

Approved

April 26, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Representative Diane Gjerstad at
Chairperson

1:00 ~~xxx~~ p.m. on Friday, April 26, 1991 in room 423-S of the Capitol.

All members were present except:

Representatives Sader, Baker, Bradford, Dean, Edlund, Hamm, Love and Wagon. Excused.

Committee staff present:

Lynne Holt, Research
Bill Edds, Revisor
Betty Manning, Secretary

Conferees appearing before the committee:

Gary Hall, Secretary, State Board of Agriculture

Chairperson Gjerstad called the meeting to order at 1:00 p.m.

The Chair, with consent of committee members, will approve the minutes of January 31, February 18, February 19, February 25, February 27, March 4, March 5, March 6, March 7, March 18, March 25, April 1, April 9, and April 26, 1991.

Chairperson Gjerstad opened discussion on S.B. 411, concerning credit card banks. Representative Weimer was recognized and stated he was convinced this bill would benefit the state of Kansas.

Representative Weimer made a motion S.B. 411 be passed with no amendments. Seconded by Representative Brown. Motion carried.

The Chair opened hearings on S.B. 452, relating to the expansion of the K-TEC board to include the Secretary of the State Board of Agriculture. Gary Hall, Secretary of Agriculture was recognized.

Gary Hall, Secretary, State Board of Agriculture, briefly outlined S.B. 452. He stated the 1990 farm bill, subtitle G, establishes the potential for federal funding in alternative uses of agricultural products. Mr. Hall felt there is an excellent potential for the State of Kansas to be a recipient of Federal funds, even a regional center. KTEC has the proper statutory language and has proven they can attract large amounts of federal funds. Secretary Hall strongly urged passage of S.B. 452. Attachment 1.

Secretary Hall responded to questions from committee members.

On questioning, Secretary Hall stated the governor's office was supportive of this bill.

Chairperson Gjerstad closed the hearings on S.B. 452.

Representative Chronister made a motion S.B. 452 be passed favorably. Seconded by Representative Bishop. Motion carried.

The meeting was adjourned at 1:10 p.m.

"A KANSAS INITIATIVE"

The pursuit of new uses and markets for agricultural products has occurred in one manner or another nearly as long as agricultural production itself. Such efforts were most often driven by the desire to improve the welfare and income of the producers.

Over history, efforts ranged from producing some excess to be used for trade between tribes, to national food self-sufficiency, to national defense needs, and to modern day international trade. Generally speaking, the success of these efforts have served mankind well.

However, as we all know and as the facts point out, the more modern day market development efforts including expanded domestic consumption, international markets, and some industrial use have not been able to be done to a level that has always provided commodity price ranges high enough to result in reasonable incomes to producers. Domestic market consumption adjustments, increased U.S. production capabilities, increased production and export competition from other countries, implementation of unfair trade practices, etc., have skewed the relation between supply and demand for agricultural products.

The bottom line is that efforts to develop new markets and alternative uses for our agricultural production must continue. It is critical however, that such efforts must include traditional areas but with certainty they must also look to non-traditional areas which includes industrial and non-food uses.

The agricultural industry in Kansas must expand its opportunities to sell non-food products, in addition to food items. It must become a business of energy and materials, as well as one of food and fiber. The USDA has predicted that by the year 2025, less than two-thirds of the land currently in production may be needed to provide sufficient quantities of food for all presently dependent on American agriculture. Kansas land can be productively used to grow

*Eco-Devo
Attachment #1*

04-26-91

ag products for non-food uses. These potentials also can serve economic development for rural Kansas.

Changes are needed in existing agricultural and commercialization policies and programs to reap the potential represented by industrial products from agricultural commodities will provide areas of challenge and leadership for state governments. Agriculture must expand its horizons beyond the tradition of providing food and fiber and include industrial materials and energy. This will help support the industrial base from renewable resources and serve as part of agriculture's portfolio. Private-public partnerships in pre-commercial activities represents an excellent approach to enhance adoption of research advances because costs and risk are shared. In return, more research is moved into the marketplace and hence farmers have expanded market opportunities and greater potentials exist for economic development in rural Kansas.

However, it should be remembered that the strength and effectiveness of national and regional programs for commercialization will only benefit Kansas in proportion of the strength and effectiveness of the state's program initiatives. Such initiatives should be broad-based and encompass the financial and technical resources to provide those linkages between agricultural producers and manufacturers. This technical contribution is needed to provide discussion and dialogue between the producer and the new technologies represented in these non-traditional uses.

Previous Commercialization Initiatives

I. Wheeler McMillen, who is now 97 years of age, and Henry Ford chaired the first national conference on industrial uses for agricultural commodities in Dearborn, Michigan, in the mid 1930's. Leaders in agriculture, industry and science became mutually interested in finding new uses and markets for America's farmers. This coalition and its actions gave rise to the USDA's five regional laboratories. Of particular interest to Kansas is the Northern Regional Research Center at Peoria, Illinois, and their research efforts in the area of enhanced use of plant materials as renewable resources.

II. Task Force Report on Non-Food Uses of Kansas Agricultural Products

On December 10, 1987, the Kansas State Board of Agriculture approved the creation of a task force which would study and recommend specific proposals for the state to pursue in the development of non-food uses of agricultural commodities. The Task Force, made up of experts from industry, academia, and government, were charged with two tasks:

1. To determine the feasibility, both now and in the future, of using Kansas agricultural for industrial uses.
2. To determine a course of action for Kansans to take in their efforts of evaluating and commercializing non-food uses.

Members of the group unanimously agreed that substantial opportunity is available to Kansas through the further development of industrial uses. These possibilities represent an extension of the present course the state is pursuing to emphasize value-added opportunities with agricultural commodities as well as other economic development actions.

Of great importance, the task for concluded, is the need to focus by the state on the commercialization of existing technologies, identify

innovative product potential, develop consortiums with private industries involved in non-food utilization, and recruit them to Kansas. Other recommendations were included in the groups report as well.

III.

Commercializing Industrial Uses
for Agricultural Commodities Conference
March 28 - 29, 1989
St. Louis, Missouri

The State Departments of Agriculture in Kansas, Iowa, Missouri, and Nebraska have declared their support for utilization of Agricultural products and focusing on innovative ways to create new markets for products is important to the rural economies of the midwestern states.

