

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS

The meeting was called to order by Representative Robert H. Miller at  
Chairperson

5:00 a.m./p.m. on April 10, 1986 in room 526S of the Capitol.

All members were present except:

Representative Peterson - E

Committee staff present:

Lynda Hutfles, Secretary  
Arden Ensley, Revisor's Office  
Russ Mills, Research  
Paul West, Research

Conferees appearing before the committee:

Carol Williams, Public Disclosure Commission  
Mary Ellen Conlee, Ks. Association for Small Business  
Harold Stones, Kansas Bankers Association  
Gerald Cooper, Greater Southwest Certified Development Company  
Paul Fleener, Kansas Farm Bureau  
Carol Hedges, Governor's Office  
Phillips Bradford, Ks. Department of Economic Development

The meeting was called to order by Chairman Miller.

SB761 - Public Disclosure Commission

Carol Williams, Kansas Public Disclosure Commission, testified in support of SB761 which provides for the Kansas sunset law to apply to the Kansas Public Disclosure Commission and to the office of Executive Director of the Commission on July 1, 1992.

Hearings were concluded on SB761.

SB756 - Statewide Risk Capital System (R/K Rec. #18,19,30,34)

Mary Ellen Conlee, Kansas Association for Small Business, gave testimony in support of the bill and the creation of a public/private statewide risk capital system. They also support improved research capacities and mechanisms for technology transfer at universities. These initiatives require changing the longstanding prohibition against spending for internal improvements. See attachment A.

Harold Stones, Kansas Bankers Association, gave testimony in support of the economic development package. He spoke specifically on SB756. The Kansas Bankers Association has invited the Kansas Legislature to offer an "incentive challenge" to the banking industry by making a potential \$10 million investment with state idle funds. If such a challenge is offered, the KBA will make a high-priority effort to raise a matching \$10 million, in order to have a large statewide venture capital pool. This concept is set out in SB756. Mr. Stones told the committee that they do not guarantee they can raise \$10 million, but that they are willing to try. The state does not put up a dime until KBA gets \$10 million.

Mr. Stones passed out the original copy of SB756 with the changes highlighted. He also submitted some suggested amendments. See attachment B.

There was discussion of whether the tax exemption of the privilege tax might cause a constitutionality problem. It was suggested the exemption be left in and if a move is ever attempted, there would be two legislative sessions to make changes.

There was discussion of common and preferred stockholders. One does not receive anymore dividends than the other. In the event of dissolution all preferred stockholders received 100% before common stockholders receive any.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS,  
 room 526S, Statehouse, at ~~1:30~~ a.m./p.m. on April 10, 1986  
5:00

Gerald Cooper, Greater Southwest Certified Development Company, Garden City, gave testimony in support of both venture capital bills.

There was discussion of the veto power of the Secretary of Commerce. Secretary Schwartz said that it didn't make any difference to him if this was taken out.

SCR1635-Internal Improvement Repeal (R/K rec #27)

Paul Fleener, Kansas Farm Bureau, gave testimony in support of the resolution. Farm Bureau has supported the amendments and improvements that have been made to the original language of sec. 9. The KBA, KCCI and Farm Bureau have been interest in working on ways to improve the agri-business climate and how to accomplish this. This economic development package is a step in this direction.

There was discussion about whether once authority by a 2/3 vote has been approved for an internal improvement project, only a majority vote is needed for expansion and appropriation. It was decided that only a majority vote was needed for expansion and additional appropriations.

Carol Hedges, Governor Carlin's Office, gave testimony in support of SCR1635 in addition to the other bills in the package. Their preference is for a complete repealer in SCR1635.

There was discussion of complete repeal of Section 9, Article 11 of the Constitution relating to internal improvements. Representative Braden and the Governor's office urged the committee to pass the resolution in its present form as the Senate would not buy a total repeal.

SB754-Targeted Research & Development Tax Credit Act (R/K rec #3)

Discussion of the fiscal note involved. Rep. Braden said they didn't know because they did not know how much additional research and development there would be. Secretary Schwartz said there would be none because it only applied to that research in addition to what they have done over the last three years.

SB755-Kansas Technology Enterprise Corp. (R/K rec. #7,8,9,11,14,15,16)

Phillips Bradford, Kansas Department of Economic Development, Kansas Advanced Technology Commission, gave testimony in support of the bill. He gave examples of projects being developed at KTEC. This bill will provide a basis for getting Kansas industry started.

