were told the audience would be reserved and would not jump on the bandwagon. They were and the staff was diplomatic and appropriate.”
- “The biggest disappointment is the failure of the state agencies to get on board. It’s the ‘silo mentality’: new ideas are not readily accepted and the fear of threatening their existence is the culprit.”
- “A good approach was the enlistment of the community colleges. It’s a good way to get the word out and is a good entre to all regions of the state, as the SBDCs are tied to the community colleges.”
- “The Educational Inventory was a good move to get acceptance of the community colleges that NetWork Kansas recognized their contributions.”
- “They listened to the community colleges about curriculae and about bringing young people to entrepreneurial education.”

Overall, Resource Partners, advisors, and the Regional Foundations express the opinion that NetWork Kansas and StartUp Kansas are valuable additions to the Kansas economic

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development armament. Some who have been sponsors are not pleased with the paperwork to process a loan, and StartUp Kansas has responded and made some changes to make it easier. There is still some skepticism about value and usefulness, particularly; it seems, in western Kansas. Given that NetWork Kansas has signed over 400 Resource Partners is testimony to the effort the staff has made to get out and about and around the state.

The Resource Distribution map shown on the NetWork Kansas website shows Resource Partners in all but 31 Kansas counties as of July 2007. As of the end of August 2007, NetWork Kansas has signed up the K-State Research and Extension Agents as Resource Partners, giving NetWork Kansas 100 percent coverage of counties. The most prescient comment was made by one of the Resource Partners about how hard it is to build a network when your relationship with the Resource Partners is “event based” and not everyone has had an event.

III. Report Methodology

The Consultants contracted with Kansas, Inc. to gauge the depth and breadth of the programs and progress NetWork Kansas and the StartUp Kansas Fund has made. The Consultants started by understanding the charge the Legislature gave to NetWork Kansas in the 2004 bill, the Kansas Economic Growth Act of 2004, including meeting with the bill's sponsors. The mission was defined in the statute in Section 74-99c04 as Purpose and duties. "(a) The purpose of the Kansas center for entrepreneurship is to enhance the quality of life for citizens of this state by providing increased availability of an accessibility to capital, particularly at the seed capital investment stage, encouraging wealth creation through new jobs that increase the wage base promoting new business development and encouraging individuals to invest in the Kansas community entrepreneurship fund and to assist regional and community organizations in providing seed funding for entrepreneurs."

In order to accomplish the mission, the Kansas Legislature gave specific charges:

- *"Serve as the central portal for entrepreneurs seeking business assistance and financing options in Kansas by providing a seamless resource center clearinghouse and referral source, to include establishment of a website and toll free telephone number."*
- *"Manage the Kansas Community Entrepreneurship Fund and develop policies and procedures to assure that funds are distributed to qualified entrepreneurs."*
- *"Work with the board of regents and Kansas board of education to create training and coursework in entrepreneurship for dissemination to elementary, secondary, and vocational-technical schools, community colleges, and universities."*

NetWork Kansas followed that lead by indicating the three charges were analogous to Expertise, Economics, and Education.

It was also necessary to note the genesis of the legislation came from a series of seven Prosperity Summits held around the state by the Department of Commerce and involving the Governor and the Secretary of Commerce (the Lieutenant Governor) at the time. 1,500 business and community leaders met to deal with how to enhance the quality of life and accomplish an economic revitalization strategy. Principal outcomes of the summits suggested an organization be formed that would accomplish these goals:

- Increase the availability of seed capital to assist new ventures during the investment stage.
- Assist regional and community organizations in providing seed funding for entrepreneurs.
- Encourage wealth creation through new jobs that increase the overall wage base.
- Promote new business development.
- Encourage individuals to invest in the Kansas Community Entrepreneurship Fund.

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In order to evaluate the depth and breadth of programs and progress meant attempting to contact all the 264 (as of July 2007) Resource Partners in Kansas, as many of the clients as were active and would respond, the educational institutions, including the 19 Community Colleges, the Board Members, the Advisors from the Department of Commerce, Kansas Small Business Development Center, and others, as well as the Regional Foundations, loan and grantee awardees, key Staff and other parties of interest. The Consultant team also visited the offices, surfed the websites, tested the Resource Navigator and the Biz-Trakker, and reviewed the other tools created and much information reflecting the activity of NetWork Kansas the past two and a half years, since inception.

The surveys and conversations were to determine if NetWork Kansas was compliant with the above charges and goals and the progress made reflected the transparency and accountability that the legislation anticipated.

The Consultants recognize that any start-up agency, whether public, private, or quasi-governmental, will have glitches and hitches in the initial steps to get going. NetWork Kansas was not immune. The Legislation was found somewhat confusing with regard to the operation of the organization in that:

- (1) The Kansas Department of Commerce did not have regulatory rule and control, yet the funding from the EDIF moneys passed through the Department of Commerce to the Center and Kansas, Inc. was to evaluate performance and report to the Kansas Legislature by January 2008;
- (2) The organization of NetWork Kansas was to be accomplished by a third party contracted by the State of Kansas Department of Commerce;
- (3) NetWork Kansas was to be a quasi-governmental agency while its employees were NOT to be state employees; and,
- (4) The Fund monies were to be provided regulatory rule and control by the Department of Commerce.

Working through those seeming conflicts took staff more time than expected, as did the question of clarifying the legislative intent that the program aim at rural communities yet there was the phrase "distressed community" that caused some considerable discussion of legislative intent. It was finally concluded, after consultations with bill authors and other legislators that the intent was to serve rural areas primarily.

There was also a miscalculation that 50% tax credits would attract contributions and this was found not to be true, so the staff of NetWork Kansas and the Department of Commerce went back to the legislature in 2006 and SB 324 was passed raising the tax credit rate to 75% for both the StartUp Kansas fund and for the Regional Foundations and allowing loans from the Fund in addition to grants; the bill also moved the Fund from the state treasury so that the Tax Credits would be federal income tax deduction eligible.

NetWork Kansas also had difficulty getting the 501(c)(3) designation to make the tax credits viable. The staff devised a somewhat unique strategy of soliciting pledges of donations to be made once the non-profit designation was accomplished. It was advised that would help the IRS offer the designation. In March 2007, NetWork Kansas received notice of approval

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of 501(c)(3) status allowing tax credits and donations made since December 2006 to become usable. As of the end of FY 2007 there have been \$221,000 of donations made from eight donors for StartUp Kansas.

Even with these start up problems, they managed to make four loans in 2006 and four in 2007, along with a small grant. Those loans totaled \$236,500 and averaged \$34,000 and NetWork Kansas calculates the loans leveraged some \$1.7 million in additional funds from commercial loans and investments. Two grants were made of \$1,200 and \$4,640. The loans and grants go to Regional Foundations with Community Development Corporations to administer.

NetWork Kansas also followed up the Education component by contracting with Wichita State University's Center for Entrepreneurship to perform an Inventory of Entrepreneurial Education in Kansas. The \$135,000 contract provided a 400 page report summarizing each institutional offering related to entrepreneurial education, a document the Consultants find is and will be very useful going forward. This document was used to establish some meetings with educational institutions in May of 2007 and to generate ideas and approaches for enhancing entrepreneurial education in Kansas.

The Kansas Economic Growth Act of 2004 (KEGA) also was explicit that the purpose of the StartUp Kansas fund was to provide gap financing at least 60%. It was also explicit that there was to be enhanced telecommunications investment/projects in the regions; and, it was to enhance leadership development in the region. The Consultants were not asked to evaluate telecommunications or leadership developments, but the creation of the seven Regional Foundations and the Rural Business Development Tax Credits at \$7 million over three years provided in our judgment an enhanced awareness of tax credits for gap financing throughout the state, which should help StartUp Kansas visibility. The Regional Foundations are an addition to the leadership pool in the economic development field.

IV. Description of NetWork Kansas Operations

A. Organization

The organizational structure in the authorizing legislation makes the operational requirements somewhat convoluted. The money for operations comes from the Department of Commerce, which receives it from the Lottery money as EDIF, and goes to the third party contractor, KSBDC, which contracts with NetWork Kansas, and then is administratively handled by Fort Hays State University (FHSU), with the KSBDC handling the accounting under another contract with NetWork Kansas using the FHSU accounting system. This is an unduly complicated administrative process and would be streamlined by having NetWork Kansas be more independent and report annually directly to the Secretary of Commerce and contract with an accounting firm for their limited accounting needs. This suggestion is reinforced by the fact that NetWork Kansas is now a 501(c)(3) non-profit corporation and that gives the Board of Directors some fiduciary responsibilities it did not originally have.

The Board of Directors of NetWork Kansas and StartUp Kansas supervises the staff director but is cognizant of the above relationships. The Board of Directors is appointed by the Secretary of Commerce, who consults with the Governor's office. Since NetWork Kansas is a 501(c)(3) organization, the Board has some fiduciary responsibilities and that provides some independence of judgment and leadership.

The originating statute specified that the 11 member Board of Directors be "comprised of individuals who have demonstrated entrepreneurial success, including one member from each of the following organizations:

1. Three at-large entrepreneurs.
2. An agricultural entrepreneur knowledgeable in biosciences.
3. Banking industry.
4. Travel/tourism industry.
5. Enterprise facilitation.
6. Kansas Chamber of Commerce and Industry.
7. Kansas Small Business Development Centers.
8. Kansas Technology Enterprise Corporation, and
9. National Federation of Independent Businesses."

Decisions were made early on that all Resource Partners would be public entities, avoiding any feeling of conflict of interest. When staff refer entrepreneurs who need accountants or other specialized expertise to the professional associations, it enables these associations to make recommendations.

NetWork Kansas staff worked diligently to develop procedures and policies and approaches to provide budding entrepreneurs with tools that were user-friendly and practical, and that avoided creating a bureaucracy-based organization. That was intentional, believing as the staff and board did, that the entrepreneur is not familiar with or interested in becoming familiar with traditional governmental or bureaucratic procedures. The entrepreneur wants quick answers and quick help for what is perceived to be the problem they can't solve.

Evaluation of the Kansas Center for Entrepreneurship

NetWork Kansas staff set up a call center staffed by one full-time and four part-time students at Wichita State University who are majoring in business. While it might seem unproductive to have students staffing the call center, the NetWork Kansas staff has provided practical working manuals to instruct the staff in how to answer the questions, how to listen and discern where the help the entrepreneur needs is, and to enter that information in the Biz-Trakker software program for follow-up services. This includes tracking job creation and retention with firms receiving loans or grants, and to refer the caller to the regional organization most closely fitting the needs identified. That creating statute also was explicit that NetWork Kansas was to work through regional and local economic development organizations such as community development corporations (CDCs), economic development organizations, enterprise facilitation groups, etc. so Network Kansas made no attempt to provide all the services an entrepreneur needed, choosing to provide the tools necessary to be the "Portal" - the single point of contact, with a network of resources, increased access to capital, and a strong regional approach - through which entrepreneurs could make a call and find help from the other organizations.