The conference was designed to generate information from experts in industry, universities, research laboratories, and public agencies. The conference concluded, there were three distinct areas of industrial uses of agricultural commodities. The first is non-food uses of present crops such as wheat, corn, soybeans, and sorghum; the second opportunity is in non-food uses of animal co-products from the livestock processing industry; and the third area is development of new crops for industrial uses.

Ultimately, the conference concluded that to accrue these potentials will take a systematic relationship and cooperation among all interested groups including universities, extension services, commodity commissions, congress, state legislatures, state agencies and private enterprise. Such a consortium is critical to effectively address commercialization.

IV.

Commercializing Industrial Uses for
Ag Commodities National Conference
March 14 - 16, 1990
Washington, D.C.

As a result of the attention and support developed for industrial uses from the four-state regional conference, this national conference was conducted.

The conference planning committee was made up of representatives from state government, federal government, agriculture producers, commodity groups, researchers, and industry.

Recommendations from this national conference include:

1. Work for inclusion in the 1990 Farm Bill an "Industrial Use Title" and funding to accelerate commercialization and marketing of non-food use products. These funds to be used to leverage cooperative actions from state and private programs.
2. Use a "systems" concept to bridge the existing gap between research discoveries and the point where private firms are willing to invest in commercial production.
3. Structure closer working relationships between private and public sectors and implement mechanisms to expedite movement of research into commercial products.
4. Establish creative financial packages to share risks and costs to assist innovative firms to enter production of industrial products from ag products.
5. Encourage production of industrial crops by developing commodity programs to encourage rather than discourage farmers from growing potential non-food use crops.

An additional and dramatic result of the national conference is the formation of a national advocacy organization for the commercialization of industrial uses for agricultural production.

ELEMENTS OF THE KANSAS DEVELOPMENT & COMMERCIALIZATION
OF NON-FOOD USES FOR AGRICULTURAL PRODUCTS PROGRAM

Mission:

The Mission of the Program is to enhance the economy of the State of Kansas by providing technical and marketing information and, research and development programs to foster innovation and creation of Kansas enterprises involved in the commercialization of non-food products from agricultural commodities.

The Program will serve as the primary state agency for all actions related to development, and commercialization of non-food uses for agricultural products.

Elements:

1. Coordination, Communication, & Education

The program will cooperate and coordinate with other Kansas agencies to support business development in Kansas agriculture. The program will serve as the main source and clearinghouse for technical information related to non-food uses of agricultural products. Building public awareness, communicating results, information gathering, and education for non-food utilization will also be activities of the program.

2. Organize, conduct, sponsor or cooperate with and assist both the private sector and educational institutions to conduct special seminars, conferences and demonstrations related to the stimulation of commercialization of industrial uses of agricultural products.

3. Finance, conduct, or cooperate in the financing of scientific, technological, business, financial or other investigations which are related to economic development involving non-food uses. This will be accomplished by making and entering into contracts, including the provisions of grants, loans, and other forms of assistance.

4. Prepare, publish, and distribute such studies, reports, and other materials considered appropriate, subject only to the maintenance and responsibility for confidentiality of the client proprietary information.
5. Solicit, study and assist in preparation of feasibility studies and business plans of new or established enterprises involved in utilization of agricultural products for industrial uses.
6. There will be created a "Development and Commercialization of Non-Food Uses For Agricultural Products" enterprise seed capital fund to which shall be credited any state funds specifically so designated. The program may credit the fund with unrestricted appropriations, gifts, donations or grants received from any source. The program may use the enterprise seed capital fund as follows:
 - 1) To carry out the purposes of the program through investments in qualified securities and through forms of financial assistance authorized by enabling legislation.
 - 2) To pay all or a portion of the program's operating expenses from revenues generated by the seed-capital fund investments which shall be an amount sufficient to allow the program to undertake and efficiently manage its responsibilities.
 - 3) To invest in such other investments as are lawful for Kansas fiduciaries.
7. Annual Report; the program shall publish an annual report which shall include an audit in accordance with accepted accounting principles. The annual report shall specifically account for the ways in which

the purpose of the program have been carried out and recommendations as to what changes in activities of state and federal government are necessary to better address the purposes described in enabling legislation and the program's annual plan.

Organization:

Perhaps the most critical aspect of the organizational structure of a Kansas Development and Commercialization of Non-Food Uses Program will be the make-up of the Board of Directors or The Advisory Council. It is very important that agriculture interests and appropriate private sector interest are provided proper representation. Certainly academic, government agency, and Legislative interests should properly be represented but the success of the program will be driven by agriculture, agri-business, and commercial interests and direction.

It is my opinion that the effectiveness of K.T.E.C. (Kansas Technology Enterprise Corporation), in general and the level of address of the role of agriculture in economic development is limited greatly because the statutorily prescribed Board of Directors does not ensure reasonable representation of agriculture and agribusiness. On the other hand, KVAC with its strong representation of private sector, agriculture, agribusiness serving with legislative and university interests has been well served by its Advisory Council.

The projected goals and objectives of the Program together with its anticipated operational functions being directed towards "hands on" assistance to support and expedite commercialization of non-food uses through existing and/or new enterprises appears to have substantial similarities to the goals and operational functions statutorily assigned to the Kansas Technology Enterprise Corporation.

Statute sections 74-8101 through 74-8115 - K.T.E.C. was developed and passed as part of the economic development package of 1987. It provides a unique structure and innovative means for the state government to cooperate with private industry.

Therefore, consideration should be given to integrating the new program into the K.T.E.C. framework.

Specific actions include:

- I. Amend the current statutes to provide for a change in the Board of Directors of the Kansas Technology Enterprise Corporation. The purpose being to provide basic representation of agriculture and agri-business on the board. Such amendment should specify that the Secretary of Agriculture serve on the K.T.E.C. Board of Directors.
- II. Develop a specific Kansas Initiative for Development and Commercialization of Non-Food Uses for Agricultural Products.

Subtitle G of the 1990 Farm Bill represents a milestone in the efforts to secure legislation to authorize the U.S. Department of Agriculture to recognize and research non-food use products as a major opportunity for growth in agriculture.

Key sections include:

1. Alternative Agricultural Research and Commercialization Center:

The center shall be operated as an independent entity within USDA headed by a director.

2. Alternative Agricultural Research and Commercialization Board:

The Board shall consist of nine members, with the majority representing private commercialization.

The Board will be responsible for general supervision and policy control of the Center and Regional Centers.

