Approved: 1-27-97
Date

MINUTES OF THE SENATE ELECTIONS AND LOCAL GOVERNMENT COMMITTEE.

The meeting was called to order by Chairperson Janice Hardenburger at 1:35 p.m. on January 22, 1997 in

Room 529-S of the Capitol.

All members were present.

Committee staff present: Dennis Hodgins, Legislative Research Department
Mike Heim, Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Bonnie Fritts, Committee Secretary

Conferees appearing before the committee: Senator Pat Ranson, Chairperson, Joint Committee on Economic Development
Senator Lana Oleen, Chairperson, Legislative Post Audit Committee
Barb Hinton, Auditor, Legislative Division of Post Audit
Rich Bendis, Pres., Kansas Technology Enterprise Corporation
Judith Siminoe, Associate General Counsel, Board of Regents

Others attending: See attached list

SB 18: **An act concerning state governmental ethics; relating to financial disclosures by state employees engaged in economic development activities**

Chairperson Hardenburger opened hearings on the bill. Staff gave an overview of the bill.

Senator Ranson appeared before the committee to explain the bill and the recommendations made by the Joint Committee on Economic Development (Attachment 1). She stated this committee based their recommendations on the performance audit report done the Legislative Division of Post Audit. The committee recommended introduction of legislation that would; 1) require officers, employees, and board members of KTEC, Kansas, Inc., and the Department of Commerce and Housing to file with the Kansas Commission on Governmental Standards and Conduct written statements of substantial interest; 2) require all Regents' institutions to require designated individuals involved in economic development activities to submit the state's disclosure form to the Commission on Governmental Standards and Conduct; and 3) prohibit any employees and officers of KTEC, Kansas, Inc., and the Department of Commerce and Housing from having an interest or role in any companies with which their agencies do business. This prohibition would not apply to board members who serve without compensation. She testified that many of the agencies involved have already adopted a "Code of Conduct". Several other measures for which legislation was not proposed are also listed in the attachment.

Senator Oleen testified on behalf of the Legislative Post Audit Committee in support of the bill (Attachment 2). She stated this bill addresses recommendations made in Legislative Post Audit's performance audit report. This audit was performed to see if there were adequate safeguards to prevent conflicts of interest for State employees who are involved in awarding economic development funds and other assistance. They did not find situations where people were intentionally disregarding this kind of law. The committee found they need more disclosure in a more organized manner. She urged the committee to give the bill favorable consideration.

Barb Hinton appeared in support of the bill. She testified that overall, they found very few relationships between economic development employees and the companies they assist where the employees either owned stock in the companies, served in a management capacity, or they or their spouses owned or worked for companies that sought assistance from their agencies. She explained the performance audit report and stated the audit committee made a number of recommendations to address the types of problems they found and submitted a copy of those recommendations for the committee to review (Attachment 3).

Rich Bendis testified before the committee and addressed conflict of interest issues, the recommendations of the Legislative Post Audit Committee, the current KTEC status (Attachment 4), and submitted a copy the policies adopted by KTEC (Attachment 5). He stated KTEC created their own committee to deal with these issues. This committee will review and make recommendations for action on any conflicts, potential conflicts or perceived conflicts that are identified. They feel they are currently in compliance with all of the conflict of interest recommendations and they feel comfortable that there are no significant conflicts in existence that are not being managed by their organization at this time.

Judith Siminoe testified in favor of the bill and submitted amendments to the language of the bill (Attachment 6). She stated the amendments are intended to clarify who the relevant employees of Regents institutions will be and to propose language consistent with that used in other statutes to describe our institutions and their chief executives.

The meeting was adjourned at 2:30 p.m.

The next meeting is scheduled for January 23, 1997.

SENATE ELECTIONS AND LOCAL GOVERNMENT COMMITTEE GUEST LIST

DATE: 1/27/97

NAME	REPRESENTING
Judith Penrod Siminoe	KS Board of Regents
BUD GRANT	KCCI
Craig Grant	KNEA
RICH BENDIS	KTEC
CINDY DIEHL	KTEC
MARY BREAKSTONE	KTEC
Mark Barcellina	KDOC&H
Jim McLean	Capital Journal
Barb Hinton	Post Audit
John Rolfe	KDOC&H
Charles Warren	Kansas, Inc.
Anne Spiess	Peterson Public Affairs Group
Ann Ruselowski	KS Govt. Consulting
Sherry Brown	KDOC&H
Doug FARMER	DOB
Samantha Bowman	intern
ERIC Sexton	WSU
Carl Williams	KCGSC
Charlie Smithson	KCGSC

