

# NORTH CENTRAL KANSAS RURAL BUSINESS DEVELOPMENT TAX CREDIT PROGRAM REPORT

Fall 2011

North Central Kansas Community Network Co., Inc.

## ABOUT THIS REPORT

The information you are about to read provides an overview of the activity surrounding the North Central Kansas Rural Business Development Tax Credit Program. Included are examples of investments made by the North Central Kansas Community Network Co., Inc., (NCKCN) - North Central Regional Planning Commission (NCRPC) team thus far. This team has responsibility for the nineteen (19) counties of North Central Kansas.

We believe organizations like ourselves need a vision that guides such investment activity and that the vision should be the product of



Doug McKinney,  
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discussions with area leaders and our own observations.

We hope you find the information useful and that you will become actively engaged in the program. Please feel free to contact us with any questions.

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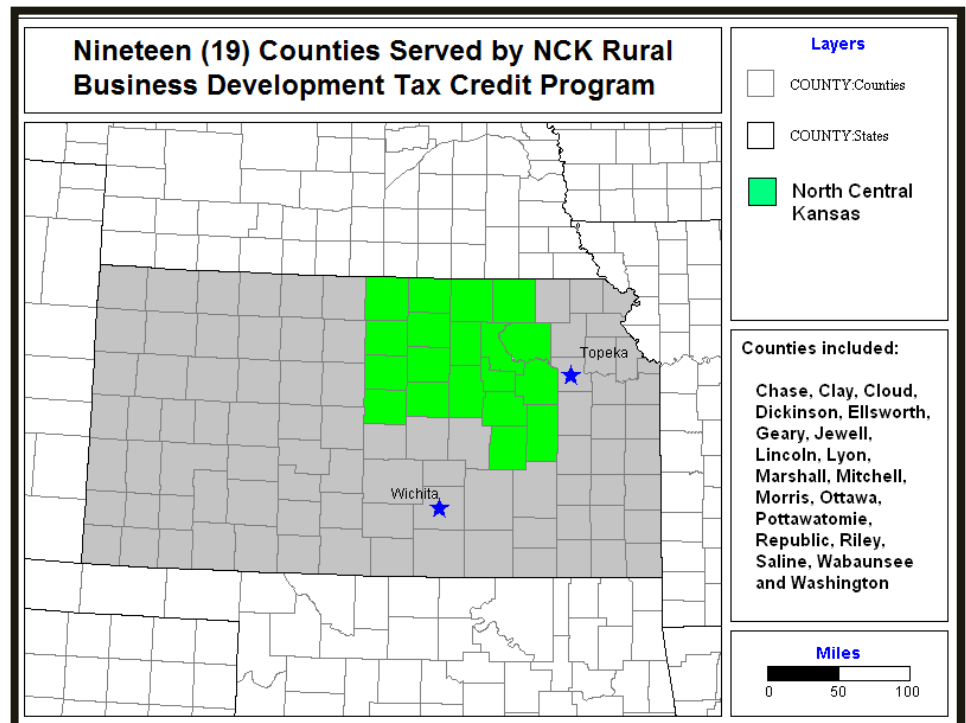
To view forms or additional information, visit  
[www.ncrpc.org/services/economic.html](http://www.ncrpc.org/services/economic.html)

## Kansas Income Tax Credits Available for 2011 Tax Year

State income tax credits for the 2011 tax year are now available through the North Central Regional Planning Commission and its non-profit affiliate North Central Kansas Community Network Co. (NCKCN). These credits are made possible by the Kansas Department of Commerce via the Kansas Rural Business Development Act of 2004. For Kansas income taxpayers, the credits provide a means of support for future project development in North Central Kansas and a sizable obligation reduction.

The credits are valued at 75% with funding donated to NCKCN in exchange for the credits being used for rural business development activities. A tax credit is a dollar-for-dollar credit against state income tax

*(Continued on page 2)*



## FREQUENTLY ASKED QUESTIONS

### **Information about the North Central Kansas Rural Business Development Tax Credit (NCK RBDTC) Program mentions both the North Central Kansas Community Network Co., Inc. (NCKCN) and the North Central Regional Planning Commission (NCRPC). How are these organizations related?**

The NCRPC and the NCKCN, a 501(c)3 affiliate non-profit company, have joint responsibility for the RBDTC program in North Central Kansas. The NCRPC is a “regional planning commission” formed in 1972. NCKCN was developed as an affiliate of the NCRPC in 1995. It is a non-profit entity overseen by the NCRPC. Donations are made to NCKCN.