3. Regional Centers:

The Board shall establish not less than two nor more than six Regional Centers.

4. Alternative Agricultural Research and Commercialization Revolving Fund:

- a) \$10,000,000 FY 1991
- b) \$20,000,000 FY 1992
- c) \$30,000,000 FY 1993
- d) \$50,000,000 FY 1994
- e) \$75,000,000 FY 1995 - 2000

A detailed proposal to establish the Kansas Initiative for Development and Commercialization of Non-Food Uses for Agricultural Products will be developed and presented to K.T.E.C. Board of Directors for consideration and implementation.

Key fundamentals will include:

1. The proposal will be designed to provide an excellent state program as well as becoming a recognized regional center.
2. It will be designed to facilitate public/private cooperation by utilizing available KTEC statutory authorities; will be administered by a board of directors which will reflect a strong balance of private industry, academic, and government representatives.

BRIEF OVERVIEW OF IMPACTS FOR AGRICULTURE:

- A. Kansas grown milo into manufacturing of wallboard and construction adhesive.
- B. Atchison company converts wheat into carbonless paper, building materials and wallpaper paste.
- C. Packing house byproducts. Current value \$100/head.
 - 1. Hides to leather
 - 2. Pharmaceutical uses. Projected increase of \$30 to \$35 per animal.
- D. Corn for manufacturing chemicals projected \$100 billion.
 - 1. Organic acids.
 - 2. Bio-degradable plastics and films.
 - 3. Calcium magnesium acetate.
 - 4. Encapsulation.
- E. Ethanol - 400 million bushels per year -- \$1 billion; by year 2000 projections of 800 million bushels.
- F. Soybean oil for dust supplement.
- G. Soybean oil for printing ink.
- H. Wheat starches and glues.
- I. New crops
 - 1. Canola
 - 2. Rapeseed

It is impossible to predict what the potential impact to producers will be from expanded commercialization of non-food uses from ag commodities. However, given what the current impact is, the future will continue to be significant.

Subtitle G—Alternative Agricultural Research and Commercialization

SEC. 1657. SHORT TITLE, PURPOSES, AND DEFINITIONS.

(a) *SHORT TITLE.*—This subtitle may be cited as the "Alternative Agricultural Research and Commercialization Act of 1990".

(b) *PURPOSE.*—Through the encouragement of and the provision of assistance to agricultural research, development, and commercialization, it is the purpose of this subtitle—

(1) to authorize research in modification of agricultural commodities, and associated research, in order to develop and produce marketable products other than food, feed, or traditional forest or fiber products;

(2) to commercialize new nonfood, nonfeed uses for traditional and new agricultural commodities in order to create jobs, enhance the economic development of the rural economy, and diversify markets for raw agricultural and forestry products;

(3) to encourage cooperative development and marketing efforts among manufacturers, financiers, universities, and private and government laboratories in order to assist the commercialization of new nonfood, nonfeed uses for agricultural and forestry products;

(4) to direct, to the maximum extent possible, research and commercialization efforts toward the production of new nonfood, nonfeed products from agricultural commodities that can be raised by family-sized agricultural producers; and

(5) to foster economic development in rural areas of the United States through the introduction of new nonfood, nonfeed products obtained from agricultural commodities.

(c) *DEFINITIONS.*—For purposes of this subtitle:

(1) The term "agricultural commodity" means a plant or animal species (including a species propagated or raised in a controlled environment or a tree species) and the products derived from that species.

(2) The term "alternative agricultural product" means a new use, application, or material that—

(A) is derived from an agricultural commodity; and

(B) is not in widespread commercial use and is not expected to significantly displace a use, application, or material derived from an agricultural commodity that already is in widespread commercial use.

(3) The term "Board" means the Alternative Agricultural Research and Commercialization Board.

(4) The term "Center" means the Alternative Agricultural Research and Commercialization Center.

(5) The term "commercialization" or "commercialize" includes—

(A) activities associated with the development of alternative agricultural products or industrial plants;

(B) the application of technology and techniques to the development of industrial products and alternative agricultural products; and

(C) the market development of new nonfood, nonfeed uses of new and traditional agricultural commodities and processes that

will lead to the creation of goods and services that may be marketed for profit.

(6) The term "Fund" means the Alternative Agricultural Research and Commercialization Revolving Fund.

(7) The term "host institution" means an existing entity that is located in the region that is—

(A) a university or other institution of higher education;

(B) a Department of Agriculture laboratory;

(C) a State agricultural experiment station;

(D) a State cooperative extension service facility; or

(E) another organization that is involved in the development or commercialization of new nonfood, nonfeed uses for agricultural commodities, or is involved in rural economic development.

(8) The term "new nonfood, nonfeed product development" means targeted research, including fundamental and applied research, concerning—

(A) the production and processing of agricultural commodities for the purposes of developing new nonfood, nonfeed products;

(B) the uses of new nonfood, nonfeed products; and

(C) steps necessary to make a nonfood, nonfeed product available for the marketplace.

(9) The term "new nonfood, nonfeed product" means an item that is primarily not a food, feed, or traditional forest or fiber product, including an item that exists but is not commercially available from an agricultural commodity.

(10) The term "nonprofit organization" means an organization that is—

(A) described in section 501(c) of the Internal Revenue Code of 1986; and

(B) exempt from taxation under section 501(a) of such Code.

(11) The term "Secretary" means the Secretary of Agriculture.

(12) The term "traditional forest or fiber product" means a forest or fiber product that is derived from forest or agricultural materials and does not have substantial new properties.

SEC. 1658. ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION CENTER.

(a) **ESTABLISHMENT.**—The Secretary of Agriculture shall establish an Alternative Agricultural Research and Commercialization Center to carry out the purpose of this subtitle. The Center shall be operated as an independent entity within the Department of Agriculture under the general supervision and policy control of the Secretary.

(b) **FUNCTIONS.**—The Center shall have the authority to—

(1) make grants to, and enter into cooperative agreements and contracts with, eligible applicants for research, development, and demonstration projects in accordance with section 1660;

(2) make loans and interest subsidy payments and invest venture capital in accordance with section 1661;

(3) collect and disseminate information about State, regional, and local commercialization projects;

(4) search for new nonfood, nonfeed products that may be produced from agricultural commodities and for processes to produce such products;

(5) administer, maintain, and dispense funds from the Alternative Agricultural Research and Commercialization Revolving Fund to facilitate the conduct of activities under this subtitle; and

(6) engage in other activities incident to carrying out its functions.