SENATE ELECTIONS AND LOCAL GOVERNMENT COMMITTEE GUEST LIST

DATE: 1/22/97

NAME	REPRESENTING
Sue Peterson	K-State
Bruce Dimmitt	Independent

Joint Committee on Economic Development

The Committee further recommended that the Department of Administration report to the Senate Commerce Committee and the House Business, Commerce and Labor Committee any problems and deficiencies related to the contractual process, including the issuance of request for proposals, contractual negotiations with selected vendors, disclosure of bidders' backgrounds, and other related issues. In addition, the Department should propose measures to redress these problems.

Conflict of Interest Issues. Using as a basis the recommendations of the performance audit report, *Reviewing the Compensation of Executives of the State's Economic Development Agencies*, the Committee recommended the introduction of legislation to:

1. require officers, employees, and board members of KTEC, Kansas, Inc., and the Department of Commerce and Housing to file with the Kansas Commission on Governmental Standards and Conduct written statements of substantial interest;
2. require all Regents' institutions to require designated individuals involved in economic development activities to submit the state's disclosure form to the Commission on Governmental Standards and Conduct; and
3. prohibit any employees and officers of KTEC, Kansas, Inc., and the Department of Commerce and Housing from having an interest or role in any companies with which their agencies do business. This prohibition would not apply to board members who serve without compensation.

In addition to the proposed legislation, the Committee recommended several other measures for which legislation was not requested:

1. KTEC, Kansas, Inc., the Department of Commerce and Housing, and the Mid-America Manufacturing Technology Center should develop written policies and procedures regarding conflicts of interest, make their employees aware of the filing requirement; and consider having a written statement included as part of the documentation for each investment or technical assistance arrangement that indicates a review was made for conflicts of interest, and the results of the review;
2. these agencies should develop some method of reviewing their employees' statements of substantial interest before they are filed with the Commission on Governmental Standards and Conduct (the filing requirement is not applicable to the Mid-America Manufacturing Technology Center);
3. KTEC should require in its contracts with the commercialization centers and the venture capital fund manager any limitations, disclosures, or prohibitions considered necessary to ensure that potential conflict-of-interest situations are known and managed; and
4. the Board of Regents should work with the universities to reword the financial disclosure form used by employees of the Centers of Excellence to provide any expected information concerning substantial interests of Center employees.

It was further recommended that the employer should determine whether the employee has a substantial financial relationship representing a conflict of interest. That determination should not be made by the employee. The Committee required that the agencies affected by these recommendations report to the standing economic development committees concerning implementation efforts. ■

SENATE ELECTIONS & LOCAL GOVERNMENT
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ATTACHMENT 1

STATE OF KANSAS

LANA OLEEN
SENATOR, 22ND DISTRICT
GEARY AND RILEY COUNTIES

LEGISLATIVE HOTLINE
1-800-432-3924

TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
CHAIR: FEDERAL AND STATE AFFAIRS
CHAIR: LEGISLATIVE EDUCATIONAL PLANNING
CHAIR: LEGISLATIVE POST AUDIT
COMMITTEE MEMBER: EDUCATION
JUDICIARY
CONTRACT AUDIT
COMMISSIONER: MIDWESTERN HIGHER EDUCATION COMMISSION

TESTIMONY BEFORE THE SENATE ELECTIONS AND LOCAL GOVERNMENT COMMITTEE ON SENATE BILL 18

Senator Lana Oleen, Chair
Legislative Post Audit Committee
January 22, 1996, 1:30 p.m., Room 529-S

Madame Chair and members of the Committee, thank you for allowing me the opportunity to speak before you today on Senate Bill 18. I am appearing on behalf of the Legislative Post Audit Committee in support of this bill.

This legislation addresses recommendations made in Legislative Post Audit's performance audit report, *Reviewing the Compensation of Executives of the State's Economic Development Agencies*. Among other reasons, the Post Audit Committee approved this audit to see if there were adequate safeguards to prevent conflicts of interest for State employees who are involved in awarding economic development funds and other assistance.

Legislative Post Audit identified a number of relationships between economic development employees and the companies they assist--including owning stocks in those companies, or being on their boards of directors. Most of those relationships were at the centers of excellence. It's important to know that only some of these relationships represented conflicts of interest, where employees were in positions to decide which companies would receive State moneys or other assistance from their agencies. In other cases, there was no actual conflict because employees weren't in a position to make those decisions or to benefit financially from them. However, in such situations even the appearance of a conflict of interest can bring a cloud over the good intentions of the centers of excellence and our other economic development agencies.