The tools developed included:

- **Phone Call Script**, which provides exactly the kind of questions and answers to provide the Call Center staff the ability to "listen and learn" how best to help the caller client.
- **Phone System Instruction**, which explains how the system works.
- **Biz-Trakker Software** and Screen Instructions, which allows for follow up and referrals. This was created by Sourcelink in Kansas City and is a child of the Ewing Kauffman Foundation.
- **Resource Navigator**, an automated search engine for services and resources as they are identified by the call center staff.
- **Smart Book**, which integrates instructions on the above.
- **Resource Partner Referral Process Manual**, with directions on how to refer clients to a Resource Partner and how to encourage the sign up of a Resource Partner.
- **Distribution of Resources**, a map showing which counties have Resource Partners and how many.
- **Regional Expertise Matrices**, list all the programs and services that available as search criteria in the Resource Navigator.
- **Resource Partner Analysis**, looks at each Resource Partner and what expertise it offers to close-in locales; helps the Resource Navigator find the closest expertise to the entrepreneur.
- **StartUp Kansas Service Description**, to allow Resource Partners and Clients to read what the Fund is and how to access loans and grants.

Evaluation of the Kansas Center for Entrepreneurship

- ***StartUp Kansas GO/NO GO Criteria***, which defines the Statutory Criteria along with the Board of Directors Requirements and the Evaluation Criteria for the Grants and Loans.
- ***StartUp Kansas Proposal Review and Approval Process***, which provides step-by-step detail and timeline for each step.
- ***Client Satisfaction Surveys and Reports***, intended to be accomplished each six months and providing a baseline of information for comparative purposes going forward.
- ***Grant Agreement***, defining the terms and conditions of the Grant.
- ***Contractual Provisions Attachment***, a requirement of the state.

In addition to these tools, they are at the time of this report writing taking to the Board a recommendation to push-down the decision-making for grants and loans generated by tax credit funds. That is, the staff and many Board members believe that would be an important and effective innovation to give the local communities and organizations the option of raising their own money through the aegis of StartUp Kansas' tax credit authority and developing their own criteria.

B. Budget

The budget of NetWork Kansas initially was \$450,000 per year, plus the ability to take 10% of the beginning balance of StartUp Kansas fund for managing and marketing the tax credits. Grants received, additional contributions, and loan repayments can add to the beginning balance of the fund also. The 10% money has not been utilized during the initial two years. The Information Network of Kansas (INK) provided \$15,000 initially for computer and networking hardware and software. A contract with Kansas Small Business Development Center headquarters to handle the accounting and budgeting submissions continues. The Kansas Department of Commerce determines the amount of the budget annually, working with the NetWork Kansas staff and the Board of Directors.

The expenditures of NetWork Kansas appear to have been handled frugally. The 2006 year-end salaries and fringes amounted to just over 35% of the total expenditures. Year-end 2007 salaries and fringes amounted to 85% but expenditures were held down \$107,000, so the percentage for salaries is out-sized and does not reflect the overall fiscal management that held down overall costs. For FY 2008, the budget is higher, using \$115,000 of carryover and the salaries and fringes amount to 63%.

The expenditures and budget are listed in the NetWork Kansas 2006 Annual Report and reflect the commitment to both transparency and accountability. NetWork Kansas staff and Board appear committed to providing annual reports on fund contributions, loans and grants, repaid loans, and defaulted loans, if any. The Biz-Trakker will allow the staff to provide those reports with alacrity. The Kansas Small Business Development Center and the Department of Commerce likewise appear committed to transparency and accountability.

Evaluation of the Kansas Center for Entrepreneurship

The following table presented the first three years of budgeted funds:

NetWork Kansas Budget FY 2006 – FY 2008

	FY 2006	FY 2007	FY 2008
Beginning Fund Balance	\$559,300.00	\$460,000.00	\$550,000.00
Salaries and Fringes	179,457.20	282,002.22	346,217.12
Operating Costs	289,023.10	63,245.53	193,782.88
Equipment	16,830.87	6,268.54	10,000.00
Total Expenditures	485,311.17	351,516.29	550,000.00
Encumbered Grant Funds (Kansas INK)	15,000.00	0.00	0.00
<u>Encumbrance</u>	<u>0.00</u>	<u>27,550.75</u>	<u>0.00</u>
Ending Fund Balance	\$58,988.83	\$80,932.96	\$0.00

These figures are unaudited and taken from spreadsheets provided and prepared by the contractual accountants at KSBDC, which handles the funds for NetWork Kansas through the Fort Hays State University accounting system.

The donations for tax credits have been committed through June 2007 at \$221,000. An additional \$260,000 has been committed staff reported at the August 2007 Board of Director's meeting. Donations come from Board members, advisors, and other higher income individuals the staff has contacted.

C. Record Keeping

The Biz-Trakker software program does a good job of allowing the staff to track a caller as an active client and provide a record of the questions asked, the answers given, the help offered, the referrals made, any follow-up needed, and when follow-up is provided, that too is recorded. As the intake information system, it is very well suited to provide the information and assistance the legislature contemplated when desiring a "single portal" to aid the entrepreneurial initiatives of the state's people.

Further, the staff does a good job of recording the happenings at the many major meetings they hold. The Town Hall Meeting Feedback Report is well put together with summaries and conclusions gained from the gatherings. Likewise the reports on the Community College and K-12 Educational institutions meetings are useful records of the activities. In these it is demonstrated that NetWork Kansas is not trying to take functions away from existing organizations, and not trying to compete with them, but is offering support for coordination, for mutual understanding of all the activities by the state's economic development entities, and for being the intended portal to help entrepreneurship.

The financial records are maintained by a sub-contract with KSBDC in Topeka. KSBDC is familiar with the Fort Hays State University accounting system and accounting codes and keeps the finances consistent with the FHSU's system. Administrative expenses such as

Evaluation of the Kansas Center for Entrepreneurship

travel reimbursements also go through the FHSU system and the staff at KSBDC handles these things seamlessly for the staff of NetWork Kansas.

Other sections of this evaluation recommend that the relationship with KSBDC being the third party called for in the KEGA, with its supervision by FHSU, including using the accounting system, which is designed for a much more bureaucratic and complex organization, is an unnecessary addition of bureaucracy to NetWork Kansas and StartUp Kansas and is counter-intuitive to the mission of NetWork Kansas and StartUp Kansas, to aid entrepreneurial activities. NetWork Kansas and StartUp Kansas are entrepreneurial in intent and organization and both need to have more freedom and empowerment to do what needs to be done, under the supervision and direction of the Board of Directors, reporting directly to the Kansas Secretary of Commerce.

In conclusion, KSBDC and FHSU have done a very satisfactory job of minimizing the impact of bureaucratic operations and have done so with perhaps herculean efforts to maintain a collaborative and cooperative and supportive relationship amongst all parties. However, experience with organizations suggests that not all parties remain static; different staff see things differently; new people may not see the collaborative role and support role as important to their existence: competition will be almost inevitable. It is recommended that correcting the roles as mentioned above before the relationships become hardened so that any change becomes an issue that puts policy makers on conflicting sides.

V. NetWork Kansas/StartUp Kansas Users Survey

The survey instrument was distributed electronically and through regular mail to 252 individuals. There were a total of 51 responses, for a response rate of 20%. This number of responses is sufficient to reach statistically valid conclusions. Not every respondent answered every question, and some respondents gave more than one response to some of the questions. The tallied results of the survey are presented in three sections:

- A. NetWork Kansas/StartUp Kansas Outreach and Communication
- B. Satisfaction With NetWork/StartUp Kansas Assistance
- C. A Listing of the Survey Respondents by Agency or Affiliation

A cross-section of specific, unedited comments from the some of the respondents categorized by NetWork Kansas' outreach, communication and services are also presented following the tallied survey results.

A. Outreach and Communications

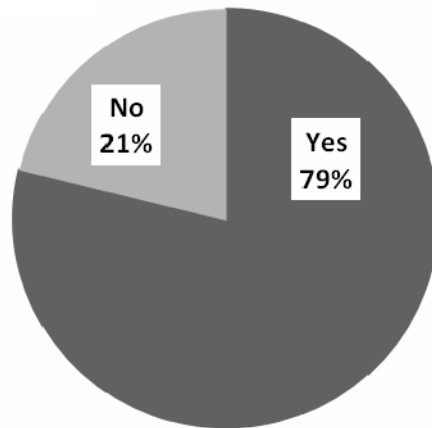
Some of the major survey findings with regard to outreach and communication efforts include:

- A total of 79% of the survey respondents have had dealings with NetWork Kansas.
- The largest segment of users are directly employed in the economic development field, 39%, while the private sector reported the least contact with NetWork Kansas. This finding is not surprising since the economic development professionals are the "first line" of contact for many potential entrepreneurs and small businesses considering expansion.
- There were a wide range of reasons people contact NetWork Kansas. The various forms of business development responses are ranked as follows:
 1. New business operation 25% of the users
 2. Business expansion 21% and
 3. Business attraction 11%.
- Almost half of the contacts (49%) were initiated by NetWork Kansas which positively reflects on their outreach efforts.
- The telephone was the most common method of contact between NetWork Kansas and the users. E-mail was the second most common method of contact, followed third by direct contact which was often in meetings, at presentations or training sessions in which staff of NetWork Kansas participated.
- The largest percentage of contacts (49%) are in communication with NetWork Kansas on a monthly basis followed by 21% annually and 3% who communicate weekly.

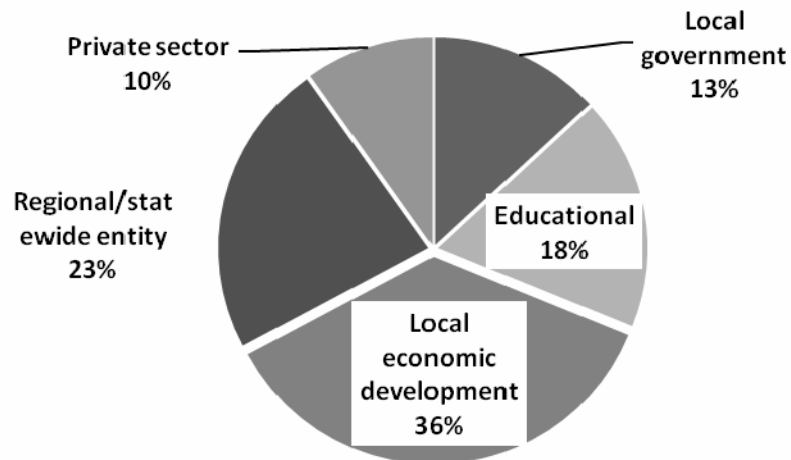
In summary, NetWork Kansas outreach and communications efforts are diverse, frequent, and for the most part well received by a majority of the entities they strive to serve. The specific percentages for each outreach and communication question are presented in the following graphs.