(c) **DIRECTOR.**—The Center shall be headed by a Director, who shall be appointed by the Board and approved by the Secretary of Agriculture. The Director shall receive basic pay at the rate provided for level IV of the Executive Schedule under section 5315 of title 5, United States Code. The Director shall be appointed for a term of five years, subject to removal by the Board before the end of that term.

(d) **RESPONSIBILITIES OF THE DIRECTOR.**—Subject to the general supervision of the Board, the Director shall be responsible for the overall management of the Center and the implementation of general policies respecting the management and operation of programs and activities of the Center. In carrying out such responsibilities on behalf of the Center, the Director shall—

(1) provide for appropriate peer review of—

(A) applications for grants, contracts, and cooperative agreements submitted under section 1660 and applications for financial assistance submitted under section 1661;

(B) the conduct of research for which assistance is provided by the Center; and

(C) research findings or reports resulting from grants, contracts, and cooperative agreements administered by the Center as the Board determines necessary;

(2) require, where appropriate, licensing and patent agreements, copyright fees, royalties, or other fee arrangements on the sales of products, new uses, applications technologies, or processes developed through assistance provided through a grant made, contract or cooperative agreement entered into, or other assistance provided, under this subtitle; and

(3) take appropriate action to ensure that all channels for the dissemination and exchange of agricultural products and processes research are maintained between the Center and other agricultural, scientific, and business entities; and

(e) **STAFF.**—Upon the request of the Director, the Secretary may detail, on a reimbursable basis, any of the personnel of the Department of Agriculture to assist the Director in carrying out the duties of the Director.

(f) **EXPERTS AND CONSULTANTS.**—The Director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

SEC. 1659. ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION BOARD.

(a) **ESTABLISHMENT OF BOARD.**—The Secretary shall establish the Alternative Agricultural Research and Commercialization Board.

(b) **MEMBERS.**—The Board shall consist of nine members appointed by the Secretary as follows:

(1) One member who shall be an employee of the Department of Agriculture.

(2) Four members, of whom—

(A) at least one shall be a representative of the leading scientific disciplines relevant to the activities of the Center;

(B) at least one shall be a producer or processor of agricultural commodities; and

(C) at least one shall be a person who is privately engaged in the commercialization of new nonfood, nonfeed products from agricultural commodities.

(3) Two members who—

(A) have expertise in areas of applied research relating to the development or commercialization of new nonfood, nonfeed products; and

(B) shall be appointed from a group of at least four persons nominated by the Director of the National Science Foundation if such nominations are made within 60 days after the date a vacancy occurs.

(4) Two members who—

(A) have expertise in financial and managerial matters; and

(B) shall be appointed from a group of at least four persons nominated by the Secretary of Commerce if such nominations are made within 60 days after the date a vacancy occurs.

(c) RESPONSIBILITIES.—The Board shall—

(1) be responsible for the general supervision and policy control of the Center and Regional Centers;

(2) determine (in consultation with the advisory council appointed under section 1661 and those Regional Centers established under section 1663) high priority commercialization areas to receive assistance under that section;

(3) review any grant, contract, or cooperative agreement to be made by the Center under section 1660 and any financial assistance to be provided under section 1661;

(4) make the final decision, by majority vote, on whether and how to provide assistance to an applicant;

(5) establish program policy, objectives, research and development, and commercialization priorities to implement this subtitle, through a process of public hearings to be initiated as soon as practicable after the establishment of the Board; and

(6) using the results of such hearings and other information and data collected under paragraph (5), develop and establish a budget plan and a long-term operating plan to implement this subtitle.

(d) MEETINGS.—The Board shall meet at the call of the chairperson or at the request of the Director, but at least three times each fiscal year. The location of the meetings of the Board shall be subject to the approval of the Director. A quorum of the Board shall consist of a majority of the members of the Board. The decisions of the Board shall be made by majority vote.

(e) TERM; VACANCIES.—The term of office of a member of the Board shall be four years, except that the members initially appointed shall be appointed to serve staggered terms. A member appointed to fill a vacancy for an unexpired term may be appointed only for the remainder of such term. A vacancy on the Board shall be filled in the same manner as the original appointment.

(f) CHAIRPERSON.—The members of the Board shall select a chairperson from among the members. The term of office of the chairperson shall be two years. The member appointed under subsection (b)(1) may not serve as chairperson.

(g) COMMITTEES.—The Board may establish one or more temporary committees with agricultural, scientific, technical, or other expertise, whose duties shall be to provide information, analysis, and recommendations, at

the request and direction of the Board, on scientific, technological, policy, and other matters, as determined necessary by the Board.

(h) **COMPENSATION.**—Members of the Board who are officers or employees of the United States shall not receive any additional compensation by reason of service on the Board. Other members of the Board shall receive, for each day (including travel time) they are engaged in the performance of the functions of the Board, compensation at a rate not to exceed the daily equivalent of the annual rate in effect for grade GS-18 of the General Schedule. All members of the Board shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties.

(i) **RESTRICTIONS.**—

(1) **CONFLICT OF INTEREST.**—Except as provided in paragraph (3), no member of the Board shall vote on any matter respecting any application, contract, claim, or other particular matter pending before the Center, in which, to the knowledge of the member, such member, spouse or child of such member, partner or organization in which such member is serving as officer, director, trustee, partner, or employee, or any person or organization with whom such member is negotiating or has any arrangement concerning prospective employment, has a financial interest.

(2) **VIOLATIONS.**—Action by a member of the Board that is contrary to the prohibition contained in paragraph (1) shall be cause for removal of such member, but shall not impair or otherwise affect the validity of any otherwise lawful action by the Center in which the member or officer participated.

(3) **EXCEPTIONS.**—The prohibitions contained in paragraph (1) shall not apply if a member of the Board advises the Board of the nature of the particular matter in which such member proposes to participate in, and if such member makes a full disclosure of such financial interest, prior to any participation, and the Board determines, by majority vote, that the financial interest is too remote or too inconsequential to affect the integrity of such member's services to the Center in that matter. The member involved shall not participate in such determination.

(j) **AUTHORITY OF THE SECRETARY.**—Any final decision made under subsection (c) may be vetoed by the Secretary, and the Secretary shall inform the Board of the reasons for such veto.