The Chairman encouraged the committee to take the bills home and read them thoroughly.

The Chairman expressed his concern to the committee that once these laws are in place and financial agreements are made we will lose control of how things are done. It is important that we make sure the bills are correct because we can't come back next year and clean them up.

Rep. Rolfs suggested that "hydrogen" be included in research & development in SB754.

The meeting was adjourned until 8:30 Friday morning.



# KANSAS ASSOCIATION FOR SMALL BUSINESS

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## TESTIMONY PRESENTED TO HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

BY MARY ELLEN CONLEE  
April 10, 1986

Chairman Miller, members, of the committee, I am Mary Ellen Conlee, representing the Kansas Association for Small Business. Our organization has a membership of over 180 small businesses - the majority employing 50 or less people. Currently, most of our businesses are manufacturers and suppliers to major manufacturers in Kansas and throughout the country. We do business in Kansas, but we compete in a national market.

Our priority legislative concerns have in the past centered around the tax burden placed on small businesses. With the serious decline in all sectors of the Kansas economy, the Board of Directors of the Kansas Association for Small Business has joined with you in reviewing a broader array of possible corrective actions that could lead to economic growth for all of Kansas.

We have read the Redwood Report; we have worked with Belden Daniels; we have checked his credentials in other states where he has worked; we have reviewed information from other states. At first we questioned the value of institutionalized sources for venture capital and improved financing for university/business research and technology transfer. Then as result of our thinking together and sharing each others frustrations and successes about doing business in Kansas, our organization has decided to support in concept the bold economic development proposals before you.

Belden Daniels has told us that the Kansas Venture Capital Corporation (SB756) is, for investment policies, based on a model, The Massachusetts Capital Resource Company which has a 15 year history and \$100 million in assets. That company has found that 60% of its dollars have been invested in traditional mature companies. As a result after a decade of decline, traditional industries in Massachusetts reasserted themselves in the market place with new produce innovations, equipment modernizations and plant expansions.

ATTACHMENT A

H. FJSA  
4/10/86

*Together We Can Make A Difference!*

TESTIMONY PRESENTED TO HOUSE FEDERAL AND STATE  
AFFAIRS COMMITTEE  
Page Two

I've read the Annual Report of the Massachusetts Capital Resource Company. While we all understand that Massachusetts is a long way from Kansas, I believe that this concept can work here in Kansas. I grew up in Massachusetts and worked with my Dad who owned a small business there. I know the companies that the Massachusetts Capital Resource Company has helped. They are situated in the small towns as well as in the larger cities. Some are very similar to the companies I represent. This concept combines an appreciation for the new complex high tech industries, with a proven mechanism that can help more traditional existing small businesses face the future as well.

Let me discuss one of the companies I represent. It is a laboratory in Wichita that calibrates avionics and health equipment. This company has been in business for seven years. It has an impressive list of clients - Beech, Lear, Ryan International, United Airlines and others. Competition exists in Denver and St. Louis but not in Kansas City and Chicago. Today this company is searching for capital to replace one machine and purchase some others necessary for expansion to serve a broader market. They have a good track record, but they can't get capital from the traditional sources. The bankers have said "We don't understand your business; we wouldn't know how to get rid of your equipment if you defaulted on your loans. We can't take a chance with you.

Venture capital firms are designed to review businesses and business plans from other perspectives. Some of these companies they fund will fail. Others will have 40-50% returns. In other states which encourage the creation venture capital; companies like the ones I represent are finding capital to keep up and to modernize. We need not bring the Toyotas to Kansas if we can find ways to support our own entrepreneurs, our own risk takers as they build the Kansas economy from within.

In conclusion, the Kansas Association for Small Business supports the creation of a public/private statewide risk capital system. We also support improved research capacities and mechanisms for technology transfer at our universities. Even traditional companies like one that manufactures farm mowers in Holton, must modernize with expensive "high tech" equipment to remain competitive.

We understand that these initiatives require changing the long-standing prohibition against spending for internal improvements. These changes may not help each of our companies today, but we believe they will help to stimulate the Kansas economy. It is time for Kansas to accept the reality of a changing economic environment.

Thank you for giving us the opportunity to speak with you. I'd be happy to answer questions.