### **Why should I consider making a donation to the North Central Kansas Community Network Co., a 501(c)3 organization, in exchange for 75% state tax credits?**

Most businesses and many households pay some form of state income tax every year to the Kansas Department of Revenue. Donations in exchange for 75% state tax credits gives the tax payer the alternative of redirecting some of their state tax obligation to North Central Kansas as a means of helping advance the economic growth of their home region.

### **What is the minimum amount I or my company must contribute in order to participate in the initiative?**

The minimum is \$250. There is no maximum limit.

### **Who is eligible to access and utilize the credits?**

All persons or tax paying entities obligated to pay Kansas state income tax.

### **How do I or my company benefit from making the donation other than through the economic growth of North Central Kansas?**

The best way of answering that is by example. Assuming you make a \$1,000 donation to NCKCN, a 501(c)3, you automatically reduce your state tax obligation by \$750. Then, if you itemize your deductions on your federal tax return, an additional amount may be recovered from the IRS specific to the charitable donation itself. The table at the top of page 3 illustrates the possible benefit to donors.

### **Do the credits carry forward into the next tax year if the contributor's state tax obligation in the current year does not equal the amount of credits received?**

These credits cannot be carried forward. However, the state will issue you a check for any portion of the acquired credits which go unneeded in the current tax year. For example, if you donate \$1,000, you receive tax credits valued at \$750. If your state tax obligation for the current year is \$500, you are allowed to offset that obligation by \$500 through use of the credits. The state will then issue you a \$250 check so you recover the entire \$750.

### **How will my donation foster economic development in the region?**

Nineteen (19) counties are included in this initiative in North Central Kansas. Those counties are: Chase, Clay, Cloud, Dickinson, Ellsworth, Geary, Jewell, Lincoln, Lyon, Marshall, Mitchell, Morris, Ottawa, Pottawatomie, Republic, Riley, Saline, Wabaunsee and Washington. Our charge is to create a program that has regional impact and yet remains equally accessible to all.

### ***(Credits Continued from page 1)***

liability. For instance, a \$1,000 donation means donors automatically reduce their state tax obligation by \$750. Furthermore, some taxpayers can claim the donation as a Federal income tax deduction as NCKCN is a 501(c)3 entity under IRS statutes.

The 2011 allocation for the North Central Kansas Rural Business Development Tax Credit Program (RBDTC) is \$257,143. To date, only \$40,000 of that has been sought. Thus, the remainder is available for pursuit. All donations must be received in writing on program forms by December 31, 2010.

The NCRPC has managed this region's allocation since 2004. More than \$2 million dollars has been generated for project activities. A few of the efforts supported have been low-interest business development loans, industrial park infrastructure loans, regional wind resource analyses for developer use, county-wide strategic plans for business developments, regional tourism website establishment, and entrepreneurship program marketing support. No operation and maintenance staff supplanting is assisted. Most projects have multi-county association. Job creation, leadership development, business services and technology support are eligible foci. Approximately 513 persons have received training and 281 jobs have benefited from the program funding.



## Tax Credit Donor Benefit Illustration

Tax Bracket	Actual Tax Credit	Estimated Tax Deduction on \$1,000	Estimated Total Dollars Recovered	Estimated Out-of-Pocket (Expense) / Gain
10%	\$ 750.00	\$ 100.00	\$ 850.00	(\$ 150.00)
15%	\$ 750.00	\$ 150.00	\$ 900.00	(\$ 100.00)
25%	\$ 750.00	\$ 250.00	\$ 1,000.00	\$ 0.00
28%	\$ 750.00	\$ 280.00	\$ 1,030.00	\$ 30.00
33%	\$ 750.00	\$ 330.00	\$ 1,080.00	\$ 80.00
35%	\$ 750.00	\$ 350.00	\$ 1,100.00	\$ 100.00

**NOTE:** It is important that all donors check with their personal financial planner or accountant to ensure they have the correct numbers. The table above is just an example of how things might work.