Have you had experience with Network Kansas?

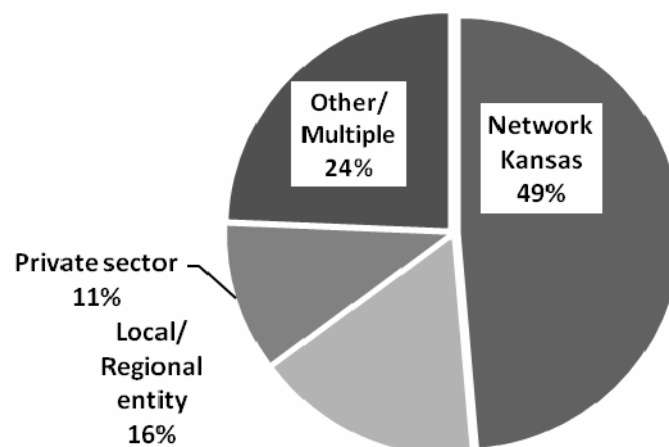
(51 responses)



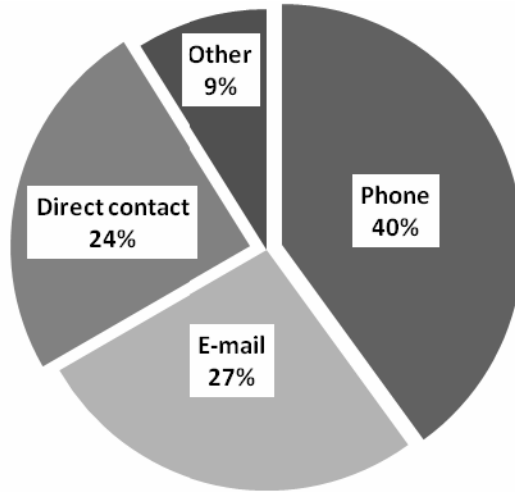
Network Kansas/StartUp Kansas Survey Participants



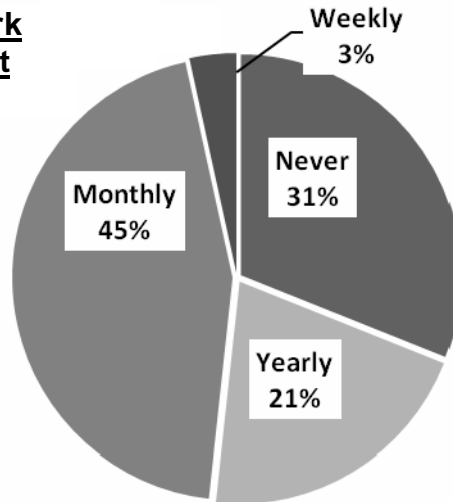
Who was responsible for initiating contact?



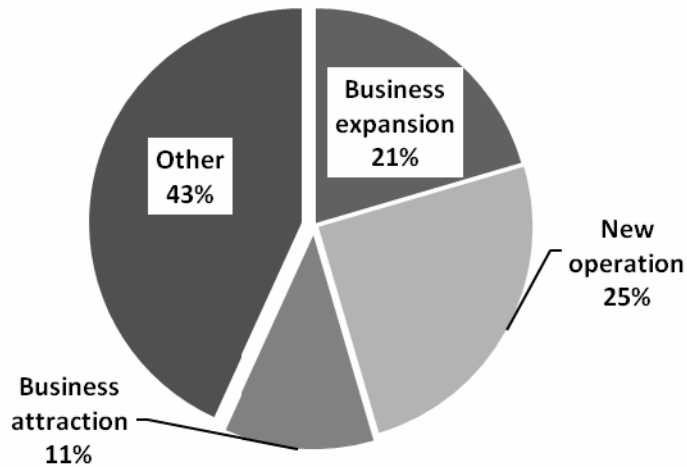
How was your contact with Network Kansas initiated?



Frequency of Network Kansas staff contact



What prompted the interaction with Network Kansas?



Evaluation of the Kansas Center for Entrepreneurship

Some of specific outreach and communication comments from survey respondents are as follows:

- “I hesitated in replying to the survey due to the fact I was very disappointed with the whole project. It has never given us any assistance. I have an Entrepreneurial Center and I believe the only one in Kansas that I know of and when the NetWork Kansas concept was put together they spent a lot of time here and continued to ask “How can we help you?” This was a great question but never any follow through. In reality they led many to believe our Center was of NetWork Kansas’ doing. We were established in 2003, and we have made our own success story. They were established in 2004. They seemed more interested in making it their success story. In all honesty they did nothing for this Center. The only assistance I have ever gotten for this Center came directly and only from Dr. Don Hackett at WSU. Sorry I couldn’t be more positive.
- I have attended Main Street quarterly training and heard first hand what the organization could do. I signed up right away because I felt it would be another way to get what we do out to a larger demographics.
- They have been helpful in searching for resources for my business clients and community.”

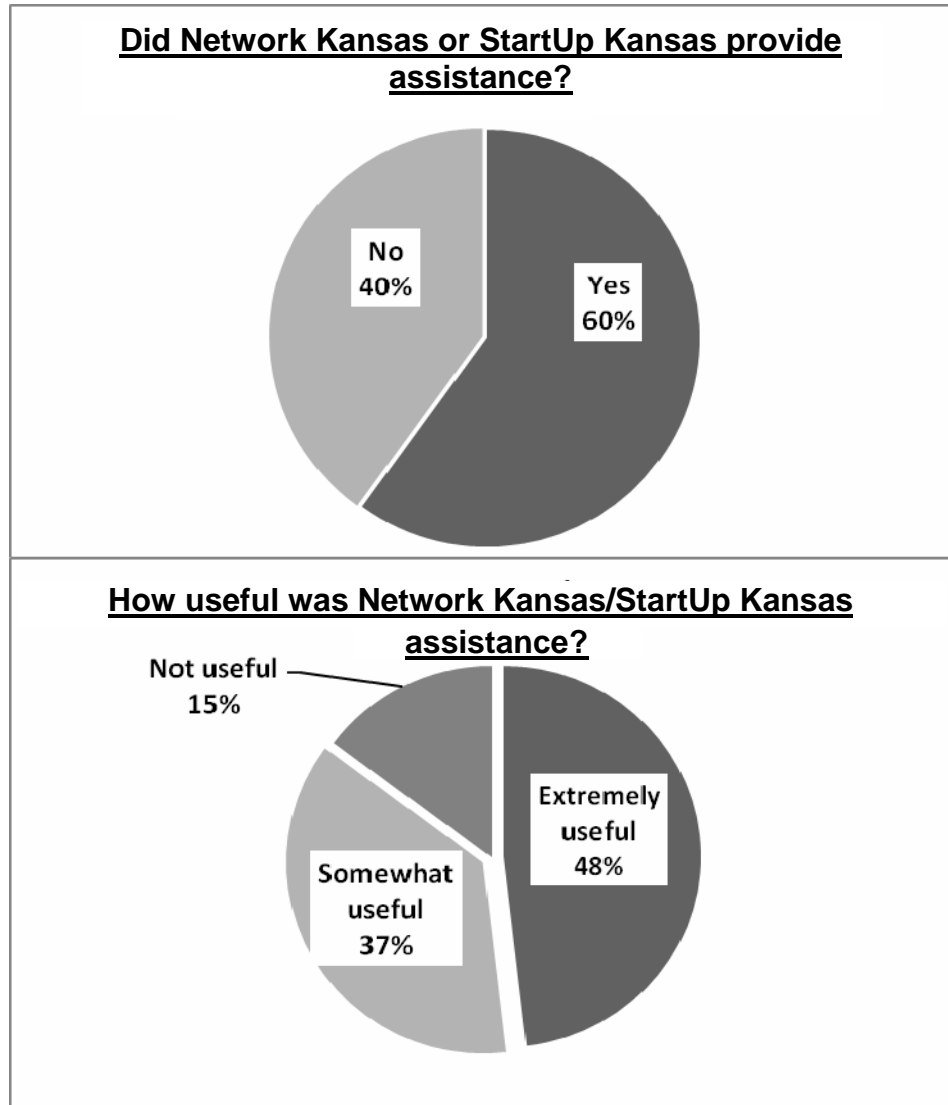
B. Satisfaction with NetWork Kansas Assistance

The survey findings with regard to services and assistance efforts include the following:

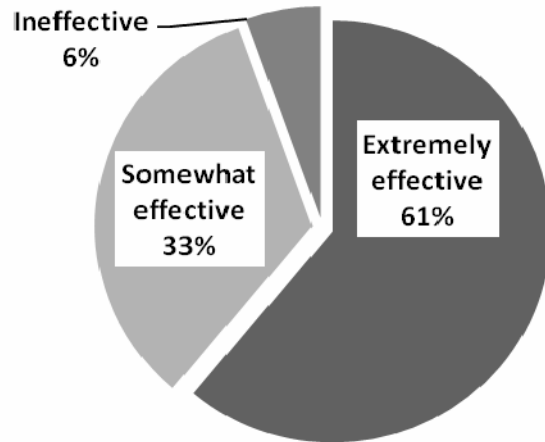
- A total of 60% of the users received assistance from NetWork Kansas
- Of those users, 48% found the assistance “extremely useful” and 37% described their assistance as “somewhat useful.” Only one in seven, or 15%, responded that the assistance they received was not useful.
- Impressively, 61% indicated that the staff was extremely effective and only 6% indicated that the staff was “not useful”. The balance of the responses, 37%, answered that the staff was “somewhat useful.”
- The survey found that 70% of the business ventures that had been in communication with NetWork Kansas were moving forward and only 6% had discontinued their business development efforts. As enhancing business growth is the principal objective of NetWork Kansas, this finding is a very important and favorable finding.
- There was not unanimity of the 40% matching requirement. Slightly more than half, 57% expressed the opinion that the requirement is reasonable while 43% indicated that it disqualified participation in the loan program.
- Most importantly, 90% of those respondents that had contact with NetWork Kansas indicated that the staff was helpful. Similarly, 84% indicated that the Call Center’s referrals were correct for their needs. These findings are a very strong indication that the Call Center is performing very satisfactorily.
- As a result of these favorable responses, not surprisingly 77% answered that they would recommend NetWork Kansas/StartUp Kansas to others.

