

Approved April 7, 1986  
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at  
Chairperson

11:00 a.m. ~~XXXX~~ on Thursday, April 3, 1986 in room 519-S of the Capitol.

All members were present ~~except~~ ~~XXXXX~~

Committee staff present:

Tom Severn, Research Department  
Melinda Hanson, Research Department  
Don Hayward, Revisor's Office  
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Senator Wint Winter  
Harold Stones, Kansas Bankers Association  
Robert Spachek, Pilsen State Bank, Lincolnville  
James O. Myers, Admire Bank & Trust, Emporia  
Don Ferrell, Kansas Association for Small Business  
Dr. Bart Finney, Kansas Small Business Development Centers  
Gerald Cooper, S.W. Certified Development Corporation  
Ron Nicholas, Nine County Development  
Jerry Mallot, Wichita Chamber of Commerce  
Carol Hedges, Governor's Office  
David Barclay, Kansas Department of Economic Development

S.B. 756 - Enacting the Kansas statewide risk capital system act

Information from Representative Jim Braden was distributed to Committee members (Attachment 1).

Chairman Kerr advised that Belden Daniels is unable to be present because he is snowed in at a Denver airport. Chairman Kerr said that Mr. Daniels is adamant that the need and mission statements be left in S.B. 755 and S.B. 756. One reason, according to Mr. Daniels, is to ensure that these programs are meaningful to rural Kansas. Mr. Daniels has had experience in other states that convinces him this language is necessary to tie the accountability provisions to the intent of the legislation.

Senator Wint Winter testified in support of the bill on behalf of the Legislative Economic Development Commission. He advised that the Commission feels this bill is one of the most critical ones in the package. He noted that the lack of a system of venture capital is one of the main problems mentioned by the Redwood report. Senator Winter said the bill is particularly important to small and medium sized businesses in smaller towns.

Harold Stones spoke in favor of the bill (Attachment 2). He discussed the decline and decay of Kansas banks. He explained that the bill provides authority for the Pooled Money Investment Board to invest \$10 million in Kansas Venture Capital, Inc. (KVCII) after the following conditions are met: 1) the private sector has already raised \$10 million in common stock, 2) the 15-member board and president are in place, and 3) KVCII is fully licensed as a small business investment company. S.B. 756 provides for a tax credit for 25% of the amount invested which must be spread out over at least four years. It also provides that any dividends are not subject to the income or privilege taxes. Mr. Stones suggested that the bill should clarify that individuals may qualify for the tax credit, that insurance companies should be eligible for the tax credit and that the bill should not contain a sunset.

Robert Spachek testified in favor of the bill. He said that banks cannot take an equity position and have no place to refer individuals to receive financing for producing an idea or concept. He said KVCII would fulfill that need.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,  
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on April 3, 1986

James O. Myers talked about the problems of the economy (Attachment 3). He said the bill would provide a needed central place for businesses to seek assistance, not only those who want help to begin, but also those established companies who are struggling.

Responding to Chairman Kerr's question, Mr. Stones said that time is of the essence. He stated that there is already an organization in place, Kansas Venture Capital, Inc., which is extremely underfinanced. He said they will be working with this company whether or not S.B. 756 is passed, but it will be extremely difficult to raise the funds without any tax incentives. In addition, matching funds from the Small Business Administration are likely to be "privatized". Mr. Stones noted that the SBA interest rates will probably go up on October 1. He emphasized that this is a long-term investment, not a "get rich quick" idea.

Answering a question from Senator Frey, Mr. Spachek said in order to get an idea to the venture capitalists, a conduit is needed. Mr. Stones added that this need is especially acute in rural areas. He pointed out that KCVI must continue its certification to qualify for tax credits. He agreed that the use of the investment funds is limited by the tax credits.

Senator Salisbury noted that S.B. 756 is modeled after a Massachusetts statute which is very successful. She said that over 50% of the assets of the Massachusetts program are invested in small mature companies.

Don Ferrell testified in support of the bill (Attachment 4). He said this proposal could be of assistance to mature companies, like his, when they are faced with replacing equipment and machinery.

Dr. Bart Finney said the Kansas Small Business Development Centers are relatively limited to the managerial assistance they can provide to small businesses. He noted that businesses need help both to get started and to keep going. He urged that the bill not contain sunset provisions. It is his opinion that the proposal should not be dependent on any federal funds because Kansas' needs will exist whether or not federal funds are available.

Gerald Cooper and Ron Nicholas talked about the role of certified development corporations. They are certified by the SBA and assist in organizing finance packages. Mr. Cooper and Mr. Nicholas suggested that the KCVI be regionalized. It is their opinion that the \$1.5 million limitation in S.B. 757 should be \$1 million.

With regard to the regionalization of the KCVI, Mr. Stones said he feels the effort to raise the \$10 million from the private sector will have to be state-wide in order to be successful. Mr. Spachek stated that he views it to be his responsibility to see that his community receives needed assistance and that regional regulations should not be in the law. Mr. Myers noted that over 30% of his bank's ag customers have jobs outside the farm, so he does not feel that there would be a shortage of labor in rural communities.

Mr. Ferrell told the Committee that it will cost \$500,000 to replace one machine in his business and he feels that the funds of KCVI should be a single "pot" so they will be sufficient to meet needs of individual businesses.

Jerry Mallot testified in support of the bill. He urged that the program have state-wide application.

Mr. Cooper clarified that the certified development corporations want to be a part of the system and have a working relationship with KCVI. They want KCVI to be able to invest in venture capital entities of certified development corporations.

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Carol Hedges spoke in support of the bill. She stressed that the funding for the bill should be considered investment rather than expenditure. She said, in order to be effective, KCVI must have the flexibility to invest in a wide variety of projects.

The meeting was recessed until 5:30 p.m.

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S.B. 754 - Tax credits for research and development

Senator Karr made a motion to amend by replacing S.B. 754 with Substitute for S.B. 754 as drafted by the Revisor (5 RS 2851). Senator Burke seconded the motion, and the motion carried. Senator Karr moved that Substitute for S.B. 754 be recommended favorably for passage. Senator Burke seconded the motion, and the motion carried.

S.B. 757 - Establishing the Kansas venture capital company act

Senator Parrish made a motion to amend by replacing S.B. 757 with Substitute for S.B. 757 as drafted by the Revisor (5 RS 2852). Senator Thiessen seconded the motion, and the motion carried. Senator Thiessen moved that the Substitute for S.B. 757 be amended to include clean-up language as proposed by the Revisor. Senator Karr seconded the motion. There was discussion that the bill provides that if a venture capital company is decertified, the tax credits must be repaid. Senator Salisbury noted that the intent of the tax credits is to get the pool started. Hopefully, once the program gets going, the dividends will be sufficient incentive for investors. Senator Burke moved that Substitute for S.B. 757 be recommended favorably for passage. Senator Mulich seconded the motion, and the motion carried.

S.B. 755 - Establishing the Kansas technology enterprise corporation

Senator Hayden made a motion to amend by replacing S.B. 755 with Substitute for S.B. 755 as drafted by the Revisor (Attachment 5). Senator Karr seconded the motion, and the motion carried. The Committee discussed the need and mission statements. Senator Frey moved that section 1 be deleted from the Substitute for S.B. 755. Senator Parrish seconded the motion, and the motion carried. It was agreed to delete "as recognized by national and international peers" from the bottom of page 12. It was agreed that the Revisor should make such clean-up changes as are necessary. Senator Karr moved that Substitute for S.B. 755, as amended, be recommended favorably for passage. Senator Burke seconded the motion, and the motion carried.

S.B. 756 - Enacting the Kansas statewide risk capital system act

David Barclay explained the balloon copy of S.B. 756 (Attachment 6). Senator Frey moved that lines 75-86 be deleted. Senator Karr seconded the motion, and the motion carried. Senator Frey moved that lines 90-95 be deleted. Senator Karr seconded the motion, and the motion carried. It was agreed: to delete Kansas from lines 123, 130 and 135; to delete "not less than" from line 124; to insert "or other entities" and "insurance companies" in lines 123, 131 and 136; to delete "exactly" from line 128; and to delete "easily understandable language" from lines 182-183. There was discussion about whether the abatement of the bank privilege tax might be considered discriminatory against federal securities.

Harold Stones said he had discussed this with Austin Nothern (Edison, Lewis, Porter & Haynes Law Firm) and his initial reaction seems to be that this would not be a problem since the venture capital company is not a governmental unit.

Senator Burke made a motion to amend by replacing S.B. 756 with Substitute for S.B. 756 incorporating the balloon amendments and the other changes made

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by the Committee. Senator Karr seconded the motion, and the motion carried. Senator Mulich moved that Substitute for S.B. 756 be recommended favorably for passage. Senator Burke seconded the motion, and the motion carried.

Senator Burke moved that the minutes of the April 1 and 2, 1986 meetings be approved. Senator Mulich seconded the motion, and the motion carried.

Meeting adjourned.

Testimony in support of S.B. 756 and S.B. 757 has been received from Carol Wiebe, Director of Economic Development, Hillsboro and President of Kansas Industrial Developers Association and is Attachment 7).



ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
4/3/86	DANA Ferrell	Topoka	Budget
	Charles Henson	✓	Ks. Bankers Assn.
	Emery E. Fager	"	"
	Harold Sporer	"	KCB
	Benny Swanson	"	Inter
	Don Ferrell	Holtan	KASB and BMB Company, Inc.
	RON NICHOLAS	PRATT	Wase County Development
	Gerald Cooper	Garden City	GS, K CDC
	Carol Hedges	Topoka	Gov. Office
	Sue Anderson	Carbondale	Ks. Ind. Bankers Assn.
	JANET STUBBS	Topoka	NRBAK
	CHARLES BELT	WICHITA	CHAMBER OF COMMERCE
	ROSS MARTIN	TOPIKA	KS PETROLEUM COUNCIL
	Robert G. Anderson	Illam	Midwest Oil
	AL ZAPANTA	DENVER, CO.	ARC Oil & Gas
	Son D Campbell	Lawrence,	CAPITAL RESEARCH
	Judy Krueger	Topoka	IL/DUA
	Ken Koger	Mission	Reimut Koger Assoc
	Ed Hart	MISSION	REIMUT KOGER Assn
	Harold Pitts	Topoka	TAKTA
	Paul E. Fleener	Manhattan	KANSAS Farm BUREAU
	Dwaine Barclay	TOP.	KDED
	J. Schwart	"	KDED
	Bartlett J. Finney	Emporia, Kansas	Kansas Small Bus. Dev. Ctr.
	JAMES O. MYERS	Emporia, KANSAS	Admire Bank and Trust KS Bankers Assoc
	Robert Spachel	Lincolnton KS	Pilsen State Bus.