## NORTH CENTRAL FINANCIAL OVERVIEW

The Kansas Department of Commerce set out the administrative guidelines governing the use of all funds raised through the program. Those instructions allowed each of the seven regions to set their own agenda provided a minimum of 60% of the money raised could be tied to Job Creation. The North Central Kansas application set the percentages shown at the right as its goals.

The goals set forth for the North Central region are as follows:

- Leadership Development (5%)
- Job Creation/Retention
  - ◊ Business Service Development/Technology Acquisition (25%)
  - ◊ Business Loans/Equity Investment (60%)
- Administration (10%)

## A Summary: Sources and Uses of Tax Credit Funding

### Sources of Capital

Donations	\$ 2,155,000
Bank Interest Earned	\$ 112,887
Loan Interest Earned	\$ 9,311
DeObligated Funding	\$ 18,626
<b>Grand Total of All Sources</b>	<b>\$ 2,295,824</b>

### Uses of Funds-Investments Made

Administration	\$ 126,043
Leadership Development	\$ 39,291
Business Services/Technology	\$ 549,302
Business Loans/Investments/Direct Jobs	\$ 558,275
<b>Grand Total of All Uses</b>	<b>\$ 1,272,912</b>

**Capital Available for Investment** \$ 1,022,912

**Leverage Funding Used on Projects** \$ 22,097,195

## Regional Emphasis Helps Economic Development Achieve More

Rural economic development has long been guided by independent, local action and focused on a single town or county. However, we no longer live in a time when our rural places can afford to work in such isolation.

Collective action based on a regional foundation can create or provide the critical mass necessary for singular locations to compete in the global economy, but this mass becomes effective only if people have the opportunity and willingness to work with one another. Subsequently, social networks are an effective tool that can close both the mental and physical gaps which exist between individual locations.

A regional approach is further justified when one considers the fact our community structure has changed.

**We no longer live in a single place; rather the bounds of our community are better defined by our daily routines as we go to and from work, educate our children, seek out and purchase needed items, and socialize.**

It is rare that all such activity occurs within a single city or county. And if that is true, then our approach to rural economic development must change.

The NCK RBDTC program is organized to operate within that new regional environment, targeting use and application of funds raised in those locations and projects that can affect regional awareness and growth as well as produce local job opportunities. These are not mutually exclusive ideas, but ones tied together by the global economy.

## NCK Investment Guidelines

The following describes what the regional program looks for initially when we begin to discuss a project. Once these questions have been satisfied, then the project is critiqued on its own merits.

1. Does the project provide a better understanding of regional dynamics?
2. Does the project create or improve linkages to outside resources?
3. Does the project open up or provide access to new or developing markets?
4. Does the project add value to the regional economic setting?
5. Does the project impact the livelihood or operation of more than one business?
6. Does the project have a clear business plan?
7. Does the project have matching funds, some of which are local based?

The regional goal is to build capacity in a manner that addresses regional need for:

1. Access to ideas and markets.
2. Access to business services.
3. Access to an adequate and competitive workforce.
4. Access to adequate and supportive infrastructure.
5. Access to business capital for loans and investments.

Projects that promise the above will get our support whenever possible.

## HOW TO APPLY

To apply for funding, submit a letter (no more than 2 pages) to the North Central Kansas Rural Development Initiative that addresses the following:

### *Who You Are*

- a. Organization name,
- b. Brief history, and
- c. Examples of past projects, if applicable

### *Project Description*

- a. Purpose of the project,
- b. Goals of the project, and,
- c. Specifically what the funding will provide

*Total Budget* – including all sources of funds and their status and uses

### *When funding is needed*

Requests for funding are accepted at any time with funds being awarded on a first-come-first-served basis for qualified projects. Projects must exhibit regional impact and/or appeal. For more details, visit [www.ncrpc.org/services/economic.html](http://www.ncrpc.org/services/economic.html).

## Investments are Helping the Region

Isolation and idea stagnation are issues facing our rural economy. The NCK RBDTC program wishes to engage those who have innovative ideas or specialized services that can aid local communities and entrepreneurs.

What follows are examples of investments made to date in the North Central region in the Business Service Development and Technology Acquisition categories. Find articles further describing a sampling of additional investments that have been made on pages 5 through 7.

### **Examples of NCK RBDTC Program Investments Made:**

- NCK regional business cluster analysis by the Advanced Manufacturing Institute (AMI).
- Feasibility analysis focused on redesign of downtown Wamego and its industrial park.
- Marketing/advertising program, including website, for Flint Hills Tourism Coalition.