Evaluation of the Kansas Center for Entrepreneurship

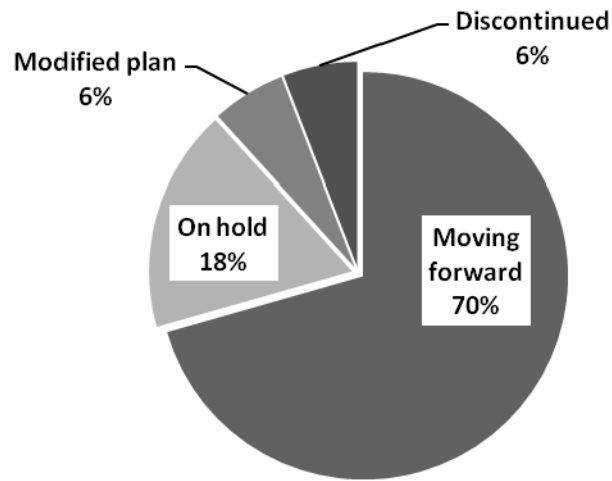
The specific percentages for each service and related assistance outreach questions are presented in the following graphs.



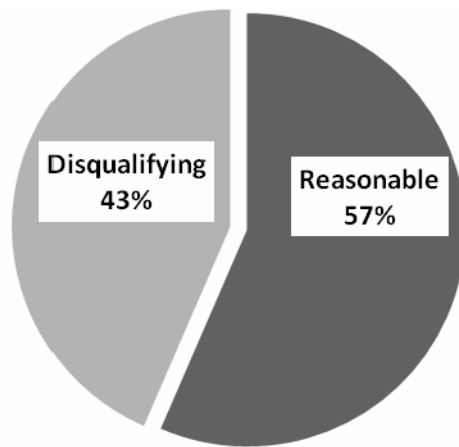
How effective was Network Kansas/Startup Kansas staff?



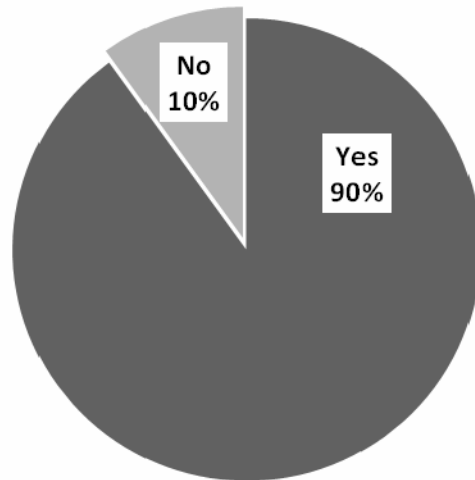
Current status of your business venture?



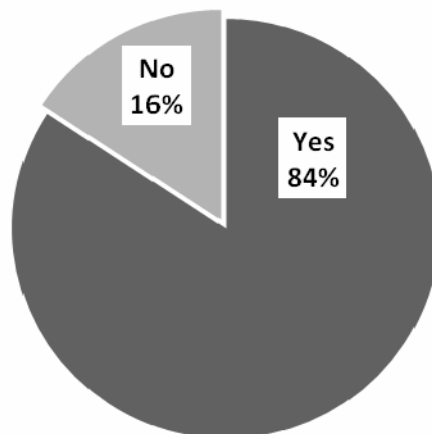
How do you find the 40% Match requirement?



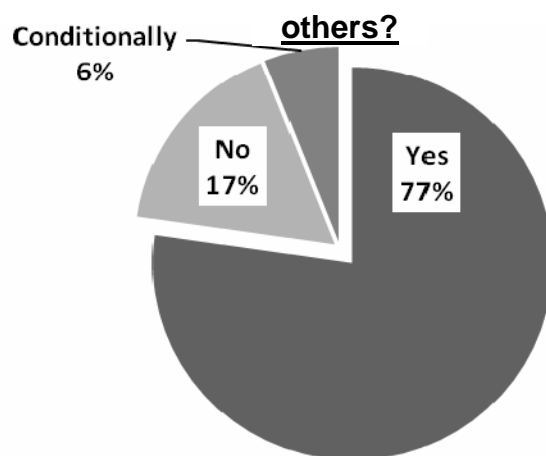
Was the Network Kansas Call Center staff helpful?



Were call the Center referrals correct for your needs?



Would recommend Network Kansas/StartUp Kansas to



Evaluation of the Kansas Center for Entrepreneurship

Some of the specific comments offered about using the services of NetWork Kansas in the future were as follows:

- “Definitely (would use again), as we have a loan pool available to us, but with certain restrictions. We are hoping to use funds from NetWork Kansas and other programs to get a project started.
- I am not sure we will use again, but we will, through our Chamber refer others to call or send in for info.
- I have no need to use their services. They refer contacts to me. Also, I gave information to one of the staff that needed to be corrected on their website and the last time I checked it had not been done. (Over a year ago.)
- I think the concept is great...again, I don't know what or how they work from the client side of the picture.
- I would definitely use the StartUp funds.
- Maybe. I haven't yet found the services to be very effective. In some cases, clients I referred to NetWork Kansas were referred back to me. In others, people clearly outside my service area and area of expertise were sent my way. Overall, I'm not confident enough that the system works to refer my clients.
- Most definitely! They were very helpful and I am looking forward to working with them further on the K-12 Entrepreneurial Education project!
- NetWork Kansas to see if other resources available; StartUp Kansas: No, until push-down approach is resolved.
- No – don't see a fit with our agency needs.
- No. I feel that I am more aware of services/programs in Kansas than they are!
- No. It's too far away. It has no apparent familiarity with or interest in our region or locale. It has no staff who makes contact with us. It provides no service. Hence - it has no value to us.
- Take time to visit with the new partners and explain what is available and what we can expect.
- The service is still new. It's too soon to say. It takes several years for people to become aware of a new service. People begin to rely on it more as time passes and referrals continue to be made. Progress is sometimes made in small increments.
- With dramatic changes in their requirements then yes I hope to work with them.
- They are a known factor with good base knowledge of resources that I might have lost track of or did not know about.
- Yes, if a research function could be added.
- Yes, because it is a resource that does the legwork for small business who has little time to search out all optional resources.
- Yes. It's a good growing resource.
- Yes. They are a nice resource and I think they will only continue to get better.
- Yes. They are very willing to assist.
- Yes. They have worked on researching my questions. They are easy to contact. They are effective in making their clients feel they can contact them anytime.”

Evaluation of the Kansas Center for Entrepreneurship

Some of the unedited comments and suggestions offered as to how the Call Center could be improved included:

- Could be improved by answering the phone or replying in a timely manner
- Could be improved by increasing response time and more experience
- Could be improved by understanding Resource Partners better
- Experience and longevity
- I think the concept of having one centralized entity attempt to provide any service to businesses and economic development organizations statewide is fundamentally flawed. We work very closely with USDA Rural Development and their intermediaries, as well as our regional SBDC, and with the Department of Commerce in Topeka, to good effect. So far as I can tell NetWork Kansas has no value for us. Neither do the regional E.D. foundations.
- More education, as to what Resource Partners functions are
- Suggestions to improve NetWork Kansas services in promoting new business and economic development
- It duplicates the services of the Department of Commerce, USDA Rural Development and the Regional SBDC's.
- Assist Resource Partner with costs of implementing their program (StartUp Kansas)
- Be more knowledgeable of services/programs available. Appears to be a duplication of other services provided.
- Better understand what service partners offer. I've received more calls from persons outside my service area and areas of emphasis than from within them. I would like to see qualified referrals rather than advisors passing off cases that they don't know how to handle to others.
- Business owners do not want to be passed around to several resources to find what they need.
- Consider monthly meeting with local Resource Partners that help sharpen skills of attendees-business plans/QuickBooks/ ratio analysis, etc.
- Continue to educate staff on functions of various Resource Partners, add a research arm for the Resource Partners and promote NetWork Kansas to the general public, instead of the Resource Partners.
- Continue to promote successes so other entrepreneurs and businesses are aware of the assistance and programs available.
- Do they do any outreach coordination programs? For instance, I have just surveyed my business community about needs and have found that there is a LOT of interest in classes and presentations offered in our community for the business people. Most of our businesses are small and the owners cannot leave town for updates/classes, etc. very often without closing the business while they are gone. The numbers would not be large...but I think we could partner with other local area businesses if necessary. I would like to talk to them about it.
- Have not heard of this program but have only been in this position a year. There was nothing mentioned nor materials presented to me when I took over.
- If they could assist with press releases of success stories that would be helpful and perhaps communicate the number and type of inquiries for our service area (online as well as via phone)
- I think they have done a great job getting an inventory of the state's resources and I'm excited to see what they do from here.
- It would be nice if the match requirement by the local/regional wasn't so high

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because of risk and project variation, but I do understand the reasoning for that. More funding through the legislation is always appreciated because we've found it's harder for small business entrepreneurs to survive in the world of big boxes.

- Let more people know about the services -especially the business community
- More outreach to economic development organizations so we can make referrals, if appropriate. Perhaps some case studies or examples of start-up businesses you have assisted and the ways you have assisted them.
- Planned regular/routine personal communication and revamp (substantially lower) the matching grant requirement
- Take time to visit with the new partners and explain what is available and what we can expect
- We went through SCKEED for our loan and they handled everything for us. Everything was done in a reasonable amount of time and went smoothly."

Finally, other comments about the services, programs, or staff included:

- "Cannot see that they do anything!
- Contact has been limited. Still not sure how NetWork Kansas can be better utilized and better known.
- Erik was a great help.
- Everybody I've worked with has been VERY helpful
- I have given this whole experience a great deal of thought even before I received this inquiry. I was very excited when I became a partner and couldn't wait to find out how we could work together. It sounds like such a great idea, and I'm sure it is working for some people, but it sure hasn't here. A lot of smoke, but no fire! We must be very small fish in a big pond. Very disappointed.
- I'm sure they are wonderful, talented, knowledgeable people, but the enterprise is doomed by its basic conception. This is a hell of a big state, with variable idiosyncratic local and regional needs, opportunities, circumstances challenges and markets. The state paid no attention to us when they conducted the regional economic development "forums". There were a great many good ideas put forward in the regional forums NOT ONE of which was adopted. As a consequence, we have this, as well as the regional ED foundations -neither of which is empowering of local communities, respectful of local needs, or of much use. The primary function of both has been to attempt, once again, to serve the needs of the state through top-down, centralized, "expert" mechanisms -which mainly serve their own interests and the interests of the communities and businesses most closely located to them geographically. This enterprise is a particular waste as regards rural communities, businesses and opportunities.
- More information is needed about finding financing for hard to serve business populations.
- Perhaps they could do a workshop or presentation at one of the Kansas Main Street Quarterly Trainings (mandatory for all Main Street cities and often attended by KDDA members).
- A Resource Partner is expected to prepare closing documents, attend closing, distribute funds, collect and monitor and return pap's thru payments monthly, service loan, and collect StartUp Kansas reports, including initial report, semi-annual for 2 years, annual for additional 3 years, and final report — all for free! If the Resource "Partner" were not providing these services how many people would

Evaluation of the Kansas Center for Entrepreneurship

StartUp Kansas have to hire to prepare the closing documents, attend the closing, disburse the funds, collect and monitor payments from customers, service the loans and collect reports? Allowing the Resource Partner to keep 1-2.