A. Statement of Need

The State of Kansas is an extremely risk capital shy state. This becomes more true the smaller the enterprise, the more traditional the enterprise, the more mature the sector of economic activity, and the more far removed from major population centers the firm is located. There is a need to create a truly statewide rural/urban system of technical support and available risk capital for small enterprises, mature enterprises, existing enterprises, as well as new and innovative enterprises - especially those that are not located in major metropolitan centers. This system is based on the current state of the art nationally for investing a modest amount of state idle funds in order to trigger vastly larger amounts of private risk capital for investment in potentially profitable, growing, smaller Kansas firms.

B. Mission Statement

This initiative will create a \$240 million statewide risk capital system which will:

- a) Meet the management and risk capital needs of potentially profitable existing small enterprise, especially in smaller, more remote, non-metropolitan areas of the state,
- b) Provide small, local banks throughout Kansas with a risk taking vehicle which can assist member banks to provide their customers with risk capital which the bank cannot afford to provide itself. One of the models upon which this system is based says, in its brochure to its member banks, "You don't have to say no".
- c) Expand the capabilities of existing Small Business Development Centers to provide managerial counseling to firms supported through this statewide risk capital system.
- d) Expand the capacity of existing Certified Development Companies for intake and referral and risk capital financial packaging as a key part of this statewide system.
- e) Create a \$60 million Kansas Venture Capital Corporation in which Kansas banks and industries will invest \$10 million of new private equity capital, matched by a \$10 million investment of state idle funds, through a restructuring and a reorganization of the existing Kansas Development Credit Corporation and leveraged by Small Business Investment Corporation debentures. The \$10 million of private capital and the \$10 million of state idle funds will be subject to the same rate of return, although the state funds will stand in a more senior position.
- f) Create a three-tiered secondary market for the sale of credit from the statewide risk capital system to KPERS at an appropriate rate of risk and return to KPERS with no legislative change to the existing KPERS statute.

This system will make private capital available to sound local businesses in many parts of the state in 1986.

C. Other States

Thirty seven other states operate similar systems, including outstanding models in Arkansas, Maine, and Massachusetts.

2. The Corporation will be run by an 11-member, predominately private sector board appointed by the Governor:
  - a. The Secretary of the Department of Economic Development.
  - b. Five representatives of private industry.
  - c. Three engineers or scientists from Kansas universities.
  - d. Two representatives of the private financial sector
  - e. In addition, there are four non-voting ex officio directors, two from House of Representatives and two from the Senate.
3. Board shall appoint a corporate president who is not a board member.
4. To carry out the purpose of the act, the corporation may:
  - a. Make investments to stimulate innovation.
  - b. Provide technical assistance to private enterprises.
  - c. Enter into agreements such as patents, copyrights and royalty payments.
  - d. Provide annual reports detailing costs and describing the corporation's operations.

D. Other States:

Based on over 20 successful models in other states, including Iowa, Arkansas, California, New York, Connecticut, Oregon, Indiana, and Massachusetts.

In a number of these states, the seed capital funds are moving toward self sufficiency through the recycling of royalties from successfully funded enterprises.



April 3, 1986

TO: SENATE COMMITTEE ON ASSESSMENT AND TAXATION

FROM: Harold Stones, Kansas Bankers Association *HST*

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. (KVC) 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. KVC 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 KVC's ability to borrow from SEA.



## 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 13% 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.



**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 KVCII 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 KVCII 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:** KVCII is already a Small Business Investment Company, licensed by the Small Business Administration. This means that KVCII 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 KVCII 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.

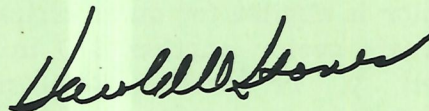


**QUESTION 14:** How can Legislators, bankers, other businesses and the public be absolutely guaranteed that this will work?

**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 3, 1986

TO: SENATE COMMITTEE ON ASSESSMENT AND TAXATION

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.

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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.



# KANSAS ASSOCIATION FOR SMALL BUSINESS

P.O. BOX 9361 • WICHITA, KANSAS 67277-0361

## TESTIMONY PRESENTED TO

## THE SENATE ASSESSMENT AND TAXATION COMMITTEE

- DON MCGINTY, President  
Wichita  
316-838-3304
- BOB HILL, Vice-President  
Wichita  
316-943-4328
- MARGARET FULTON, Secretary  
Wichita  
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By Don Ferrell  
BMB COMPANY, INC.

April 3, 1986

Senator Kerr, Members of the Committee, I am Don Ferrell, Treasurer of BMB Company, Inc., Holton, Kansas. Our Company is a 36 year old manufacturer of farm machinery.

We are a member of the Kansas Association for Small Business and I serve on the Board of Directors of that association. I'm speaking today as a representative of that organization.

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 should lead to economic growth for all of Kansas.

We have read the Redwood Report; we have worked with Beldin Daniels; we have looked at information from other states; we questioned the value of institutionalized sources for venture capital and improved financing for university/business research and technology transfer. As a 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.

This proposal SB756 which creates a statewide risk capital system seems particularly significant. Most of our members are established and probably will not seek funding from the Kansas Venture Capital Corporation. But we all remember times when we wished there had been such an opportunity available to us. Many of us, in order to meet stiff competition, will be faced in the next few years with necessity of purchasing new machines. At that time the funding provided by this proposal will look very good.

TESTIMONY PRESENTED TO SENATE ASSESSMENT & TAXATION  
COMMITTEE - PAGE 2

Beldin Daniels has told us that the Kansas Venture Capital Corporation 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 tradition mature companies. As a result after a decade of decline, traditional industries in Massachusetts reasserted themselves in the market place with new product innovations, equipment modernizations and plant expansions. 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. 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.

In conclusion, the Kansas Association for Small Business supports the creation of a public/private statewide risk capital system. It may not help each of our companies today, but we believe it will help to stimulate the Kansas economy from within.

Thank you for giving us the opportunity to speak with you.

## SUBSTITUTE FOR SENATE BILL NO. 755

By Committee on Assessment and Taxation

AN ACT establishing the Kansas technology enterprise corporation; providing powers, duties and functions therefor; establishing certain funds and providing for expenditures therefrom.

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

Section 1. The legislature of the state of Kansas finds that:

(a) There exists in the state a great and growing opportunity for cooperation between private enterprise and educational institutions in the areas of innovation, basic and applied research and the transfer of new technologies between educational institutions and private enterprises;

(b) there exists a lack of seed-capital financing for the development of new products or processes by small innovative enterprises or new enterprises engaged in, or supplying to, key exporting industries of special importance to the Kansas economy;

(c) encouraging these activities can lead to increased industrial and commercial development to provide and maintain employment and revenues which are important functions to the state;

(d) these activities can improve the pace at which existing industries innovate and grow, increasing opportunities for small and large enterprises alike and creating new exporting industries and services within the state, resulting in increased employment and public revenues; and

(e) these opportunities for innovation and growth lie particularly in those small enterprises engaged in agricultural, manufacturing and technology-based exporting industries, which are increasingly recognized as the sources of new job creation



within Kansas and the nation.

Sec. 2. (a) The purpose of the Kansas technology enterprise corporation is to foster innovation in existing industry and the development of new industry in key exporting areas of special importance to the Kansas economy, especially in the birth, growth and development of those small Kansas enterprises in a diversified range of primary sectors which export value-added innovative products, processes and services that, in turn, import quality jobs, wealth and income into the state for the benefit of Kansas and Kansans, including, but not limited to:

(1) Existing resource-based industries of agriculture, oil, gas, coal and helium;

(2) existing advanced technology industries of aviation, pharmaceuticals, computers and electronics; and

(3) emerging industries of telecommunications, computer software, information services and research services.

(b) The corporation shall achieve the purpose stated in subsection (a) of this section by:

(1) Financing centers of excellence for basic research, centers of excellence for applied research and development, and centers of excellence for technology transfer at Kansas educational institutions which meet competitive standards of excellence as measured by national and international peers, and which create innovative collaboration between Kansas educational institutions and Kansas enterprises;

(2) awarding applied research matching grants to Kansas educational institutions and Kansas private enterprises in order to move innovation and applied research toward commercial application;

(3) engaging in seed-capital financing for the development and implementation of innovations or new technologies for existing resource and technology-based and emerging Kansas exporting industries; and

(4) providing technical referral services to such small, new, emerging or mature exporting enterprises and encouraging

Kansas educational institutions to establish technical information data bases and industrial liaison offices which are easily accessible by both private and public sector Kansas organizations.

Sec. 3. As used in this act:

(a) "Applied research" means those research activities occurring at educational institutions and in private enterprises, which have potential commercial application;

(b) "basic research" means research that has longer range generic value to an industry classification or group of companies. It is distinguished from applied research which has more present value to a single company or project to be achieved in a limited time period;

(c) "corporation" means the Kansas technology enterprise corporation;

(d) "educational institutions" means public and private community colleges, colleges and universities in the state;

(e) "enterprise" means a firm with its principal place of business in Kansas which is engaged or proposes to be engaged in this state in agricultural, natural resource-based or other manufacturing, research and development, or the provision of technology-based services;

(f) "exporting" means those Kansas enterprises that sell goods or services outside the state, and their suppliers;

(g) "new technology" means the development through science or research of methods, processes and procedures, including but not limited to those involving the utilization of agricultural products and by-products and oil and gas and other mineral resources for practical application in industrial and service situations;

(h) "person" means any individual, partnership, corporation or joint venture carrying on business or proposing to carry on business within the state;

(i) "product" means any product, device, technique or process, which is or may be exploitable commercially; however,



"product" does not refer to basic research but shall apply to such products, devices, techniques or processes which have advanced beyond the theoretical stage and are in a prototype or practice stage;

(j) "qualified security" means any public or private financial arrangement, involving any note, security, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, preorganization certificate or subscription, transferable security, investment contract, certificate of deposit for a security, certificate of interest or participation in a patent or application therefor, or in royalty or other payments under such a patent or application, or, in general, any interest or instrument commonly known as a "security" or any certificate for, receipt for, guarantee of, or option, warrant or right to subscribe to or purchase any of the foregoing to the extent allowed by law;

(k) "seed capital" means financing that is provided for the development, refinement and commercialization of a product, process or innovation, whether for the startup of a new firm, the expansion of a young, small firm or the restructuring of a mature, small firm; and

(l) "small business" means an enterprise engaged in manufacturing having 500 or fewer employees and all other business enterprises having 100 or fewer employees.