SEC. 1660. RESEARCH AND DEVELOPMENT GRANTS, CONTRACTS, AND AGREEMENTS.

(a) **ELIGIBILITY.**—All public and private educational institutions, other public and private research institutions and organizations, Federal agencies, and individuals shall be eligible to receive a grant from, or enter into a contract or cooperative agreement with, the Center for a research, development, or demonstration project, as provided in this section.

(b) **COMPETITIVE BASIS FOR AWARDS.**—Grants made, and contracts and cooperative agreements entered into, under this section shall be selected on a competitive basis on the recommendation of a peer review system to be established by the Center. Such system shall contain peer review expertise in commercial production, product development, processing, and marketing of agricultural commodities as well as in scientific research.

(c) **SELECTION CRITERIA.**—The Board may select a research, development, or demonstration project to receive a grant, contract, or cooperative agreement under this section based on the likelihood that the project will

result in creating or improving economically viable commercial nonfood, nonfeed products, applications, processes, or technologies that involve the use of raw or processed agricultural commodities. The criteria to be considered may include the following:

(1) the prospect of developing technologies that could make it possible to use or modify existing agricultural commodities to provide an economically viable quantity of new nonfood, nonfeed products;

(2) the potential market size of the new nonfood, nonfeed product, the likely time period needed to bring the product into the stream of commerce for general use, and the likely availability of the agricultural commodity used to produce the product;

(3) the potential for job creation in an economically distressed rural area;

(4) the anticipated State or local participation;

(5) the anticipated financial participation of private entities;

(6) the likely impact on reducing Federal crop subsidies and other Federal agricultural assistance program costs;

(7) the unavailability of adequate funding from other sources;

(8) the likely positive impact on resource conservation and the environment; and

(9) the likely positive effect of helping family-sized farmers and rural communities near the affected agricultural and forested areas.

(d) SET-ASIDE OF FUNDS FOR CERTAIN PROJECTS.—

(1) IN GENERAL.—Not less than two-thirds of the funds obligated each fiscal year for grants, contracts, and cooperative agreements under this section shall be awarded only for research, development, and demonstration projects for which the applicant—

(A) has committed substantial funding and support from its own resources; and

(B) has entered into a cooperative agreement or other contractual arrangement with a commercial company domiciled in the United States that commits such company to—

(i) provide funds for at least 20 percent of the total cost of such project; and

(ii) engage in commercial production and sale of the marketable products, processes, uses, applications, or technologies developed through the project, under appropriate licensing, royalty, or other agreements.

(2) ANIMAL SOURCES.—Not more than 25 percent of the funds obligated each fiscal year for grants, contracts, and cooperative agreements under this section shall be awarded only for projects concerning new nonfood, nonfeed products derived from animal sources.

(e) LIMITATION ON FUNDS PROVIDED.—Funds committed by the Center for any project under a grant, contract, or cooperative agreement under this section shall in no case exceed two-thirds of the total cost of the project.

(f) PREFERENCE.—In selecting projects to receive funds, the Center may give preference to those projects for which the ratio of Center funds to non-Center funds would be lowest.

SEC. 1661. COMMERCIALIZATION ASSISTANCE.

(a) ASSISTANCE AUTHORIZED.—The Center, at the discretion of the Board, may provide to entities described in subsection (b) for projects commercializing new nonfood, nonfeed products using agricultural commodities, financial assistance in the form of—

- (1) loans made or insured by the Center;
- (2) interest subsidy payments made by the Center (pursuant to an agreement between the Center, the lender, and the borrower) to the lender in amounts determined pursuant to the agreement;
- (3) venture capital invested by the Center in the form of a convertible debenture; and
- (4) repayable grants that are matched by private or local public funds and that are repaid as agreed in a contract between the Center and the entity.

(b) **ELIGIBLE ENTITIES.**—To obtain financial assistance for commercialization of nonfood, nonfeed products from the Center, an entity shall be a university or other institution of higher education, a nonprofit organization, a cooperative, or a business concern.

(c) **ADVISORY COUNCIL.**—The Board shall appoint an Advisory Council to advise the Board and Regional Centers concerning all applications for assistance submitted under this section. The conflict of interest provisions of subsection (i) of section 1659 shall apply to the Advisory Council. In appointing members of the Advisory Council, the Board shall ensure regional participation on the Advisory Council. The Advisory Council shall—

- (1) review (or coordinate the review of) the technical, engineering, financial, and managerial soundness and marketing potential of the applications;
- (2) by majority vote, make a nonbinding recommendation on each application submitted under this section;
- (3) monitor the progress of ongoing projects and provide technical and business counseling as needed;
- (4) monitor the operation of the Regional Centers; and
- (5) provide technical and business counseling to entities that are not seeking financial assistance from the Center, but which are engaged in commercializing nonfood, nonfeed uses of agricultural commodities.

(d) **APPLICATION REQUIREMENTS.**—

(1) **FILED WITH DIRECTOR.**—To obtain financial assistance from the Center under this section, an eligible entity shall file an application with the Director.

(2) **CONTENTS.**—An application submitted to the Director under paragraph (1) shall—

(A) describe the proposal of the entity for the commercialization of a new product consistent with this section, including documentation that such proposal is—

- (i) scientifically sound;
- (ii) technologically feasible;
- and
- (iii) marketable;

(B) provide documentation that adequate private sector funding is not available, but that the applicant has the ability to obtain matching funds from the public or private sectors;

(C) provide documentation that the applicant has invested in the project a significant amount of the applicant's own resources, including time and money;

(D) provide documentation that the product or process has broad application and has the potential to be commercially viable without continual assistance;

(E) provide documentation that the proposal has broad participation by representatives of the public sector, the financial community, the private business community, State and local governments, educational institutions, the farm community, the science and engineering communities;

(F) provide documentation that an established rela-

relationship exists between the applicant and other entities to give the applicant access to private business assistance; (G) provide assurances of legal compliance by the applicant with the terms and conditions of the receipt of assistance under this section; and (H) provide assurances that the project will result in the creation of new jobs in rural communities.

(e) **PRIORITIES.**—The Board shall give priority to—

(1) applications that shall create jobs in economically distressed rural areas;

(2) applications that have State or local government financial participation; and

(3) applications that have private financial participation.