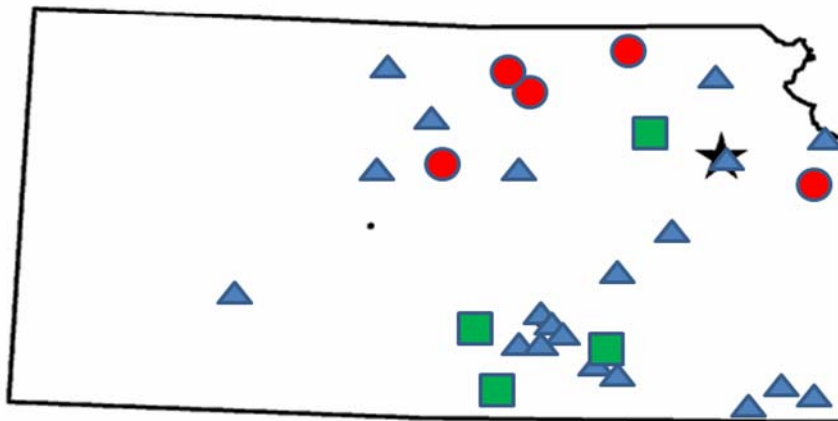
- The 800 number and web site have not been marketed correctly. Most resources still do not understand what NetWork Kansas does let alone there is funding through StartUp Kansas.
- The call center staff are always very interested in gaining new knowledge. However, I see them as a duplication of services that are provided by numerous other agencies.
- They seem to be great people. But, they need to continue to spread their message and operating plan to members. There are so many economic development organizations they must distinguish themselves from others.
- Very nice people. There's really no other way to say it. In actuality, I sort-of "invited myself" to their K-12 Entrepreneurial Education meeting and they were VERY friendly, welcoming, and didn't make me feel like an "intruder" at all. I think the right people are on board!"

C. Survey Respondents by Agency or Affiliation

The survey respondents were well dispersed across Kansas. The following map depicts the areas from where the responses were received. The map also depicts how widely the locales around Kansas where existing loans and grants are dispersed.

NetWork Kansas Geographic Portrait Map

● Loan Recipients ■ Pending loans ▲ Survey respondents



Evaluation of the Kansas Center for Entrepreneurship

More specifically, the following is a list of the affiliations of those respondents that identified themselves in their survey.

- City of Parsons
- City of Wichita
- Cloud County Community College
- Columbus Telephone Co.
- Cowley College Business, Industry & Entrepreneurship Program
- El Dorado Main Street
- Ellis County Coalition for Economic Development
- Emporia Main Street
- Emporia State University
- Four Rivers Development, Inc.
- Garden City Downtown Vision, Inc.
- Haysville Community Development Office
- Herington Economic Development Corporation
- Hodgeman County Economic Development, Inc.
- IBSA, Inc.
- Kansas Department of Commerce
- Kansas Electric Power Cooperative
- Kansas World Trade Center, Inc.
- Kansas Women's Business Center
- Kansas Small Business Development Center
- Marion County Economic Development Department
- McPherson County Small Business Development Association
- Mid America Manufacturing Technology Center (MAMTC)
- MidAmerica Minority Business Development Council
- Pottawatomie County Economic Development Corporation
- Rooks Co. Economic Development
- Southwest Kansas Technical School
- Support Kansas City, Inc.
- Southwest Johnson County EDC
- U.S. Small Business Administration
- UMKC Entrepreneurial Legal Services Clinic
- Western Kansas Business Consulting
- Wichita Technology Corporation Type of Business

VI. Funding Support and Loan Programs

This section of this review describes the StartUp Kansas loan program and describes the businesses that have been assisted through the program through August 2007. This chapter is presented in the following four sections:

- A. Funding Program Description
- B. Criteria for Funding Submission
- C. Loans and Grants Made to Date
- D. Pending Loans and Grants
- E. Recommended Evaluation Criteria
- F. "E Communities"

A. Funding Program Description

Entrepreneurs may only access StartUp Kansas funding by working with their local or regional non-profit business support providing partners. Examples of the partners are the seven Regional Foundations:

- (1) Northwest Kansas Planning and Development Commission,
- (2) North Central Kansas Community Network Co.,
- (3) Glacial Hills Resource Conservation and Development Region, Inc.,
- (4) East Central Kansas Rural Development Tax Credit Program, Inc.,
- (5) Southeast Kansas, Inc.,
- (6) South Central Kansas Economic Development District, and
- (7) Great Plains Development, Inc.

Other examples include the Four Rivers Development, Inc. (Beloit), the Main Street Kansas organizations, Chambers of Commerce, economic development agencies and other non-profit organizations charged with assisting for-profit entrepreneurs and small businesses in Kansas.

There are three ways a support partner can utilize StartUp Kansas, all of which require the support partner to provide a minimum 40% match for the project:

1. Direct grant to the entrepreneurial venture: Of the total amount to be granted, the support partner must provide at least 40%. StartUp Kansas may provide a maximum of 60%.
2. Loan to the entrepreneurial venture: Of the total amount to be loaned, the support partner must provide at least 40%. StartUp Kansas may provide a maximum of 60%.
3. Equity position in the entrepreneurial venture: Of the total amount to be invested, the support partner must provide at least 40%. StartUp Kansas may provide a maximum of 60%.

The support partner package for the entrepreneur can consist of any two or all three of the above, but if it does, the percentages of StartUp Kansas money and support partner money in each must stay the same throughout. If, under the terms of any grant, loan, or equity position, the support partner receives any payment or repayment from the entrepreneurial

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venture, StartUp Kansas shall be reimbursed for its percentage share within sixty days. "Payment or repayment" includes interest, principal, dividends, repurchase of equity, or any other value arising out of the grant, loan, or equity position, without limit unless StartUp Kansas has released the partner from this obligation in writing.

StartUp Kansas and Support Partner Roles and Responsibilities

1. StartUp Kansas does not provide funding directly to any business. It only provides funding through certain qualified local and regional non-profit organizations.
2. For each dollar in combined StartUp Kansas and support partner funding provided to a business, at least 40% must come from the support partner. No more than 60% can come from StartUp Kansas. Higher support partner matches enhance the chance of obtaining StartUp Kansas funding.
3. The StartUp Kansas committee must not allow the total dollar amount requested by the support partner for any given project to exceed 10% of the total funds available in the StartUp Kansas Fund. The maximum will be posted on the StartUpKansas.com website prior to the start of each funding period.
4. When StartUp Kansas funds are used as grants to a business by the support partner, none of the funds will be returned to StartUp Kansas unless for some reason the funds or a portion of them or payments arising out of them are returned to the support partner, in which case the StartUp Kansas proportion shall be returned to StartUp Kansas within sixty days.
5. All StartUp Kansas and support partner matching funds must be passed through to the business as cash. The support partner will determine whether the cash is provided in the form of loans, grants, or to purchase an equity position.
6. The support partner agency may also solicit additional third-party investors, loans, or grants as part of the overall proposal, but outside the funding by StartUp Kansas and the support partner. These are not to be counted as part of the support partner match, but they will enhance the chance of the proposal being accepted by StartUp Kansas.

B. Criteria for Funding Submission

It is the duty of StartUp Kansas to financially assist support partners with new business startups and expansions and then closely track the successes and failures. Tracking will be done through the support partner. The result will be to learn the key elements that are the "keys to success" in each project. It is the goal of StartUp Kansas to improve the results over time by learning from each project. There are two sets of criteria for the approval of funding:

1. Criteria set by the legislature in the Kansas Economic Growth Act of 2004; and
2. Criteria set forth by the Board of Directors of the Kansas Center for Entrepreneurship.

Evaluation of the Kansas Center for Entrepreneurship

1. Statutory Criteria

- A. Of the combined total of StartUp Kansas and support partner seed funding in the proposal, the support partner organization must provide a minimum of 40%.
- B. The applying organization must provide an explanation showing how the funds will be used as seed capital for qualified for-profit entrepreneurs.
- C. The applying organization will ensure that the funds will be utilized in a distressed or rural community.
- D. The applying organization/agency will provide an annual report to the Center Board of Directors as per statute and guidelines.

2. Center for Entrepreneurship Criteria

- A. The support partner organization will control the interest rate and other terms of any loans given, and contract terms of any equity position taken.
- B. The support partner organization must join the NetWork Kansas database of organizations providing services to Kansas entrepreneurs and small businesses. NetWork Kansas is another service of the Kansas Center for Entrepreneurship.
- C. The support partner organization will supply information to NetWork Kansas's Biz-Trakker program designed to track the success of services provided to Kansas entrepreneurs and small businesses.
- D. The support partner organization will specify whether it is a business startup or an existing business expansion that will be receiving the funds.
- E. The application of the support partner organization should relate how the funds will be utilized to add resources, enable the business to add jobs, increase tax revenue, and/or improve the overall quality of life to a distressed or rural community.

Grant and Loan Evaluation Criteria

Proposals for funding submitted by the applying organization will be evaluated by a quorum of the StartUp Kansas Committee of the Kansas Center for Entrepreneurship, which must include the President of the Kansas Community Entrepreneurship Fund and at least three members of the Kansas Center for Entrepreneurship Board of Directors.

The StartUp Kansas Committee will review each proposal based upon the following criteria:

- 1. Adherence to the statutory criteria and the requirements set forth by the Kansas Center for Entrepreneurship Board of Directors.
- 2. Explanation of the entrepreneur's need for the funding and for what it will be used.
- 3. Projected sales or sales growth and any projected employment growth.
- 4. The percentage of the support partner funding match.
- 5. The presence of any third-party funding.
- 6. The support partner demonstrates the capacity to support the entrepreneur and the proposal and provide the required feedback to StartUp Kansas.
- 7. The support partner demonstrates ability or capacity to collaborate with NetWork Kansas and other NetWork Kansas providers.
- 8. Local support: the proposal demonstrates local support for the project through cooperation of organizations and community leaders.

C. Loans and Grants Made to Date

There have been five loans made as of the August 2007 and four are pending. A total of five different Resource Partners have participated in the program for these nine projects. A description of the recipients, amounts and related information associated with these loans is presented in the following pages.

1. Dan Thalmann dba Washington County News (Loan) - A loan in the amount of \$37,500 was provided on October 23, 2006 to Four Rivers Development, Inc., Beloit (NetWork Kansas Resource Partner, Provider), on behalf of Dan Thalmann dba Washington County News (Client). The StartUp Kansas funding was used to assist with Mr. Thalmann's purchase of the Washington County News newspaper.

