

Approved February 15, 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:36 ~~xxx~~ p.m. on Tuesday, February 6, 1990 in room 423-S of the Capitol.

All members were present except: Representatives Barkis, Brady, Dean and Foster. Excused.

Committee staff present:
Lynne Holt, Research
Elaine Johnson, Secretary

Conferees appearing before the committee: None

The meeting was called to order at 3:36 p.m. by Chairperson Baker.

The minutes of the January 29, 30, 31 and February 1, 1990 meetings were approved.

Representative Baker recognized Dr. Richard Hahn, Director of the Kansas Agricultural Value-Added Center, Kansas State University.

Dr. Hahn went over his "KVAC Report To The Legislature" with the committee. Attachment 1. Dr. Hahn expressed his concerns to the committee about the Governor's recommendations for the FY91 budget. With the monies proposed in the FY91 budget the operations of KVAC will be minimal and there will be little if any expansion in the program itself.

Dr. Hahn responded to questions from the committee.

The meeting adjourned at 4:34 p.m.

Elizabeth Baker

KVAC REPORT TO THE LEGISLATURE

22 January 1990

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2. ACCOMPLISHMENTS
3. BUDGET
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6. SENATE BILL 599
7. KTEC

Richard R. Hahn, Ph.D.
Director

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*House Eco. Devo. Committee
Attachment 1*

2/6/90

22 January 1990

KVAC PROGRESS REPORT

KVAC was established by the legislature in 1988 (1988 Supp. 76-481, et. seq.) and became operational May 5, 1989, with the opening of its office in Umberger Hall on the KSU campus. The Leadership Council has met regularly with the Director and a Strategic Plan to address the six objectives established in the legislation was adopted in November 1989.

There have been a good mix of contacts with the center during the initial nine months. Originally, many contacts were exploratory but KVAC is now getting solid technical inquiries of the type envisioned for the center. Currently, one new contact requiring KVAC time to supply information is made every other working day. Many of these clients require multiple contacts to solve the problem or to furnish the required technical information. These contacts are coming from every section of the state. It is difficult to gauge the value of this assistance in jobs, sales, or costs. They are problems that eventually will be solved by the company but with considerable more expense, effort and time.

KVAC has worked with a number of start up companies. Our role has been to help them think through the start up process, define their products and markets, and refer them to other agencies for business plans, financing, etc.

KVAC has used its funding conservatively in the initial period. We have tried to insure that the funded projects will be commercially successful and are conducted in an "industrial" manner. Thus far \$197,000 of our 1990 project budget of \$415,000 has been committed. We currently are reviewing requests for an additional \$560,000 in project funding.

In this first nine months we have established KVAC as a source of technical information and assistance for the Kansas processing industry. A strong working relationship has been established with a broad cross section of Kansas agriculture processing companies and university technical resources.

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2/6/90

January 2, 1990

KANSAS AGRICULTURAL VALUE-ADDED PROCESSING CENTER

Leadership Council

Authorization S.B. 599

Appointed By: Governor Mike Hayden

Chairperson: Bernie L. Hansen

Vice Chairperson: Jim Allen

PRIVATE SECTOR REPRESENTATIVES

	<u>Appointment Date</u>	<u>Expiration Date</u>
James (Jim) Kramer, Managing Partner KRAMER SEED FARMS 907 South Monroe Hugoton, Kansas 67951 (316) 544-4330 (316) 544-8000 pick-up phone	08-10-88	06-30-90
Donald Wenger, Vice President WENGER MANUFACTURING Box 130 Sabetha, Kansas 66534 (913) 284-2133 FAX: (913) 284-3771	08-10-88	06-30-90
Dale Rodman, Executive Vice President EXCEL CORPORATION 151 N. Main, Box 2519 Wichita, Kansas 67201 (316) 291-2500 FAX: (316) 291-2508	08-10-88	06-30-91
Bernard (Bernie) L. Hansen, President FLINT HILLS FOODS, INC. P.O. Box 435 Alma, Kansas 66401 (913) 765-3396 FAX: (913) 765-2294	08-10-88	06-30-91
Karen Pendleton PENDLETON'S FRESH KAW VALLEY ASPARAGUS RR #2, Box 371 Lawrence, Kansas 66046 Home: (913) 843-1409 Farm: (913) 843-3192 FAX: (913) 841-6287	08-10-88	06-30-91
Lee Reeve, Owner-Manager REEVE CATTLE CO. P.O. Box 1036 Garden City, Kansas 67846 (316) 275-0234 FAX: (316) 275-8393	09-08-88	06-30-90

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Dr. Donald Rathbone, P.E.

Dean of Engineering

Kansas State University

146 Durland Hall

Manhattan, Kansas 66506

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STATE GOVERNMENT REPRESENTATIVES

Sam Brownback, Kansas Secretary of Agriculture

Kansas State Board of Agriculture

109 SW 9th Street

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Harland E. Priddle, Secretary

Kansas Department of Commerce

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EX OFFICIO:

William G. Brundage, Ph.D

President of KTEC

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Topeka, Kansas 66603

(913) 296-5272

FAX: (913) 296-1160

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2/6/90

22 January 1990

ACCOMPLISHMENTS (May-Dec '89)

Worked with 76 companies.

Companies located on 39 counties.

Companies predominately small businesses
(less than 10 employees)

Funded 20 projects for \$186,918
(see tab 5)

TYPES OF RESULTS ACHIEVED:

New Business Formed
New Product Defined
New Product Developed
Process Improved
Production Expanded
Quality Improved
Costs Reduced
New Opportunities

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2 January 1990

SPECIFIC RESULTS

<u>Company</u>	<u>Location</u>	<u>Product/Project</u>	<u>Assistance</u>
Innovative Foods	Colby	Seed Roasting Process.	Evaluated process for Colby officials. Trying to attract plant that will employ 5-10. R & D component has been re-located to Colby. Involves 2 people initially, 5-10 long term.
Bainter's Leather	Hoxie	Tanning Sheep Skin.	Designed new pelt washing process. Saves investment of \$350,000. Will allow profitable start up and employment of 5 people.
Odontex	Lawrence	Tooth cleaning dog biscuit.	Assisted in setting up extrusion test. Product was successfully demonstrated for Hills Pet Food.
Earthly Endeavors	Wichita	Cookies and snacks.	Assisted in selection of equipment for expansion.
Nutri-Shield	Hiawatha	Protective coating for hay bales.	Redefining formulation to reduce costs and make profitable. Plant will employ 2. Reduced costs by 50%.
Midwest Starch	Atchison	Industrial Starch.	Met with customer to assist in use of Wheat Starch products. Sales volume 1 mm lbs.
Elm Creek Quail Farm	Marysville	Farm raised Pheasant and Quail.	Assisted in effort to market to gourmet food stores in Kansas City.
Fuels Inc	Hugoton	Ozonization of feedlot water.	Assisted in rewriting project proposal for KTEC. Project was funded and successfully completed. Two immediate jobs and 10 in future.
High Plains Corp Golden Mill Sorghum	Colwich Bartlett	Aquaculture. Sorghum Molasses.	Process information to address technical problems. Information for product improvement.
Aquaculture Engineering	Shawnee Mission	Aquaculture Demonstration Plant	Assisted rewriting \$100,000 project proposal to KTEC - project was funded.

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Neutro Products	Los Angeles	Pet food.	Assisted in locating possible Kansas toll processor - currently negotiating. Interested in Kansas as future plant site - referred to Dept of Commerce.
Bob Broughton	Minneapolis	Frozen Sandwich.	Assisted in defining product concept, process for manufacture, and new reconstitution heating technique. Seeking investors. To employ 10.
T&G Associates	Leawood	New Breeding Plant.	Arranged product concept testing. New plant in Olathe employing 5 in future.

