

Approved: January 23, 1996
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on January 17, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. Kenneth King - excused

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Nancy Kirkwood, Committee Secretary

Conferees appearing before the committee: Rich Bendis, President, Kansas Technology Enterprise Corporation
Charles Warren, President, Kansas Inc.

Others attending: See attached list

Rich Bendis, President, Kansas Technology Enterprise Corporation, asked the committee to introduce a bill concerning the use of tax credits for taxpayers making cash investments in the technology - based venture capital company authorized under K.S.A. 74-8316 et. seq. (Sunflower Technology Ventures, L.P.) (Attachment 1).

Rich Bendis, President, Kansas Technology Enterprise Corporation, gave brief response to the report Analysis of Kansas Business Assistance Programs, presented by Charles Warren, President, Kansas Inc.

Representative Kent Glasscock moved to approve the introduction of the KTEC bill before the committee. Rep. Galen Weiland seconded the motion. The motion passed.

The meeting adjourned at 4:15 p.m.

The next meeting is scheduled for January 18, 1996.



Presentation to

House Economic Development Committee
 January 17, 1996
 by
 Richard A. Bendis, President
 Kansas Technology Enterprise Corporation

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Business Assistance Recommendations

General

- Unified economic development budget
- Return on Investment (ROI)
- Evaluate Kansas Business Development Centers
- Uniform system for data collection
- Explicit policies for confidentiality of client data
- Review of performance measures
- Client surveys to measure customer satisfaction
- More effective referral guidelines

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Successful return on investment
 1984-95

- \$167.1 million in increased sales
- 131 company start-ups
- 6,663 new jobs created
- 7,878 industry employees trained
- 275 new technologies
- 103 patents issued
- 967 inventors assisted

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Return on Investment (ROI)

• ARMF Royalty Payments

Abrasive Cleaning Systems	Lenexa	\$4,589.09
Agri-Technology	Winfield	\$135,713.22
American Marine Drives	Dodge City	\$32,139.70
Devore Systems	Manhattan	\$5,000.00
Fiber Dynamics	Wichita	\$13,876.63
Galaxy Audio	Wichita	\$3,938.64
Moss Sales & Service	Salina	\$2,025.00
Overhead Camera	Wichita	\$300.00
Phoenix Group	Pittsburg	\$765.00
Royal Tractor	Industrial Airport	\$5,000.00
Sutherland Engineering	Lawrence	\$4,898.14
Valley Audio	Merriam	\$6,306.15

13 companies \$214,779.74

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Return on Investment (ROI)

- Ad Astra Fund Distributions
 - AgriTechnology \$330,800.00
 - Allen Information \$4,459.00
 - BioCore \$27,564.00
 - Total \$362,823.00

Agri-Tech: \$235,000; Allen: \$100,000; BioCore: \$250,000
- buy-out agreement negotiated with BioCore to purchase Ad Astra's equity interest for \$2.5 million over the next three years. Ad Astra also will receive a 16% equity position in the newly formed BioVet, Inc. with no new Ad Astra capital investment.
- Miscellaneous fees

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KTRAC Information

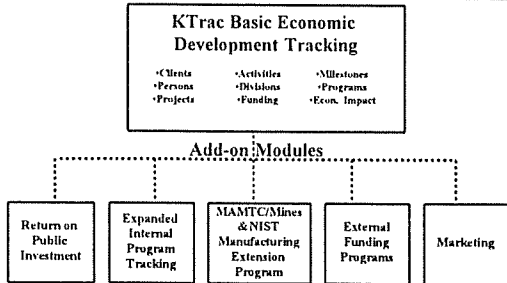
- Company name
- Contact person
- Phone
- Mailing address
- SIC Code/Industry class
- Size of companies
- Number of employees
- Dates of service
- Assistance programs
- Type of service
- Outcome measures

Kanas Inc.'s recommendation for minimum information to be tracked.