Contact: Dan Thalmann dba Washington County News
303 C Street, Washington, KS, 66968 785-325-2219
NetWork Kansas Partner: Four Rivers Development, Inc.,
Attn: Debra Peters
109 N. Mill Street, Beloit, KS 67420 785-738-2210

Mr. Thalmann was contacted on August 8, 2007. He was very pleased with his experience with NetWork Kansas. Deb Peters of FRD Inc. suggested that he seek NetWork Kansas funding, as she thought it would add to the goodness of the package presented to the other lenders involved in his purchase of Washington County News. The interest rate on the NetWork Kansas loan was significantly lower than the rates from banks in his area. With the purchase, he has kept the existing Washington County News staff, and hired a summer intern whom he hopes will return to work for him after she finishes her senior year of college this year. Mr. Thalmann also thinks that the Washington County News purchase helped him to purchase the paper in Clifton, even though no NetWork Kansas funds were involved in that transaction. At Clifton, he has hired two part-time people.

2. M & G Designs, Inc. (Loan) - A loan in the amount of \$45,000 was provided on January 19, 2007 to Four Rivers Development, Inc., Beloit (NetWork Kansas Resource Partner, Provider), on behalf of M&G Designs (Client). The StartUp Kansas funding was used to assist M&G Designs with business expansion.

Contact: M & G Designs, Inc., Attn: Kirk Meyer
117 S. Main Street, Sylvan Grove, KS, 67481 785-526-7777
NetWork Kansas Partner: Four Rivers Development, Inc.,
Attn: Debra Peters
109 N. Mill Street, Beloit, KS 67420 785-738-2210

Mr. Meyer was contacted on August 8, 2007. He dealt mostly with Deb Peters, who "did everything" for him. Consequently, he has nothing negative or positive to say about NetWork Kansas. He used the funds to expand his business, which has the website www.stonwurks.com. Since receiving the funds, he has added two full-time positions, and brings money into Kansas from his national and international customers' purchases of the company's lightweight natural stone products, such as countertops.

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3. Eastern Kansas Equipment & Sales (Grant) - A grant in the amount of \$1,200 was provided on January 26, 2007 to Anderson County Economic Development (NetWork Kansas Resource Partner, Provider), on behalf of Eastern Kansas Equipment & Sales (Client). The StartUp Kansas funding was used to assist Eastern Kansas Equipment & Sales in purchasing equipment and building materials to refurbish a building they purchased.

Contact: Eastern Kansas Equipment & Sales
Greeley, KS 66033 913-731-6188
NetWork Kansas Partner: Anderson County Economic Development
Attn: Dennis Arnold, Director
P.O. Box H 131 W. 5th Avenue, Garnett, KS, 66032 785-448-5496

Mr. James Akes was contacted on August 8, 2007. He described the process as “very, very easy” with “no hoops to jump through,” nor any excessively bureaucratic red tape. He has used the funds to refurbish a building that was originally a restaurant, then a “stripper club.” He invested a “lot of his own money” and the StartUp Kansas funds to make it into a workshop and install garage doors. He described the grant as a “major, major thing” and a “dealmaker.” he has hired three full-time workers since receiving the monies.

4. Coppoc’s Sports Apparel & Shoes (Loan) - A loan in the amount of \$45,000 was provided on April 6, 2007 to North Central Regional Planning Commission (NetWork Kansas Partner), on behalf of Larry Hamel, to purchase Coppoc’s Sports Apparel & Shoes (Client).

Contact: Coppoc’s Sports Apparel & Shoes, Attn: Larry Hamel
126 W. 6th Street, Concordia, KS, 66901 800-750-4284
NetWork Kansas Partner: North Central Regional Planning Commission
Attn: John Cyr, Executive Director
109 N. Mill Street, P.O. Box 565, Beloit, KS 67420 785-738-2218

Mr. Larry Hamel was contacted on August 8, 2007. He worked with Deb Peters, whom he described as “awesome.” Ms. Peters told him about the StartUp Kansas loan program. Since receiving the funds, he has retained two full-time workers who otherwise were likely to have been laid off, and he has hired some part-time help.

5. Jensen Tire, Service & Mini Mart (Loan) - A loan in the amount of \$37,500 was provided on May 25, 2007 to Four Rivers Development, Inc., (NetWork Kansas Partner), on behalf of Jensen Tire, Service & Mini Mart (Client). The StartUp Kansas funding was used for the expansion of an existing business. The local grocery store closed and the service station wanted to add a mini-mart for the community of 334.

Contact: Jensen Tire, Service & Mini Mart, Attn: Gary and Cindy Jensen
225 Main Street, Courtland, KS, 66939 785-374-4315
NetWork Kansas Partner: Four Rivers Development, Inc.,
Attn: Debra Peters
109 N. Mill Street, Beloit, KS 67420 785-738-2210

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Mr. Gary Jensen was contacted August 20, 2007. He said that it was too soon to see any results from the funds provided by NetWork Kansas. However, he has plans to add at least two part-time workers who could become full-time if his business plans work out as he hopes they will.

D. Pending Loans and Grants (as of August 2007)

In the StartUp Kansas application period that ended June 15, 2007, three loans and one grant were approved and are pending funding. They are as follows:

1. Jill Oathout dba Jill's Hitchin' Post & Waterin' Hole
116 S. Main, Caldwell, KS 67022
Amount: \$26,500 loan
NetWork Kansas Partner: South Central Kansas Economic Development District
2. Hardtail Hanna Custom Cycles
1103 N.E. 80th Avenue, Kingman, KS 67068
Amount: \$30,000 loan
NetWork Kansas Partner: South Central Kansas Economic Development District
3. Xtreme Enterprises, LLC
220 First Street, St. George, KS 66535
Amount: \$4,640 Direct Grant
NetWork Kansas Partner: Advanced Manufacturing Institute
4. Kenneth Taylor dba CJ's
427 Main Street, Burden, KS 67019
Amount: \$15,000 loan
NetWork Kansas Partner: South Central Kansas Economic Development District

E. Recommended Evaluation Criteria

The relatively small amounts of the grants and loans, in combination with the timing of the awards, makes the use of econometric models not possible to discern any measurable impact on Kansas economy at this juncture. However, Art Hall, Director of the KU Center for Applied Economics, suggests that the mere fact that any business helped by Center funds remains a going concern indicates that the loan or grant to that business was a success.

In the future, it is recommended that a combination of the following factors be incorporated into a more detailed evaluation:

1. Testimonials from community leaders where loans and grants have been made
2. Number of Businesses Assisted (Expansion/New/Attracted)
3. Number of Jobs Created/Retained
4. Property Tax Growth
5. Survey of Local Leaders
6. Call Center Contact/Activity Levels

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7. Networking/Visioning/Workshop Attendance
8. News/Media Press Coverage of program and businesses assisted
9. Job Quality (Created/Retained)
10. Sales Tax Revenue Generated or Growth
11. Amount of Capital Raised/Matched

A summary of some of these key measurement items applied to the existing and pending projects is presented in the following table.

Summary of StartUp Kansas Loans and Grant Through August 2007

Loans and Grants Made to Date						
Company	Location (2006 population)	Loan/Grant	StartUp Kansas Amount	Partner (Partner loan amount)	Est. Jobs Created/Retained	Property and/or Sales Tax Impact
Washington County News	Washington (population 1,134)	Loan	\$37,500	Four Rivers Development, Inc. (\$25,000)	retained: 4.75	Sales Tax
M & G Designs	Sylvan Grove (299)	Loan	\$45,000	Four Rivers Development, Inc. (\$30,000)	created: 2 retained:13	N/A
Eastern Equipment & Sales	Greeley (326)	Grant	\$1,200	Anderson County Economic Development	created: 2	Sales Tax
Coppoc's Sports Apparel & Shoes	Concordia (5,281)	Loan	\$45,000	North Central Regional Planning Commission (\$60,000)	retained: 2 created: 2 part-time	Sales Tax
Jensen Tire, Service & Mini Mart	Courtland (313)	Loan	\$37,500	Four Rivers Development, Inc., (\$25,000)	Retained: 3.5	Yes; Property & Sales Tax
TOTAL	5 communities	4 loans 1 grant	\$166,200	3 partners	Created:4; 2 part-time Retained: 23.25	
Pending Loans and Grants (as of August 2007)						
Jill's Hutchin' Post & Waterin' Hole	Caldwell (1,192)	Loan	\$26,500	South Central Kansas Economic Development	Created: 8 part-time; Retained: 1	Yes; Property & Sales Tax
Hardtail Hanna Custom Cycles	Kingman (3,110)	Loan	\$30,000	South Central Kansas Economic Development	N/A	Yes; Property & Sales Tax
Xtreme Enterprises, LLC	St. George (505)	Grant	\$4,640	Advanced Manufacturing Institute	Retained: 1; Created: 2 part-time	N/A
CJ's	Burden (546)	Loan	\$15,000	South Central Kansas Economic Development (\$20,000)	Created: 1 part-time	N/A

F. “E Communities”

This initiative, approved by the Board of Directors at the August, 2007 meeting provides that it be rolled out as a program in September, offering to cities, counties, and other non-profits involved in economic development, a share of the \$2 million of annual tax credit monies authorized for StartUp Kansas. The program will offer up to \$1 million in tax credits to entities that apply for up to \$250,000 each by October 31, 2007 and have defined how they want to use the money and whether they can get the donations for the tax credits. Staff is developing a detailed application for the entities to complete to be eligible for the awards. The Board of Directors will select from among those who apply the best use of the tax credit monies for economic development and entrepreneurship.

This program has the potential to be a striking innovation that will spawn great support for NetWork Kansas and StartUp Kansas. It also reflects that StartUp Kansas does not desire to control in a bureaucratic sense the use of the tax credits that the legislature authorized and is willing to defer to others for ideas and uses.

VII. Public Outreach Efforts

The staff of NetWork Kansas has made substantial efforts in trying to recruit and communicate with the Resource Partners and economic development organizations throughout the state. Having signed up 264 Resource Partners as of July 2007 is a good benchmark that they have been successful in getting the initial effort off the ground. Some of the Resource Partners responding to the survey indicated they have not really been contacted or involved and a few indicated they didn't know what NetWork Kansas was all about. Even some were skeptical that NetWork Kansas was needed, that it duplicated the operations of other economic development organizations. Most, however, felt that Kansas needed more economic development help and if NetWork Kansas was a way to get the Legislature and/or the Department of Commerce paying more attention to their region, and helping to create jobs and stabilize the local economy, then they would support it.

Staff of NetWork Kansas has met with several dozen organizations and groups the past three years, providing information about the KEGA and the creation of NetWork Kansas, the tax credit program, and how NetWork Kansas will be a portal to help send clients to the regional and local organizations. Slide presentations and question and answer sessions have been held in many situations.