April 10, 1986

TO: HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS

FROM: Harold Stones, Kansas Bankers Association *HJS*

RE: SENATE BILL 756

The "Bare-Bones" of SB 756 is as follows:

- I. The Legislature gives authority to the Pooled Money Investment Board to invest up to \$10 million in preferred stock of Kansas Venture Capital, Inc. (KVIC) if the Secretary of Commerce, with consent of one of the Legislative Commissions or Committees on Economic Development, certifies that the following conditions have been met:
  - A. The private sector has already invested \$10 million in common stock.
  - B. A 15-member Board of Directors is in place, consisting of:
    1. Eight representatives of financial institutions.
    2. Two venture capitalists or investment counselors.
    3. Five from job-creating industries.
  - C. A highly qualified President and CEO has been hired and is in place.
  - D. Kansas Venture Capital, Inc must be licensed as a Small Business Investment Company, and hence, qualifies for matching loans from the Small Business Administration.
- II. In order to provide the incentive for Kansas financial institutions, corporations, and businesses to make such investments, an Investment Tax Credit of 25% of the common stock investments is provided, which must be spread out over at least 4 years. (Maximum impact of \$625,000 per year.)
- III. An additional incentive is provided that any dividends received will be exempt from state income and privilege tax. KVIC loans and investments will be state-wide with very low return factors, and over the very long term.
- IV. We believe the bill should be re-examined to make sure it provides for:
  - A. An investment tax credit for individuals, in the event some business-person desires to invest in this manner. We cannot find such provision.
  - B. Both the investment tax credit and the dividend exemption should be applied to insurance companies. We cannot find such provisions.
  - C. Exercise great caution with restrictions and terminations (such as sunsets) so as not to affect KVIC's ability to borrow from SBA.

H. FJSA  
4/10/86

ATTACHMENT B  
(OVER, PLEASE)

## Some Rules For Venture Capital Units

By LISABETH WEINER

Getting a license to operate a small business investment company is not particularly difficult, but there are basic requirements.

Some of the legalities are:

- Minimum capital of \$1 million.
- The SBIC can be organized as either a limited partnership or a separate corporation.
- A letter from the bank's counsel is needed stating if the SBIC is going to make a public offering.
- The bank's counsel also must obtain a state charter, and the charter must say that the firm is organized solely for the purpose of operating as an SBIC.
- The Small Business Administration, which licenses SBICs, must approve officers, directors, and 10% of the owners, according to Walter Stults, president of the National Association of Small Business Investment Companies.
- On its application, the SBIC must state what its geographic operating area will be and describe the need for the type of financing to be supplied in the operating area. Mr. Stults says the SBA is looking to see whether the applicant has done a market analysis and can show that there will be a good flow of deals.

"You either come from an area which is booming and needs lots more capital," he says, "or you are in a depressed area requiring the injection of venture capital to get the economy rolling again."

Bank-owned SBICs will also need to develop an investment strategy and a business plan and will have to decide structural questions, such as whether the SBIC managers will be bank employees or whether the company will be run by a management company for a fee.

There are also some "do nots," which Mr. Stults called the six commandments:

- Thou shalt not self-deal.
- Thou shalt not put all thy eggs in one basket. (Regulations prohibit putting more than 20% of an SBIC's capital in one investment.)
- Thou shalt not invest in big business. (The Small Business Administration defines "small" as a business that does not exceed \$6 million in net worth and \$2 million in average annual after-tax profits over a two-year period. In manufacturing companies, "small" also means a limit of 500 employees.)
- Thou shalt not control the companies in thy portfolio. (Venture capitalists are investors; they are not in the business of running other companies.)
- Thou shalt not lend short term.
- Thou shalt not be usurious. (The Small Business Administration permits an SBIC to charge up to seven percentage points above the cost of ten-year money from the Federal Financing Bank and up to six points above that rate for a loan with equity features. Current maximum rates are 15% and 14%, respectively.)

Banks that are contemplating establishing SBICs might find it helpful to talk to the National Association of Small Business Investment Companies for further information. The group can be contacted in Washington at 202-833-8230.

April 1986

TO: All Kansas Legislators  
All Kansas banks  
Other State Organizations  
FROM: Harold Stones, Kansas Bankers Association

RE: Information regarding Senate Bill 756-----Kansas Venture Capital, Inc.