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2 January 1990

New Contacts With KVAC

	<u>4th Quarter '89</u>	<u>1st Quarter '90</u>	<u>2nd Quarter '90</u>
Provided general information only	8	11	11
Referred to other agency	2	4	7
Provided technical information	6	15	18
Multiple contacts, same subject	<u>15</u>	<u>12</u>	<u>10</u>
 TOTAL NEW CONTACTS	31	42	45

Other KVAC Activities

Client meetings	8	18	11
Meetings with KTEC	10	7	3
Meetings with State Agencies	7	18	12
Meetings with University Staff	27	23	29
Days in-state travel	15	16	13
Days out-of-state travel	0	1	2
Speeches	7	4	7
Legislative hearings	1	1	0
Leadership Council Meetings	2	3	1
News Releases	3	4	5
Media interviews	7	6	12

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1/26/90

BUDGET COMPARISON:

	<u>'90</u>	<u>'91 REQUEST</u>	<u>'91 GOV RECOMMEND</u>
01 Salaries	\$ 130,782	\$ 174,967	\$ 162,793
06 Contractual Services	85,000	96,000	79,000
11 Commodities	3,000	5,000	5,000
15 Capitol	<u>15,000</u>	<u>15,000</u>	<u> </u>
30 TOTAL STATE	\$ 233,782	\$ 290,967	\$ 246,793
38 Grants	<u>329,438</u>	<u>582,033</u>	<u>85,000</u>
40 TOTAL	\$ 563,280	\$ 873,000	\$ 331,793

FUNDING SOURCE:

EDIF	\$ 175,000	\$ 588,000	\$ 296,793
SGF	250,000	250,000	
White Wheat-EDIF	35,000	35,000	35,000
Rollover	<u>103,280</u>	<u> </u>	<u> </u>
TOTAL	\$ 563,280	\$ 873,000	\$ 331,793

GOVERNOR'S BUDGET CUT \$ 24,247

\$ 539,033

COMMITTED TO 1/1/90 \$ 218,359

PROJECTS FUNDED 1/19/90 \$ 74,450

BALANCE REMAINING \$ 246,224

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STRATEGIC PLAN

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2/6/90

STRATEGIC PLAN

KANSAS AGRICULTURAL VALUE ADDED PROCESSING CENTER

NOVEMBER 27, 1989

OUTLINE OF PLAN

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**AGRICULTURAL VALUE ADDED PROCESSING CENTER
MISSION/GOALS/STRATEGIES**

Mission:

The mission of the Agricultural Value Added Center (KVAC) is to enhance the economy of the State of Kansas by providing technical and market information, research and development programs and pilot facilities to assist agriculturally related value added processing endeavors.

**Objectives (as established in 1988 Supp. 76-481, et. seq.,
10 May, 1988:**

1. Providing technical assistance to existing and potential value added processing facilities including incubator facilities.
2. Developing a network for collecting and distributing information to individuals involved in value added processing.
3. Initiating pilot plant facilities to act as research and development laboratories for existing and potential small scale value added endeavors in Kansas.
4. Providing technical assistance to new agriculture value added processing businesses.
5. Developing and promoting communication and cooperation among private businesses, state government agencies and private colleges and universities in Kansas.
6. Establishing research and development programs in technologies that have value added commercial potential for food and non-food agricultural products.

Strategies:

1. KVAC will put its primary emphasis on assistance to small agricultural processing businesses in all sections of the state of Kansas. We will be particularly responsive to opportunities directed toward rural development and revitalization.

2. The center will primarily respond to opportunities that come to us. We will seek to generate new businesses and new industries through a planned industry visitation program. We will respond promptly to all inquiries.
3. All activities of KVAC will be market oriented. We will insist that all clients have a clear understanding of the marketplace and that their commercialization efforts are market directed and market driven.
4. KVAC will provide factual technical information and assistance to all Kansas businesses and entrepreneurs. Depth and extent of assistance will depend on the amount of value added potential for the opportunity.
5. The Center will make every effort to preserve client confidential information and not unnecessarily divulge their business activities without prior approval.
6. Center programs and assistance will have commercialization targets in two to three years.
7. The Center will build on the present strengths of Kansas, its agriculture production, current processing, markets, and institutions.
8. KVAC will coordinate its activities with other agencies and be a link between private industry and state agencies and universities.
9. The Value Added Center will be visionary, innovative, and creative in its approach. We will try to anticipate the future and develop programs, products, and technologies that will survive.

Operational Plan:

The center will consist of a small office and staff responsible for coordinating a series of activities required by the objectives and mission of the center. The center will be located at Kansas State University - Office of the President - but is an independent organization reporting through its Leadership Council and Kansas Technology Enterprise Corporation (KTEC) to the Governor and Legislature.

Most work of the center will be conducted on a project basis. Projects will be approved by the Leadership Council and work conducted by individuals or firms on a contract basis. Projects may be conducted on either a cost sharing basis or be fully funded by the center.

I. Elements of the Value Added Center Program.**1. Technical Services and Support Program.**

Center technical activities will be divided into a consultant function, a problem solving function, and a business stimulation function. As a consultant, the center will provide technical assistance to Kansas firms and serve as a clearinghouse for value added information. The center will provide facilities and skilled technicians to conduct developmental and problem solving work on specific industrial problems. An additional role will be to encourage and stimulate the formation and expansion of agricultural value added processing businesses, particularly in areas identified as major opportunities.

2. Coordination, Communication, Education Program.

The center will cooperate and coordinate with other Kansas agencies to support business development in Kansas agriculture. While the major emphasis is agriculture value added business development, the center will also serve as a general technology information center. Building public awareness, communicating results, information gathering, and education for value added development and commercialization also will be activities of the center.

3. Research and Development Program.

The center will identify and cause to be developed, technology required for Kansas value added industries. Programs will be focused and conducted with a commercial orientation. The program will identify opportunities, develop technology, commercialize developments, transfer technology, and cooperate with companies, government agencies, universities, and other bodies in meeting the challenge of its mission.

4. Technology Transfer

KVAC will provide an efficient mechanism for transferring technology developed at Kansas universities and elsewhere to the agricultural processing sector. We will be on the lookout for patentable inventions and other commercializable technology that can be transferred to the private sector. In addition, we will work with the private sector in identifying needed technology and provide for its development and commercialization in Kansas.

II. Project Initiation, Selection, and Evaluation Procedures.

All activities of the center will be conducted on a project basis. We will record each contact with the center and track progress on an as required basis. All projects submitted for funding will be reviewed by staff and outside peer reviews obtained if required. A recommendation regarding project will be submitted to the Leadership Council for review and approval. A project tracking system will be used to monitor progress vs. goals, meeting of time lines, and spending. The center will assist in implementation and commercialization of the results as required. All projects will be evaluated at completion and periodically during commercialization.

Criteria used in evaluating projects will include the following:

Musts

1. Agriculture related.

2. Kansas tie in.
3. Processing and/or value added application.
4. Commercialization or advanced stage of development.
5. Technical assistance.

Wants

1. Commercializable in 2 years or less.
2. Amount of benefit to Kansas.
3. Technical soundness.
4. Market assessment.
5. Reasonableness of proposal (cost/benefit ratio).
6. Do we have resources to accomplish?
7. Chance of success.
8. Uniqueness/newness.

A rating scale for the criteria will be developed and used in project evaluation.

III. Staffing of Center

The center will operate with a small staff and rely on part time people and consultant and project contracts with university staff and other experts. Essential staff in the initial year are the director and a secretary/office manager. As calls to the office increase from small food processing companies, a food scientist will be hired to manage the service program for this important segment of the program. At some future point it may be desirable to hire a market research person to provide an industrial marketing perspective. All other personnel needs can be satisfied on a shared basis at this stage in the centers development.

IV. Center Evaluation Plan

We will judge the success of KVAC using the

following three measures:

1. Number of jobs created or saved in the agricultural processing industries.
2. Sales and profitability improvements of KVAC clients resulting from interaction with the center.
3. Profitability improvements in Kansas agriculture resulting from increased processing generated by KVAC interaction.

Measuring the contributions of KVAC to economic development will be difficult since many of the effects of KVAC interaction will be indirect and may take considerable time to show up in the market place. Therefore, we will use 4 other measures to supplement the economic impact information. These are:

1. Number of clients served, their location and size of the community.
2. Degree of satisfaction with KVAC information as determined by a poll of the users.
3. Number of KVAC suggestions implemented and potential value to the company.
4. Number of new and improved products, processes, and innovations introduced by clients using information supplied by KVAC.

