

**Kansas Department of Commerce  
Testimony on HB 2123  
Rachel Willis, Director of Legislative Affairs  
at the Kansas Department of Commerce  
House Commerce  
February 1, 2023, 1:30 P.M.  
Room 346 S**

Thank you for allowing us to testify as neutral to HB 2123. This bill would establish the Office of Entrepreneurship within the Department of Commerce. It also encourages 5% of state contracts and certain incentive funding go toward Kansas businesses that have been in operation for less than 5 years, encourages the elimination of the first-year business fees and requires the Office of Entrepreneurship to submit an annual report to the legislature.

We appreciate the legislature's interest in enhancing the support provided to entrepreneurs and new small businesses across the state. We share this same passion and will continue to work diligently to ensure that we are providing quality support to these businesses. Our work with entrepreneurs and new small businesses is primarily done through funding partnerships with NetWork Kansas and the Kansas Small Business Development Center (SBDC).

As written, HB 2123 duplicates the efforts of NetWork Kansas and the Kansas Small Business Development Center. Section 2 of the bill creates the Office of Entrepreneurship. In 2004, the Kansas Economic Growth Act created the Kansas Center for Entrepreneurship at the Department of Commerce, which was named NetWork Kansas. Section 2 goes on to state that the Office of Entrepreneurship should work with stakeholders and organizations to support entrepreneurship to enhance learning and skills, provide technical support and expand access to resources for entrepreneurs across the state. This is very similar to the mission of NetWork Kansas which states, "devoted to the growth of entrepreneurship and small business throughout the state....to promote an entrepreneurial environment by providing a central portal that connects entrepreneurs and small business owners with the right resources." Specifically, NetWork Kansas staff are located in regions across the state and work with more than 600 partners to provide programs that support the growth of entrepreneurship. In addition, there are 69 Entrepreneurship Communities in Kansas that provide expertise, education, and economic resources to local entrepreneurs. Furthermore, NetWork Kansas launched the Impact Investment Center in March of 2006 to serve as a central portal to connect entrepreneurs to business building resources.

Below are statistics related to the work of NetWork Kansas over the past 17 years:

- Cumulative Inbound Calls/Leads: 33,946
- Total Referrals: 69,690
- Total historical interactions with clients: 160,884

Additionally, SBDC also extensively works with entrepreneurs who are seeking to start a business. Over the last decade they have provided 45,516 hours of one-on-one counseling with “pre-venture” clients (clients who have not yet started their business). During that same decade, they assisted 2,293 entrepreneurs start their small businesses. Through the work of NetWork Kansas and SBDC, we are working tirelessly to support entrepreneurship and small businesses.

Besides the duplicative work that this bill causes, we have some concerns about the 5% state contracts and various funding streams being allocated to businesses that have been in operation for less than 5 years. At this time, we do not have data related to this requirement. We cannot evaluate whether 5% is an appropriate goal or threshold. Additionally, some of our economic development funds (i.e. Community Development Block Grants and Workforce Funds) are federal dollars, and we cannot change funding guidelines to give priority to new, small businesses. We are also concerned that prioritizing businesses that have been in business for less than 5 years may result in some unintended consequences such as larger, established businesses creating small, new businesses to take advantage.

Lastly, in order for our agency to comply with the reporting requirements detailed in this bill, we would need additional staff, software and operational resources.

We are hopeful that these elements can be addressed if the Committee wishes to move forward with the bill. We are excited about the opportunity to continue to discuss entrepreneurship and new small businesses in Kansas and find ways to increase support for them in the future.

Thank for allowing us to testify as neutral to HB 2123. Please consider these needed changes as you move forward.