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*Economic Development
 January 17, 1996
 Attachment 1*

KTEC KTrac Software Model



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KTEC KTrac Client Tracking

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KTEC KTrac Client Tracking

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KTEC KTrac Person Tracking

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KTEC KTrac Economic Impact Tracking

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KTEC KTrac Economic Impact Tracking

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KTEC KTEC Accountability


- Technical review of all projects prior to funding
- KTRAC (internal tracking system)
- Projects receive funding per milestones and as reimbursement per approved expenditures
- Quarterly economic development impact statements
- On-site progress audits
- Annual external audit
- Annual reports to the Governor and Legislature
- Performance Indicators

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 **KTEC Accountability**


- 1996 Performance Objectives--Richard Bendis
 - Receive STV commitments for \$6.7 Million
 - Recruit co-manager for STV
 - File SBIC license application for STV
 - Manage KTEC budget process
 - Monitor outcomes from KTEC programs
 - Increase returns on KTEC investments
 - Obtain \$1 million in new federal funds
 - Implement KTRAC throughout KTEC network
 - Complete KTEC Strategic Plan and make appropriate program and organizational adjustments
- Each KTEC manager has specific performance indicators which tie to the annual budget and plan

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 **Kansas Integrated Commercialization Information Network (KICIN™)**

- Problem:** Disparity of Access to Economic Development Information
- Remedy:** Web of 200 "virtual satellite offices" using internet and the Information Network of Kansas (INK) as delivery tool for inter-active economic development information exchange.
- Implementation:** Placement of personal computers and staff training at public libraries, SBDC's, and approximately 200 "economic extension offices". (Represented in each Kansas county)
- Kick-off:** September 11, 1995
Use: 20,691 accesses in 1,015 sessions through Dec. 1995
Accessed from more than 35 countries.

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 **Business Assistance Recommendations**

Specific to KTEC

- Role and justification of Centers of Excellence
- Centers statewide mission
- MAMTC increase client base
- Evaluate Industrial Liaison offices/ co-location issues
- Training Equipment Grant coordination with workforce training
- Reorganization of Kansas Value-Added Center
- Examination of Seed and Venture Capital Tax Credits policy

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 **KTEC Goals**


- Stimulate the creation and commercialization of innovative technologies.
- Develop and sustain the customer-driven delivery system for long-term return on public investment and economic growth.
- Improve the competitive research and development capacity of Kansas universities and corporations.
- Create new and/or high wage, high skilled job opportunities.
- Make small-to-medium manufacturers competitive in the global economy.
- Build a comprehensive financial network that is willing to invest in technology-based Kansas businesses at each stage of development.

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 **Strategic Technologies for Kansas**

- | | |
|---|--|
| <ul style="list-style-type: none"> • Biotechnology
Medical
Technologies • Materials • Communications
Software and
Toolkits | <ul style="list-style-type: none"> • Aerodynamics
Avionics and Controls
Propulsion and Power • Agriculture and Food
Technologies • Discrete product
manufacturing • Alternative energy |
|---|--|

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 **Venture Capital Credit Investments**

- Summary of existing legislation
 - Income tax credits for investments in certified Kansas Venture Capital Companies
 - 25% of cash investment until used
 - Total of \$50 M available
 - Limit of \$10 M for KVCI
 - Limit of \$10 M to KTEC (Ad Astra)
 - \$30 M available to Private Certified VC
 - Credits expire Jan. 1, 1998

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 **Venture Capital Credit Investments**

Current Status

	Investments Available	Investments as of 12/31/95	Investments Balance
KVCI	\$10 M	\$6,582,791	\$3,417,209
Ad Astra	\$10 M	\$ 742,418	\$9,257,582*
Private	\$30 M apprx.	\$29,000,000	\$1,000,000
Total	\$50 M	\$36,325,209	\$13,674,791

NOTE: 25% of Investments eligible for tax credits.
* Expired.


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 **Sunflower Technology Ventures L.P.**



- Established in 1995
- Co-manager, Richard A. Bendis
- \$3.3 M commitment from Kansas
- \$6.7 - 16.7 M min./max. to be raised from private investors (25% tax credit available)
- \$20-40 M additional potential leverage if SBIC License obtained (in process)
- Result = \$30-60 M Technology Fund for investment in Kansas and Midwest to fill final missing capital gap and provide continuity in funding to promising companies.


