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TO: Kansas Senate Ways and Means Committee

RE: Senate Bill 305

My name is Lee Harris and I am submitting this written testimony on Senate Bill 305 due to a scheduling conflict that does not permit me to be present in person for the hearing. I am a lifelong Kansas resident; a recent board appointee of the Kansas Bioscience Authority (KBA); a member of the board of trustees for the Kansas Policy Institute; a past chair of the Kansas State University Foundation board of trustees and board of directors, and president and CEO of Cohen-Esrey, LLC, a company I joined 40 years ago.

There has certainly been controversy for a number of years over whether or not the KBA should have ever been established in the first place. But the fact is that it was and needs to continue to fulfill its mission. Under the current professional leadership, the authority has implemented a different funding structure for early stage companies that are bringing jobs and economic benefits to the state of Kansas. Rather than simply making grants and giveaways as did the former regime, the current KBA leadership has directed the investment of funds through equity positions in bioscience companies – equity positions that in a number of cases will put monies back into the state coffers as well as create the jobs and other economic benefits previously referenced. The KBA is on track to become fully sustainable without the need for state funding in spite of the fact that statutory funding requirements have not been met for the past several years.

Companies in which the KBA has invested must be curated over time to maximize the return on investment sought for Kansas taxpayers. Follow-on investments in subsequent funding rounds are critical to prevent dilution (perhaps to zero) of the KBA's value in these companies. The income tax cuts that were implemented several years ago were intended to spur businesses to locate to the state of Kansas and for new businesses to be launched. The KBA is a key component to this strategy.

Abolishing the KBA and bringing its functions under a state bureaucracy is a major step backwards in this regard. If we want an influx of business to our state, we must maintain the lowest possible tax rates and be willing to support start-ups and early stage companies with investment capital that in short order, will be totally derived from private sources. But to do this, a medium length runway is needed. Abolishing the KBA now is similar to a move made by Chicago Mayor Richard M. Daley in 2003 when he sent bulldozers to tear up the runway of the downtown Meigs Field Airport in the middle of the night because he wanted to eliminate the airport.


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For the past 18-months, a group of Kansas City entrepreneurs and I have been working to form an angel seed capital fund through iiM, LLC, an entity that we formed in October 2013. Angel capital for start-ups in the bioscience arena has been scarce in Kansas and throughout the Midwest. Our fund will provide startup capital to human health, animal health and agribusiness companies that could subsequently be funded by the KBA in later investment rounds. We have launched a collaborative effort with the leadership and technical experts of the KBA to make this funding platform a reality. Abolishing the KBA could have a further detrimental impact on bringing start-up capital to the state of Kansas.

Abolishing the KBA for political reasons or under the guise of balancing the budget is short-sighted and completely contrary to our policy objective of cultivating a strong and attractive business environment. Instead of abolishing the authority, the Kansas Legislature should be taking a strong stand to provide the funding necessary to allow the KBA to reach the point that it no longer needs taxpayer monies. This could easily be accomplished via a bonded amount that would ultimately be returned by multiples through the eventual orderly and planned liquidation of KBA assets. This liquidation would occur as KBA portfolio companies reach points of exit through mergers, acquisitions and initial public offerings.

Thank you for this opportunity to provide testimony on this very important issue.

Sincerely,



R. Lee Harris, CRE, CPM
President and CEO