An annual report will be made covering KVAC activities. As much as possible we will document a cost/benefit ratio for the expended funds. Quarterly updates will be maintained.

Programs and Goals:

In carrying out its mission, KVAC will establish a number of programs and procedures for delivering its services to the customer. The following programs and goals are established for FY90 and FY91:

1. We will provide a central focus for responding to technical questions from Kansas value added processors.

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KVAC will be a center for assisting Kansas citizens to develop products and analyze markets for value added agricultural products. The center will provide information and technical consulting for the value added industry. We will also have the capability of conducting developmental activities on a limited basis in cooperation with industrial clients.

Goals established:

1. We will hold initial discussions on all requests to the center within 10 working days.
 2. Reasonable targets will be established for furnishing information to clients that meet client needs and are within the capability of KVAC. Once established, targets may not be changed without concurrence of client.
 3. The center will follow up with clients as required to keep them moving in the commercialization process.
 4. Hire an experienced food scientist by 3/01/90 to manage the technical consulting program.
 5. Have sufficient technical consultants, KVAC associates, and part-time help under contract to adequately serve the needs of KVAC clients.
 6. Visit at least two Kansas businesses each month to learn of their needs and seek their input in identifying future technologies.
2. We will develop needed pilot and development facilities.

Many pilot processing facilities already exist in Kansas and their use in developing value added agricultural products will be fully utilized before constructing additional facilities. The need to provide operating funds, new or modified equipment and support personnel to make these facilities usable will be addressed. With minimal cost, present facilities can be effectively used to help fulfill the research and technology transfer needs of the center. Additional facilities to meet the research and technology transfer needs associated with the development, processing and marketing of agricultural value added products may be needed. Funding will be requested as needs are identified and justified.

Goals established:

1. Have agreements in place for private industry use of existing university pilot plants by 01/01/90.
 2. By 03/01/90 develop justification for and have preliminary design and costing for a food processing development laboratory for use by KVAC clients.
 3. Provide facilities funding as required for commercialization of three client ideas in FY90.
 4. Requests for use of University Pilot Plants will be translated into a project form and scheduled as quickly as possible considering the universities' teaching and research needs. Charges will be negotiated according to KVAC policies.
3. We will strengthen the States technology transfer capabilities.

The center will develop a strong, interdisciplinary outreach program of technical assistance in value added processing. Expertise will be developed in processing, production, quality assurance, packaging, safety, economic feasibility, and market analysis. The center will be a leader in effecting coordination with state and federal programs and with businesses, producer groups, community groups, and others involved in value added commercialization.

Goals established:

1. We will maintain close contact with other state agencies and hold periodic meetings to coordinate activities of the various groups.
2. We will establish files of technical and product literature for easy access of clients.
3. We will establish data links with sources, libraries, etc. for obtaining required information.
4. Conduct a minimum of two technical training seminars per year. Seek cooperation with Extension, Board of Agriculture, and other interested groups.
5. Information of a general nature generated by KVAC will be widely disseminated in Kansas.

4. Small Food Processors Technical Support

The Kansas State Board of Agriculture, Marketing Division, has a very successful promotion/marketing program underway for Kansas Food Processing Companies. Many of these companies are small and have significant technical problems that impact their growth and development. KVAC will work closely with the Marketing Division in providing technical support for these and other Kansas companies.

Goals established:

1. KVAC will meet regularly with Marketing Division to ensure that our activities are coordinated and that referrals are being made in an efficient and expedited way.
2. KVAC will participate as required in Marketing Division promotional and educational activities. We will jointly sponsor activities where both groups have needs and interests.
3. KVAC will refer all inquiries that are not of a technical or market research nature to the Marketing Division or other groups for action.
4. As outlined elsewhere, the KVAC program will be staffed by a manager and all technical referrals handled on a consulting or project basis. KVAC activities will be confined to technology questions and/or market information.

KVAC Procedures:

GUIDELINES FOR KVAC SERVICES

A major objective of KVAC is to provide technical consulting services to Kansas Value Added businesses. The intent of the service is to assist companies to develop and expand, not to replace services they should normally provide for themselves. With this subtle difference in mind, the following guidelines for KVAC are suggested:

1. All consultation directly with KVAC office is free of charge.
2. If KVAC must hire consultants or spend significant amounts of money to answer clients specific questions, a fee will be charged to recover out of pocket costs.

3. Grants to cover all or part of this fee may be approved by the council.
4. KVAC will establish a matching grant program for Value Added projects. A company or individual may apply for a grant by submitting a project proposal and business plan to KVAC. All proposals will be reviewed by staff and/or project review committee. Approval of projects is by the Leadership Council. Ability to pay is considered in awarding of grants.
 - Companies established for three years or longer may be awarded a matching grant covering up to 50% of the project costs. Half of the match is recoverable as a royalty beginning two years after product is successfully introduced in the market.
 - Entrepreneurs and companies established less than three years may receive a grant for the full cost of the project. Half of the grant provided by KVAC is recoverable as a royalty beginning three years after the product is successfully introduced into the market.
5. KVAC funds will not be used for equity funding or operational expenses of companies. These situations will be referred to KTEC Ad Astra Fund or other financing agencies.
6. All royalty funds received by KVAC are to be placed in a revolving loan fund to be used for future grants by KVAC.

MEMORANDUM OF AGREEMENTS

A memorandum of agreement shall be executed for all KVAC projects. The agreement will adequately specify the work to be done, intellectual property rights and include a clause protecting confidential information of the client. As a state agency, KVAC will not be charged overheads for university research work. However, 10% of the project costs may be placed in a departmental reserve account.

KVAC UNIVERSITY CONSULTING AGREEMENTS

It is anticipated that the KVAC will require consulting services from university faculty members to assist Kansas businesses with specific problems or to develop research proposals for new opportunity areas. KVAC will contract

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with faculty members on an as required basis. Standard rates for consulting will be \$250/day plus expenses. As long as consulting time for an individual faculty member does not exceed university guidelines (2 days/month) no special arrangements are required (other than notification of department heads and deans). It is anticipated that some consultations will develop into research projects which would be handled through normal channels.

If longer or more intensive consultations are required, special arrangements must be approved by department head and dean. Circumstances that can be approved include:

- "Borrowing" a few days against future consulting, if the needs are small.
- Temporary leaves when teaching responsibilities, etc. can be covered. (KVAC would reimburse department for salary).
- Summer employment for 9 month employees.

Full-time extension personnel would not be used as paid consultants. In situations that fall within their normal duties, they will be used in their normal extension role and use pattern. In situations that are clearly outside their extension assignment, they will be treated as any other faculty member.