Sec. 4. To carry out the purposes specified in section 2 of this act, the corporation shall have all the powers necessary to carry out its purposes, which include the power to:

(a) Make, amend and repeal bylaws, rules and regulations for the management of its affairs;

(b) sue and be sued;

(c) make contracts and execute all instruments necessary or convenient for carrying out its business;

(d) acquire, own, hold, dispose of and encumber real or personal property of any nature, both tangible and intangible, or any interest therein;

(e) enter into agreements or other transactions with any federal, state, county or municipal agency and with any individual, corporation, enterprise, association or any other entity involving applied research and technology;

(f) acquire real property or an interest therein, by purchase or foreclosure, where such acquisition is necessary or appropriate to protect or secure any investment or loan in which the corporation has an interest;

(g) sell, transfer and convey any such property to a buyer, and in the event such sale, transfer or conveyance cannot be effected with reasonable promptness or at a reasonable price, to lease such property to a tenant;

(h) invest any funds appropriated by the state and held in reserve in funds not required for immediate disbursement, in such investments that may be lawful for fiduciaries in this state, and invest funds received from gifts, grants, donations and other operations of the corporation in such investments as would be lawful for a private corporation having purposes similar to the corporation;

(i) borrow money and give guaranties, provided that the indebtedness and other obligations of the corporation shall be payable solely out of its own resources, and shall not constitute a pledge of the full faith and credit of the state or any of its revenues;

(j) appoint officers, consultants, agents and advisors, and prescribe their duties and compensation;

(k) appear in its own behalf before boards, commissions, departments or other agencies of municipal, county or state government or federal government;

(l) procure insurance against any losses in connection with its properties in such amounts from such insurers as may be necessary or desirable;

(m) consent, subject to the provisions of any contract with note-holders, whenever it considers it necessary or desirable in the fulfillment of the purposes of this act, to the

modifications, with respect to the rate of interest, time payment or of any installment, of principal and interest or any terms of any contract or agreement of any kind to which the corporation is a party;

(n) accept any and all donations, grants, bequests and devises, conditional and otherwise, of money, property, services or other things of value which may be received from the United States or any agency thereof, any governmental agency, or any institution, person, firm or corporation, public or private, to be held, used or applied for any or all of the purposes specified in this act, in accordance with the terms and conditions of any such grant; receipt of each such donation or grant shall be detailed in the corporation's annual report; such report shall include the donor or lender's identity, the nature of the transaction and any conditions;

(o) trade, buy or sell qualified securities;

(p) finance, conduct or cooperate in the financing or conducting of scientific, technological, business, financial or other investigations which are related to or likely to lead to business and economic development, involving natural resources, innovation, applied research and new technology, by making and entering into contracts or other appropriate arrangements, including the provisions of grants, loans and other forms of assistance;

(q) solicit, study and assist in the preparation of business plans and proposals of new or established resource and technologically oriented enterprises, particularly in those exporting areas of special importance to the Kansas economy;

(r) prepare, publish and distribute, with or without charge as the corporation may determine, such technological studies, reports, bulletins and other materials as it considers appropriate, subject only to the maintenance and responsibility for confidentiality of the client proprietary information, and encourage educational institutions to develop and disseminate similar materials;

(s) organize, conduct, sponsor or cooperate with, and assist both the private sector and educational institutions in the conduct of, special institutes, conferences, demonstrations and studies relating to the stimulation and formulation of innovation, applied science and technologically oriented enterprises and studies relating to the formulation of resource and technologically oriented enterprises and industry endeavors;

(t) provide and pay for such advisory services and technical assistance that may be necessary or desirable to carry out the purposes of this act;

(u) own, possess and take license in, patents, copyrights and proprietary processes and negotiate and enter into contracts and establish charges for the use of such patents, copyrights and proprietary processes when such patents and licenses for innovation or inventions result from research sponsored by the corporation in a private enterprise or when the corporation finances a product developed by a private enterprise;

(v) negotiate royalty payments to the corporation on patents and licenses for innovations or inventions arising in the course of research sponsored by the corporation at educational institutions under the jurisdiction of the Kansas board of regents; such negotiated royalty arrangements should reflect an appropriate sharing of legal risk as well as financial return between the corporation and educational institution; such patents and licenses shall be in keeping with the patent policies of the Kansas board of regents;

(w) exercise any other powers necessary for the operation and functioning of the corporation within the purposes authorized in this act;

(x) participate with any state agency or educational institution in developing specific programs and goals to assist in the development of industrial innovation, applied research and new technology in those exporting areas of special importance to the Kansas economy, and monitor performance;

(y) cooperate with the department of commerce regarding

financial assistance programs targeted to small enterprises engaged in key exporting industries of special importance to the Kansas economy;

(z) provide resource-based, scientific and technological data and information required by the governor, the legislature, or its committees, and to state agencies, educational institutions and cities, counties and school districts and to private citizens and groups, within the limitations of the resources available to the corporation. This service shall be in addition to any services currently provided by any educational institution, committee or other organization in the state;

(aa) the corporation shall be exempt from all franchise, corporate business and income taxes levied by the state. However, this act is not intended to exempt from any such taxes, or from any taxes levied in connection with the manufacture or sale of any products or processes which are the subject of any agreement made by the corporation, or any person entering into any agreement with the corporation;

(bb) documents and other materials submitted to the corporation by Kansas businesses shall not be public records if such records are determined to be trade or business secrets, and shall be maintained in a secured environment by the president; and

(cc) the corporation shall not be subject to state purchasing laws.

Sec. 5. (a) There is hereby created a body politic and corporate to be known as the Kansas technology enterprise corporation. The Kansas technology enterprise corporation is hereby constituted a public instrumentality and the exercise of the authority and powers conferred by this act shall be deemed and held to be the performance of an essential governmental function.

(b) The corporation shall be governed by a board of 15 members who shall be residents of this state. The board shall consist of the governor, or the secretary of the department of

commerce, four legislative members appointed as provided in subsection (e) and 10 directors appointed by the governor subject to senate confirmation as provided in K.S.A. 75-4315b, and amendments thereto, as follows:

(1) Five directors shall be persons from the private sector who represent industries of the Kansas economy including those small enterprises which include, but are not limited to:

(A) Existing resource-based industries of agriculture, oil and gas;

(B) existing advanced technology industries of aviation, manufacturing and information and design; and

(C) emerging industries of telecommunications, computer software, information services and research services;

(2) three directors shall be engineers or scientists who have extensive experience in managing basic or applied scientific and technological research at Kansas universities; and

(3) two directors shall represent the private financial sector; one shall have experience in the area of high-risk venture investments; and the other shall have commercial banking experience.

(c) In making these board appointments, the governor shall give consideration to appropriate geographical representation.

(d) Two directors shall be appointed for a term of one year, two directors shall be appointed for terms of two years, three directors shall be appointed for terms of three years and three directors shall be appointed for terms of four years. Successors to such directors shall be appointed for terms of four years. Each director shall hold office for the term of appointment and until the successor shall have been appointed and confirmed. In the event of a vacancy, the vacancy shall be filled by the governor in the manner provided for appointments for the remainder of the unexpired portion of the term.

(e) Four directors shall be appointed from the membership of the legislature as follows: One member of the house of representatives appointed by the speaker, one member of the house

of representatives appointed by the minority leader, one member of the senate appointed by the president, and one member of the senate appointed by the minority leader. These directors shall serve from the dates of their appointment until the opening day of the next regular session of the legislature. Such directors may be reappointed.

(f) Members of the board of directors shall, in their dealings with enterprises that may receive financing through the corporation, declare any potential conflict of interest and abstain from voting prior to taking any actions relating to that transaction.

(g) The board of directors shall select a corporate president who is not a board member.

(h) The board of directors shall hold all board meetings within the state of Kansas.

(i) Members of the board of directors are entitled to compensation and expenses as provided in K.S.A. 75-3223, and amendments thereto.

(j) The board shall annually elect from the private sector membership one member as chairperson and one member as vice-chairperson.

(k) The board of directors shall meet at least once during each calendar quarter, and at such other times as may be provided in the rules of the corporation, upon call by the president, the chairperson or upon written request of a majority of the directors.

(l) A majority of the board of directors shall be necessary to transact corporation business, and all actions of the directors shall be by a majority vote of the full number of corporate directors.

(m) The directors shall establish an executive committee composed of the chairperson, vice-chairperson and three additional members chosen by the chairperson from among the remaining directors. The executive committee, in intervals between board meetings, may transact any board business that has

been delegated to the executive committee. A majority of the executive committee shall be necessary to transact business and all actions of the executive committee shall be by a majority vote of the committee.

(n) No member of the board of directors is eligible to serve more than two terms of office.

(o) A member of the board of directors may be removed by the governor for cause, stated in writing, after a hearing thereon.

Sec. 6. (a) The president shall be the chief executive officer of the corporation who shall serve at the pleasure of the board. The board shall conduct a search to select a corporation president. The president's salary shall be set by the board of directors. The president shall direct and supervise administrative affairs and the general management of the corporation.

(b) The president:

(1) May employ and terminate such other officers and employees as designated by the board of directors;

(2) shall attend board meetings;

(3) shall appoint a secretary to keep a record of all proceedings and maintain and be custodian of all financial and operational records, documents and papers filed with the corporation and of the minute book of the corporation;

(4) shall, before receiving operating funds or accepting any applications from an enterprise for applied research grants or seed-capital funds, prepare a business plan by a reasonable date consistent with the date on which the president is actually selected. The business plan shall include the corporate analysis of funding levels of similar programs in other states outlined in subsection (b) of section 11, and the threshold funding levels outlined in subsection (c) of section 11 of this act. Upon approval of the business plan by the corporation board, it shall be presented to the standing or joint legislative committees on economic development for approval.



Sec. 7. (a) The purpose of this section is to authorize the establishment of three types of centers of excellence at the state universities: Centers of excellence for basic research, centers of excellence for applied research and development, and centers of excellence for technology transfer.

(b) Centers of excellence for basic research will undertake ongoing basic research with a particular focus that will have long-run potential for commercial development. The centers should build on institutional strengths and be in areas of research where the university has achieved or has true promise of attaining excellence as recognized by national and international peers.

(1) The Kansas technology enterprise basic research fund is hereby created to which shall be credited any state funds specifically so designated. The fund is not to be used for applied research, technology transfer, technical assistance or training but only for actual basic research which meets a national standard of excellence.

(2) The corporation may use the Kansas technology enterprise basic research fund to carry out the purposes of this act by awarding funds to establish new centers of excellence for basic research or to increase funding to such already established centers of excellence so long as those centers are determined to be only carrying out basic research. Awards of funds shall be made on a competitive basis, and all proposals shall be subject to external peer review on the basis of scientific merit which meet national standards of excellence and subsequent potential for commercial application.

(c) Centers of excellence for applied research will undertake applied research with a particular focus that will have long-run potential for commercial development. The centers should build on institutional strengths and be in areas of research where the university has achieved or has true promise of attaining excellence in applied research as recognized by national and international peers.