The purpose of this memo is to set forth some commonly asked Questions and Answers regarding SB 756, a proposal that the Kansas Legislature and the Kansas private sector cooperate in funding a venture capital pool of money that will be used for attracting and retaining higher-risk, job-creating business enterprises into communities throughout all parts of Kansas.

The KBA has invited the Kansas Legislature to offer an "incentive challenge" to the banking industry by making a potential \$10 million investment with state idle funds. If such a challenge is offered, the KBA will make a high-priority effort to raise a matching \$10 million, in order to have a large state-wide venture capital pool. Such a concept is set forth in detail in Senate Bill 756.

Some of the questions commonly asked by both legislators and bankers are:

**QUESTION 1:** What is Kansas Venture Capital, Inc?

**ANSWER:** Kansas Venture Capital, Inc. (KVC) is now an existing corporation which is officially licensed as a Small Business Investment Company with the SBA. It is now in place, but is very small. Total common stock in KVC now totals \$1,075,240. This is insufficient to accomplish any kind of meaningful statewide economic development.

**QUESTION 2:** Who runs KVC?

**ANSWER:** KVC is now managed by a President and Vice President-Treasurer. The President, who is CEO, is retiring this summer, so all prospective stockholders can anticipate having an input into management selection. The Board of Directors is composed of Kansas businessmen, including Kansas bankers, S&L executives, manufacturers, utilities. SB 756 restructures the board to fit this new public-private concept.

**QUESTION 3:** Is there a shortage of risk capital in Kansas?

**ANSWER:** If you have a high-tech, university-researched project with a high profit potential located in an urban-technical-academic location, there is undoubtedly capital already available from investors with an eye to quick, dramatic profit. But there are many other viable projects outside these areas which are not "space-age" or glamorous, but which have the realistic potential of creating jobs and being successful after a long period. There is virtually no risk capital now available for such low-profile, but highly beneficial, job-producing enterprises.

(OVER, PLEASE)

**QUESTION 4:** Can the state's \$10 million investment be given some priority protection?

**ANSWER:** Yes, SB 756 provides such protection by issuing preferred stock to the state, and common stock to private investors, and requiring that in event of dissolution or failure, all preferred stock is repaid before any common stock. Also, the private sector must have its \$10 million common stock in place before the state puts up one cent!

**QUESTION 5:** How can both the state and the private investors insure that no one will profit from KVCII at the other's expense?

**ANSWER:** SB 756 explicitly states that no dividends issued to preferred stockholders will be larger or smaller than dividends paid to common stockholders.

**QUESTION 6:** How can the state and bank-private investors insure KVCII will be well-managed and meet the objectives and goals desired?

**ANSWER:** This is achieved in any business organization by a Board of Directors. People from both the finance and non-finance private sector will sit on the Board, and insure the proper balance of risk, prudence, geography and aggressiveness. This is reasonable to expect. All stockholders will have their say as to who these people should be.

**QUESTION 7:** How would KVCII identify and ascertain which business enterprises to help?

**ANSWER:** Local organizations now in place (such as local, county or regional development organizations), local bankers, businessmen and officials will be very aware of KVCII. That will be one of the primary responsibilities of the management of KVCII. When local businessmen or officials recruit or receive inquiries from job-producing business enterprises, they will direct them to KVCII. KVCII will then collect the necessary information and documentation about such an enterprise and, if appropriate, package a financial assistance plan consisting of loan and/or equity investment designed to insure future success. Other states have found identification of possible investments exceeds funds available.

**QUESTION 8:** How can the private investors insure that the state will not demand KVCII become a social agency type of enterprise, rather than a private venture capital firm to help those enterprises who show evidence of achieving success?

**ANSWER:** SB 756 stipulates that only common stockholders have voting rights for directors, but non-financial directors with a specific purpose to safeguard the state's interests must also be represented on the board.

**QUESTION 9:** Will this proposal help troubled banks?

**ANSWER:** KVCII will not invest money in troubled banks, or assume troubled bank loans, but it will help all Kansans who have a job to offer or a job to seek! If we form such a pool of capital to assist new or existing-but-struggling businesses with jobs to offer to locate in Kansas communities, the positive impact upon all people in those communities and the economic base of those communities is obvious.