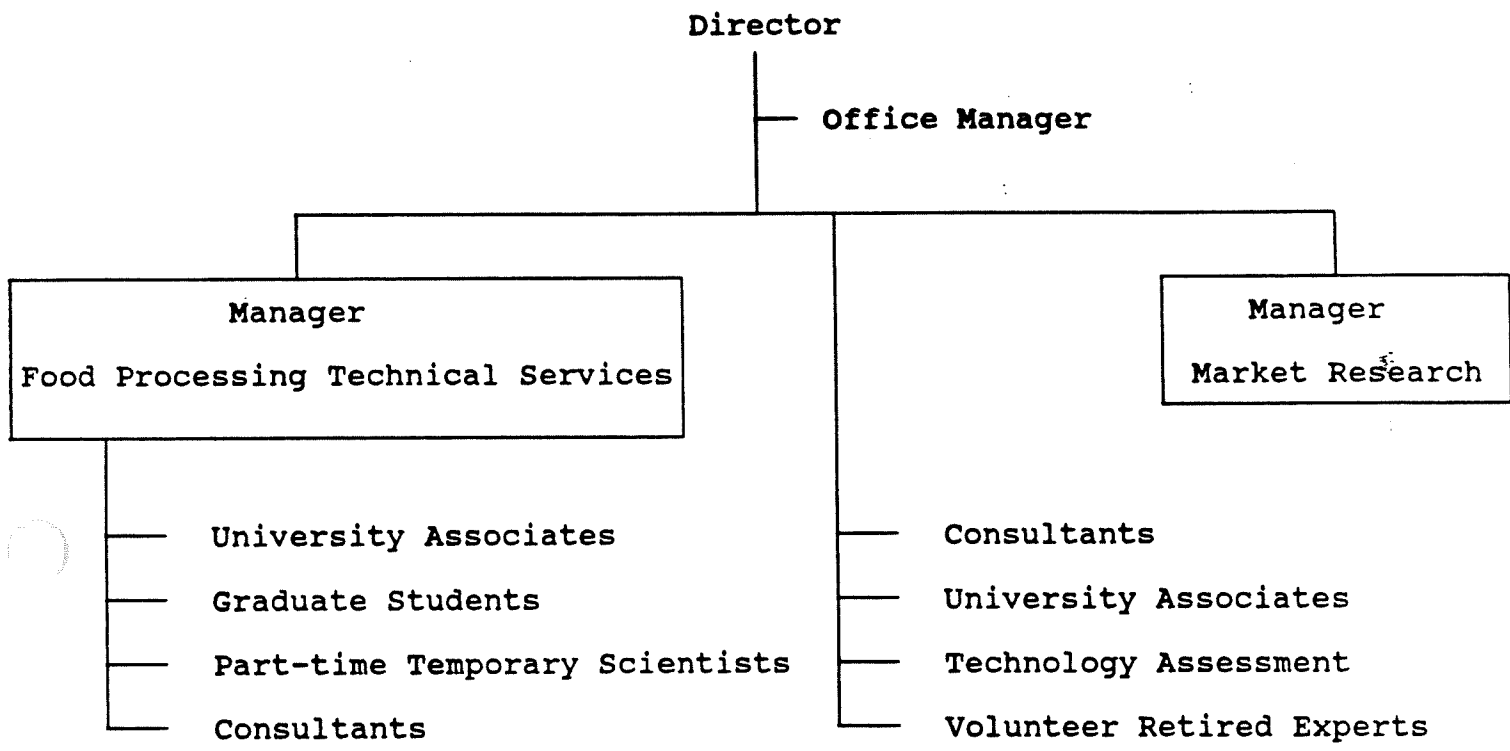
KVAC COMMERCIAL TESTING AGREEMENT

Situations are anticipated where a KVAC client will require testing services that use university facilities, equipment and personnel. The work performed involves only standard, pre-existing technological methods and does not require the creative/interpretative expertise of a senior staff member.

Under a Commercial Testing Agreement, the client is primarily responsible for determining what is to be done and the client owns the data. The work is supervised and approved for scientific competence, suitability, and accuracy by the senior staff. The university assumes no responsibility for results obtained. It is not anticipated that intellectual property will result from commercial testing. If the proposed testing involves the external parties proprietary technology, it must be specified in the agreement.

For work performed under a Commercial Testing Agreement, a KVAC client will pay all "fixed costs" for the testing plus 10% may be placed in a departmental reserve account.

KVAC Organizational Chart:



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2/6/90

KVAC Budget - Fiscal Year 1990:'90 BUDGETLEGISLATIVE APPROPRIATIONS

EDIF.....	\$ 175,000
SGF	250,000
White Wheat Marketing	35,000
Rollover	<u>103,000</u>
TOTAL	\$ 563,000

BUDGET - Center Operations

Personnel	
Director	\$ 67,000
Executive Secretary	20,000
Program Manager	20,000
Benefits	<u>16,000</u>
TOTAL	\$ 123,000

Operations	
Council Expenses	\$ 5,000
Travel	20,000
Communications	22,000
Printing & Publications	18,000
Fees-Professional	
Services	15,000
Capitol Outlay	10,000
Conferences & Workshops	25,000
Supplies	5,000
Hospitality	4,000
TOTAL	\$ 124,000
Operations & Staff TOTAL	<u>\$ 247,000</u>

<u>BUDGET - Projects</u>	\$ 316,008
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TOTAL	\$ 563,000
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FY90 Projects:**COMMITTED 11/01/89**

1. KSU Sensory Center Training Project	\$ 8,493
2. KSU Ag Economics Graduate Assistant - Feasibility Studies	12,000
3. KSU Ag Engineering Graduate Assistant - Feasibility Studies	12,000
4. KSU Foods & Nutrition - Food Scientist - Lab Development	12,000
5. American White Wheat Producers Assoc. - Market Research	35,000
6. Flavor & Texture of Kansas Fish - KSU Sensory Center	<u>4,475</u>
TOTAL	\$ 83,968
Uncommitted Project Funds	\$ 232,040

FUNDING REQUESTS 11/01/89

1. Producing & marketing organic foods in NE Kansas	\$ 3,500
2. Reformulation of hay preservation spray	3,500
3. Supercritical Extration of cholesterol from Animal fats	20,000
4. Quality of Kansas jams, jellies and preserves	10,000
5. Quality of Kansas value added Aquaculture products	15,000

PROJECTS BEING DEVELOPED

1. Kansas produced additives for plastics
2. Wheat germ protein utilization
3. Microbial poly glucan
4. Wheat starch based industrial gums
5. Upgrading beef slaughter by-products
6. Processing of horticultural crops

a-1-26,
2/6/90

October 24, 1989

KVAC Budget - Fiscal Year 1991

I recommend that an appropriation of \$873,000 as outlined in the attached documents be requested for FY91 for KVAC operation and that any unspent allocation of FY90 be rolled over into 1991. The specifics of the program will continue to evolve as the program develops and will be revised as required.

The attached budgets and programs have been formulated after six months of center operation and extensive discussions with the Kansas processing industry. It is our best estimate of what is required to meet the legislative mandate and what is feasible in Kansas at this stage of the centers development. We believe this level of expenditure is required to meet our goals and that the results will justify this level of funding.

In addition to our recommended budget for the Value Added Processing Center (C Budget), we were asked to prepare budgets that were 12% and 16% less than this years appropriations. This would be an appropriation of \$374,000 for the 12% reduction (A Budget) and \$357,000 as the 16% reduction level (B Budget). For KVAC, at this stage of its development, it means we scale back the program to only serve the technology needs of the states small food businesses. Funds for doing anything more than, as outlined in attachment 1, would be so limited that it probably would not be effective in carrying out any of the other missions of the center.

Under both A & B plans we would staff the center with a Director, Secretary, and half-time project manager, maintain the conference and publication activities, proceed with equipment and facilities renovation, and build a solid support network for small Kansas food companies but do almost nothing toward commercializing new technologies or businesses in the state.

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KVAC BUDGET - FISCAL YEAR 1991

	<u>'89 ACTUAL</u>	<u>'90 BUDGET</u>	<u>'91 BUDGET</u>
<u>LEGISLATIVE APPROPRIATIONS</u>			
EDIF.....	\$ 175,000	\$ 175,000	\$ 175,000
SGF		250,000	663,000
White Wheat Marketing		35,000	35,000
Rollover		<u>103,000</u>	<u></u>
TOTAL	\$ 175,000	\$ 563,000	\$ 873,000
<hr style="border-top: 1px dashed black;"/>			
<u>BUDGET - Center Operations</u>			
Personnel			
Director		\$ 67,000	\$ 67,000
Executive Secretary		20,000	22,000
Program Manager		20,000	44,000
Benefits		<u>16,000</u>	<u>24,000</u>
Total	\$ 20,156	\$ 123,000	\$ 157,000
Operations			
Council Expenses	\$ 2,117	\$ 5,000	\$ 5,000
Travel	13,356	20,000	20,000
Communications	36	22,000	5,000
Printing & Publications.	17,451	18,000	20,000
Fees-Professional			
Services	2,768	15,000	15,000
Capitol Outlay	12,727	10,000	15,000
Conferences & Workshops.	0	25,000	25,000
Supplies	2,872	5,000	5,000
Hospitality	<u>0</u>	<u>4,000</u>	<u>6,000</u>
Total	\$ 51,327	\$ 124,000	\$ 116,000
Operations & Staff TOTAL	\$ 71,483	\$ 247,000	\$ 273,000
<u>BUDGET - Projects</u>		\$ 316,008	\$ 600,000
TOTAL		\$ 563,000	\$ 873,000

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PROJECT BUDGET FOR FY 1991

Support of Small Food Processing Companies	\$ 300,000
See Attachment #1	
(\$50,000 included in center operations)	
Meat Industry Programs	\$ 100,000
See Attachment #2	
Grain Industry Program	\$ 100,000
See Attachment #3	
Specialty Food Industry	\$ 100,000
See Attachment #4	
Other Areas	\$ <u>50,000</u>
See Attachment #5	
TOTAL	\$ 600,000

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August 9, 1989

ATTACHMENT #1

PROPOSED BUDGET FOR SUPPORT OF SMALL FOOD PROCESSING COMPANIES

BUDGET SUMMARY

Program Manager	\$ 50,000
Technical Resources	50,000
Facilities & Equipment	100,000
Projects	<u>100,000</u>
TOTAL	\$ 300,000

PROGRAM MANAGER

BS or MS Food Scientist with industrial experience.