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 **Venture Capital Credit Investments**

• **Recommendations**

- Maintain \$50 M cap on investments eligible for tax credits
- Reinstate unused \$9,257,582 Ad Astra (KTEC) investments eligible for tax credits and make available to STV only
- Extend expiration date on reinstated investments to Jan. 1, 2000
- Maintain private certified venture capital investment total of \$30 M with only \$1 M still available

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 **New Legislation**

• Amend K.S.A. 74-8401 to read:

- "any such expired credits may be allowed to a taxpayer for cash investment made prior to January 1, 2000 in the technology-based venture-capital company authorized pursuant to K.S.A. 74-8316, and amendments thereto, not to exceed the \$10 million reserved under this subsection."

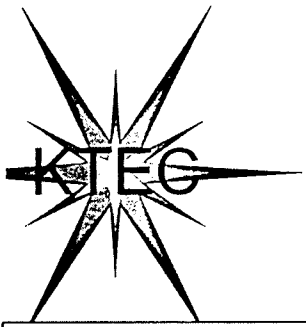
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 **Business Assistance Recommendations**

• **Summary**

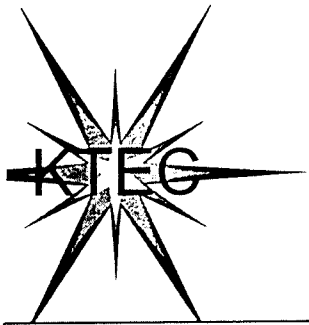
- Economic development is a constantly evolving process and needs continual evaluation.
- Kansas has developed a competitive and effective economic development system envied by others.
- KTEC agrees that a balanced portfolio of diversified economic development programs is necessary for Kansas to grow, retain and recruit businesses.
- We will work with KDOC&H and Kansas Inc. to insure that appropriate tracking and accountability are maintained to provide the highest return on investment of EDIF dollars to all Kansans.

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KTrac

KTEC Economic Development Tracking System



KTrac Software Model

KTrac Basic Economic Development Tracking

- Clients
- Persons
- Projects
- Activities
- Divisions
- Funding
- Milestones
- Programs
- Econ. Impact

Add-on Modules

Return on
Public
Investment

Expanded
Internal
Program
Tracking

MAMTC/Mines
& NIST
Manufacturing
Extension
Program

External
Funding
Programs

Marketing

KTRAC Client Tracking

Add New Client(s)

Name:

Address 1:

City:

State: Zip: - County Code:

Congressional District: House District:

Senate Dist:

Phone 1: (000)000-0000 Ext:

Phone 2: (000)000-0000 Ext:

Fax: (000)000-0000

E-mail 1:

E-mail 2:

Company Size: Founding Date: 00/00/0000

Add Next

Add New Client(s)

Company Size: Founding Date: 00/00/0000

Client Status: Company Type: Entry Date: 00/00/0000

Client Code: No Of Subsidiaries: State Date: 00/00/0000

SIC1: SIC Name

SIC2: SIC Name

SIC3: SIC Name

SIC4: SIC Name

Other Grants and Loans

Application Status: Amount Requested: \$ 00

Amount Received: \$ 00

Text Field 1:

Text Field 2:

Text Field 3:

Text Field 4:

Add Next

KTRAC Person Tracking

Add New Person(s)

Prefix:	<input type="text"/>	Suffix:	<input type="text"/>	<input type="checkbox"/> Add Next
Name:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="button" value="OK"/>
	First Name	M.I.	Last Name	<input type="button" value="Cancel"/>
Address 1:	<input type="text"/>			<input type="checkbox"/> Mail?
City:	<input type="text"/>	State:	<input type="text"/>	
Zip:	<input type="text"/>			
Senate Dist:	<input type="text"/>	House Dist:	<input type="text"/>	
Cong. Dist:	<input type="text"/>	County:	<input type="text"/>	
E-Mail 1:	<input type="text"/>			<input type="checkbox"/> Mail?
E-Mail 2:	<input type="text"/>			<input type="checkbox"/> Mail?
E-Mail 3:	<input type="text"/>			<input type="checkbox"/> Mail?
Phone 1:	<input type="text" value="(000)000-0000"/>	Ext:	<input type="text"/>	
Phone 2:	<input type="text" value="(000)000-0000"/>	Ext:	<input type="text"/>	
Pager:	<input type="text" value="(000)000-0000"/>	Ext:	<input type="text"/>	
Fax:	<input type="text" value="(000)000-0000"/>	<input type="checkbox"/> Fax?		
Comments:	<input type="text"/>			