(f) **ADDITIONAL CRITERIA.**—The Board shall establish additional criteria for use in selecting among equivalent applications. Such criteria shall emphasize—

(1) the quantity and quality of jobs that are likely to be created in rural communities;

(2) the amount of the financial participation by State or local governments or private entities;

(3) the qualifications of the management to be used in the project;

(4) the potential market demand for the potential product to be marketed proportional to the financial assistance requested; and

(5) the likely level of returns to the Fund and the items described in paragraphs (2), (6), (8), and (9) of section 1660(c).

SEC. 1662. GENERAL RULES REGARDING THE PROVISION OF ASSISTANCE.

(a) **NOTICE OF RECEIPT OF APPLICATIONS.**—Not later than 30 days before the start of each period established by the Board for receipt of applications for financial assistance under section 1660 or 1661, the Board shall publish in the Federal Register a notice that it will receive such applications.

(b) **MONITORING.**—The Board shall monitor the progress of projects that receive financial assistance under this subtitle. Such monitoring may include on-site reviews by representatives of the Board, a Regional Center, or the Advisory Council, the requirement of written reports by recipients of assistance, and supportive business and technical counseling as needed by the recipient. The Board may use the Advisory Council appointed under section 1661 to assist in such monitoring.

(c) **AUDITING AND ACCOUNTABILITY.**—

(1) **REQUIRED.**—The Board shall establish a thorough and effective system of auditing and accountability to ensure that funds paid under section 1660 or 1661 are used by recipients only for the purposes for which those funds are provided by the Center.

(2) **DEMONSTRATED COMPLIANCE.**—The Board may require that recipients of financial assistance demonstrate that the use of financial assistance is in compliance with the agreement by which that assistance is provided.

(d) **INFORMATION EXEMPT FROM DISCLOSURE.**—With respect to research, development, demonstration, or commercialization projects carried out with the participation of private research institutions or commercial companies, information received by the Center incident thereto shall be exempt from disclosure under section 552 of title 5, United States Code, and shall not be made available publicly except—

(1) with the approval of the person providing the information; or

(2) in a judicial or administrative proceeding in which such information is subject to protective order.

(e) **OVERHEAD AND ADMINISTRATIVE COSTS.**—The Board shall require that applications or responses to requests for proposals issued by the Center for grants, contracts, or cooperative agreements include detailed estimates of project overhead and administrative costs. In selecting such applications or proposals for awards, the Center shall give preference to those with the lowest effective costs.

(f) **PROHIBITION ON CERTAIN USES OF ASSISTANCE.**—No grant may be awarded, or contract or cooperative agreement entered into under this subtitle, for the acquisition or construction of a building or a facility.

(g) **REPORTS.**—

(1) **PREPARATION.**—As soon as practicable after the end of each fiscal year, the Board shall prepare and submit to the Secretary a report on the activities, progress, and accomplishments of the Center during such fiscal year. The report shall include—

(A) a description of the progress, activities, and accomplishments of the Center during that fiscal year and the expenditures by the Center for its information and other service activities; and

(B) a copy of the operating plan prepared by the Board under section 1659(c)(6).

(2) **TRANSMITTAL.**—The Secretary shall transmit each report received under paragraph (1) to the President and Congress not later than 30 days after the date on which the Secretary receives the report.

SEC. 1663. REGIONAL CENTERS.

(a) **ESTABLISHMENT.**—

(1) **REQUIRED.**—Except as provided in paragraph (2), the Board shall establish not less than two nor more than six Regional Centers to carry out the activities specified in this section and such other activities as the Board shall from time to time specify.

(2) **EXCEPTION.**—A Regional Center may not be established or operated in a fiscal year unless at least \$5,000,000 has been appropriated for that fiscal year to carry out this subtitle.

(b) **METHOD OF ESTABLISHMENT.**—

(1) **REGIONAL BASIS.**—Each Regional Center established under this section shall be located at a host institution. The Regional Centers shall be established in different States to reflect the different regional climatic conditions and rural economic stresses in the United States.

(2) **COMPETITION.**—An organization that desires to be selected as a host institution for a Regional Center shall submit an application to the Board. The Board shall determine the location of the Regional Centers based on a competitive review of the contents of such applications and shall consider the ability of the applicant to carry out the activities specified in this section.

(c) **MATCHING OF FUNDS.**—

(1) **ASSURANCES OF APPLICANTS.**—Each institution submitting an application for a Regional Center under this section shall provide assurances—

(A) that adequate funds or in-kind support (including office space, equipment and staff support) shall be provided to match the amount of funds used for administrative costs that are provided by the Federal Government under this subtitle; (B) that the institution is qualified to carry out the activities required of a Regional

Center; and (C) concerning such other matters as the Board determines to be appropriate.

(2) **CONSORTIUM.**—The matching funds required under paragraph (1) may be provided by a consortia that may include the host institution and other public or private entities existing within various regions of the United States, including State and local governments, entities created by State and local governments, charitable organizations, public and private universities and other institutions of higher education, co-operatives, and economic development organizations.

(d) **DIRECTOR.**—Each Regional Center shall be headed by a full-time Regional Director who shall—

(1) be selected by the Board; and

(2) have a scientific or engineering background or have experience in the development of new products or processes in the public or private sector.

(e) **ACTIVITIES.**—Each Regional Center shall—

(1) encourage interaction among the private and Federal laboratories, National Science Foundation centers, Department of Agriculture research programs, other Federal resources, State and local regional economic development programs, universities, colleges, the private sector, and the financial community, for the purpose of evaluating and commercializing new nonfood, nonfeed uses of agricultural commodities;

(2) identify broad areas where commercialization of new nonfood, nonfeed products and processes can contribute to economic growth in rural areas of the United States, through the development of new nonfood, nonfeed uses for agricultural commodities by private companies and businesses;

(3) provide technical assistance and related business and financial counseling for small domestic businesses to commercialize new nonfood, nonfeed uses of agricultural commodities;

(4) identify new nonfood, nonfeed products and processes that are worthy of financial assistance;

(5) make use of existing programs in scientific, engineering, technical, and management education that will support the accelerated commercialization of new nonfood, nonfeed products and processes using agricultural commodities;

(6) advise the Board on the viability of specific applications submitted for financial assistance and on the type of assistance, if any, to be provided;

(7) coordinate their activities with the Small Business Development Centers; and

(8) coordinate their activities with the Center.

(f) **REVIEW OF PROPOSALS FOR ASSISTANCE.**—

(1) **SUBMISSION TO REGIONAL CENTER.**—If a Regional Center is established that includes the area in which a person applying for assistance under this subtitle is located, that person shall submit the application to the Regional Center for review.