(1) The Kansas technology enterprise applied research fund is hereby created to which shall be credited any state funds specifically so designated. The fund is not to be used for basic research, technology transfer, technical assistance or training, but only for actual applied research which meets a national standard of excellence.

(2) The corporation may use the Kansas technology enterprise applied research fund to carry out the purposes of this act by awarding funds to establish new centers of excellence for applied research or to increase funding to such already established centers of excellence so long as those centers are determined to be carrying out only applied research. Awards of funds shall be made on a competitive basis, and all proposals shall be subject to external peer review on the basis of scientific merit and subsequent potential for commercial application.

(d) Centers of excellence for technology transfer will undertake ongoing transfer of technology from state universities to Kansas industry.

(1) The corporation may use funds from the Kansas technology enterprise technology transfer fund to carry out the purpose of this section by establishing new centers of technology transfer.

(2) Awards of funds shall be made on a competitive basis and all proposals shall be evaluated by the corporation on the basis of merit and potential for increasing the competitiveness of Kansas industry.

(3) The corporation shall award funding to centers of technology transfer in accordance with subsections (f) and (g).

(e) In carrying out its functions under this section, the corporation is directed to create a centers of excellence committee to assist in evaluating the establishment of new centers of excellence and in evaluating increases in funding for already established centers of excellence. The membership of the centers of excellence committee may include both directors and

staff members of the corporation, and other persons drawn from sources other than the corporation who meet standards similar to those applying to the board of directors and who are recognized by their peers for outstanding knowledge and leadership in their fields.

(f) The corporation shall award funding for new centers and increased funding for established centers only after:

(1) Developing, adopting and publishing the criteria it shall use when evaluating centers of excellence; and

(2) receiving the recommendation of the centers of excellence committee which will review proposals for new or established centers of excellence containing:

(A) Documentation that not less than 50% of the center's total funding will be matched by sources other than the corporation; machinery or equipment may be considered as part of the matching funds, but must be accompanied by a statement that the center of excellence has received the machinery or equipment, it is state of the art; and either

(i) verifying that the machinery or equipment is donated and has only been used in testing to insure quality control, or used by a wholesaler or retailer for demonstration purposes only; or

(ii) detailing the price paid by the center of excellence, with an invoice showing the amount paid for the equipment;

(B) a description of a potential for future benefit to industry;

(C) an itemized operations budget; and

(D) other information that may be required by the board.

(g) The board shall approve such proposals to establish new centers of excellence and increase funding for existing centers after the board finds, based upon the proposal submitted, external peer reviews, and such additional investigation as the staff of the corporation shall make and incorporate in its minutes that:

(1) The proposed center of excellence has the potential to

stimulate economic growth by bringing together university-industry partnerships to focus on basic research and technology transfer; and

(2) the center has the long-run potential for benefit to existing and new industries through innovation and development of new technology.

(h) The three existing Kansas centers of excellence--the center for artificial intelligence and automated control systems at Kansas state university, the center for bioanalytical research at the university of Kansas, and the center for productivity enhancement at Wichita state university--and a possible new center at Pittsburg state university established by the 1986 Kansas legislature--are eligible for continuing support from the corporation according to the same terms and conditions as provided in this act following an external review to determine under what provision of this statute and by what terms continuing funding is appropriate.

(i) Any commercialized research that results from the funding of a center of excellence shall be subject to negotiations of the provisions of subsections (u) and (v) of section 4.

Sec. 8. (a) The Kansas technology enterprise applied research matching grant fund is hereby created, to which shall be credited any state funds specifically so designated.

(b) The corporation may use the Kansas technology enterprise applied research fund to carry out the purposes of this act by awarding competitive applied research grants to educational institutions and private enterprises in key exporting areas of special importance to the Kansas economy. The fund is not to be used for technical assistance or training but only for actual applied research.

(c) The board shall award grants only after:

(1) Developing, adopting and publishing the criteria it shall use when evaluating research proposals; and

(2) reviewing applied research proposals which present:

(A) Documentation, if the proposal is from an educational institution, that not less than 60% of the total direct cost of the proposed project will be provided by sources other than the corporation; machinery or equipment may be considered as part of the matching funds for the research, but must be accompanied by a statement:

(i) That the educational institution has received the machinery or equipment and it is state of the art; and either

(ii) verifying that the equipment or machinery is donated and has only been used in testing to insure quality control, or used by a wholesaler or retailer for demonstration purposes only; or

(iii) detailing the price paid by the educational institution, with an invoice showing the amount paid for the machinery or equipment;

(B) documentation, if the proposal is from a private enterprise, that not less than 60% of the total direct cost of the proposed project will be provided by sources other than the corporation or through in-kind services provided through the private enterprise as evaluated by the board or review committee;

(C) a description of the future commercial application and the industrial sectors that will likely benefit by the applied research project and the potential for job creation;

(D) an itemized research budget, time line and research methodology;

(E) a recommendation from the sponsoring educational institution or business enterprise; and

(F) other information that may be required by the board.

(d) The board shall approve such applied research proposals after the board of directors finds, based upon the proposal submitted and such additional investigation as the staff of the corporation shall make and incorporate in its minutes, that:

(1) The proposed project is research that leads to innovation, new knowledge or technology and is not training or technical assistance for business firms;

(2) the proposed applied research project will expand that field's technological base within the state;

(3) the project will enhance employment opportunities within Kansas; and

(4) the project is technically sound and will produce a measurable result.

(e) In carrying out its functions under this section, the board of directors is encouraged to create an applied research committee to assist in evaluating potential applied research projects. The membership of this applied research committee may include both directors and staff members of the corporation, and other persons drawn from sources other than the corporation who meet standards similar to those applying to the board of directors and who are recognized by their peers for outstanding knowledge and leadership in their fields.

(f) Any commercialized research that results from a corporation applied research grant shall be subject to the provisions of subsections (u) and (v) of section 4.

Sec. 9. The corporation is directed to develop a small business innovation research (SBIR) matching grant program which meets the highest current standards for state matching grants to federal phase I SBIR program.

Sec. 10. (a) There is hereby created the technology enterprise seed-capital fund to which shall be credited any state funds specifically so designated. The corporation may credit the fund with such unrestricted appropriations, gifts, donations or grants from any source, with payments on loans made from the fund.

(b) The corporation may use the Kansas technology enterprise seed-capital fund as follows:

(1) To carry out the purposes of this act through investments in qualified securities and through the forms of financial assistance authorized by this act, including:

(A) Loans, loans convertible to equity, and equity;

(B) leaseholds;

- (C) management or consultant service agreements;
- (D) loans with warrants attached that are beneficially owned by the corporation;
- (E) loans with warrants attached that are beneficially owned by a party other than the corporation; and
- (F) any other contractual arrangement in which the corporation is providing scientific and technological services to any federal, state, county or municipal agency, or to any individual, corporation, enterprise, association or any other entity involving science and technology. The corporation, in connection with the provision of any form of financial assistance, may enter into royalty agreements with an enterprise.

(2) To pay all or a portion of the corporation's operating expenses from revenues generated by seed-capital fund investments, which shall be an amount sufficient to allow the corporation to undertake and efficiently manage its responsibilities.

(3) To invest in such other investments as are lawful for Kansas fiduciaries.

(c) The corporation may use the Kansas technology enterprise seed-capital fund to purchase qualified securities issued by enterprises as a part of a resource and technology project for the purpose of raising the initial capital for such projects subject to the conditions set forth in this section.

(d) The corporation may use the fund to make low-interest or zero-interest loans to business incubator facilities in exchange for royalties from future gross sales generated by enterprises created in the incubator.

(e) The corporation shall purchase qualified securities issued by an enterprise as a part of a resource and technology project only after:

(1) Receipt of an application from the enterprise which contains:

(A) A business plan including a description of the enterprise and its management, product and market;

(B) a statement of the amount, timing and projected use of the capital required;

(C) a statement of the potential economic impact of the enterprise, including the number, location and types of jobs expected to be created; and

(D) such other information as the corporation board of directors shall request.

(2) Approval of the investment by the corporation may be made after the board of directors finds, based upon the application submitted by the enterprise and such additional investigation as the staff of the corporation shall make and incorporate in its minutes, that:

(A) The proceeds of the investment will be used only to cover the seed-capital needs of the enterprise except as authorized by this section;

(B) the enterprise has a reasonable chance of success;

(C) the corporation's participation is instrumental to the success of the enterprise and its retention within the state because funding otherwise available for the enterprise is less readily available, or offered on less desirable terms than can be obtained if the enterprise were located outside of Kansas;

(D) the enterprise has the reasonable potential to create a substantial amount of primary employment within the state;

(E) the entrepreneur and other founders of the enterprise have already made or are contractually committed to make a substantial financial and time commitment to the enterprise;

(F) the securities to be purchased are qualified securities;

(G) there is a reasonable possibility that the corporation will recoup at least its initial investment; and

(H) binding commitments have been made to the corporation by the enterprise for adequate reporting of financial data to the corporation, which shall include a requirement for an annual report, or if required by the board, an annual audit of the financial and operational records of the enterprise, and for such



control on the part of the corporation as the board of directors shall consider prudent over the management of the enterprise, so as to protect the investment of the corporation, including in the discretion of the board and without limitation, right of access to financial and other records of the enterprise.

(f) In carrying out its functions under this section, the board of directors is encouraged to create an investment committee to assist in evaluating potential investments in qualified securities. The membership of this investment committee may include both directors and staff members of the corporation, and other persons drawn from sources other than the corporation who meet standards similar to those applying to the board of directors and who are recognized by their peers for outstanding knowledge and leadership in their fields, all of whom shall serve at the pleasure of the board. Members of the investment committee shall serve without compensation for their membership on such committee, but shall be reimbursed for any reasonable expenses incurred by them in the performance of duties assigned by the board.

(g) The corporation shall not make investments in qualified securities issued by enterprises in excess of the smaller of the following limits:

(1) Not more than the amount necessary to own more than 49% of qualified securities in any one enterprise at the time of the purchase by the corporation, after giving effect to the conversion of all outstanding convertible qualified securities of the enterprise except that in the event of severe financial difficulty of the enterprise, threatening, in the judgment of the board of directors, the investment of the corporation therein, a greater percentage of such securities may be owned by the corporation; or

(2) not more than 20% of the fund available for investment shall be invested in any one enterprise.

Sec. 11. (a) The Kansas technology enterprise corporation shall establish a clearinghouse to provide technical referral

services, particularly to small, new, emerging or mature exporting enterprises and shall fund educational institutions to establish technical information data bases and industrial liaison offices which are easily accessible by both private and public sector organizations.