KTRAC Activity Tracking

Add New Activity(s)			
Activity Occurred At:	01/11/1996 07:20:14 am	Duration:	Hour(s)
	Date Time		
Note:	<input type="text"/>		
Contact Type:	<input type="text"/>		
Contact Entity:	<input type="text"/>		
Created By:	Richard	Bendis	
	First Name	Last Name	
Contact Person:	<input type="text"/>	<input type="text"/>	
	First Name	Last Name	
Client Name:	<input type="text"/>		
Division Name:	KTEC		
Project Title:	<input type="text"/>		

Add Next

OK

Cancel

Find Contact

Find Client

Find Division

Find Project

KTRAC Project Tracking

Add New Project(s)

Project ID: 896819 Status: []

Project Title: []

Client Name: []

Description: []

Proj Text 1: []

Proj Text 2: []

Proj Text 3: []

Proj Text 4: []

Proj Text 5: []

Proj Text 6: []

Proj Text 7: []

Add Next

OK

Cancel

Find Client

New Sub Project For Project 'AAA Research'

Project ID: 229941 Status: []

Sub Project Title: []

Division Name: KTEC

Sub Project Description: []

Program ID: []

Proposal Submitted ?

Proposal Date: 00/00/0000 Decision Date: 00/00/0000 Decision Code: []

Notice Date: 00/00/0000 Start Date: 00/00/0000

Target End Date: 00/00/0000 Actual End Date: 00/00/0000

Add Next

OK

Cancel

Find Division

Find Project

KTRAC Funding Tracking

Funding For Sub-Project 'Phase I'

Requested Program Amount:	\$1,000.00	Approved Amount:	\$1,000.00	<input type="button" value="OK"/> <input type="button" value="Cancel"/>
Requested Industry Amount:	\$150,000.00	Approved Industry Amount:	\$150,000.00	
Requested Total Amount:	\$151,000.00	Approved Total Amount:	\$151,000.00	
		Matching Comp:	\$	
		Total Unused:	\$149,900.00	

Payments For Sub-Project 'Phase I'

Seq. No.	Date	Voucher No.	Type	Amount	<input type="button" value="View/Edit"/> <input type="button" value="Add"/>
1	09/01/1995	1234	Reimbusem	\$500.00	
Total Payment: \$500.00					<input type="button" value="Done"/>

KTRAC Economic Impact Tracking

Edit Economic Impact Report For Project 'BBB Research'

Client:
 Product: BBB Research

Market Entry Date: 01/11/1996 Length Of Report Period: years
 No Of Periods Per Year:

Report Date: 01/11/1996 Year: 1 Period: 1

OK Cancel Page 1 Page 2

Retrieve Update New

	This Period	YTD	Total To Date	Projected		
				1st Year	2nd Year	3rd Year
Sales and Export						
Sales:	.00			.00	.00	.00
Exports:	.00			.00	.00	.00
Employees						
Mfg/Prod:	.00			.00	.00	.00
Mkt/Prof:	.00			.00	.00	.00
Other:	.00			.00	.00	.00

Edit Economic Impact Report For Project 'BBB Research'

Client:
 Product: BBB Research

Market Entry Date: 01/11/1996 Length Of Report Period: years
 No Of Periods Per Year:

Report Date: 01/11/1996 Year: 1 Period: 1

OK Cancel Page 1 Page 2

Retrieve Update New

	This Period	YTD	Total To Date	Projected		
				1st Year	2nd Year	3rd Year
Avg Salary:						
Avg Salary:	.00			.00	.00	.00
Capital						
Seed:	.00			.00	.00	.00
Venture:	.00			.00	.00	.00
Stock:	.00			.00	.00	.00
Mezz:	.00			.00	.00	.00
Fed:	.00			.00	.00	.00