(2) **REVIEW.**—The Directors of the Regional Centers shall work in consultation with the Advisory Council appointed under section 1661(c) to obtain peer review and evaluation of applications submitted to the Regional Centers.

(3) **ROLE OF ADVISORY COUNCIL.**—The Advisory Council shall review applications submitted to the Regional Centers. The Advisory

Council shall, by majority vote, make a nonbinding recommendation on each proposal to the appropriate Regional Director.

(4) *RECOMMENDATION.*—The Regional Director, after consideration of the Advisory Council's recommendation and based on the comments of the reviewers, shall make and submit a recommendation to the Board along with the recommendation of the Advisory Council. A recommendation submitted by a Regional Director or the Advisory Council shall not be binding on the Board.

SEC. 1664. ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION REVOLVING FUND.

(a) *ESTABLISHMENT.*—There is established in the Treasury of the United States a revolving fund to be known as the Alternative Agricultural Research and Commercialization Revolving Fund. The Fund shall be available to the Center, without fiscal year limitation, to carry out the authorized programs and activities of the Center under this subtitle.

(b) *CONTENTS OF FUND.*—There shall be deposited in the Fund—

(1) such amounts as may be appropriated or transferred to support the programs and activities of the Center;

(2) payments received from any source for products, services, or property furnished in connection with the activities of the Center;

(3) fees and royalties collected by the Center from licensing or other arrangements relating to commercialization of products developed through projects funded in whole or part by grants, contracts, or cooperative agreements executed by the Center;

(4) donations or contributions accepted by the Center to support authorized programs and activities; and

(5) any other funds acquired by the Center.

(c) *FUNDING ALLOCATIONS.*—Funding of projects and activities under this subtitle shall be subject to the following restrictions:

(1) Of the total amount of funds made available for a fiscal year under this subtitle—

(A) not more than 5 percent may be set aside to be used for authorized administrative expenses of the Center in carrying out its functions;

(B) not more than 5 percent may be set aside to be used for information collection and dissemination and technology transfer programs authorized in this subtitle; and

(C) not less than 85 percent shall be set aside to be awarded to qualified applicants who file project applications with, or respond to requests for proposals from, the Center under sections 1660 and 1661.

(2) Any funds remaining uncommitted at the end of a fiscal year shall be credited to the Fund and added to the total program funds available to the Center for the next fiscal year.

(d) *TERMINATION OF THE FUND.*—On expiration of the provisions of this subtitle, all assets (after payment of all outstanding obligations) of the Fund shall revert to the general fund of the Treasury.

(e) *AUTHORIZATION OF APPROPRIATIONS.*—There are authorized to be appropriated to the Fund—

(1) \$10,000,000 for fiscal year 1991;

(2) \$20,000,000 for fiscal year 1992;

(3) \$30,000,000 for fiscal year 1993;

(4) \$50,000,000 for fiscal year 1994; and

(5) \$75,000,000 for each of the fiscal years 1995 through 2000.

Subtitle H—Miscellaneous Research Provisions

SEC. 1668. BIOTECHNOLOGY RISK ASSESSMENT RESEARCH.

(a) **PURPOSE.**—It is the purpose of this section to—

(1) authorize and support environmental assessment research to the extent necessary to help address general concerns about environmental effects of biotechnology; and

(2) authorize research to help regulators develop policies, as soon as practicable, concerning the introduction into the environment of such technology.

(b) **GRANT PROGRAM.**—The Secretary of Agriculture shall establish a grant program within the Cooperative State Research Service and the Agricultural Research Service to provide the necessary funding for environmental assessment research concerning the introduction of genetically engineered organisms into the environment.

(c) **TYPES OF RESEARCH.**—Types of research for which grants may be made under this section shall include the following:

(1) Research designed to develop methods to physically and biologically contain genetically engineered animals, plants, and microorganisms once they are introduced into the environment.

(2) Research designed to develop methods to monitor the dispersal of genetically engineered animals, plants, and microorganisms.

(3) Research designed to further existing knowledge with respect to the rates and methods of gene transfer that may occur between genetically engineered organisms and related wild and agricultural organisms.

(4) Other areas of research designed to further the purposes of this section.

(d) **ELIGIBILITY REQUIREMENTS.**—Grants under this section shall be—

(1) made on the basis of the quality of the proposed research project; and

(2) available to any public or private research or educational institution or organization.

(e) **CONSULTATION.**—In considering specific areas of research for funding under this section, the Secretary of Agriculture shall consult with the Administrator of the Animal and Plant Health Inspection Service, the Office of Agricultural Biotechnology, and the Agricultural Biotechnology Research Advisory Committee.

(f) **PROGRAM COORDINATION.**—The Secretary of Agriculture shall coordinate research funded under this section with the Office of Research and Development of the Environmental Protection Agency in order to avoid duplication of research activities.

(g) **AUTHORIZATION OF APPROPRIATIONS.**—

(1) **IN GENERAL.**—There are authorized to be appropriated such sums as necessary to carry out this section.

(2) **WITHHOLDINGS FROM BIOTECHNOLOGY OUTLAYS.**—The Secretary of Agriculture shall withhold from outlays of the Department of Agriculture for research on biotechnology, as defined and determined by the Secretary, at least one percent of such amount for the purpose of making grants under this section for research on biotechnology risk assessment.

compensation act, including the state workmen's compensation self-insurance fund as provided in K.S.A. 44-575 through 44-580 and amendments thereto, the state health care benefits program and remittances pursuant to the federal social security act, federal insurance compensation act and the federal internal revenue code. The president and all other employees of Kansas, Inc. shall be considered to be state employees and Kansas, Inc. shall be considered to be a state agency only for the purposes specified in this subsection.

(b) Except as provided in subsection (b) of K.S.A. 1986 Supp. 74-8003 and amendments thereto for members of Kansas, Inc., the provisions of article 32 of chapter 75 of the Kansas Statutes Annotated, any acts amendatory thereof or supplemental thereto, and any rules and regulations adopted thereunder, shall not apply to officers or employees of Kansas, Inc. Subject to policies established by Kansas, Inc., the president of Kansas, Inc. or the president's designee shall be authorized to approve all travel and travel expenses of such officers and employees.

