Innovation and Technology Led Economic Development

Midwestern Legislative Conference
Council of State Governments Midwest

Trent Armbrust
Chief Strategy Officer
Kansas Department of Commerce
“Confluence of lasting structural insecurities”

“We have entered the perfect long storm; we cannot wish away these insecurities”

“Must invest over a sustained period; ...embark on public-private collaboration on a scale never before adopted. “
In economics, it is widely accepted that technology is the key driver of economic growth.

Technological progress allows for the more efficient production of more and better goods and services, which is what prosperity depends on.

What is Required for Technology-Based Economic Development?

• A research base that generates new knowledge (university & corporate)
• Mechanisms for transferring knowledge to the marketplace (commercialization)
• Entrepreneurial culture
• Sources of risk capital
• Technically skilled workforce

https://ssti.org/TBED
US Angel and Seed Deal Activity

Seed defined at <$500K or if first round and self defined as seed. https://nvca.org/research/pitchbook-nvca-venture-monitor/
VC Deal Activity (Number of deals)

https://nvca.org/research/pitchbook-nvca-venture-monitor/
Total SBIR/STTR Awards

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<th>2016</th>
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<th>2019</th>
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New Knowledge
Rebuilding the Innovation Ecosystem

Support of University Affiliated Research Centers
- ARPA Funds
- State General Fund
- Economic Development Administration
- Corporate Engagement
Proof of Concept Program

• Goals
  • Establishment of promising new technology-based entrepreneurial ventures in Kansas
  • Commercialization of inventions resulting from research conducted at Kansas public universities

• Objective
  • Target funding gaps that impede the progression of technology into the marketplace
  • For-Profit Entity
  • Faculty Led
  • $5K - $25K
  • Applications evaluated on a quarterly basis
Small Business R&D Acceleration Grants

• Goals
  • Advance promising new technology-based entrepreneurial ventures in Kansas in partnership with Kansas public higher education

• Objective
  • Target funding gaps that impede the progression of technology into the marketplace

• For-Profit Entity
• 1:1 Match
• $5K - $25K
Research and Development Tax Credit

- Taxpayers who make expenditures in research and development activities in Kansas can claim an income tax credit.
- Credit is 10% of the difference between R&D expenses for the year and the average of expense made during the year and the previous two years.

2022 Leg Session
- Moved credit from 6.5% to 10%
- Allowed all taxpayers to qualify
- Made credit transferable

Commercialization
Rebuilding the Innovation Ecosystem
Entrepreneurial Culture
Rebuilding the Innovation Ecosystem

Aligning Existing Resources

• Regular meetings with SBDC, NetWork KS, KS Commerce, Cert. Dev. Corp, PTAC etc.
• Working with local entrepreneurial support offices

New Resources

• Created Office of Innovation
• Celebrating entrepreneurial success
Capital
Rebuilding the Innovation Ecosystem

Angel Investor Tax Credit
• 2021 Legislature renewed program and increased annual tax credits from $6M to $8M over a 5-year period.

Targeted Programs in SSBCI 2.0: GrowKS
MINORITY/WOMEN-LED STARTER LOANS
Match: 200% match of the bank loan
Geography: Statewide
Loan Cap: $100,000
Example:
Business receives a $50,000 bank loan or other private capital; the business could qualify for an up to $100,000 Minority/Women-Led Starter Loan

MINORITY/WOMEN-LED GROWTH LOANS
Match: 25% match of the bank loan
Geography: Statewide
Loan Cap: $250,000
Example
Business receives a $400,000 bank loan or other private capital; the business could qualify for an up to $100,000 Minority/Women-Led Growth Loan

RURAL/URBAN DISTRESSED LOANS
Match: 150% match of the bank loan
Geography: Rural & distressed areas of urban centers
Loan Cap: $100,000
Example:
Business receives a $50,000 bank loan or other private capital; the business could qualify for an up to $75,000 Rural/Urban Distressed Loan
COMMMUNITY ASSET LOANS
Match: 15% match of the bank loan
Geography: Statewide
Loan Cap: $250,000
Example
Business receives a $1M bank loan or other private capital, the business could qualify for an up to $150,000 Community Asset Loan

TARGET SECTOR LOANS
Match: 10% match of the bank loan
Geography: Statewide, specific industries eligible
Loan Cap: $1M
Example
Business receives a $5M bank loan or other private capital, the business could qualify for an up to $500,000 Target Sector Loan
MINORITY/WOMEN-LED MULTI-SECTOR INVESTMENTS
Minimum investments: $50,000
Geography: Statewide
First round Match: 200% match of the private investment
Investment Cap: $250,000
Second round Match: 100% match of the private investment
Investment Cap: Additional $150,000

GROWKS COMMUNITY ANGEL SUPPORT PROGRAM
Total Allocation: $5M
This new program will engage partners — including community foundations, statewide foundations and other nonprofit partners — to create equity impact investment opportunities that activate entrepreneurs to solve community issues.

NON-MINORITY/WOMEN-LED MULTI-SECTOR INVESTMENTS
Minimum investments: $50,000
Geography: Statewide
First round Match: 100% match of the private investment
Investment Cap: $250,000
Second round Match: 100% match of the private investment
Investment Cap: Additional $150,000

GROWKS MULTI-FUND PROGRAM
Total Allocation: $6M
This new program will invest in two to six Kansas-based seed/early-stage venture funds.
Workforce

Rebuilding the Innovation Ecosystem

Registered Apprenticeship Program

- Expanded office from 1 to 6 people
- Received $5M US DOL grant
- 2022 Legislature
  - $500K for Registered Apprenticeship (incentives)
  - $714K for Worked Based Learning intermediary support
150 years ago, top cities by population in KS in 1870.

1. Leavenworth: 17,873
2. Lawrence: 8,320
3. Atchison: 7,054
4. Topeka: 5,790
5. Fort Scott: 4,174
6. Iowa: 3,531
7. Olathe: 3,022
8. Ottawa: 2,941

Wichita had a population of 689. Today, Wichita is the largest city in the state and the Wichita MSA has a population of 647,919. Shows the impact of entrepreneurs, innovation, and industry.
Let’s Talk
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