- Farmer's market publication impacting Jewell, Republic, Cloud and Washington counties.
- Investment in Geographic Information System (GIS) presence at North Central Kansas Technical College.
- Investment in Nursing Program laboratory equipment at Salina Area Technical College.
- Investment in the Underground Construction Technology Institute at North Central Kansas Technical College.
- Small low-interest loan for ergonomic display board fabricator.
- Investment in technology development for a national grain trailer manufacturer located in Jewell, Kansas.
- Equipment purchase loan to meat and cheese research laboratory.

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“Individual commitment to a group effort - that is what makes a team work, a company work, a society work, a civilization work.”

- Vince Lombardi

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“Genuine collaboration occurs when people listen to each other, consider the rationales or interests behind competing viewpoints, and seek solutions that integrate as many interests as possible.”

- Matthew McKinney, Rural Policy Institute, University of Montana

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# Demolition Project Helps Clay Center-Based Business Expand

A major employer in Clay Center, GT Manufacturing, Inc., had been wanting to expand for many years. Instead, their growth was impeded by a five-story condemned brick structure to which some of their buildings were attached.

The dilapidated structure — known as the Swift Building — was located on one of the main thoroughfares into Clay Center along Highway 15. According to Dennis Pedersen, GT Manufacturing, Inc. President, the structure was not only an eyesore but also a hazard.

“Instead of expanding we were just maintaining because we were extremely limited by this hazardous structure,” Pedersen said.

In late 2009 a team from Clay Center came to the NCK RBDTC committee seeking help. Partners in the project included the Clay County Commission, the Clay County Economic Development Group, the City of Clay Center, and GT Manufacturing, Inc.

The project was awarded a \$50,000 5-year zero interest loan to the City of Clay Center to aid in the demolition of the Swift building. The City of Clay Center owned the Swift building and the land underneath it. The land has now been deeded to GT Manufacturing, Inc.

With demolition now complete, GT Manufacturing, Inc. has been able to invest in expanding and finishing off a remaining metal building. Pedersen estimates that when everything is complete they will spend close to \$1 million on their own to expand, bring that building up to a suitable condition, and purchase the necessary fixtures and equipment to operate in that additional space.

The company, which manufactures grain dryers, now sells in 63 different countries. Pedersen credits this market expansion with allowing the company to ride out any market weak spots. Additional usable bay and loading space as a result of this project has helped the company



The Swift Building in Clay Center was demolished, which cleared the way for GT Manufacturing, Inc. to expand and add more employees.

increase orders. The company, currently with 49 employees, has been able to add employees. More are expected to be hired in the next year.

“Last year was the best we’d had in 30 years,” Pedersen said. “This year we’re running 40% ahead of that.”

Pedersen, who has been with the company for 40 years and has spent the last six of those as President, credits the tax credit program with the growth they are experiencing today.

“This project has been hugely successful for our needs and has benefited us in a way that I imagined the program was put in place for,” Pedersen said. “Without it, I don’t think the project would have moved forward and we wouldn’t be able to do the things that we’re doing now.”

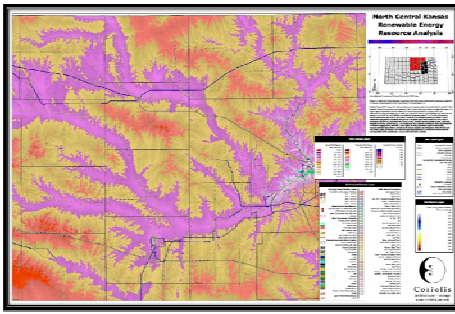
In addition to the business expansion, the demolition project also greatly improved the aesthetics around the City’s Dexter Park. The overall project total was approximately \$175,000.

“In total, the project has opened the doors to a lot of opportunities that otherwise wouldn’t have been there,” Pedersen said.

For more information about the company, visit [www.gtmfg.com](http://www.gtmfg.com).



While not a direct recipient of NCK RBDTC funds, the City of Clay Center’s Dexter Park did receive a face lift following the demolition of the Swift Building. The previously hazardous structure neighbored this park for many years.



The map showing wind fields across the 19 counties of North Central Kansas was part of an analysis in which the NCK RBDTC program invested. The deeper reds and oranges symbolize higher speeds.