(b) The corporation shall provide to private enterprises and individuals, services which include, but are not limited to:

(1) Disseminating such research and technical information as is available to the corporation;

(2) referring clients to researchers or laboratories for the purpose of testing and evaluating new products, processes or innovations;

(3) assisting persons developing innovations or new technology in locating enterprises or entrepreneurs that may be interested in applying such innovations or new technologies; and

(4) providing managerial assistance to enterprises requesting such assistance, but particularly to those small enterprises in key exporting of special importance to the Kansas economy.

(c) The corporation shall encourage business enterprises to use such technical support services as provided by educational institutions and especially the state's small business development centers.

Sec. 12. (a) The corporation shall publish an annual report which shall include an audit by an independent third party as of June 30 of each year, and present the report to the governor, legislature and Kansas, Inc., setting forth in detail the operations and transactions conducted by it pursuant to this act or to other legislation. The annual report shall specifically account for the ways in which the need and mission of the corporation and its funds as described in this act have been carried out, and the recommendations shall specifically note what changes in the activities of the corporation and its funds, and of state government are necessary to better address the need and mission described in this act. The corporation shall

distribute its annual report by such means that will make it widely available to those innovative enterprises of special importance to the Kansas economy.

(b) The corporation shall be subject to a fiscal audit by the legislative division of post audit.

Sec. 13. If any provision of this act or the application thereof to any person or circumstances is held invalid, the invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

Sec. 14. This act shall take effect and be in force from and after January 12, 1987, and its publication in the Kansas register.

## SENATE BILL No. 756

By Committee on Ways and Means

3-28

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. 75-4205, 79-1109  
0024 and 79-32,117 and K.S.A. 1985 Supp. 9-1101 and repealing the  
0025 existing sections.

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

0027 New Section 1. *Need statement.* The legislature of the state  
0028 of Kansas finds there exists within Kansas a substantial need to  
0029 create a truly statewide rural/urban system of management sup-  
0030 port and risk capital, especially for smaller existing mature en-  
0031 terprises, as well as new and innovative enterprises, and espe-  
0032 cially those that are not located in major metropolitan centers.

0033 The legislature of the state of Kansas further finds that a Kansas  
0034 statewide risk capital system can be designed to fit the special  
0035 needs of the various regions of Kansas based on the best current  
0036 national models in other states. This system can lead to the  
0037 further growth, diversification and improvement of all geo-  
0038 graphic areas of the Kansas economy.

0039 New Sec. 2. *Mission statement.* The purpose of this act is to  
0040 create a Kansas statewide risk capital system which is tailored to  
0041 meet the special needs of the various regions of Kansas based on  
0042 the best current national models in other states. This system will  
0043 invest \$10,000,000 of state idle funds in order to create a sub-  
0044 stantially larger amount of private risk capital for investment in  
0045 primarily profitable, growing, smaller Kansas enterprises. This  
0046 investment will, in turn, lead to further growth, diversification

0047 and improvement of all geographic regions of the Kansas econ-  
0048 omy in a diversified range of primary sectors which export value  
0049 added products, processes and services that import quality jobs,  
0050 wealth and income into the state for the benefit of Kansas and  
0051 Kansans in all regions of the state.

0052 Specifically, the purpose of this act is to create a Kansas  
0053 statewide risk capital system which will:

0054 (a) Meet the management and risk capital needs of poten-  
0055 tially profitable existing smaller enterprises, especially in  
0056 smaller, more remote, nonmetropolitan areas of the state;

0057 (b) facilitate the growth, diversification and expansion of  
0058 existing enterprises and the creation by Kansans of new wealth-  
0059 generating enterprises;

0060 (c) promote economic diversification and innovation within  
0061 the basic industries and sectors of the state;

0062 (d) promote increased productivity and value added prod-  
0063 ucts, processes and services among wealth-generating enter-  
0064 prises, and the export of those goods and services created by  
0065 smaller Kansas enterprises to the nation and world;

0066 (e) maintain and revitalize economically distressed rural and  
0067 urban areas of the state by targeting scarce resources by size,  
0068 sector and location to enterprises of particular need and oppor-  
0069 tunity, and working in close collaboration with local financial  
0070 institutions;

0071 (f) provide small, local banks throughout Kansas with a risk  
0072 taking vehicle which can assist member banks to provide their  
0073 customers with risk capital which the bank cannot afford to  
0074 provide itself;

0075 (g) create a greatly expanded Kansas venture capital, Inc. in  
0076 which Kansas banks and industries will invest \$10,000,000 of  
0077 new private equity capital, matched by \$10,000,000 of state idle  
0078 funds, through a restructuring and a reorganization of the exist-  
0079 ing Kansas development credit corporation and leveraged by  
0080 small business investment corporation debentures. The  
0081 \$10,000,000 of private capital and the \$10,000,000 of state idle  
0082 funds will receive exactly the same rate of return, although the  
0083 state funds will stand in a senior position to the private capital;

enterprises,

84 (h) expand the capabilities of existing small business devel-  
85 opment centers to provide managerial counseling to firms sup-  
86 ported through this statewide risk capital system;

87 (i) expand the capacity of existing certified development  
88 companies for intake and referral and risk capital financial pack-  
89 aging as a key part of this statewide system;

90 (j) create a three-tiered secondary market for the sale of credit  
91 from the statewide risk capital system to Kansas public employ-  
92 ees retirement system at an appropriate rate of risk and return to  
93 Kansas public employees retirement system with no legislative  
94 change to the existing Kansas public employees retirement sys-  
95 tem statute;

96 (k) contribute to a Kansas economy which provides increased  
97 revenue for state government, local governments, and other  
98 political subdivisions of the state, and eases overtime the tax  
99 burden faced by all businesses and taxpayers of the state.

00 New Sec. 3. *Definitions.* For the purposes of this act, the  
01 following terms shall have the meanings provided herein, unless  
02 the context clearly indicates otherwise:

03 (a) "Department" means the department of commerce.

04 (b) "Kansas business" means any small business owned  
05 solely by a Kansas resident, any partnership, association or  
06 corporation domiciled in Kansas, or any corporation, even if a  
07 wholly owned subsidiary of a foreign corporation, that does  
08 business primarily in Kansas or does substantially all of its  
09 production in Kansas.

10 (c) "Secretary" means the secretary of the department of  
11 commerce.

12 New Sec. 4. *Certification of investment by the pooled*  
13 *money investment board in Kansas Venture Capital, Inc.* The

14 secretary of the department of commerce, ~~with the advice and~~  
15 ~~consent of the legislative commission on economic development~~  
16 ~~or, in the alternative, the standing legislative committees on~~  
17 ~~economic development during legislative sessions, or the joint~~  
18 ~~legislative committee on economic development during the in-~~

19 ~~m,~~ is authorized to certify investment in nonvoting preferred  
20 stock of Kansas Venture Capital, Inc., in a total not to exceed

0121 \$10,000,000 by the pooled money investment board as provided  
0122 in section 6 of this act under the following terms and conditions:

0123 (a) Kansas banks, savings and loan associations, individuals  
0124 and corporations have invested a total amount of not less than  
0125 \$10,000,000 of new private, equity capital in voting common  
0126 stock in Kansas Venture Capital, Inc.

0127 (b) The \$10,000,000 nonvoting preferred stock invested by  
0128 the pooled money investment board will receive exactly the  
0129 same rate of dividend at the same time on the same terms as the  
0130 \$10,000,000 voting common stock invested by Kansas banks,  
0131 savings and loan associations, individuals and corporations.

0132 (c) Every outstanding share representing the \$10,000,000  
0133 nonvoting preferred stock is assured of being fully repaid to the  
0134 pooled money investment board before one share of the  
0135 \$10,000,000 voting common stock is repaid to any Kansas bank,  
0136 savings and loan association, individual or corporation.

0137 (d) Investments in common stock of Kansas Venture Capital,  
0138 Inc. shall meet the terms and conditions of 1986 Senate Bill No.  
0139 757 enacting the Kansas venture capital company act.

0140 (e) The investments of \$10,000,000 of new voting common  
0141 stock and the \$10,000,000 of nonvoting, senior preferred stock  
0142 can be invested in Kansas Venture Capital, Inc. in ways which do  
0143 not compromise the integrity of the small business association  
0144 license approved under the small business investment act on  
0145 June 17, 1977.

0146 (f) A total of 15 board members to oversee the operations of  
0147 Kansas Venture Capital, Inc. are nominated by the voting com-  
0148 mon stock shareholders and are approved by the secretary of the  
0149 department of commerce, with the advice and consent of the

0150 legislative commission on economic development or, in the  
0151 alternative, the standing legislative committees on economic  
0152 development during the legislative sessions, or the joint legisla-  
0153 tive committee on economic development in accordance with

0154 the following terms and conditions:

0155 (1) All 15 are recognized leaders in their respective fields.  
0156 with reputations as innovative, future-oriented individuals.

0157 (2) Eight are representatives of Kansas financial institutions.

insurance companies,

(f) In order to increase the amount of risk capital generated, Kansas venture capital, Inc. may invest in small business investment companies located in Kansas and which meet the requirements of this act and 1986 enate Bill No. 757 enacting the Kansas venture capital company act.

(g)

8 who are recognized by their peers for outstanding knowledge  
 9 a. Creative leadership in their respective fields of finance. The  
 10 eight shall represent a reasonable balance of relative proportion  
 11 of investment in the common stock of Kansas Venture Capital,  
 12 Inc. by Kansas commercial banks, savings and loan associations,  
 13 insurance companies, and other appropriate financial interme-  
 14 diaries.

5 (3) Two shall be venture capitalists or investment counselors  
 6 ~~recognized by their peers for outstanding knowledge and lead-~~  
 7 ~~ership in those high risk venture investments of particular im-~~  
 8 ~~portance to the Kansas economy in which Kansas Venture Capi-~~  
 9 ~~tal, Inc. will be expected to invest its funds.~~

11/2  
 familiar with types of investments in which  
 Kansas Venture Capital, Inc. will

10 (4) Five shall be recognized by their peers for outstanding  
 11 knowledge and leadership in industries which represent pri-  
 12 mary, job creating, value-added business sectors of special im-  
 13 portance to the Kansas economy in which Kansas Venture Capi-  
 14 tal, Inc. shall be expected to invest its funds.

5 (f) The board has conducted a search and has selected a  
 6 president for Kansas Venture Capital, Inc. who meets a national  
 7 standard of experience, ability and initiative for similar chief  
 8 executive positions for venture capital corporations investing  
 9 high risk equity and near equity in firms which meet the defini-  
 10 tion of need and mission defined in this act.