**QUESTION 10:** What can KVIC do that banks cannot already do?

**ANSWER:** Banks may not now take an equity position in any new business enterprise. State and federal law and regulations prohibit it. Also, banks cannot lend to any business enterprise that does not project immediate cash flow, and which is under-collateralized. A bank, also cannot lend at such a low rate as to really help a fledgling enterprise over the long term. These loans would be the immediate target of the examiners, and the bank would be severely penalized.

And yet, many of our state's most successful enterprises started out precisely this way. This is why a KVIC must be formed that has the judgement, asset size and expertise to determine that an enterprise may have a good chance for long-range success, if low-cost capital is provided, and time and patience are exercised. Such a fund should become profitable, but those profits will be over the very long term, and stockholders should certainly not expect any immediately large returns.

**QUESTION 11:** If the state and private sector should form such an alliance as this, how much money would be available for long term investment in enterprises in Kansas communities?

**ANSWER:** KVIC is already a Small Business Investment Company, licensed by the Small Business Administration. This means that KVIC is eligible to receive up to 300% matching funds from the SBA for purposes of attracting and assisting small business enterprise in communities in Kansas. It appears that only the equity stock provided by the private sector is eligible for such matching, so if the State invests \$10 million; the private sector another \$10 million; and SBA matches with \$30 million, then a re-useable \$50 million of venture capital could be available---enough to make a sizeable difference to the future of this state!

**QUESTION 12:** What would be the terms of such SBA matching funds?

**ANSWER:** The terms are flexible. Such funds are really loans for up to 10 years at a low interest rate, depending upon the maturity, and the cost of funds in government markets. Interest must be repaid to SBA every six months, but principal is due only upon maturity. Low interest rates on the \$30 million from SBA, combined with the interest-free money from the state and private sector will make money available on terms that beginning enterprises can afford until they are on their feet and profitable.

**QUESTION 13:** Will the money from KVIC be used only on "sure-thing" types of enterprises located in urban areas?


**ANSWER:** No, and that is precisely why the state and the KBA need to cooperate to fund such a corporation statewide, and insist the Board be elected statewide to represent a statewide list of stockholders. This will insure that all communities both large and small, both rural and urban, from all parts of the state will have equally high access to receive assistance for those enterprises which are interested in locating there.

**QUESTION 14:** How can Legislators, bankers, other businesses and the public be absolutely guaranteed that this will work?

**ANSWER:** We can't be! But what are the alternatives? Shall we just watch so many of our communities deteriorate? Shall we watch as families and our younger Kansans move away because there are no jobs to hold them? Shall we watch the economy of our state continue to shrink, and our incomes, our retail base, our tax revenue and our opportunity level shrink along with it-----or shall we put aside our suspicions and work together as Kansans? Surely we are willing to assume some degree of risk and put forth a strong effort to develop the most carefully-conceived, public-private partnership in the history of our state! And then we must enthusiastically support it financially, and work like Sam Hill with it and for it to give it every chance of doing so very much good! The choices seem clear. We are not helpless victims of a sluggish economy. We are not helpless. We can do a great deal if we put forth sufficient creative desire and energy!

It is difficult to see how the taxpayers' money could be better spent for the direct and specific advantage of those same taxpayers, and how bank and other corporate stockholders could better invest in their long-range betterment through building and re-building our communities.

Thank you for your time and your consideration.



Harold A. Stones  
Executive Vice President  
Kansas Bankers Association

April 10, 1986

TO: HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS

FROM: James O. Myers, President, Admire Bank & Trust, Emporia, Kansas

RE: **SENATE BILL 756**

Mr. Chairman and members of the committee:

Thank you for this opportunity to appear as a proponent of SB 756. By way of personal background, I was born and raised in Emporia. After schooling, I was away for eight years, primarily out of state, and have now been back for thirteen years. I came back because I believe Kansas and Emporia offer a quality of life and an atmosphere more satisfactory to me to raise my family.

I have never seen Emporia as depressed as it is now. We have always prided ourselves on being diversified. But our community is dependent on agriculture, oil, education, and medical services, all of which are having problems. A realtor has told me that there are over 1,000 living units including rentals available. Historically, in recent years, that has averaged 125 to 150 units.