SENATE ELECTIONS +
LOCAL GOVERNMENT
1-22-97
ATTACHMENT 2

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Legislative Post Audit also found that some employees didn't disclose their financial relationships on their statements of substantial interest, which are the State's financial disclosure forms. When there's no disclosure, an individual employee could have a conflict of interest without his or her agency knowing about it. Also, when there's no disclosure, agency managers don't have a chance to take steps to avoid both real or perceived conflicts.

We're never going to be able to legislate away even the appearance of a conflict of interest in every situation involving employees involved in economic development. And I know many of you share my interest in making certain that innovative and entrepreneurial companies in Kansas can get the start-up assistance they may need to grow and prosper, creating future jobs for Kansas. Rather than prohibiting all relationships between employees and start-up companies their agencies may assist, I believe we can manage these potential conflicts of interest by requiring employees to disclose their financial relationships, and by letting agencies know they need to properly manage such situations.

This bill would help do just that by clarifying that officers, employees, and board members of the State's economic development agencies, including employees of the Regents' institutions who are involved in economic development activities, are required to file disclosure forms. It also stipulates that agency heads must notify the Commission on Governmental Standards and Conduct of which employees are required to file.

I am supportive of this bill, and would urge the Committee to give it favorable consideration.

Senate Bill 18--Financial Disclosures by State Employees Engaged in Economic Development Activities
Testimony by Barb Hinton, Legislative Post Auditor to the Senate Elections and Local Government Committee
January 21, 1997

I am appearing before your Committee today in support of Senate Bill 18.

This legislation addresses recommendations made in the performance audit we completed at the direction of the Legislative Post Audit Committee entitled: *Reviewing the Compensation of Executives of the State's Economic Development Agencies*. Besides compensation issues, this audit also looked at the provisions in place to deal with conflicts of interest between employees in economic development agencies and the start-up companies they provide money and technical assistance to. The audit was completed last fall, and was presented to the Legislative Post Audit Committee and the Joint Committee on Economic Development.

Overall, we found that relationships between economic development employees and the companies they assist were relatively uncommon. However, they were much more common for the 61 "start-up" companies we reviewed. For 13 of those 61 companies, we found that economic development employees either owned stock in the companies, served in a management capacity (mostly on the board of directors), or both, or they or their spouses owned or worked for companies that sought assistance from their agencies. In most cases, the companies involved received technical assistance, not financial aid.

Only seven of these relationships represented potential conflicts of interest. In those cases, we concluded there was a potential conflict because the employees generally were in positions to decide which companies would receive State moneys or technical assistance. We also found that employees didn't disclose their relationships about half the time; in these cases, the employees worked at the centers of excellence. Proper financial disclosure of such relationships is the only way for employers to know that their employees may have a conflict—real or perceived—and to decide whether to remove the employee from the conflict situation, or take some other action.

It's possible that some center of excellence employees didn't file the required financial disclosure forms because of an apparent misunderstanding in the Board of Regents' policies. Although those policies require faculty and full-time classified staff to file a

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ATTACHMENT 3

financial disclosure form, the language on that form appears to allow the employee to determine whether a substantial interest is in conflict with his or her university activities. (Other university employees also had to file State statements of substantial interest if they were designated to do so by their employers.)

We also found that State law was unclear about whether employees of K-TEC and Kansas, Inc., were required to file statements of substantial interest with the Commission on Governmental Standards and Conduct.

Our audit made a number of recommendations to address the types of problems we found. I've attached a copy of those recommendations.

Two recommendations specifically relate to the issues covered by Senate Bill 18. One called for the Commission on Governmental Standards and Conduct to decide whether employees of K-TEC and Kansas, Inc. were subject to the State's financial disclosure requirements. Another recommendation provided options for the Legislature to consider in dealing with conflict-of-interest situations for State employees involved in economic development activities. Those options ranged from prohibiting economic development employees from having any interest or any role in the companies their agencies do business with, to requiring full disclosure of such relationships so their employers can "manage" any conflicts of interest, to doing nothing and allowing agencies to develop and follow appropriate policies and procedures in this area.