1 New Sec. 5. *Accountability.* (a) Kansas Venture Capital, Inc.  
 2 shall prepare and publish an annual report written in easily  
 3 understandable language of its activities for the information of  
 4 the governor, the joint and standing legislative committees on  
 5 economic development, Kansas, Inc., and the public which shall  
 6 specifically account for:

- 7 (1) The manner in which the need and mission as described
- 8 in this act has been carried out by Kansas Venture Capital, Inc.
- 9 (2) The total investments made annually by Kansas Venture
- 10 Capital, Inc. in Kansas businesses.
- 11 (3) An estimate of jobs created and, specifically, jobs pre-
- 12 served by investments by Kansas Venture Capital, Inc. in Kansas
- 13 b. ~~businesses.~~
- 14 (4) An estimate of the multiplier effect on the Kansas econ-



0195 omy of investments by Kansas Venture Capital, Inc. in Kansas  
0196 businesses.

0197 (5) An analysis of the targeting of scarce resources by  
0198 Capital, Inc. by size, sector and location to enterprises of partic-  
0199 ular need and opportunity.

0200 (b) Seven years after the effective date of this act, Kansas, Inc.  
0201 shall perform a financial and program audit of the act.

0202 (c) Kansas, Inc. will have six months to review the tax credit  
0203 provision and the activities and investments of Kansas Venture  
0204 Capital, Inc. including:

0205 (1) A performance analysis of the extent to which the clear  
0206 legislative intent expressed in the need statement of section 1  
0207 and the mission statement of section 2 have been achieved.

0208 (2) the economic and fiscal impact of the act on the state's  
0209 economy and jobs created.

0210 (d) Based on the findings, it will recommend to the legisla-  
0211 ture one of the following actions:

0212 (1) Continue the statutory provisions relating to Kansas Ven-  
0213 ture Capital, Inc.;

0214 (2) continue the act, but with modifications recommended by  
0215 Kansas, Inc.; or

0216 (3) repeal of the act.

0217 Sec. 6. K.S.A. 75-4205 is hereby amended to read as follows:

0218 75-4205. (a) The board shall designate one or more banks to  
0219 receive active accounts. The capital and surplus of any bank  
0220 having an active account shall be not less than \$2,000,000. In  
0221 determining the amount of the award of an active account to any  
0222 bank designated under this subsection therefor, the board shall  
0223 give consideration to the amount of service to be required of it.  
0224 Active accounts shall bear no interest.

0225 (b) The aggregate moneys in all active accounts shall not  
0226 exceed \$40,000,000 at any time, except that in periods of antici-  
0227 pated peak disbursements, the board, in its discretion, may cause  
0228 the aggregate moneys in the active accounts to exceed such  
0229 amount for the duration of such periods of peak disbursements,  
0230 not to exceed 10 days. At any time moneys in active accounts  
0231 exceed 50% of the award of such accounts, additional moneys

0232 may be deposited in time deposit, open accounts.

0233 (c) If the aggregate of all active accounts exceeds the limit  
0234 prescribed in subsection (b), the board shall direct the treasurer  
0235 to make withdrawals within 60 days of sufficient moneys to  
0236 reduce the amount in the active accounts below such limit, and  
0237 such withdrawals shall be made in accordance with the formula  
0238 prescribed for the initial award of such moneys. The moneys so  
0239 withdrawn shall be transferred to and deposited in inactive  
0240 accounts in accordance with the formula prescribed in K.S.A.  
0241 75-4207 and 75-4209, and amendments thereto, for initial de-  
0242 posits in inactive accounts except that any bank which was  
0243 entitled to an inactive account award of \$100,000 or more under  
0244 the provisions of K.S.A. 75-4209, and amendments thereto, but  
0245 which contracted for a lesser amount shall not be entitled to  
0246 receive such additional deposits.

0247 (d) When moneys are available for deposit for not to exceed  
0248 60 days in time deposit, open accounts, the board shall deposit  
0249 such moneys in time deposit, open accounts in the banks and in  
0250 the proportion prescribed by K.S.A. 75-4206, and amendments  
0251 thereto, for the making of such deposits of moneys or if the board  
0252 determines that it is impossible to deposit such moneys in time  
0253 deposit, open accounts, it shall invest the same in repurchase  
0254 agreements of less than 30 days' duration with a Kansas bank for  
0255 direct obligations of, or obligations that are insured as to princi-  
0256 pal and interest by, the United States government or any agency  
0257 thereof.

0258 (e) At any time moneys are available for deposits or invest-  
0259 ment for a period of time which is insufficient to permit deposit  
0260 in time deposit, open accounts the board may invest the same in  
0261 repurchase agreements of less than 30 days' duration with Kan-  
0262 sas banks for direct obligations of, or obligations that are insured  
0263 as to principal and interest by, the United States government or  
0264 any agency thereof.

0265 (f) *When moneys are available for deposits or investments*  
0266 *under the provisions of subsections (d) and (e), the board, in lieu*  
0267 *of such deposits or investments, may invest in preferred stock of*  
0268 *Kansas Venture Capital, Inc. under terms and conditions pre-*

0269 *scribed by section 4 of this act, and amendments thereto, but*  
0270 *such investments shall not in the aggregate exceed a total*  
0271 *amount of \$10,000,000.*

0272 Sec. 7. K.S.A. 1985 Supp. 9-1101 is hereby amended to read  
0273 as follows: 9-1101. Any bank hereby is authorized to exercise by  
0274 its board of directors or duly authorized officers or agents, sub-  
0275 ject to law, all such powers, including incidental powers, as shall  
0276 be necessary to carry on the business of banking, and:

0277 (1) To receive deposits and to pay interest thereon at rates  
0278 which need not be uniform. The state bank commissioner, with  
0279 approval of the state banking board, may by regulations of  
0280 general application fix maximum rates of interest to be paid on  
0281 deposit accounts other than accounts for public moneys;

0282 (2) to buy and sell exchange, gold, silver, foreign coin, bul-  
0283 lion, commercial paper, bills of exchange, notes and bonds;

0284 (3) to buy and sell bonds, securities, or other evidences of  
0285 indebtedness of the United States of America or those fully  
0286 guaranteed, directly or indirectly, by it, and general obligation  
0287 bonds of the state of Kansas or any municipality or quasi-munic-  
0288 ipality thereof, and of other states, and of municipalities or  
0289 quasi-municipalities in other states of the United States of  
0290 America. No bank shall invest an amount in excess of 15% of its  
0291 capital stock paid in and unimpaired and the unimpaired surplus  
0292 fund of such bank in bonds, securities or other evidences of  
0293 indebtedness of any municipality or quasi-municipality of any  
0294 other state or states of the United States of America: (a) If and  
0295 when the direct and overlapping indebtedness of such munic-  
0296 ipality or quasi-municipality is in excess of 10% of its assessed  
0297 valuation, excluding therefrom all valuations on intangibles and  
0298 homestead exemption valuation; (b) or if any bond, security, or  
0299 evidence of indebtedness of any such municipality or quasi-mu-  
0300 nicipality has been in default in the payment of principal or  
0301 interest within 10 years prior to the time that any bank acquires  
0302 any such bonds, security or evidence of indebtedness;

0303 (4) to make all types of loans, including loans on real estate,  
0304 subject to the loan limitations contained in this act. Every real  
0305 estate loan shall be secured by a mortgage or other instrument

0306 constituting a lien, or the full equivalent thereof, upon the real  
0307 estate securing the loan, according to any lawful or well rec-  
0308 ognized practice, which is best suited to the transaction. The  
0309 mortgage may secure future advances. The lien of such mortgage  
0310 shall attach upon its execution and have priority from time of  
0311 recording as to all advances made thereunder until such mort-  
0312 gage is released of record. The lien of such mortgage shall not  
0313 exceed at any one time the maximum amount stated in the  
0314 mortgage;

0315 (5) to discount and negotiate bills of exchange, negotiable  
0316 notes and notes not negotiable;

0317 (6) to own a suitable building, furniture and fixtures, stock in  
0318 a single trust company organized under the laws of the state of  
0319 Kansas, and stock in a safe deposit company organized under the  
0320 laws of the state of Kansas, and stock in a corporation organized  
0321 under the laws of this state, owning only real estate all or a part of  
0322 which is occupied or to be occupied by the bank. The trust  
0323 company shall not at the time of the purchase of such stock be  
0324 engaged in the business of receiving deposits of banks, and in  
0325 the event such trust company shall thereafter receive deposits  
0326 from banks such stock shall be sold within six months or re-  
0327 moved as an asset of the bank, but with a limit of  $\frac{1}{2}$  of the capital  
0328 stock and surplus of such bank upon the total of all amounts  
0329 carried on its books as investments in all assets described in this  
0330 subsection (6) and advances to a corporation organized under the  
0331 laws of this state owning only real estate all or a part of which is  
0332 occupied or to be occupied by the bank. This limitation shall not  
0333 apply to amounts carried on the books of such bank as invest-  
0334 ments made prior to July 1, 1973. The state bank commissioner  
0335 may grant the bank authority to exceed such limitation. The trust  
0336 company and the safe deposit company in which a bank may own  
0337 stock must be located at all times in the same city or unincorpo-  
0338 rated village where the bank owning such stock is located,  
0339 otherwise, the bank shall dispose of such stock immediately;

0340 (7) to buy and sell investment securities which are evidences  
0341 of indebtedness. The buying and selling of investment securities  
0342 shall be limited to buying and selling without recourse market-

0343 able obligations evidencing indebtedness of any person, copart-  
0344 nership, association, corporation, or state or federal agency, in-  
0345 cluding revenue bonds issued pursuant to K.S.A. 76-6a15, and  
0346 amendments thereto, or the state armory board in the form of  
0347 bonds, notes or debentures or both, commonly known as invest-  
0348 ment securities, under such further definition of the term "in-  
0349 vestment securities" as prescribed by the board, but the total  
0350 amount of such investment securities of any one obligor or maker  
0351 held by such bank shall at no time exceed 15% of the capital  
0352 stock paid in and unimpaired and the unimpaired surplus fund of  
0353 such bank except that this limit shall not apply to obligations of  
0354 the United States government or any agency thereof. If the  
0355 obligor is a state agency including any agency issuing revenue  
0356 bonds pursuant to K.S.A. 76-6a15, and amendments thereto, or  
0357 the state armory board, the total amount of such investment  
0358 securities shall at no time exceed 25% of the capital stock paid in  
0359 and unimpaired and the unimpaired surplus fund of such bank;

0360 (8) to subscribe to, buy and own such stock of the federal  
0361 national mortgage association as required by title 3, section 303  
0362 of the federal act known as the national housing act as amended  
0363 by section 201 of public law No. 560, of the United States (68  
0364 Stat. 613-615), known as the housing act of 1954, or amendments  
0365 thereto;