Real estate values are typically down 20% to 30% in the last two years. Some of those wanting to refinance their homes at the new lower interest rate are finding they can't qualify because their home has reduced in value as fast as the loan balance, and they have little or no equity today. In the past, we pointed with pride to visitors and business prospects that there were no vacant buildings on Commercial Street. In fact, we had to buy and tear down buildings on adjacent streets to provide additional parking. Now, it is rare that you have any difficulty finding a parking place on Commercial Street, and lots we've built are empty. The new shopping areas when constructed didn't kill our downtown, but now those areas have vacancies, some major spaces have been empty for some time now. We've lost good doctors, lawyers, and other specialists. Independent businessmen have closed their doors. With few exceptions everyone is experiencing moderate to serious problems.

We have success stories like IBP and Interstate Brands, although we're now seeing Didde Graphics continue to lay off people, and we are watching local Santa Fe employment shrinking more every day.

(over, please)

HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS

April 10, 1986

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Our small business owners survive on the economic impact of the small businesses of our community. And, in turn, they are hurt or even forced out of business when those industries are down. But our main stay, agriculture, oil, education and medical services are all down.

A venture capital organization represents a noncompetitive resource for lenders, chambers of commerce, and others to refer prospects to for help. The banking system typically works upstream on participations with correspondent banks to share risks on larger loans which will meet regulatory approval. Loans to help new or struggling business to start up, expand, or stay in business will require a venture capital corporation to take some involvement and eventually make a good bankable customer. Thus, freeing up those venture capital resources for others.

We have the talent and resources in Kansas. Now, we need those special tools that you can make possible for us to help us help existing Kansas businesses and to help us attract new ones.

# Substitute for SENATE BILL No. 756

By Committee on Assessment and Taxation

4-4

0017 AN ACT establishing the Kansas statewide risk capital system  
0018 act; prescribing the purposes of such act; authorizing invest-  
0019 ment by the pooled money investment board in Kansas Ven-  
0020 ture Capital, Inc.; concerning the investment by banks in  
0021 small business investment companies; granting certain tax  
0022 credits and exemptions and providing for the administration of  
0023 the provisions of the act; amending K.S.A. 40-2803, 40-2804,  
0024 75-4205, 79-1109 and 79-32,117 and K.S.A. 1985 Supp. 9-1101  
0025 and repealing the existing sections.

exempting transactions in securities issued by  
Kansas Venture Capital, Inc. from certain  
provisions of the Kansas securities act;

and K.S.A. 17-1262

0026 *Be it enacted by the Legislature of the State of Kansas:*

0027 New Section 1. The purpose of this act is to create a Kansas  
0028 statewide risk capital system which is tailored to meet the  
0029 special needs of the various regions of Kansas based on the best  
0030 current national models in other states. This system will invest  
0031 \$10,000,000 of state idle funds in order to create a substantially  
0032 larger amount of private risk capital for investment in primarily  
0033 profitable, growing, smaller Kansas enterprises. This investment  
0034 will, in turn, lead to further growth, diversification and im-  
0035 provement of all geographic regions of the Kansas economy in a  
0036 diversified range of primary sectors which export value added  
0037 products, processes and services that import quality jobs, wealth  
0038 and income into the state for the benefit of Kansas and Kansans  
0039 in all regions of the state.

0040 Specifically, the purpose of this act is to create a Kansas  
0041 statewide risk capital system which will:

0042 (a) Meet the management and risk capital needs of poten-  
0043 tially profitable existing smaller enterprises, especially in  
0044 smaller, more remote, nonmetropolitan areas of the state;

0045 (b) facilitate the growth, diversification and expansion of  
0046 existing enterprises and the creation by Kansans of new wealth-

0491 investment company act of 1940 and the federal securities act of  
0492 1933 and of a privately offered company sponsored by an affili-  
0493 ated commercial bank, the shares of which are purchased and  
0494 sold at par and the assets of which consist solely of securities  
0495 which may be purchased by the bank for its own account. Such  
0496 shares may be purchased without limit if the assets of the  
0497 company consist solely of and are limited to obligations that are  
0498 eligible for purchase by the bank without limit. If the assets of  
0499 the company include securities which may be purchased by the  
0500 bank subject to limitation, such shares may be purchased subject  
0501 to the limitation applicable to purchase by the bank of such  
0502 securities.