Role - Primary interface with Kansas Companies.
 Defines problems, initiates technical assistance.
 Manages allocation of resources, develops assistance networks.
 Develops seminars and technical short courses.
 Promotes quality of Kansas products.

Salary and Benefits - \$50,000 per yr.

TECHNICAL RESOURCES

1 1/2 man years - part-time temporary scientists.
 - joint appointments research & extension.
 - Kvac Associates (consulting or restricted Development Account).

Budget - \$ 50,000.

FACILITIES

\$100,000 per yr. for equipment and facilities renovation.

PROJECTS

\$100,000 per yr. in grant and matching funds to solve specific technical and market research problems and for development of general technical and market information for targeted Kansas industries, and presentation of technical training conferences and short courses.

SUGGESTED SEMINARS AND SHORT COURSE TOPICS

(Co-sponsor with BOA, SBDC, Extension)

- * Marketing for the Entrepreneur.
- * New Product Introduction.
- * Packaging Fundamentals.
- * Market Trends in the Food Industry.
- * Kansas Distribution Channels.

POTENTIAL INDUSTRY SEGMENT ACTIVITIES

- * Development of meat snacks for Kansas processors.
- * Formation of a Kansas Food Processors Association.
- * Development of dry honey and honey for the industrial market.
- * Evaluation of quality of Kansas jellies & other products.

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KVAC SUPPORT FOR SMALL KANSAS FOOD PROCESSORS

A purpose of KVAC is to provide technical support to the product commercialization process. The initial focus will be small food processing businesses. We will provide a contact point for these businesses to assist them in defining the specifics of their problem or needs and refer them to other resources if the specific need is not within the defined responsibilities of KVAC.

The product commercialization process covers a spectrum of activities ranging from product concept to profitable sales. The following activities are involved in the commercialization process:

- Applied technology development
- Product concept formation
- Market research and development of marketing strategy
- Product development
- Product prototype preparation
- Pilot plant process development
- Production of market test quantities
- Product scale up
- Market introduction and market development
- Sales

Business planning and business management skills are essential to profitable commercialization of products. However, this area is not the responsibility of KVAC. Companies in need of these types of services will be referred to SBDC's or other commercial channels. We will insist that companies we work with and fund have a reasonable business plan.

Investment and operating capital, likewise, are not the responsibility of KVAC. It is extremely important to the commercialization process, but we will refer requests for financing assistance to banks, venture capital firms, CDC's and other providers of capital.

Product promotion and sales are not the responsibility of KVAC. This is primarily the responsibility of the individual companies. Board of Agriculture Marketing Division and Department of Commerce have programs to assist companies in defining sales strategies, access to markets, and product promotion.

Marketing in most product groups has the responsibility for all that is required to service the customer and provide the product where and when it is needed and with the necessary quality, size, etc. and at the right price to satisfy the customer. A partial list of these activities is as follows:

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- 1 - Product concept development
- 2 - Market research
- 3 - Marketing and sales strategy
- 4 - Product development participation
- 5 - Manufacturing coordination, scheduling, etc.
- 6 - Packaging, labeling, regulatory compliance
- 7 - Warehousing, transportation, distribution
- 8 - Customer service
- 9 - Advertising and product promotion
- 10 - New product commercialization

In many of these areas, marketing must work closely with other company functions to achieve profitable commercialization of products and technology.

Successful commercialization requires early identification of the market potential for the product. Marketing and technology must be closely associated throughout the commercialization process. It is unwise to develop a product for an unknown market and you cannot develop markets independent of the product and technology. Therefore, KVAC must be vitally concerned with markets and marketing. KVAC should take the lead in market research and the technology related parts of marketing. Marketing division is the lead agency in market promotion and sales related activities. In the other areas we need to make a determination of who is best able to handle the problems and how we can work together to cover the areas. In this way we will be better able to provide our business clients with the assistance they need.

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ATTACHMENT #2

MEAT PROCESSING INDUSTRY DEVELOPMENT PROGRAMS

Meat processing is the largest food processing industry in Kansas with more than half the total food processing employment of the state. It is imperative we retain the health and vigor of this industry at a time when red meat consumption is decreasing and is under considerable pressure on nutritional issues. The industry as a whole is working to meet these challenges and we must make sure our programs are in tune with this effort but at the same time be responsive to the special needs of the Kansas industry. Possible programs might include some of the following:

1. Pharmaceutical uses for by-products.
2. Industrial uses for by-products: tanning, adhesives.
3. Improved utilization of low quality meats. Surimi type processing.
4. Low fat, low cholesterol, low drug meat products through:
 - New types of animals
 - Management techniques
 - New processes and products
5. Nutrition oriented new products, including:
 - Microwaveable products
 - Meat snacks
6. Pork and poultry processing in the state.
7. Aquaculture - Capture a leading position in a growing food category.
 - Demonstration plant for a continuous tank culture system.
 - Selection of the best species for Kansas.
 - Kansas processing plants (including surimi processing).

Budget - Development Grants

1. Pharmaceutical Uses	\$ 30,000
2. Surimi Type Processing	\$ 20,000
3. Aquaculture Demonstration Plant	\$ 50,000
	<u>\$100,000</u>

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ATTACHMENT #3

MILLING AND BAKING INDUSTRY DEVELOPMENT PROGRAM

Milling and baking is the states second largest food industry with 1/4 of the food processing employment. Kansas also is the world center for milling and baking technology with the KSU Grain Science Department, American Institute of Baking, and USDA Grain Marketing Research Laboratory all located in Manhattan. Much of the technology developed here is used worldwide and we need to be sure we hold our strong position in these industries. Some possible programs include:

1. Emphasis on nutritional pet foods using Kansas meat and grain products. (Capitalize on KSU Vet school and leadership of Hills Pet Food)
2. Formula feed for the aquaculture industry.
3. Development of microwaveable frozen dough products.
4. Development of white wheat as a specialty food ingredient.
5. Strengthen the pasta industry of Kansas.

Develop a winter durum wheat for standardized pasta

Utilization of HRW wheat in other pastas

Develop nutritional and convenience pasta products

6. Grain utilization in non-food, non-feed uses.

Wheat products in degradable plastics

By-products utilization

Wheat gluten for non-food uses

New uses for grain sorghum

7. Improved cost competitive wheat starch separation processes.
8. Nutritional focused wheat product development.

Budget - Grain Industry Program

1. White Wheat Program	\$ 35,000
2. Non Food - Non Feed Uses	<u>\$ 65,000</u>
	\$100,000

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ATTACHMENT #4

SPECIALTY FOOD PRODUCTION DEVELOPMENT PROGRAM

Current trends in the food industry are toward larger and more centralized food companies and strong national branding of products. Many new plants are being constructed by these companies and Kansas should aggressively pursue getting plants, especially where we have a raw material advantage (meat, grain, baking). There are additional opportunities in developing a specialty processing industry with a regional focus. They will primarily produce niche products where the small producer has a competitive advantage. Some of these opportunities might include the following:

1. Frozen foods - Kansas low energy rates suggests a good location for frozen entrees and specialty items, especially those based on meats and baking. This is a growing market segment especially where it is tied to microwaveable products.
2. Ethnic foods - There is strong interest in ethnic foods of all kinds. Many of these are regional in taste and attractive for the small specialty producer.
3. Dry Mix Convenience Products - The low capitol requirements for dry mix products make them attractive to the small producer. Many are grain based and feature convenience for the consumer. Bakery mixes and consumer and institutional foods are potential targets.
4. Specialty Snack Foods and Hors d'oeuvres - Regional foods of these types are becoming popular and can be produced by the small specialty firm.
5. Specialties for the institutional trade - Supplying institutions with quality and convenience will continue to grow. This is the easiest of the food eaten away from home markets to sell and there is a large demand for unique specialty items.