Following its consideration of this audit and other testimony and discussions, the Joint Committee on Economic Development introduced the bill you have before you today. This bill would clarify that officers, employees, and board members of the State's economic development agencies—including K-TEC, Kansas, Inc., and Regents' employees involved in economic development activities—are required to file these disclosure forms. This bill would address both recommendations described earlier.

I would be happy to try to answer any questions you may have on this topic.

- Minnesota Technology Inc. doesn't have a blanket prohibition on such ownership, but if an employee owns 5% of a company, or has a management position in the company, the company can't receive assistance from the agency.

- The Arkansas Science and Technology Authority is prohibited by state law from investing in any company an employee owns or is a director of.

The Kansas Legislature acted in 1996 to tighten up some of the laws relating to economic development employees and their financial relationships. As noted earlier, House Bill 3068 prohibits KTEC employees from receiving any compensation from any client companies. However, it doesn't specifically prohibit stock ownership.

Conclusion

Clearly, the development of high-technology companies and capacity in Kansas is an area that poses a lot of opportunities, both for economic development in the State and for conflicts of interest between these companies and employees of the State's economic development agencies. As more and more new products and technologies are developed, and as long as the "pool" these companies can tap into for economic development assistance and venture capital funding remains relatively limited and intertwined, there are bound to be even more such opportunities.

To address potential conflict situations, economic development agencies in some other states have instituted total bans on employee investments in the companies they assist. Others have taken a less strict approach. In Kansas, the emphasis has been on requiring disclosure of such interests, and allowing the agencies and employees involved to decide how to best manage those potential conflicts. As this audit has shown, that approach has been only partially effective at ensuring that relationships are disclosed and properly managed.

Looking towards the future, the Legislature will need to determine whether any appearance of a conflict of interest should be eliminated, or whether that is an inevitable by-product of economic development that should be managed. Given the Legislature's increasing commitment to fund new start-up technologies, it will need to walk a fine line between ensuring that employees don't benefit as a result of their State jobs, and not stifling entrepreneurship and innovation. The Joint Committee on Economic Development would be the legislative committee most likely to be involved in making the initial decisions for legislative consideration.

Whatever decision is reached, the Legislature should, at a minimum, strengthen State laws to make sure they cover employees of all State economic development agencies. In addition, agencies will need to develop formal guidelines or clarify existing policies—taking into account any changes the Legislature requires in this area—and should ensure their employees know what is expected of them so they can make the right decisions in this important area.

Recommendations

1. To ensure that all appropriate economic development officials are subject to the State's ethics laws, we recommend that the Commission on Governmental Standards and Conduct should review recent changes in State law to determine if it needs to revise its opinions on whether employees and board members of Kansas Technology Enterprise Corporation and Kansas Inc. are subject to the State's ethics laws. The results of its review—including any revised opinions it issues—should be reported to the Joint Committee on Economic Development and the Legislative Post Audit Committee. If the Commission concludes these employees aren't subject to the State's ethics laws, the Joint Committee on Economic Development should consider introducing legislation to specifically make them subject to those laws, and should make any changes needed to ensure that these agencies are required to designate employees to file statements of substantial interest.

2. To help ensure that potential conflict-of-interest situations are identified and managed appropriately, we recommend the following:

   a. KTEC, Kansas Inc., the Department of Commerce and Housing, and MAMTC should develop written policies and procedures regarding conflicts of interest. These entities, as well as the centers of excellence, should make their employees aware of the requirements that affect them. As part of these policies, agencies should, as applicable, consider having a written statement included as part of the documentation for each investment or technical assistance arrangement that indicates a review was made for conflicts of interest, and the results of that review.

   b. The State's economic development agencies should develop some method for reviewing their employees' substantial interests. One way would be to review employees' statements of substantial interest before they are filed with the Commission on Governmental Standards and Conduct, and to maintain a list or database showing those interests to help agencies manage conflicts as they arise. Other methods may be more efficient or effective, depending on the agencies' situations. For example, if employees are required to disclose potential conflicts of interest as part of each investment or technical assistance project (as noted in 2a. above), agency

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officials could review that information on a case-by-case basis, without having to keep track of their employees' substantial interests over time.

c. Through its contracts with the commercialization corporations and the venture capital fund manager, KTEC should require the types of limitations, disclosures, or prohibitions it thinks are necessary to ensure that potential conflict-of-interest situations are known and managed.

d. The Board of Regents should work with the universities to reword the financial disclosure form used by center of excellence employees, so that the expected information regarding those employees' substantial interests is provided. Employees should not be allowed to decide whether they think a substantial financial relationship represents a conflict of interest; that decision should be left to the employer.

e. Employees of the Center of Design, Development, and Production at Pittsburg State University should file the annual financial disclosure form, as required by Board of Regents' policy.