0503 New Sec. 10. (a) Except as otherwise provided in section 12,  
0504 every national banking association, state bank, savings and loan  
0505 association or insurance company investing in stock issued by  
0506 Kansas Venture Capital, Inc. shall be entitled to a credit in an  
0507 amount equal to 25% of the total amount invested in such stock  
0508 against the tax liability imposed against such taxpayer pursuant  
0509 to K.S.A. 79-1106 to 79-1116, inclusive, and amendments thereto  
0510 or 40-2801, and amendments thereto, as the case requires. In any  
0511 one taxable year, the amount of such credit allowable for deduc-  
0512 tion from the taxpayer's tax liability shall not exceed 25% of the  
0513 total amount of such credit, and in no case may such amount  
0514 exceed 25% of the taxpayer's tax liability in such year. The  
0515 amount of any remaining unused credit may be carried back not  
0516 more than three years or carried forward until the total amount of  
0517 the credit is exhausted.

0518 (b) The provisions of this section shall be applicable to all  
0519 taxable years commencing after December 31, 1985, and prior to  
0520 January 1, 1993.

0521 New Sec. 11. (a) Except as otherwise provided in section 12,  
0522 every taxpayer investing in stock issued by Kansas Venture  
0523 Capital, Inc. shall be entitled to claim a credit in an amount  
0524 equal to 25% of the total amount invested in such stock against  
0525 the income tax liability imposed against such taxpayer pursuant  
0526 to article 32 of chapter 79 of the Kansas Statutes Annotated. In  
0527 any one taxable year, the amount of such credit allowable for

,or any Kansas venture capital company certified  
pursuant to the provisions of Senate Bill 757  
of the 1986 Legislative session

0639 family or multi-family occupation and is located in this state. For  
 0640 the purposes of this subsection, the term "insulation" shall mean  
 0641 the act of installing materials in the walls, floors or ceilings of  
 0642 buildings, which materials are specifically designed to reduce  
 0643 the loss or gain of heat within such buildings and which materi-  
 0644 als meet the minimum criteria and standards for energy conser-  
 0645 vation for new buildings prescribed by the federal housing  
 0646 administration in existence on the effective date of this act and as  
 0647 such criteria and standards are further modified by rules and  
 0648 regulations of the state secretary of revenue.

0649 (xi) For taxable years beginning after December 31, 1976, the  
 0650 amount of the federal tentative jobs tax credit disallowance  
 0651 under the provisions of 26 U.S.C. 280 C. For taxable years  
 0652 ending after December 31, 1978, the amount of the targeted jobs  
 0653 tax credit and work incentive credit disallowances under 26  
 0654 U.S.C. 280 C.

0655 (xii) *For taxable years beginning after December 31, 1986,*  
 0656 *dividend income on stock issued by Kansas Venture Capital,*  
 0657 *Inc.*

0658 (d) There shall be added to or subtracted from federal ad-  
 0659 justed gross income the taxpayer's share, as beneficiary of an  
 0660 estate or trust, of the Kansas fiduciary adjustment determined  
 0661 under K.S.A. 79-32,135, and amendments thereto.

0662 (e) The amount of modifications required to be made under  
 0663 this section by a partner which relates to items of income, gain,  
 0664 loss, deduction or credit of a partnership shall be determined  
 0665 under K.S.A. 79-32,131, and amendments thereto, to the extent  
 0666 that such items affect federal adjusted gross income of the  
 0667 partner.

0668 New Sec. 14. The state of Kansas may not be held liable for  
 0669 any damages to an investor in Kansas Venture Capital, Inc.

0670 New Sec. 15. If any provision of this act or the application  
 0671 thereof to any person or circumstances is held invalid, the  
 0672 invalidity shall not affect other provisions or applications of the  
 0673 act which can be given effect without the invalid provision or  
 0674 application, and to this end the provisions of this act are sever-  
 0675 able.

Sec. 15. K.S.A. 1985 Supp. 17-1262 is hereby amended to read as follows: 17-1262. Except as expressly . . .

(q) The offer or sale of a security issued by Kansas Venture Capital, Inc., or its successors.

0676 Sec. [16.] K.S.A. 40-2803, 40-2804, 75-4205, 79-1109 and 79-  
0677 32,117 and K.S.A. 1985 Supp. 9-1101 are hereby repealed.

0678 Sec. [17.] This act shall take effect and be in force from and  
0679 after its publication in the Kansas register.

17.

18.