## NCK Wind Analysis Conducted, Online

Renewable energy — wind specifically — has received considerable attention in the recent past. Many counties have asked the NCRPC if they have any “wind” potential.

To find out, the NCRPC, through investment by the NCK RBDTC Program, engaged Joe King, CEO of Corriolis, Inc., to analyze that very question for each of the 19 counties involved in the North Central Rural Development Initiative. King, an architect and former Director of the Kansas Energy Office, is well known for his interest and work in such subject areas.

The resulting analysis of wind and solar potential can be seen at [www.ncrpc.org/data/renewable.html](http://www.ncrpc.org/data/renewable.html).

## Grant Helps Equip Practical Nursing Lab

When the Salina Area Technical College (SATC) was approached about starting a Licensed Practical Nursing Program at its campus, school officials had a short amount of time and limited resources to fund a new practical nursing lab by the start date of August 2010.

The SATC turned to the NCK RBDTC program for financial assistance and was awarded a grant of just less than \$15,000 to purchase an overbed table, headwall, and mid-fidelity simulator.

The new nursing program is a collaborative effort between the SATC, the Salina Regional Health Center (SRHC) and Hutchinson Community College (HCC). HCC provides instruction, SATC provides facilities, classrooms and labs, and SRHC provides clinical space for students. The program is approved by the Kansas Board of Nursing.

“Salina Regional Health Center made the request to SATC due to the hospital’s need for additional practical

nursing graduates,” Greg Goode, SATC President, said. “They are experiencing a labor shortage in this critical healthcare career of approximately 12 to 15 graduates annually. Practical nursing graduates also are needed in hospitals surrounding Saline County.” Goode said the program graduated 17 students in its first year and 16 students are enrolled this year.



The new practical nursing lab at Salina Area Technical College is used by students that will help fill the critical workforce shortages of practical nurses in the area. (Courtesy Photo)

“Our college is an economic development catalyst for the region,” Greg Goode, said. “NCK is an important partner in helping us achieve our goals and, by doing so, is achieving its own economic development goals.”

For more, visit [salinatech.edu](http://salinatech.edu).

## PROJECT OPEN CONTINUES HELPING ENTREPRENEURS

Project OPEN launched in January 2009 to provide entrepreneurial education and business support to entrepreneurs who either already own or want to start a business in Saline County.

Education, competitive grants, networking and mentoring support are all part of the overall goal. Since it began, Project OPEN has had contact with 255 entrepreneurs.



Of these entrepreneurs, 75 enrolled in some form of training and 38 completed business plans. Both existing and concept businesses have been assisted.

Project OPEN is the result of extensive collaboration between the City of Salina, Salina Area Chamber of Commerce, Salina Downtown, Inc., NetWork Kansas, NCK Small Business Development Center, and

the NCRPC through investment made with NCK RBDTC funds.

“NCK RBDTC funds and the partnership with the NCRPC are a big reason this project works well,” Klima said. “The funds have helped market the project, provided entrepreneurs with education in best business practices, and supported professional development opportunities for Project OPEN staff.”

Visit [www.projectopensalina.com](http://www.projectopensalina.com).

# NCK Small Business Development Center Receives Funding

The North Central Kansas Small Business Development Center (NCKSBDC) has served 11 counties in North Central Kansas since 2003. From 2003 through 2010, a total of 161 new businesses were started, 574 new jobs were created and more than 1,000 jobs were saved.

The SBDC had been located at Cloud County Community College (CCCC) at Concordia since 2003, but due to the State of Kansas budget cuts, the CCCC could no longer sponsor the SBDC at its campus. As a result, the SBDC had to examine other options or close.

The Cloud County Development Corporation (CloudCorp) offered to have the SBDC relocate to its office also in Concordia. However, that meant securing additional funding.

With funding from the CCCC ending June 30, 2009, the NCK RBDTC program provided a grant of \$21,000 to provide half of the local support needed from July 2009 through December 2010.

“Once this funding was secured I was able to leverage additional local match funding for that same period to keep an outreach center in North Central Kansas,” Linda Sutton, NCK SBDC Business Consultant, said. “We also decided at that time to change the name to the NCK SBDC to reflect serving the region. This funding gave the center time to work on funding for 2011 and forward.”