Budget - Speciality Food Industry

1. Dry Mix Products	\$ 35,000
2. Snack Foods	\$ 35,000
3. Ethnic Foods	\$ 30,000

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ATTACHMENT #5

OTHER DEVELOPMENT PROGRAMS

ALTERNATE CROPS

KVAC is interested in new crops provided there is a processing tie-in or a major new market opportunity and improved farmer profitability. A protected market outlet is desirable. If a crop does not meet these criteria it should not be a part of the KVAC program.

1. Canola - A new oil seed with nutritional advantages in processed food. Production and processing growing rapidly. Could be processed in existing Kansas soybean mills.
2. HEAR rapeseed/crambe - A new oilseed for industrial use. Small at present time but bears watching.
3. Pearl millet - Well adapted to dry land. Food uses overseas.
4. Lupin beans - Small acreage being introduced. Not sure it meets KVAC guidelines.

FRUITS AND VEGETABLES

Fruits and vegetables are a growing segment of the food industry driven by the consumers demand for freshness and quality. The State Board of Agriculture has been effective in encouraging production for the many farmers markets that have been established around the state. A recent feasibility study done for the Marketing Division was negative on growing fruits and vegetables in the state as a major industry. They cited the following reasons:

- It is high risk with fluctuating market prices.
- We do not have the size or organization to compete in national markets.
- We do not have physical facilities for handling produce
- We have problems with field labor availability.

Success in fruits and vegetables in Kansas will depend on finding a market niche where the grower will be insulated from the national producers. The following opportunities should be investigated:

1. Jams and jellies using local fruit.
2. Processing potatoes for starch or other dried specialties.
3. New preservation techniques to extend life and marketability.
4. Alternate marketing forms such as juice, puree, etc.

DAIRY INDUSTRY

Dairy processing in the state is dominated by one large company. There may be opportunities for the small processor in the general areas of cheese, dips and snack products, and nutrition oriented dairy based products.

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PROJECTS FUNDED BY KVAC

<u>PROJECT</u>	<u>INDUSTRY</u>	<u>\$ AMOUNT</u>
Land of Kansas Food Expo Flier	Board of Agriculture Topeka	\$ 15,000
Training-KVAC Sensory Panel	KSU Sensory Center	8,493
Feasibility Studies	KSU Ag Economics	12,000
Engineering Studies	KSU Ag Engineering	12,000
Food Product Development	KSU Foods & Nutrition	12,000
White Wheat Marketing	American White Wheat Producers Association Atchison	35,000
Flavor & Texture of Kansas Fish	Kansas Fish Producers	4,475
Quality of Kansas Jams, Jellies, & Preserves	Kansas Jelly Producers	10,000
Reformulation of Hay Preservation Spray	Nutri-Shield, Inc. Shawnee Mission	3,500
SEK Poultry Industry Fact Sheet	SEK Poultry Producers Assoc. Chanute	2,650
Technical Support for Kansas Food Companies	American Institute of Baking Manhattan	20,000
Development of Sugarless Caramel Corn	Twin Valley Workshop Greenleaf	3,000
Organic Foods Market Niche Study	Kansas Rural Center Whiting	3,500
Wheat Wet Process Laboratory	KSU-Engineering & Grain Science	5,000

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Fruit & Vegetable Processing Equipment	KSU Horticulture Department	17,300
Feasibility of Wheat Germ in Meat Products	KSU Foundation	2,000
Consumer Attitudes Toward Bread Products	Wichita State University	1,000
Plastic Composite Materials	KSU Engineering	15,000
Co-Sponsor Non-Food Use of Agricultural Materials	National Conference Washington, DC	2,500
Feasibility-Road Deicer	KSU Engineering	2,500
TOTAL 20 Projects		\$ 186,918

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2 January 1990

PROJECT PROPOSALS - PENDING AND UNDER STUDY

1.	Starch Plant Market Study Stutz Consulting (Norton)	\$ 35,000
2.	Fitzgerald Peppermint Oil Extraction Process (Pittsburg)	\$ 15,000
3.	Supercritical Extraction of Wheat Oil - KSU	\$ 15,000
4.	Fruit & Vegetable Processing Equipment - KSU	\$100,000
5.	Microbial Polyglucan Development - KU	\$ 25,000
6.	Meat Products with Wheat Germ Protein - KSU	\$ 24,000
7.	Bainter's Worldwide Leather Process Development (Hoxie)	\$ 10,000
8.	Boughton Sandwiches - Develop Frozen Item (Minneapolis)	\$ 10,000
9.	Central Soy Foods - Tempah Development (Lawrence)	\$ 10,000
10.	Biomass as a Natural Gas Feed Stock - KSU	\$ 5,000
11.	Production of CMA from Biomass - KSU	\$ 5,000
12.	Fillers and Additives for Plastics - KSU/KU/PSU	\$ 90,000
13.	Starch Based Gums - KSU	\$ 30,000
14.	Dry Blending Equipment and Packaging Machine	\$ 50,000
15.	Food Product Development Equipment	\$100,000
16.	Preparation of Directory of Kansas Food Processing, Quality, and Safety Resources	\$ 5,000
17.	New Products from Grain by Extrusion	\$ 20,000

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- | | | |
|-----|---|-----------|
| 18. | Kenef Commercialization | \$ 20,000 |
| 19. | Value Added Fish Products - Culver, McPherson | \$ 50,000 |
| 20. | Anti-Cancer Drugs from Kansas Plants - KU | \$ 50,000 |

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SENATE BILL No. 509

An ACT creating the agricultural value added processing center; providing for a leadership council and a director of such center; responsibilities of the leadership council and the director.

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

Section 1. (a) There is hereby created an agricultural value added processing center which is associated with Kansas state university. The activities of such center shall be subject to the provisions of appropriations acts.

(b) The objectives of the center shall include, but not be limited at Kansas state university and at other appropriate locations in Kansas to, providing technical assistance to existing and potential value added processing facilities, including incubator facilities; developing a network for collecting and distributing information to individuals involved in value added processing in Kansas; initiating pilot plant facilities to act as research and development laboratories for existing and potential small scale value added processing endeavors in Kansas; providing technical assistance to new agricultural value added processing businesses; developing and promoting communication and cooperation among private businesses, state government agencies and public and private colleges and universities in Kansas; and establishing research and development programs in technologies that have value added commercial potential for food and non-food agricultural products.

(c) Within the limitations of appropriations available therefor, the center shall cooperate with existing state agencies involved in marketing in order to promote market development relating to agricultural value added products. Subject to the provisions of appropriations acts, the functions of the center shall include but not be limited to developing a market referral program, matching distribution to buyers in coordination with other state agencies concerned with marketing Kansas products; assisting private entrepreneurs in the establishment of facilities and markets for new agricultural value added processing endeavors; and introducing coordinated programs to develop marketing skills of existing agricultural value adding processors in Kansas.

Sec. 2. (a) There is hereby created the agricultural value added processing center leadership council consisting of 12 members as follows:

- (1) A member of the house of representatives and a member of the senate appointed by the legislative coordinating council, and such members shall be from different political parties;
- (2) the dean of the college of agriculture at Kansas state university or the dean's designee;
- (3) the dean of the college of engineering at Kansas state university or the dean's designee;
- (4) the secretary of the state board of agriculture, or the secretary's designee;
- (5) the secretary of commerce, or the secretary's designee;
- (6) six citizens of Kansas, representing agricultural producers and a variety of processing interests and including at least one person having recognized expertise in both national and international marketing of agricultural products, who shall be appointed by the governor.