(c) Nothing in this act or the act of which it is amendatory shall be construed as placing any officer or employee of Kansas, Inc. in the classified service or unclassified service under the Kansas civil service act.

History: L. 1987, ch. 317, § 2; April 30.

74-8013. Moneys of Kansas, Inc.; disposition. (a) All state appropriations to or grants of state appropriations to Kansas, Inc. shall remain in the state treasury until expended or transferred to other state agencies pursuant to the Kansas, Inc. act.

(b) Except as provided in subsection (a), all moneys received by Kansas, Inc. from gifts, donations, grants or any other source outside the state treasury may be placed in the state treasury or may be maintained in interest-bearing accounts in Kansas banks or Kansas savings and loan associations until expended or otherwise disposed of pursuant to the Kansas, Inc. act.

History: L. 1987, ch. 317, § 3; April 30.

74-8014. Citation of act. K.S.A. 1987 Supp. 74-8001 through 74-8014 and any amendments thereto shall be known and may be cited as the Kansas, Inc. act.

History: L. 1987, ch. 317, § 1; April 30.

74-8015. Reports of community and economic development grants or loans. (a) As

used in this section "state agency" means any state office or officer, department, board, commission, institution, bureau or any agency, division or unit within any office, department, board, commission or other state authority or any person requesting a state appropriation.

(b) On October 1, 1990, and annually thereafter, state agencies making community and economic development grants or loans shall submit to Kansas, Inc., in a form prescribed by Kansas, Inc., reports detailing community and economic development grants or loans made by such state agencies. Such reports shall include the identity of the recipient of such loans or grants. Kansas, Inc., shall provide annually, to the governor and the legislature, a compilation of such reports.

History: L. 1990, ch. 294, § 1; July 1.

Article 81.—KANSAS TECHNOLOGY ENTERPRISE CORPORATION

Cross References to Related Sections:

Legislative standing and joint committees on economic development, see 46-1801 et seq.

Department of commerce, see ch. 74, art. 50.

Kansas, Inc., see ch. 74, art. 80.

Kansas Venture Capital, Inc., see ch. 74, art. 83.

Kansas statewide risk capital system, see ch. 74, art. 82.

Statewide planning and research, see ch. 75, art. 48.

Research and development activities tax credit, see 79-32,182.

Law Review and Bar Journal References:

"Private Financing For Small Businesses," Charles D. Lee, 58 J.K.B.A. No. 9, 15 (1989).

74-8101. Creation; board of directors, qualifications, terms, compensation and expenses; meetings; transaction of business; executive committee, establishment, composition, duties. (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 directors who shall be residents of this state. The board shall consist of the governor or, at the discretion of the governor, the secretary of the department of commerce, four directors who are members of the legislature appointed as provided in subsection (d), and 10 directors appointed by the governor subject to senate confirmation as provided in K.S.A. 75-4315b, and amendments thereto.

"agency" means any department, board, committee or any agency, division, office, department, or state authority or state appropriation. 1990, and annually making community development grants or loans, etc., in a form prescribed by reports detailing community development grants or agencies. Such recipient of the recipient Kansas, Inc., shall prepare and the legislative reports. 294, § 1; July 1.

TECHNOLOGY CORPORATION

Sections:
committees on economic development,
ch. 74, art. 50.
80.
see ch. 74, art. 83.
system, see ch. 74, art. 82.
ch. see ch. 75, art. 48.
activities tax credit, see 79-

References:
"Businesses," Charles D. 59).

board of directors, compensation and extension of business; establishment, committee is hereby created and to be known as the Technology Enterprise Corporation. The corporation is of instrumental utility and powers conferred and held as an essential govern-

all be governed by a board of directors who shall be residents of Kansas. It shall consist of the governor, the speaker of the house of commerce, four members of the legislature as provided in subsection (d), and the governor subject to the provisions thereof.

(c) (1) All ten of the directors appointed by the governor shall be persons recognized for outstanding knowledge and leadership in their fields. Six of the directors shall be persons from the private sector and four of the directors shall be engineers or scientists who have extensive experience in managing basic or applied scientific and technological research at Kansas educational institutions. Of the six directors appointed from the private sector:

(A) Four directors shall be persons who represent industries of the Kansas economy including small enterprises which include, but are not limited to:

- (i) Resource-based industries of agriculture, oil and gas;
- (ii) advanced technology industries of aviation, manufacturing, information and design and
- (iii) emerging industries of telecommunications, computer software, information services and research services; and

(B) two directors shall be persons who represent the private financial sector of whom one shall have experience in the area of high-risk venture investments, and the other shall have commercial banking experience in an industry of special technological importance to the Kansas economy.

(2) In making appointments to the board, the governor shall give consideration to the qualifications of the persons who served as commissioners of the Kansas advanced technology commission and shall give consideration to appropriate geographical representation.

(3) 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 original appointments for the remainder of the unexpired portion of the term.

(d) Four directors shall be members of the legislature as follows: The speaker of the house, the house minority leader, the president of the senate, and the senate minority leader, or legislators who are appointed to represent them and who will provide continuity by virtue of their membership on the house or senate com-

mittees on economic development or the joint committee on economic development. Legislative officers designated in this subsection shall serve by virtue of office. Legislators appointed under this subsection shall serve from the dates of their appointment until the first day of the regular legislative session in odd-numbered years and are eligible for reappointment.

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

(f) The board of directors shall conduct a national search and select a corporate president who meets a national standard of experience, ability and initiative for similar positions. The corporate president shall not be a member of the board.

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

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

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

(j) 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.

(k) 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.

(l) 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.

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

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

History: L. 1986, ch. 284, § 4; Jan. 12, 1987.

Attorney General's Opinions:

Directors of Kansas technology enterprise corporation are covered by Kansas tort claims act. 86-155.

74-8102. Purpose; ways of achieving. (a) The purpose of the Kansas technology enterprise corporation 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, which develop value-added products, processes and services 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 basic research, applied research and development, and 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, technology-based and emerging Kansas businesses; and

(4) providing technical referral services to such small, new, emerging or mature businesses 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.

History: L. 1986, ch. 284, § 1; Jan. 12, 1987.

74-8103. Definitions. 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 long range generic value to an industry classification or group of companies. Basic research is distinguished from applied research which has more short range present value to a single company or project;

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

(d) "educational institutions" means Kansas college of technology, 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) "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;

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

(h) "product" means any product, device, technique or process, which is or may be developed or marketed 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;

(i) "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,