Initially in 2006 staff of NetWork Kansas met with 13 groups established by the 8 regional Kansas Small Business Development Centers and then followed that up by having 18 Town Hall meetings around the state. The staff learned what was thought needed and what was provided for further education.

Educational Institutions

The first thing NetWork Kansas did in the educational area was to contract with Wichita State University to do an Inventory of Entrepreneurial Education in Kansas, including K-12, community colleges, four-year institutions, and public sector training. The last being courses and seminars offered by Small Business Development Centers, economic development entities, Chambers of Commerce, the Kansas Department of Commerce, cities, counties, and others. That became a valuable resource to identify organizations to contact for the staff.

The educational institution strategy was to meet first with the community colleges and then with K-12 institutions and those meetings were held in May, 2007. Regents universities are scheduled for meetings in the fall of 2007. The three groups will be united in providing recommendations for how to maximize the benefits of entrepreneurial training in the educational institutions in Kansas.

Community Colleges:

The Community Colleges group was offered a slide show about NetWork Kansas and then was divided into five sub-groups for discussion, with handouts to help focus the discussion on the issues. Conclusions reached were these:

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The chief problem with the entrepreneurial education provided by the Community Colleges was that not all courses are accepted by the four-year colleges for credit. This often makes students not want to take the course. The NetWork Kansas staff concluded, “The issue of transferability is a key element of any discussion regarding Community College curriculum.”

An example was the highest priority course as judged by the Entrepreneurial Education group was *Intro to Entrepreneurship* but that course is not allowed to transfer to credit for a business degree while *Intro to Business* is. All judge that this is harmful to the entrepreneurial atmosphere in the state.

Four of the groups defined *Intro to Entrepreneurship* as an Introductory Overview course while one considered it a Capstone class—the culmination of learning from the marketing, financial, and management classes.

The staff concluded there was consensus that there needed to be a *Financial Decision-making* course to help the entrepreneur understand what their financial documents mean. Since many students are non-traditional and do not move on to four-year institutions, it’s an important course to help make the entrepreneur successful. This course should be offered, they concluded:

- As classes that won’t be accepted at the 4-year institutions.
- As seminars rather than as semester long courses
- Without regard to whether it is accepted by any other program

Along the same lines, the staff wrote that the group concluded that “entrepreneurial education is more of a marriage of education and application than anything else. Learning becomes more valid if it can be attached to a prior learning experience such as found in the workplace.”

Community colleges have somewhat different clienteles by region:

- In general 75% of today’s CC students transfer into a 4 year institution while 25% are non-traditional.
- Cowley County CC sees its clientele as 80% traditional, 20% non-traditional.
- Johnson County CC says 20% of returning students want to start businesses and 27% are interested in other careers.

There needs to be serious consideration by the 4 year institutions to accept the Community College student and transfer credits, rather than seeing the Community Colleges as competition.

A course called *New Venture Feasibility* was suggested for Entrepreneurial Education. It would suggest asking the questions, “Does the market need it? Is there a market for it? What do I need as an individual to fulfill this need?” Some argued that was central to *Intro to Entrepreneurship*.

It was agreed that there needed to be “articulation agreements” between the community colleges and the 4-year institutions so the curriculum in these courses was the same. The Public Sector group, NetWork Kansas staff concluded a brainstorming session as follows:

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- There needs to be more seminars. A 3-hour seminar often leads to an attendee taking a semester long course, the seminar attendee concluding they needed to know more.
- Small Business Development Centers and others were not covering the state adequately for entrepreneurial education.
- Chambers and economic development organizations tend to focus on big business and they need to change the view to include entrepreneurship.
- “Need an “Ag Extravaganza” where small start ups, financial institutions, and other support organizations can display their offerings. Networking is an important outcome.”
- Internet-based learning of entrepreneurship, marketing, etc could be done 24/7 year around, a help to Kansas entrepreneurs who are employed.
- Many more specific ideas were generated in the brainstorming session.

Conclusions from the meeting with the Community Colleges and Public Sector

The community colleges are offering excellent and useful educational services to the entrepreneurs in Kansas and they are located regionally to be of maximum benefit. Aided by the Small Business Development Centers, many of which are located in community colleges, and the “public sector” educational offerings, the basic infrastructure for enhanced education exists. There needs to be some significant change in the relationship between the four-year institutions and the community colleges in order to take advantage of this infrastructure and maximize the opportunities for entrepreneurship. NetWork Kansas should be given credit for convening these meetings and generating such productive discussions. NetWork Kansas may well be the catalyst that makes enhanced cooperation in such as common course materials in certain curricula along with transferability of credits possible. In the Consultant team’s judgment, these changes are worthy of considerable effort.

K-12 Institutions:

The staff of NetWork Kansas presented an hypothesis to the K-12 attendees, that being “Education systems in Kansas don’t encourage entrepreneurship early enough in the education process.” They then asked the participants who were organized in breakout groups to discuss whether or not they disagreed with the statement.

Each group agreed with the statement and agreed that new types of programs need to be implemented for K-8 students. Many ideas and priorities for the ideas were discussed.

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K-8 Students:

The Conclusions for the elementary and middle school students regarding entrepreneurial education were these:

1. "A common definition of entrepreneurship was needed.
2. Teachers who would champion the teaching needed to be identified.
3. Materials needed to be developed to be able to be dropped into existing classes.
4. External resources needed to be engaged and incorporated in the program.
5. Teach entrepreneurship at a younger age. (Kindergarten is not too early.)
6. Involve the Legislature to mandate that entrepreneurship become part of the curriculum.
7. Involve the local community.
8. Access capital through competitions, clubs, awards.
9. NetWork Kansas could spearhead the organization of forums and career fairs to expose others to entrepreneurial efforts already in place.
10. Influence school superintendents to encourage making entrepreneurial education a priority in Kansas."

The K-12 Institutions conclusions:

These ideas needed to be explored:

1. Tap into community colleges to offer courses for 9-12 students and teachers.
 2. Offer camps in entrepreneurship for both teachers and students.
 3. Engage local communities to develop grassroots support, working with local businesses to create networking events for students, targeted scholarships, and open house events to showcase ideas/products/services of entrepreneurial students.
 4. Learn from and engage resources from existing leadership programs.
 5. Expand community foundations' teacher stipends for extracurricular activities like sports coaching to include entrepreneurial activities.
 6. Involve community leaders already involved in school boards, principals, superintendents in program development so they have a stake in success.
 7. Develop mentorship and internship programs.
 8. Listen to teens...then develop entrepreneurship education programs to fit their interests.
 9. Develop education component of NetWork Kansas (work with Kansas Legislature to include entrepreneurship in curriculum, expand web offerings, and develop statewide forums).
- It was also noted that lack of funding is a big cause of the lack of entrepreneurial education. Local organizations like Rotary Clubs can bring resources.
 - NetWork Kansas could also develop four regional education forums across the state. In these, the following could occur:
 1. NetWork Kansas could help identify corporate vendors and content for both general assemblies and break out sessions at these forums.

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2. Incorporate the community and the teachers as a unit.
3. Forums could also be held online at NetWork Kansas' site.
4. NetWork Kansas could also become the conduit between business groups and education communities involved in the forums.
5. Adopt standards of entrepreneurship (perhaps from another state.)

Conclusions from the Educational Institutions Meetings:

Many more ideas were generated and circulated but not quantified in the report as conclusions and directions that all suggested to follow. The staff of NetWork Kansas was apparently ably assisted by Lisa Roberts of Cowley Community College in facilitating the discussions with the educational groups. The materials for kick-off and discussion and the resulting responses of the attendees indicate that a good job was done of surfacing the issues and moving everyone along toward a plan of action, in the Consultant team's opinion. Much follow up is needed, but there is strong approval to move ahead on that course of action.

Town Hall Meetings:

Between March and May 2006 18 Town Hall Meetings were held with a total attendance of about 90 in each of the regions. The meetings featured a presentation by NetWork Kansas staff and then a facilitated discussion of what is being provided and what is needed to encourage entrepreneurs and to help make them successful. The approach taken was reported to be a 15-minute presentation to "let people know that NetWork Kansas was up and running as a centralized resource to connect entrepreneurs and small businesses to the expertise, education, and economic resources that are available throughout the state," followed by 45-to-75 minutes of open discussion among the participants "facilitated by NetWork Kansas." Participants included mayors, city council members, chamber of commerce members, county commissioners, business owners, community leaders, and students. A number of questions were asked of the participants, including *Questions for the Entrepreneur and Existing Business*, such as

What are some of the biggest challenges facing a person starting a business today?

What are some of the biggest mistakes made by people starting a business?

Where should the entrepreneur look for economic resources?

Then they asked *Questions for Your Community*, such as

The Center for Rural Entrepreneurship says there are four primary pillars for economic development in rural communities: leadership, youth, endowment, and entrepreneurship.

- How is your community doing in these areas?

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- What are the strengths/weaknesses your community has in supporting entrepreneurs?
- What career opportunities are available for you in this community?

Participants were involved on each question in an open discussion. Recurring themes were identified by the staff:

Theme #1: ***“Kansas has an abundance of resources; however, it is difficult to connect those resources with the entrepreneur and small business owner who may need them.”***

The staff concluded that small business owners and entrepreneurs are (1) too busy to look for the resources they need, (2) by the time they realize they need the resource, it may be too late, and (3) reaching them needs to focus on the primary access points that entrepreneurs use to get information: that’s where NetWork Kansas needs to be; those include existing state publications, Resource Partners, libraries, and state professional organizations

Theme #2: ***“There is significant concern regarding the succession of management and/or ownership of an existing business to the next generation.”***

The staff found significant concern for succession in every community. Whether it was a small retail business or a manufacturing entity, these entities provide jobs and leadership in community organizations; succession is important in many ways to the community—as a major threat but also an opportunity. It’s known it’s easier to expand an existing business than to start new businesses. Hindrances include that mature businesses often have no debt, so owners operate on lower margins that wouldn’t sustain the business if it had to issue debt to buy the business; many small businesses are successful because of the charisma or popularity of the owner, which may not transfer; and, many owners don’t want their privacy of decision-making on selling or retiring violated.

An idea that resulted was the development of a statewide buyer/business matching system, through a software program that would protect privacy and perhaps attract people to move back to the community. A tax credit program specifically designed for succession management in rural communities was another worthwhile idea generated. It was a concept for mustering community equity for buying a business.

Theme #3: ***“The use of technology in existing businesses, particularly retail, is underutilized.”***

The staff concluded “there was not a clear perception that (ecommerce) represented a significant opportunity” to grow a business. There needs to be a thought process for global competition that reflects the uniqueness of the local business’ products to potential buyers. Ideas generated included focusing on assisting an existing business to “build an online business” rather than just having a website.