0366 (9) to subscribe to, buy and own stock in one or more small  
0367 business investment companies in Kansas as otherwise autho-  
0368 rized by federal law, except that in no event shall any bank hold  
0369 ~~shares in any one company in an amount aggregating more than~~  
0370 *3% acquire shares in any small business investment company if,*  
0371 *upon the making of that acquisition the aggregate amount of*  
0372 *shares in small business investment companies then held by the*  
0373 *bank would exceed 5% of its capital and surplus. Nothing in this*  
0374 *act contained shall prohibit any bank from holding and disposing*  
0375 *of such real estate and other property as it may acquire in the*  
0376 *collection of its assets;*

0377 (10) to subscribe to, buy and own stock in any agricultural  
0378 credit corporation or livestock loan company, or its affiliate,  
0379 organized pursuant to the provisions of the laws of the United

0380 States providing for the information and operation of agricultural  
0381 credit corporations and livestock loan companies, in an amount  
0382 not exceeding either the undivided profits or 10% of the capital  
0383 stock and surplus and undivided profits from such bank, which-  
0384 ever is greater;

0385 (11) to become the owner or lessor of personal property  
0386 acquired upon the specific request and for the use of a customer,  
0387 and may incur such additional obligations as may be incident to  
0388 becoming an owner or lessor of such property. Any bank which  
0389 claims a credit against its privilege tax of any amount of ad  
0390 valorem taxes on property acquired pursuant to this subsection  
0391 shall not be designated as a depository for any state funds by the  
0392 pooled money investment board. Lease transactions shall not  
0393 result in obligations for the purpose of determining limitations or  
0394 restrictions on the amount of loans. Lease payments on such  
0395 transactions shall be considered rents and not interest;

0396 (12) to subscribe to, buy and own stock in minbanc capital  
0397 corporation, a company formed for the purpose of providing  
0398 capital to minority-owned banks. No bank's investment in such  
0399 stock shall exceed 2% of its capital and surplus;

0400 (13) to buy, hold, and sell any type of investment securities  
0401 not enumerated in this section with approval of the commis-  
0402 sioner and upon such conditions and under such regulations as  
0403 are prescribed by the state banking board;

0404 (14) to act as escrow agent;

0405 (15) to subscribe to, acquire, hold and dispose of stock of any  
0406 class of the KBA mortgage corporation, a corporation having as its  
0407 purpose the acquisition, holding and disposition of loans secured  
0408 by real estate mortgages, and to acquire, hold and dispose of the  
0409 debentures and capital notes of such corporation. No bank's  
0410 investment in such stock, debentures and capital notes shall  
0411 exceed 2% of its capital stock, surplus and undivided profits and  
0412 such investment shall be carried on the books of the bank as  
0413 directed by the commissioner;

0414 (16) to purchase and sell securities and stock without re-  
0415 course solely upon the order, and for the account, of customers;

0416 (17) to subscribe to, acquire, hold and dispose of any class of

0417 stock, debentures and capital notes of MABSCO agricultural  
0418 services, inc. or any similar corporation having as its purpose the  
0419 acquisition, holding and disposition of agricultural loans origi-  
0420 nated by Kansas banks. No bank's investment in such stock,  
0421 debentures and capital notes shall exceed 2% of its capital stock,  
0422 surplus and undivided profits. Such investment shall be carried  
0423 on the books of the bank as directed by the commissioner;

0424 (18) to buy, hold and sell mortgages, stock, obligations and  
0425 other securities which are issued or guaranteed by the federal  
0426 home loan mortgage corporation under sections 305 and 306 of  
0427 the federal act known as the federal home loan mortgage corpo-  
0428 ration act (P.L. 91-351);

0429 (19) to buy, hold and sell obligations or other instruments or  
0430 securities, including stock, issued or guaranteed by the student  
0431 loan marketing association created by (P.L. 92-318) of the United  
0432 States;

0433 (20) to engage in financial future contracts on United States  
0434 government and agency securities subject to such rules and  
0435 regulations as the state bank commissioner may prescribe pur-  
0436 suant to K.S.A. 9-1713, and amendments thereto, to promote safe  
0437 and sound banking practices;

0438 (21) to subscribe to, buy and own stock in a federally char-  
0439 tered bankers' bank chartered pursuant to subsection (b) of 12  
0440 U.S.C. 27, except no bank's investment in such stock shall  
0441 exceed 10% of its capital stock, surplus and undivided profits;

0442 (22) subject to such rules and regulations as the state bank  
0443 commissioner may adopt pursuant to K.S.A. 9-1713, and amend-  
0444 ments thereto, to promote safe and sound banking practices,  
0445 upon recorded prior approval by the board of directors of the  
0446 initial investment in a specific company and pursuant to an  
0447 investment policy approved by the board of directors which  
0448 specifically provides for such investments to buy, hold and sell  
0449 shares of an open-end investment company registered with the  
0450 federal securities and exchange commission under the federal  
0451 investment company act of 1940 and the federal securities act of  
0452 1933 and of a privately offered company sponsored by an affili-  
0453 ated commercial bank, the shares of which are purchased and

4 sold at par and the assets of which consist solely of securities  
 5 which may be purchased by the bank for its own account. Such  
 6 shares may be purchased without limit if the assets of the  
 7 company consist solely of and are limited to obligations that are  
 8 eligible for purchase by the bank without limit. If the assets of  
 9 the company include securities which may be purchased by the  
 10 bank subject to limitation, such shares may be purchased subject  
 11 to the limitation applicable to purchase by the bank of such  
 12 securities.

13 New Sec. 8. Except as otherwise provided in section 12,  
 14 every national banking association, state bank and savings and  
 15 loan association investing in stock issued by Kansas Venture  
 16 Capital Inc. shall be entitled to a credit in an amount equal to  
 17 25% of the total amount invested in such stock against the tax  
 18 liability imposed against such taxpayer pursuant to K.S.A. 79-  
 19 1106 to 79-1116, inclusive, and amendments thereto.

20 ~~No more than 25% of the total tax credit allowed under this section shall  
 21 be credited against the taxpayer's tax liability for any one taxable  
 22 year. If the amount of the tax credit permitted in any year  
 23 exceeds the taxpayer's tax liability for such taxable year, the  
 24 amount of the credit which exceeds such tax liability and any  
 25 remaining credit may be carried back not more than three years  
 26 or carried forward until the credit is exhausted.~~

27 Sec. 9. K.S.A. 79-1109 is hereby amended to read as follows:  
 28 79-1109. As used in this act "net income" shall mean the Kansas  
 29 taxable income of corporations as defined in K.S.A. 79-32,138,  
 30 and amendments thereto, plus income received from obligations  
 31 or securities of the United States or any authority, commission or  
 32 instrumentality of the United States and its possessions to the  
 33 extent deducted in arriving at Kansas taxable income of a corpo-  
 34 ration and income received from obligations of this state or a  
 35 political subdivision thereof which is exempt from income tax  
 36 under the laws of this state; less dividends received from stock  
 37 issued by Kansas venture-capital, Inc. to the extent such divi-  
 38 dends are included in the Kansas taxable income of a corpora-  
 39 tion, interest paid on time deposits or borrowed money and  
 40 dividends paid on withdrawable shares of savings and loan

(a) , insurance companies

or 40-2801, and amendments thereto,  
 as the case requires

In any one taxable year, the amount of such credit allowable for deduction from the taxpayer's tax liability shall not exceed 25% of the total amount of such credit, and in no case may such amount exceed 25% of the taxpayers tax liability in such year. The amount of any remaining unused credit may be carried back not more than three years or carried forward until the total amount of the credit is exhausted.

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

Venture Capital



0491 associations to the extent not deducted in arriving at Kansas  
0492 taxable income of a corporation.

0493 Savings and loan associations shall be allowed as a deduction  
0494 from net income, as hereinbefore defined, a reserve established  
0495 for the sole purpose of meeting or absorbing losses, in the  
0496 amount of ~~five percent (5%)~~ 5% of such net income determined  
0497 without benefit of such deduction, but no further deduction shall  
0498 be allowed for losses when actually sustained and charged  
0499 against such reserve, unless such reserve shall have been fully  
0500 absorbed thereby; or, in the alternative, a reasonable addition to  
0501 a reserve for losses based on past experience, under such regu-  
0502 lations as the secretary of revenue may prescribe.

0503 New Sec. 10. [Except as otherwise provided in section 12,  
0504 every ~~corporation~~ investing in stock issued by Kansas Venture  
0505 Capital Inc. shall be entitled to claim a credit in an amount equal  
0506 to 25% of the total amount invested in such stock against the  
0507 income tax liability imposed against such taxpayer pursuant to  
0508 article 32 of chapter 79 of the Kansas Statutes Annotated. ~~No~~  
0509 ~~more than 25% of the total tax credit allowed under this section~~  
0510 ~~shall be credited against the taxpayer's tax liability for any one~~  
0511 ~~taxable year. If the amount of the tax credit permitted in any year~~  
0512 ~~exceeds the taxpayer's tax liability for such taxable year, the~~  
0513 ~~amount of the credit which exceeds such tax liability and any~~  
0514 ~~remaining credit may be carried back not more than three years~~  
0515 ~~or carried forward until the credit is exhausted.~~

0516 Sec. 11. K.S.A. 79-32,117 is hereby amended to read as fol-  
0517 lows: 79-32,117. (a) The Kansas adjusted gross income of an  
0518 individual means such individual's federal adjusted gross in-  
0519 come for the taxable year, with the modifications specified in this  
0520 section.

0521 (b) There shall be added to federal adjusted gross income:  
0522 (i) Interest income, to the extent that the same is not included  
0523 in federal adjusted gross income, on obligations of any state or  
0524 political subdivision thereof, but to the extent that interest in-  
0525 come on obligations of this state or a political subdivision thereof  
0526 is specifically exempt from income tax under the laws of this  
0527 state authorizing the issuance of such obligations, it shall be

(a)

taxpayer

In any one taxable year, the amount of such credit allowable for deduction from the taxpayer's tax liability shall not exceed 25% of the total amount of such credit, and in no case may such amount exceed 25% of the taxpayers tax liability in such year. The amount of any remaining unused credit may be carried back not more than three years or carried forward until the total amount of the credit is exhausted.

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

0528 excluded from computation of Kansas adjusted gross income  
0529 whether or not included in federal adjusted gross income.

0530 (ii) Taxes on or measured by income or fees or payments in  
0531 lieu of income taxes imposed by this state or any other taxing  
0532 jurisdiction to the extent deductible in determining federal ad-  
0533 justed gross income and not credited against federal income tax.

0534 (iii) The federal net operating loss deduction.

