

Approved 2-10-89
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m./p/m. on February 8, 1989 in room 123-S of the Capitol.

All members were present except:
Senator Jack Steineger, Excused

Committee staff present:
Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kans Leg Research Dept
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:
Sam Campbell, Campbell-Becker, Inc., Lawrence, Ks.
Bob McGregor, President, Chamber of Commerce of Greater Kansas City

The Committee continued the hearing on Senate Bill 101. The final conferee on SB101 was Sam Campbell, Campbell-Becker, Inc., Lawrence, Ks. Mr. Campbell's testimony is found in Attachment 1. He recommended raising the present ceiling for venture capital tax credits, along with encouraging the Legislature to dedicate and allocate up to \$15 million of tax credits specifically to the Ad Astra Fund. This concluded the hearing on SB101.

The Chairman advised that the Committee could work SB101 on Friday.

Mr. Bob McGregor, President, Chamber of Commerce of Greater Kansas City, spoke to the Committee on the regional approach to economic development. He pointed out that the Chamber is becoming more and more a regional chamber and has legislative committees both for Missouri and Kansas. In the past several years the Chamber has made a special effort to raise awareness of the need to coordinate development on both sides of the state line. Mr. McGregor felt it was important to have a strong economic development strategy covering the entire Kansas City area on both sides. He reported on two proposed projects in Missouri that will benefit the whole region. One of these is an effort to build a direct highway link between Kansas City and Chicago and the other to establish an international trade exhibition center. One of the things that the Chamber is advocating is stronger coordination between the economic development offices in Kansas and Missouri. They would like to see a pooling of resources in establishing joint trade offices in Europe and Asia. He feels the regional approach makes sense. We need to do more together and he encouraged the Legislature to work with the Department of Commerce to work for more joint development with counterparts in Missouri. Areas on which the states could work together include new technology, the medical industry and education. In closing, Mr. McGregor stated that Kansas and Missouri both have a big stake in the Kansas City area and each needs the other's resources to make the most of their potential.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 123-S Statehouse, at 8:00 a.m./p.m. on February 8, 1989

Senator Winter asked for the introduction of a bill that would create an office of Housing within the Division of Community Development in the Department of Commerce. It was moved by Senator Moran and seconded by Senator Oleen that the bill be introduced. Motion carried.

Senator Winter asked for the introduction of a second bill changing state law to allow the manufacturing of gaming devices for use outside of the state. It was moved by Senator Winter and seconded by Senator Kerr that the bill be introduced. Motion carried.

There being no further business, the meeting was adjourned.

TAX CREDIT TESTIMONY

February 8, 1989

CAMPBELL-BECKER, INC.

Sam Campbell
and
Charles Becker

*Sen Ew - New
2-8-89
Attachment 1*

Good Morning Ladies and Gentlemen:

I would like to thank you for providing me the opportunity to present our testimony on what we feel is a most important topic - Venture Capital TAX CREDITS.

I would like to point out the importance of "seed" capital to the financial world. In order for future sources of risk capital to exist and ultimately be successful, the initial investments of seed capital are necessary. These monies provide a company with less risk to the later stage Venture Capitalist because a solid foundation for the start-up enterprise has been established by the seed investor. The company is now ready for the second and third rounds of funding due in a large part to seed funds such as Ad Astra.

The Ad Astra Fund is a natural outgrowth of the Centers of Excellence. By this I mean, there needs to be a vehicle to evaluate the commercial value of products developed by the Centers and to also provide seed funding to actually commercialize those products which have the greatest potential. KTEC has taken the right steps in supporting Ad Astra as this important bridge between Research and Development and the real commercial world.

Because the risk is greater at the seed capital level, it is most important to provide real incentives to prospective investors in Ad Astra. In our opinion, the Kansas Income Tax Credit is one of the most important incentives we can offer. Our experience in the funding of our second private fund in 1987 bears this out. The tax credit was of tremendous benefit to us

as the deciding factor for many of our investors especially with the provision which allows the sale of the credit by investors not subject to Kansas income tax liability.