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Theme #4: ***“Education systems in Kansas don’t encourage entrepreneurship early enough in the educational process.”***

Most entrepreneurial programs don’t start until the college level and most agreed that’s too late. Mentioning owning your own business is not done enough when advising about careers. Programs should be developed for elementary, middle, and high schools, but all agreed the workload of the teachers and the subject matter would present obstacles. Ideas generated included online programs and those that involved experiential methods of working in local businesses.

Theme #5: ***“There needs to be a cultural ‘attitude adjustment’ regarding youth staying and/or coming back to live in rural Kansas.”***

The staff indicated that the participants said parents and friends often say success is leaving rural Kansas and if you do and you come back, it’s somehow a failure. That has serious implications for rural Kansas. The staff concluded that “Changing attitudes concerning the definition of what makes up a successful life is a significant paradigm shift and is the responsibility of the entire community.”

One Town Hall had 25 high school students who were polled: (1) 70% said if the opportunity presented to stay or come back, they would, (2) 12 students had parents who owned local businesses and eight said they’d come back. The implications were that communities could consider ways to recruit workers and entrepreneurs who previously lived in the area “because they are more likely to stay once they return.”

Theme #6: ***“Communities find it difficult to find employees who have the proper technical training and, in some cases, have that good old fashioned work ethic.”***

Some of the Town Hall comments reflected the generational differences between the workers today and those of earlier generations: just getting people to “show up” and “put in a full day’s work” was said often. Kansas First and Workforce Development could help with the technical skills, the staff identified, but the cultural/work ethic issue is more difficult; some communities have created training to address the issue, providing those who complete the work ethic training with a certificate; that could help employers feel more comfortable hiring the employee.

Summary of Conclusions from Town Hall Meetings:

The staff concluded that many of the central themes of the Town Hall meetings reflect the mission of NetWork Kansas “to promote an entrepreneurial environment throughout the state of Kansas by establishing a central portal that connects entrepreneurs and small business owners with the right resource—expertise, education, and economic—at the right time.” They concluded that “no one organization has the solution to all of these issues; however, collectively, utilizing resources...that are available, Kansas can begin to move forward to create a more entrepreneurial environment.”

Staff of NetWork Kansas has made presentations at several *Main Street* conferences around the state. They note that *Main Street* has little funding but the tax credits could be useful to accomplish their goals. One western Kansas *Main Street* city had a project working with a business that StartUp Kansas tried to help with, but it turned out not to be a feasible project and was not funded.

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NetWork Kansas' outreach efforts have been largely successful. As of July 2007 they had signed up Resource Partners in 73 of the 105 counties in Kansas, a 70% rate. As of August 2007, the Resource Partners are over 400. They also have 171 Active clients. (Staff reports that an "Active" client is one that is still working with NetWork Kansas in some way or another – still deciding if they want to start their business or not, meeting with a Resource Partner, waiting to meet with a Resource Partner, or standing still but don't appear to have self-selected out yet; some are still working with the system but say they don't need staff assistance and will call if they need help; staff internally term that as "Active but no follow-up needed" and say they are working to make sure they can benchmark and track those as a subset of "Active." Clients that have self-selected out, didn't return phone call attempts, or went away when they found there was no free money are categorized by staff as "Serviced." "Express" clients are those who call with a quick question, it was answered, and they move on.)

Since launch of operations there have been 171 Active clients, 248 Serviced clients, and 100 Express clients.

Staff is developing a program called "Constant Contact" that will allow them to use the technologies of email and the Internet to "blast" messages to discrete groups, such as Resource Partners, clients, news media, government entities, economic development entities, Regional Foundations, community colleges, and more. As there are different programs developed or different information not universally desired, they can tailor their messages to the audience. This looks like a legitimate innovation to reach the approximately 1000 people they need to communicate with.

Another measure of success at outreach is the climbing number of inbound contacts monthly. From July 2006 when 1,447 separate calls came in to June 2007 when 6,252 calls came, there is a steady growth of awareness of their existence and usefulness.

Significantly, as an informal measure of success in reaching out, NetWork Kansas has been asked by the City of Greensburg to help set up an Incubator for businesses who want to come back or start up there. NetWork Kansas has 80 Active clients the staff has just started to work with in Greensburg.

One of their outreach efforts is a *Client Satisfaction Survey* they sent to the Active clients regarding services from March 2006 to March 2007.

- The results of the survey were positive with 46% scoring Excellent in satisfaction with the Call Center counselors and 36% Above Average.
- Satisfaction with the Resource Partners was likewise high, with 14% scoring Excellent and 50% Above Average.
- The response rate was nearly 25% and most surveyors consider that a normal response rate. The Client Satisfaction Survey is a good way to keep the clients aware of NetWork Kansas and to help the word-of-mouth marketing message that the organization cares about the client.

Staff plans to continue the surveys every six months.

Evaluation of the Kansas Center for Entrepreneurship

One of the interesting and unusual elements of the KEGA was the creation of the Kansas Bioscience Authority and the requirement that the Center convene an Agricultural Bioscience Entrepreneurship Forum. NetWork Kansas organized that Forum and held it in January 2007 before the legislative session began. While that is not a continuing responsibility of NetWork Kansas, it probably did help the exposure of the organization to others interested in economic development around the state and aided NetWork Kansas' credibility.

VIII. Conclusions and Recommendations

This section of the evaluation summarizes the major conclusions as a result of this independent assessment and recommendations for NetWork Kansas and StartUp Kansas for the future.

Conclusions

As required by the creating statute, Section 74-99c10, requiring Kansas, Inc. to conduct a review of the Kansas Center for Entrepreneurship and the Community Entrepreneurship Fund to determine program and cost effectiveness has been performed. This evaluation has examined the depth and quality of the entrepreneurial activity as a result of NetWork Kansas efforts including the breadth and quantity of that activity.

The survey performed as a part of this evaluation found that 70% of the business ventures that had been in communication with NetWork Kansas were moving forward with their new business efforts and only 6% had discontinued their business development efforts. This is a very important and favorable finding. In summary, it is the Consultant team's conclusion that to this date the program is effective and the operations are cost effective.

The evaluation required to occur three years from the date of the creating statute is not suitable to see significant quantifiable results. In the interim, analysis needs to rely on the data of the number of businesses and jobs retained and created and the benefit to rural Kansas communities as well as the potential for the future impact upon sales and/or property tax revenues. The staff and the Board of Directors are doing what the legislation intended be done. More specifically, this evaluation found that:

1. Members of the Board of Directors represent an appropriate mix of the state's entrepreneurial talent and serve the organization well.
2. The enabling Legislation generates some confusion with regard to the operation of the organization.
3. The *Biz-Trakker* tool used by NetWork Kansas does a good job of providing the important information quickly to inquiries and allowing monitoring and reporting to be timely and efficient.
4. There has been considerable collaboration and cooperation and assistance from agencies of the state, particularly the Kansas Department of Commerce and the Kansas Small Business Development Center.
5. The Board's decision-making criteria associated with the grants and loan process are rational, fair, and financially sound.
6. The focus of the loan and grant efforts have met the legislative intent of primarily serving rural areas of Kansas.

Evaluation of the Kansas Center for Entrepreneurship

7. The Regional Foundations and the 75% rural business development tax credits have provided an enhanced awareness of tax credits for gap financing throughout the state, which should help StartUp Kansas visibility.
8. The Regional Foundations are an addition to the leadership pool in the economic development field.
9. NetWork Kansas has worked diligently to develop procedures, policies, and approaches to provide budding entrepreneurs with tools that are user-friendly and practical, and that avoided creating a bureaucracy-based organization.
10. The call center staff and supporting working manual are being used effectively and help working with and through a wide range of regional and local economic development organizations.
11. The expenditures of NetWork Kansas appear to have been handled frugally.
12. NetWork Kansas outreach and communications efforts are diverse, frequent, and for the most part well received by a majority of the entities they strive to serve.
13. Overall, Resource Partners, advisors, and the seven Regional Foundations express the opinion that NetWork Kansas and StartUp Kansas are valuable additions to the Kansas economic development armament. Some who have been sponsors are not pleased with the paperwork to process a loan, and StartUp Kansas has responded and made some changes to make it easier.

Recommendations

Based on these findings and conclusions, the following recommendations are encouraged to further enhance NetWork Kansas:

1. The StartUp Kansas grant and loan criteria are very satisfactory. However, it is recommended they be refined to further include and consider the number of jobs retained and/or created.
2. The Kansas Small Business Development Center and Fort Hays State University have done a good job of minimizing the impact of bureaucratic operations with conscientious efforts to maintain a collaborative and cooperative and supportive relationship amongst all parties. Nevertheless, new people may not see the collaborative role and support role as important. It is recommended that relationships and roles be more clearly defined and formalized before the existing arrangements become so established that any change proposed finds policy makers taking conflicting sides.
3. The consultant team suggests this is an unduly complicated administrative process and would be streamlined by having NetWork Kansas be more independent and report annually directly to the Kansas Secretary of Commerce and contract with an accounting firm for their limited accounting needs.

Evaluation of the Kansas Center for Entrepreneurship

4. NetWork Kansas staff has made substantial efforts in trying to recruit and communicate with Resource Partners and economic development organizations throughout the state. However, as some of the Resource Partners responding to the survey indicated they have not really been contacted or involved and a few indicated they didn't know what NetWork Kansas was all about. Therefore, continuing to survey users on the every six month schedule is a good practice.
5. The Kansas legislature needs to maintain the 75% Tax Credit level for the program to ensure adequate funding is available for StartUp Kansas programs.
6. In the future, the following evaluation criteria be formalized and incorporated into a more detailed evaluation:
 - a) Testimonials from community leaders where loans and grants have been made
 - b) Number of businesses assisted (expansion/new/attracted)
 - c) Number of jobs created/retained
 - d) Property tax growth
 - e) Survey of local leaders
 - f) Call center contact/activity levels
 - g) Networking/visioning/workshop attendance
 - h) News/media press coverage of program and businesses assisted
 - i) Job quality (created/retained)
 - j) Sales tax revenue generated or growth
 - k) Amount of capital raised/matched

Based on this evaluation and analysis of the tools and practices that NetWork Kansas has established, NetWork Kansas and StartUp Kansas will have significant successes going forward on behalf of the State of Kansas.

KANSAS, INC.

Created by the Legislature in 1986, Kansas, Inc. is an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to ensure the state's ongoing competitiveness for economic growth. To attain our mission, Kansas, Inc. undertakes these primary activities: 1) Identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas; 2) To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies; 3) Through collaboration and outreach with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark development efforts in the State of Kansas.

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Through analysis and open dialogue, Kansas, Inc. identifies policy options and builds the consensus essential for concerted action on vital economic issues. Kansas, Inc. is designed to be a public-private partnership with expectations that state investments are leveraged with other funds to maintain a strong research portfolio.

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