(b) The members of the leadership council appointed under subsection (a)(1) shall be appointed for a term ending on the day preceding the commencement of the regular session of the legislature in the first odd-numbered year following their appointment. The members of the leadership council appointed by the governor under subsection (a)(6) shall be appointed for terms as follows: (1) Three members shall be appointed for terms ending on June 30, 1990, and (2) three members shall be appointed for terms ending on June 30, 1991. After the expiration of the initial terms of such members appointed by the governor, members shall be appointed by the governor for terms of two years. All vacancies in the office of appointed members shall be filled by appointment by the officer or council making the original appointment for the remainder of the unexpired term of the member creating the vacancy.

(c) The leadership council shall organize annually by the election from its membership of a chairperson and a vice-chairperson. The leadership council shall adopt such rules of procedure as it deems necessary for conducting its business.

(d) The members of the leadership council shall be paid subsistence allowance, mileage and other expenses for attendance at meetings of the leadership council, or subcommittee meetings thereof authorized by the council, as provided in K.S.A. 75-3223, and amendments thereto.

Sec. 3. (a) The leadership council shall appoint the director of the agricultural value added processing center from a list of nominees prepared by the president of the Kansas technology enterprise corporation. The director shall be in the unclassified service under the Kansas civil service act and shall serve at the pleasure of the leadership council. The director shall receive compensation from appropriations made for the Kansas technology enterprise corporation for the agricultural value added processing center. The director shall be located in the office of the president of Kansas state university.

(b) The director shall be responsible for publishing a formal strategy and set of goals adopted by the leadership council for the agricultural value added processing center and presenting the strategy and goals to the board of directors of the Kansas technology enterprise corporation. At the direction of the leadership council, the director shall prepare a preliminary budget proposal for fiscal year 1990 and present such budget proposal to the board of directors of the Kansas technology enterprise corporation prior to September 1, 1988. Each year, such board of directors shall submit a proposed budget for the agricultural value added processing center within the budget estimate prepared and submitted to the division of the budget pursuant to K.S.A. 75-3717 and amendments thereto. The director shall present the strategy, goals and budget proposals of the agricultural value added processing center to the standing committees on agriculture and economic development of the senate and the house of representatives at the beginning of the regular session of the legislature in 1989 and shall present a follow-up report to such committees during that session and after April 1, 1989.

(c) The leadership council shall develop and adopt a formal strategy and set of goals for such agricultural value added processing center and shall revise and update such strategy and goals as deemed necessary by the council. The leadership council may recommend such legislation as the council deems appropriate for the purposes of the agricultural value added processing center.

Sec. 4. Documents and other materials submitted to the agricultural value added center, the director of such center or the leadership council of such center by Kansas businesses shall not be public records if such documents and other materials are determined to be trade or business secrets. Each such document or other material determined to be trade or business secrets shall be maintained in a secured environment by the director of the agricultural value added center.

SENATE BILL No. 500—page 3

Sec. 5. (a) This act shall be known and may be cited as the agricultural value added processing center act.

(b) The provisions of this act shall expire on July 1, 1992.

Sec. 6. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the SENATE, and passed that body.

SENATE adopted Conference Committee report _____

President of the Senate.

Secretary of the Senate.

Passed the HOUSE as amended _____

HOUSE adopted Conference Committee report _____

Speaker of the House.

Chief Clerk of the House.

APPROVED _____

Governor.

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The Agency

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

AGENCY OPERATIONS

The Kansas Technology Enterprise Corporation (KTEC) was created by the 1986 Legislature and is defined by statute as a public instrumentality whose authority and powers are deemed to be an essential governmental function. The corporation is governed by a Board of Directors. The Directors are made up of the Governor (or the Secretary of Commerce), four legislators, and ten persons appointed by the Governor, subject to senate confirmation, who are recognized for outstanding knowledge and leadership in their fields. Members of the Board serve four-year terms and are limited to two terms.

KTEC's purpose is to foster innovation in existing and developing businesses, especially the creation, growth and expansion of Kansas enterprises in a diversified range of primary sectors.

KTEC's president is the corporation's chief executive officer and is charged with the administrative affairs and the general management of the corporation. The president is also charged with attending all board meetings, keeping a record of all proceedings, documents and papers, and developing a business plan prior to accepting any applications provided for by statute.

KTEC is charged with the establishment of a clearinghouse to provide technology transfer and technical referral services and, further, is charged with funding educational institutions to establish technical information databases and industrial liaison offices which are easily accessible by both private and public sector organizations. In addition, KTEC is required to publish annually a report accounting for the ways in which the purpose of the corporation and the programs have been carried out, along with recommendations for changes in activities which will make the corporation more effective. A second annual report must be prepared to show how and at what level other states fund similar programs.

AGENCY OBJECTIVES

To promote Kansas' high technology programs and the advantages of doing technology-related business in Kansas.

To facilitate collaborative research between universities and industries.

To assist existing and prospective Kansas enterprises.

To maximize the potential for return on investments.

STATUTORY HISTORY

KTEC's duties and responsibilities are prescribed in KSA 74-8101. The agency's purpose is defined in KSA 74-8102. Specific programs for carrying out the agency's purposes are defined in KSA 74-8103 et seq.

The Budget

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

	FY 1988 ACTUAL	FY 1989 ESTIMATE	C LEVEL BUDGET	GOVERNOR'S RECOMMENDATION
Expenditures By Object				
Salaries And Wages	341,887	416,281	528,383	483,858
Contractual Services	455,432	650,171	538,801	328,001
Commodities	15,572	19,594	32,000	25,000
Capital Outlay	108,477	25,614	24,983	9,983
Debt Service	-	-	-	-
Non-expense Items	-	-	-	-
Subtotal: State Operations	819,368	1,111,840	1,123,967	854,840
Aid To Local Units	5,800	-	-	-
Other Assistance	2,598,956	4,985,108	9,192,033	4,051,000
Capital Improvements	-	-	-	-
Total Expenditures	\$3,424,104	\$6,096,748	\$10,316,000	\$4,905,843
Expenditures By Fund				
State General Fund				
State Operations	209,214	617,093	881,000	246,073
Aid To Local Units	-	-	-	-
Other Assistance	47,664	394,620	619,000	-
Capital Improvements	-	-	-	-
Subtotal: State General Fund	256,878	1,011,713	1,500,000	246,073
Other Funds				
State Operations	610,134	494,547	242,967	608,770
Aid To Local Units	5,800	-	-	-
Other Assistance	2,551,292	4,590,488	8,573,033	4,051,000
Capital Improvements	-	-	-	-
Subtotal: Other Funds	3,167,226	5,085,035	8,816,000	4,659,770
Total Expenditures	\$3,424,104	\$6,096,748	\$10,316,000	\$4,905,843
Full Time Positions	8.0	11.0	11.0	11.0

PERFORMANCE INDICATORS

There are no performance indicators for this agency.

KTEC - FY1991 BUDGET REQUESTS
 As altered at the 09-07-89 Board Meeting

	A	B	C
	-----	-----	-----
Operations	\$611,000	\$611,000	\$611,000
Centers of Excellence	2,550,000	2,750,000	4,282,000
Ag Value-Added Center *	425,000	425,000	873,000
Research Matching Grants	991,059	1,060,004	1,250,000
Seed Capital	0	0	500,000
Research Equipment Grants	0	0	400,000
Small Business Innov. Res.	0	0	0
Training Equipment Grants	0	0	250,000
Industrial Liaison	300,000	300,000	300,000
Data Base	50,000	50,000	50,000
Special Projects	182,896	182,896	300,000
	-----	-----	-----
TOTALS	\$5,109,955	\$5,378,900	\$8,816,000
	=====	=====	=====

* KVAC's budget is included as a line item in the budget for the Kansas Technology Enterprise Corporation (KTEC) as directed in Senate Bill 599.