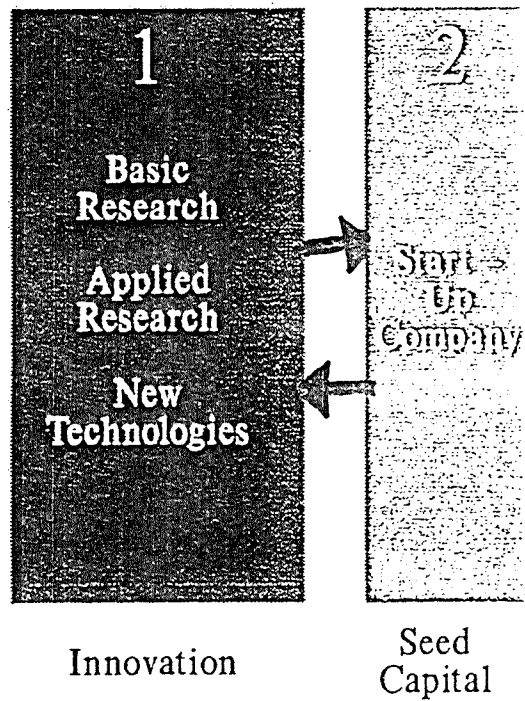
As we begin our efforts to seek private investors for Ad Astra, it should be noted that there is intense competition both in the state of Kansas and also outside the state for investor's dollars. Out of state competition does offer incentives; in many cases tax credits similar to Kansas. Therefore, if we want to be successful in leveraging KTEC's commitment to a fund size that will ultimately create the foundation of the advanced technology industry in Kansas, the present ceiling for venture capital tax credits must be raised to accommodate our new investors.

We also recommend that the legislature dedicate and allocate up to \$15 million of tax credits specifically to Ad Astra. As mentioned before, there is not a more important component of economic development than seed capital. In addition, Ad Astra has a commitment from the state of Kansas via KTEC in the form of actual dollars. To make these dollars work and work effectively, a similar commitment must be made in regard to setting aside tax credits for the Fund. It will help assure investors of Kansas' dedication to its goal of supporting the landmark economic development legislation of 1986.

Thank your for your positive consideration of this important request.

AD ASTRA FUND

Technology Development Process

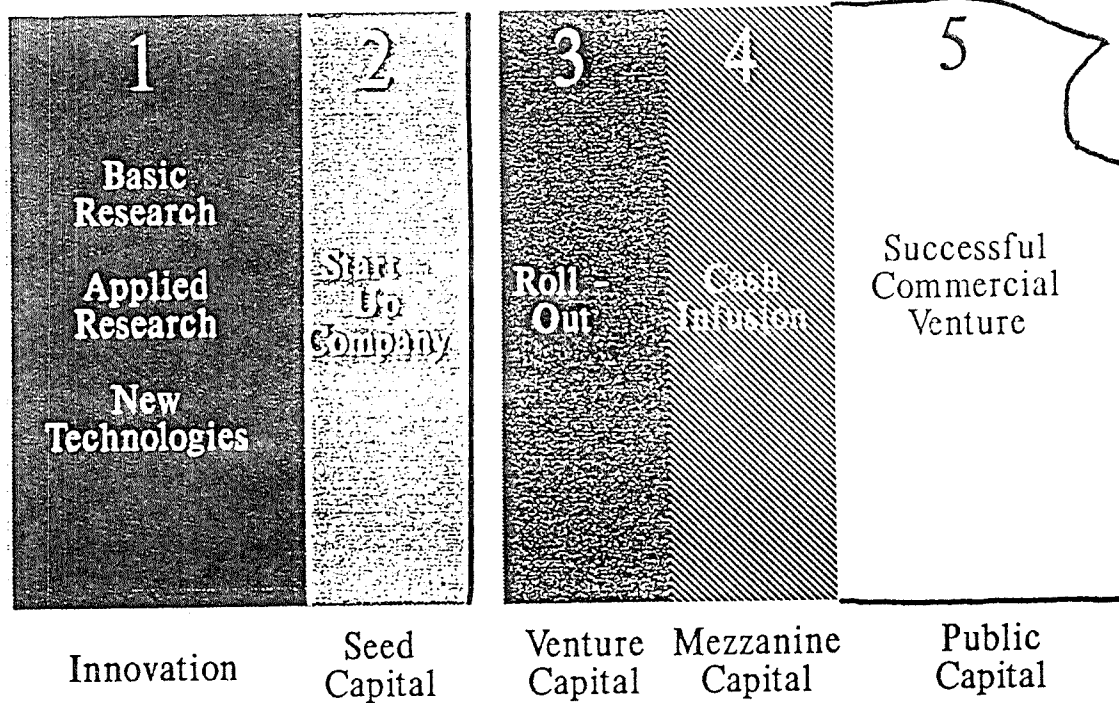


← \$250,000

Source: "A Quest For High Tech Ventures," Chemical Week, 1984

AD ASTRA FUND

Technology Development Process



Source: "A Quest For High Tech Ventures," Chemical Week, 1984