Kirk Lowell, CloudCorp Executive Director, agreed that the funding was helpful in maintaining a rural outreach center in North Central Kansas.

“This investment showed that the people of North Central Kansas believed in the SBDC and its work,” Sutton said.

In February 2011, the NCK SBDC was named by Inc. Magazine as “One of America’s 10 Most Helpful SBDC’s,” an honor Sutton does not take lightly.

“It showed that even small business owners in a rural area need assistance from SBDCs and that these rural small businesses are doing great things,” Sutton said.

The NCK SBDC was the only rural center identified among the 10 centers across America. For more information, visit [www.ncksbdc.com](http://www.ncksbdc.com).

## Company Receives Equity Injection

A Bennington-based company received the first equity injection made by the NCK RBDTC Program.

The equity injection helped Matrix Electronic Measuring Systems develop a photographic electronic measuring system specifically for the upper body of a vehicle. Called the Matrix Wand System, it is the second major product the company has developed since it began in 2003.

Jan and Bob Srack co-founded the company. They already had been in the collision repair industry with a combined 50 years of experience. They saw a need for an accurate, photographic electronic measuring system in the industry.

Matrix already has been manufacturing and selling an automated computer measuring system for the lower body carriage to auto repair shops. This product aids the automotive body industry in bringing the lower frame of damaged vehicles back to manufacturer’s specifications.

The Matrix Wand System, is a handheld, portable device for the

purpose of evaluating automotive vehicle damage. The patented technology can also be used in many other industries including the aircraft, construction and insurance industries, factories, forensics crime scenes, car auctions, railroads, roads and bridges.

To help develop the Matrix Wand, the Srack’s drew on the advice and talents of other business figures, university professors, engineers, scientists, software engineers and industry consultants.

“NCRPC funding for Matrix came at one of the most pivotal times in Matrix’s history,” Jan Srack, Matrix Electronic Measuring Systems President, said. “Without their funding, Matrix would not be a company today.”

For more information, visit [www.thematrixwand.com](http://www.thematrixwand.com).



## KBED Initiative

Manhattan-based Knowledge Based Economic Development (KBED) is the result of collaboration between several unique partners—including the NCRPC. The NCK RBDTC program invested in KBED in 2009.

KBED was formed for the business purposes of 1.) developing joint ventures with significant for-profit companies and 2.) attracting to, and retaining in, the Manhattan region small businesses that are or will be conducting research in areas in which K-State has identified research strength.

Partners include Kansas State University, Kansas State University Foundation, the City of Manhattan, Kansas State University Research Foundation, NISTAC, Manhattan Area Chamber of Commerce, and the North Central Kansas Community Network Co. (NCKCN on behalf of the NCK RBDTC program).

For more information, visit [www.pickmanhattan.com](http://www.pickmanhattan.com).

## More about the North Central Kansas Rural Development Initiative...

The Kansas Rural Business Development Tax Credit program is administered by the Kansas Department of Commerce statewide through its Office of Rural Opportunity.

Delivery of the program has been assigned to seven (7) regional organizations with the North Central Kansas Community Network Co., Inc., (NCKCN) - North Central Regional Planning Commission (NCRPC) team having responsibility for the nineteen (19) counties of North Central Kansas.

The NCKCN is a 501(c)3 corporation that was created in 1995 as a regional Internet Service Provider (ISP) to confront the digital divide and the growing competitive disadvantage absence of affordable Internet access presented area businesses and educational institutions.

Today, the non-profit status NCKCN enjoys lends itself to receiving and investing private-sector donations in exchange for tax credits, since all such donations are deemed “charitable contributions” by the IRS.

Its creator and partner in the tax credit program, the NCRPC, is a 39-year old, multi-county organization dedicated to the promotion and development of our region.

What began as a forum for regional discussion and planning has graduated into a fairly sophisticated operation whose board is representative of the socioeconomic conditions in the area and whose professional staff is actively involved in helping local private and public sector leaders solve multiple problems.

That mixture has given the NCRPC insight into the needs and opportunities that exist across the region we serve.

Visit Us for More

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[www.ncrpc.org](http://www.ncrpc.org)

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To view tax credit forms or additional information about the NCK Rural Development Initiative, visit:

[www.ncrpc.org/services/economic.html](http://www.ncrpc.org/services/economic.html)