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The Agency

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

AGENCY OPERATIONS

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KTEC's president is the corporation's chief executive officer and is charged with the administrative affairs and the general management of the corporation. The president is also charged with attending all board meetings, keeping a record of all proceedings, documents and papers, and developing a business plan prior to accepting any applications provided for by statute.

KTEC is charged with the establishment of a clearinghouse to provide technology transfer and technical referral services and, further, is charged with funding educational institutions to establish technical information databases and industrial liaison offices which are easily accessible by both private and public sector organizations. In addition, KTEC is required to publish annually a report accounting for the ways in which the purpose of the corporation and the programs have been carried out, along with recommendations for changes in activities which will make the corporation more effective. A second annual report must be prepared to show how and at what level other states fund similar programs.

AGENCY OBJECTIVES

To promote Kansas' high technology programs and the advantages of doing technology-related business in Kansas.

To facilitate collaborative research between universities and industries.

To assist existing and prospective Kansas enterprises.

To maximize the potential for return on investments.

STATUTORY HISTORY

KTEC's duties and responsibilities are prescribed in KSA 74-8101. The agency's purpose is defined in KSA 74-8102. Specific programs for carrying out the agency's purposes are defined in KSA 74-8103 et seq.

The Budget

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

	FY 1989 ACTUAL	FY 1990 ESTIMATE	C LEVEL BUDGET	GOVERNOR'S RECOMMENDATION
Expenditures By Object				
Salaries And Wages	241,867	416,261	528,383	493,859
Contractual Services	455,432	650,171	538,601	326,001
Commodities	15,572	19,594	32,000	25,000
Capital Outlay	106,477	25,614	24,983	9,983
Debt Service	-	-	-	-
Non-expense Items	-	-	-	-
Subtotal: State Operations	819,348	1,111,640	1,123,967	854,843
Aid To Local Units	5,800	-	-	-
Other Assistance	2,598,956	4,985,108	9,192,033	4,051,000
Capital Improvements	-	-	-	-
Total Expenditures	\$3,424,104	\$6,096,748	\$10,316,000	\$4,905,843
Expenditures By Fund				
State General Fund				
State Operations	209,214	617,093	881,000	246,073
Aid To Local Units	-	-	-	-
Other Assistance	47,664	394,620	619,000	-
Capital Improvements	-	-	-	-
Subtotal: State General Fund	256,878	1,011,713	1,500,000	246,073
Other Funds				
State Operations	610,134	494,547	242,967	608,770
Aid To Local Units	5,800	-	-	-
Other Assistance	2,551,292	4,590,488	8,573,033	4,051,000
Capital Improvements	-	-	-	-
Subtotal: Other Funds	3,167,226	5,085,035	8,816,000	4,659,770
Total Expenditures	\$3,424,104	\$6,096,748	\$10,316,000	\$4,905,843
Full Time Positions	8.0	11.0	11.0	11.0

PERFORMANCE INDICATORS

There are no performance indicators for this agency.

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KTEC - FY1991 BUDGET REQUESTS
 As altered at the 09-07-89 Board Meeting

	A	B	C
Operations	\$611,000	\$611,000	\$611,000
Centers of Excellence	2,550,000	2,750,000	4,282,000
Ag Value-Added Center *	425,000	425,000	873,000
Research Matching Grants	991,059	1,060,004	1,250,000
Seed Capital	0	0	500,000
Research Equipment Grants	0	0	400,000
Small Business Innov. Res.	0	0	0
Training Equipment Grants	0	0	250,000
Industrial Liaison	300,000	300,000	300,000
Data Base	50,000	50,000	50,000
Special Projects	182,896	182,896	300,000
TOTALS	\$5,109,955	\$5,378,900	\$8,816,000

* KVAC's budget is included as a line item in the budget for the Kansas Technology Enterprise Corporation (KTEC) as directed in Senate Bill 599.

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KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION

Total Funding for KTEC and All Programs Summary Report, FY 1984-FY 1989*

Investments

\$10.6 million in state funding
\$13.2 million in industry funding
\$6.8 million in federal funding

Results

\$6.5 million in venture capital
\$12.4 million in increased sales
13 company start-ups
2,200 jobs created
42 new technologies
13 patents issued or pending

Kansas Centers of Excellence

Investments

\$3.27 million in state funding
\$6.5 million in industry funding
\$6.1 million in federal funding

Applied Research Matching Grant Fund

Investments

\$4.3 million in state funding
\$7.9 million in industry funding
123 grants awarded
70 projects completed

** Includes activities of KTEC's predecessor, the Kansas Advanced Technology Commission.*



KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION

Kansas Technology Enterprise Corporation
Summary Report, Fiscal Year 1989

KTEC investment	\$4.2 million
Leveraged with:	\$4.7 million in industry funding
	\$5.0 million in federal funding
	\$1.5 million in venture capital
sub-total:	\$11.2 million

Total Investment: \$15.2 million

Results: 10 company start-ups or expansions
\$4.4 million in increased sales
271 jobs created

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Why is KTEC important?

1. KTEC's initiatives will make Kansas and Kansas companies competitive in the 21st Century.
2. KTEC is a partnership or joint venture between industry, universities and the State providing a cooperative environment and pooled resources.
3. The following industries, which are key to Kansas' growth, are being addressed: aviation, manufacturing, agriculture, pharmaceuticals.
4. Significant accomplishments (attached) have been realized during our short history.
5. KTEC has exceeded its leveraging requirements. The State's monies (primarily lottery) are leveraged by more than 3:1 with private and federal funds. In FY 1989, KTEC awarded \$4.2 million. This was matched by \$11.2 million for a total of \$15.2 million invested in economic development.
6. KTEC is the only vehicle in Kansas with the goal of funding advanced technology economic development.
7. KTEC carries out strategic planning and sets goals which the private sector can relate to.
8. Our programs are designed to assist existing Kansas companies and to help establish new Kansas companies.
9. Our research and development program is market-driven.
10. KTEC is assisting Kansas firms in realizing a greater market share globally.
11. The State's universities are working together in this effort. The Centers have a number of cooperative projects in progress, and several are in the planning stages.
12. KTEC is fiscally responsible and operates like a business.
13. All programs are evaluated annually and funding is based upon productivity.

14. KTEC's competitors in other states are receiving funding at significantly higher levels. Example:
- | | Oklahoma | KTEC |
|-------|----------------|---------------|
| FY 88 | \$11 million | \$2.8 million |
| FY 89 | \$12 million | \$5.7 million |
| FY 90 | \$15.6 million | \$6.1 million |
15. KTEC and its programs serve as a model for other states-- California has requested additional information about KTEC and other states, like Colorado, literally have copied our legislation.
16. In general, Federal agencies require matching funds for research and development projects. KTEC is a resource for these monies when the project can help the Kansas economy.
17. Many students, at the graduate level, are receiving on-the-job industrial training through research and development at our centers.

It's important to note that the Regent's mission and KTEC's mission are very different--furthermore, we do not compete for the same funds.

Centers-identity crisis:

It was agreed that these are KTEC Centers of Excellence and every attempt will be made to identify them as such. This is a critical issue and if it is not addressed, it will jeopardize funding of the Centers. Many legislators, and others, believe the Centers are institutes within the universities. Center Directors should forward to Bill or Janie, suggestions for tying the centers closer to KTEC-- business cards, letterhead, signs, etc.

Public Relations/Advertising:

Janie Rutherford, KTEC's Editor/Publisher, is in charge of this effort. She will contact each Center Director and coordinate development of new TV ads and newspaper articles. The Center Directors will also participate in the speaker program. The next program is January 25, Belden Daniels, 7:30 a.m. breakfast in Wichita; 12 noon luncheon in Hays. Other speaker sessions in early February will involve Hutchinson/Salina, and Garden City/Great Bend.

Funding:

Two funding issues are critical. First, we must retain the funding levels passed by the legislature for this year. Second, KTEC needs to expand its support for next year. KTEC needs \$8.8 million for FY 1991. This is required because it is a minimal threshold level. Our programs have progressed to a level where this funding is critical.