0535 (iv) Federal income tax refunds received by the taxpayer if  
0536 the deduction of the taxes being refunded resulted in a tax  
0537 benefit for Kansas income tax purposes during the prior taxable  
0538 year. Such refunds shall be included in income in the year  
0539 actually received regardless of the method of accounting used by  
0540 the taxpayer. For purposes hereof, a tax benefit shall be deemed  
0541 to have resulted if the amount of the tax had been deducted in  
0542 determining income subject to a Kansas income tax for a prior  
0543 year regardless of the rate of taxation applied in such prior year to  
0544 the Kansas taxable income, but only that portion of the refund  
0545 shall be included as bears the same proportion to the total refund  
0546 received as the federal taxes deducted in the year to which such  
0547 refund is attributable bears to the total federal income taxes paid  
0548 for such year. For purposes of the foregoing sentence, federal  
0549 taxes shall be considered to have been deducted only to the  
0550 extent such deduction does not reduce Kansas taxable income  
0551 below zero.

0552 (v) The amount of any depreciation deduction or business  
0553 expense deduction claimed on the taxpayer's federal income tax  
0554 return for any capital expenditure in making any building or  
0555 facility accessible to the handicapped, for which expenditure the  
0556 taxpayer claimed the credit allowed by K.S.A. 79-32,177.

0557 (vi) Any amount of designated employee contributions  
0558 picked up by an employer pursuant to K.S.A. 12-5005, 20-2603,  
0559 74-4919 and 74-4965, and amendments to such sections.

0560 (c) There shall be subtracted from federal adjusted gross  
0561 income:

0562 (i) Interest or dividend income on obligations or securities of  
0563 any authority, commission or instrumentality of the United  
0564 States and its possessions to the extent included in federal

0565 adjusted gross income but exempt from state income taxes under  
0566 the laws of the United States.

0567 (ii) Any amounts received which are included in federal  
0568 adjusted gross income but which are specifically exempt from  
0569 Kansas income taxation under the laws of the state of Kansas.

0570 (iii) The portion of any gain or loss from the sale or other  
0571 disposition of property having a higher adjusted basis for Kansas  
0572 income tax purposes than for federal income tax purposes on the  
0573 date such property was sold or disposed of in a transaction in  
0574 which gain or loss was recognized for purposes of federal income  
0575 tax that does not exceed such difference in basis, but if a gain is  
0576 considered a long-term capital gain for federal income tax pur-  
0577 poses, the modification shall be limited to that portion of such  
0578 gain which is included in federal adjusted gross income. For  
0579 Kansas income tax purposes the basis in carryover basis property,  
0580 as defined by 26 U.S.C. 1023 (b)(1), shall be determined in  
0581 accordance with the provisions of 26 U.S.C. 1014 existing on  
0582 December 31, 1976.

0583 (iv) The amount necessary to prevent the taxation under this  
0584 act of any annuity or other amount of income or gain which was  
0585 properly included in income or gain and was taxed under the  
0586 laws of this state for a taxable year prior to the effective date of  
0587 this act, as amended, to the taxpayer, or to a decedent by reason  
0588 of whose death the taxpayer acquired the right to receive the  
0589 income or gain, or to a trust or estate from which the taxpayer  
0590 received the income or gain.

0591 (v) The amount of any refund or credit for overpayment of  
0592 taxes on or measured by income or fees or payments in lieu of  
0593 income taxes imposed by this state, or any taxing jurisdiction, to  
0594 the extent included in gross income for federal income tax  
0595 purposes.

0596 (vi) Accumulation distributions received by a taxpayer as a  
0597 beneficiary of a trust to the extent that the same are included in  
0598 federal adjusted gross income.

0599 (vii) Amounts received as annuities under the federal civil  
0600 service retirement system, from the civil service retirement and  
0601 disability fund.

0602 (viii) Amounts received by retired railroad employees as a  
0603 supplemental annuity under the provisions of 45 U.S.C. 228b (a)  
0604 and 228c (a)(1) *et seq.*

0605 (ix) Amounts received by retired employees of a city and by  
0606 retired employees of any board of such city as retirement allow-  
0607 ances pursuant to K.S.A. 13-14,106, and amendments thereto, or  
0608 pursuant to any charter ordinance exempting a city from the  
0609 provisions of K.S.A. 13-14,106, and amendments thereto.

0610 (x) Amounts up to 50% or \$500, whichever is less, of the costs  
0611 of labor and materials incurred by the taxpayer, per building, in  
0612 the insulation of each building owned by said taxpayer, which  
0613 building was in existence on July 1, 1977, is intended for single  
0614 family or multi-family occupation and is located in this state. For  
0615 the purposes of this subsection, the term "insulation" shall mean  
0616 the act of installing materials in the walls, floors or ceilings of  
0617 buildings, which materials are specifically designed to reduce  
0618 the loss or gain of heat within such buildings and which materi-  
0619 als meet the minimum criteria and standards for energy conser-  
0620 vation for new buildings prescribed by the federal housing  
0621 administration in existence on the effective date of this act and as  
0622 such criteria and standards are further modified by rules and  
0623 regulations of the state secretary of revenue.

0624 (xi) For taxable years beginning after December 31, 1976, the  
0625 amount of the federal tentative jobs tax credit disallowance  
0626 under the provisions of 26 U.S.C. 280 C. For taxable years  
0627 ending after December 31, 1978, the amount of the targeted jobs  
0628 tax credit and work incentive credit disallowances under 26  
0629 U.S.C. 280 C.

0630 (xii) *For taxable years beginning after December 31, 1986,*  
0631 *dividend income on stock issued by Kansas Venture Capital Inc.*

0632 (d) There shall be added to or subtracted from federal ad-  
0633 justed gross income the taxpayer's share, as beneficiary of an  
0634 estate or trust, of the Kansas fiduciary adjustment determined  
0635 under K.S.A. 79-32,135, and amendments thereto.

0636 (e) The amount of modifications required to be made under  
0637 this section by a partner which relates to items of income, gain,  
0638 or loss, deduction or credit of a partnership shall be determined

0639 under K.S.A. 79-32,131, and amendments thereto, to the extent  
0640 that such items affect federal adjusted gross income of the  
0641 partner.

0642 New Sec. 12. The total of all tax credits granted for invest-  
0643 ment in Kansas Venture Capital, Inc. pursuant to sections 8 and  
0644 10 of this act shall not exceed \$10,000,000.

0645 Sec. 13. *Liability.* The state of Kansas may not be held liable  
0646 for any damages to an investor in Kansas Venture Capital, Inc..

0647 New Sec. 14. *Invalidity of part.* If any provision of this act or  
0648 the application thereof to any person or circumstances is held  
0649 invalid, the invalidity shall not affect other provisions or appli-  
0650 cations of the act which can be given effect without the invalid  
0651 provision or application, and to this end the provisions of this act  
0652 are severable.

0653 Sec. 15. K.S.A. 75-4205, 79-1109 and 79-32,117 and K.S.A.  
0654 1985 Supp. 9-1101 are hereby repealed.

0655 Sec. 16. *Effective date.* This act shall take effect and be in  
0656 force from and after its publication in the Kansas register.

Sec. . K.S.A. 40-2803 is hereby amended to read as follows: 40-2803. For the purpose of computing the tax imposed upon life insurance companies under the provisions of this act the term "net income" shall mean the net taxable income for the preceding calendar year of such company as determined under the provisions of section 802 of the internal revenue code of 1954, as heretofore or hereafter amended. The term "net income" shall not include dividends received from stock issued by Kansas Venture Capital, Inc. to the extent such dividends are included in the Kansas taxable income of a corporation, interest income on obligations of this state or a political subdivision thereof which is specifically exempt from income tax under the laws of this state authorizing the issuance of such obligations. In case the entire business of such company is not transacted within this state, the net income for the purposes of this act shall be determined by multiplying said net income by a fraction, the numerator of which shall be the premiums received from business transacted within this state and the denominator of which is the amount of premiums received by such company from all its business: Provided, That insurance companies connected through stock ownership, which operate under common control and management are hereby authorized to make a consolidated return for the purpose of determining "net income" under the provisions of this section and intercompany transactions shall not be considered or included for the purpose of such determination.

Sec. . K.S.A. 40-2804 is hereby amended to read as follows: 40-2804. For the purpose of computing the tax imposed under the provisions of this act the term "net income" as applied to a domestic fire and casualty insurance company shall mean the amount required to be reported as "net income" in the annual statement form required to be filed by such company with the Kansas commissioner of insurance under the provisions of K.S.A. 40-225; as applied to a domestic mutual hail insurance company the term "net income" shall mean the amount required to be reported as "net income," annual increase in reserve fund in section VII of the annual statement form required to be filed by such company with the Kansas commissioner of insurance under the provisions of K.S.A. 40-225; and as applied to a domestic county mutual fire insurance company the term "net income" shall mean the amount required to be reported as "net income," annual net gain in its combined reserve and general funds in section VII of the annual statement form required to be filed by such company with the Kansas commissioner of insurance under the provisions of K.S.A. 40-225: Provided, however, If any such domestic fire and casualty insurance company, domestic mutual hail insurance company, or domestic county mutual fire insurance company does business in states other than Kansas its "net income" shall be determined by the proportion of net premiums (gross premiums less cancellations) received from business written in Kansas compared to total net premiums received from all its business: Provided further, That insurance companies connected through stock ownership with a common parent corporation, which operate under common control and management are hereby authorized to make a consolidated return for the purpose of determining "net income" under the provisions of this section and intercompany transactions shall not be considered or included for the purpose of such determination: And provided further, That if a domestic insurance company is exempt for any reason from filing an annual statement with the Kansas insurance department, its net income shall be determined in the same manner as herein provided. For the purposes of this section, the term "net income" shall not include dividends received from stock issued by Kansas Venture Capital, Inc. to the extent such dividends are included in the Kansas taxable income of a corporation, interest income on obligations of this state or a political subdivision thereof which is specifically exempt from income tax under the laws of this state authorizing the issuance of such obligations.



4/2

March 31, 1986

To: Senator Fred Kerr and Members of the Senate Assessment and  
Taxation Committee

From Carol Wiebe, Director of Economic Development, Hillsboro, Ks.  
& President of Kansas Industrial Developers Association

May I encourage your committee to support the initiatives for #1,  
creation of a statewide risk capital system and #2 the enactment  
of a targeted venture capital tax credit act.

As a Director of Economic Development for Hillsboro, population  
3,000, I feel it would benefit the state as a whole and be helpful  
to communities the size of Hillsboro as well.

I am pleased with the many discussions taking place in the leg-  
islature as well as across Kansas regarding the future of economic  
development in our state. At the recent conference in Emporia  
a poll of those in attendance rated the need for venture capital  
as the number one concern. As we approach the end of the session  
it is my sincere hope that actions will be taken to solidify the  
solutions to the needs we have discussed this winter. Your committee  
can be a key part of the answer to some of the problems.

(Copy to be submitted for the record at the hearing)

Attachment 7  
Senate Tax Comm. - 4/3/86