For all these recommendations, the agencies involved should report to the Joint Committee on Economic Development and the Legislative Post Audit Committee by the start of the 1997 legislative session regarding the actions they have taken or plan to take.

3. To ensure that its financial disclosure policy is consistent with the State's definition of substantial interests, the Board of Regents should reduce the threshold for requiring reporting of substantial interests to $5,000, or 5%. It should work with the Regents' universities to ensure this policy has been implemented at each school. Alternatively, the Board could require that all Regents' institutions designate individuals involved in economic development activities as needing to submit the State's disclosure form to the Commission on Governmental Standards and Conduct.

4. To ensure that the State has adequate laws and procedures in place to deal with conflicts of interest, the Joint Committee on Economic Development should review the kinds of relationships we identified in this audit. If it thinks a potential conflict of interest—or even the appearance of a conflict—is damaging to the public trust, it should consider whether further restrictions could be placed on economic development employees without hindering the agencies' ability to accomplish what they were set up to do. Among the options available for the Legislature's consideration are the following:

a. If the Legislature wants to eliminate any conflicts of interest entirely, the Joint Committee could consider introducing legislation prohibiting economic development employees from having any interest or any role—whether compensated or not—in any companies their agencies do business with. If this option is considered, the Committee should examine the pros and cons of prohibiting employees from serving on boards of directors, at no pay, when they are doing so to protect the State's interests.

b. If the Legislature wants to ensure that potential conflicts of interest are managed, but it is concerned about making restrictions so stringent that they might stifle the development of new technology-based companies, the Joint Committee could consider introducing legislation allowing employees to have interests in the companies their agencies assist, but requiring them to disclose those relationships and abstain from making any decisions relating to those companies.

c. If the Legislature wants to ensure that potential conflicts of interest are managed, but it wants to leave those decisions entirely up to the agencies involved, it need not act in this area. As long as the State's economic development agencies develop and follow appropriate policies and procedures in this area, as recommended in this report, those conflicts may still occur, but agencies will be aware of them and can manage them accordingly.

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KTEC CONFLICT OF INTEREST POLICIES

Conflict of Interest Issue	Legislative Post Audit Recommendation	Senate Bill 18	KTEC Status
Written conflict of interest policy.	KTEC should develop written conflict of interest policies and ensure that they are understood by employees.	Written policy is not specifically addressed.	A conflict of interest policy has been written, distributed and explained to employees. A copy of this policy is attached.
Submittal and review of Statements of Substantial Interests.	KTEC should review the Statements of Substantial Interests of their employees and board members prior to their submittal to the Secretary of State.	Officers and employees of KTEC shall file written Statements of Substantial Interests, as provided in K.S.A. 46-248 to 46-252, inclusive.	As of January 1, 1997, all KTEC employees have completed a Statement of Substantial Interests. Every form has been reviewed by the KTEC President prior to its submittal to the Secretary of State. Board members and some employees have always been required to complete Statements of Substantial Interests, which are now also reviewed by the KTEC President.
Management of potential conflicts of interest in KTEC's investment and technical assistance programs.	KTEC should include a written statement that indicates a review was made for conflict of interest and the results of that review as part of the documentation process for each investment or technical assistance made.	"No officer or employee of KTEC may have any financial interest, employment or other similar interest in any business with which such employee's agency does business. Such prohibition shall not apply to members of the board of directors who serve without compensation."	The KTEC conflict of interest policy addresses this portion of Senate Bill 18. KTEC is developing procedures for reviewing technical assistance and investment arrangement for conflict or potential conflict of interest.
Disclosures made by Commercialization Presidents and Venture Capital Fund Manager.	Through its contracts with the commercialization corporations and the Venture Capital Fund Manager, KTEC should require the types of limitations, disclosures or prohibitions it thinks are necessary to ensure that potential conflict of interest situations are known and managed.	Not addressed in Senate Bill 18.	KTEC is addressing this issue through developing appropriate language for the Commercialization Center and Venture Capital Fund contracts and by raising related issues with the conflict of of interest committee.

Additional KTEC Action: KTEC has established a Conflict of Interest Committee of the Board of Directors to address conflict of interest issues. The Committee will review and make recommendations for action on any conflicts, potential conflicts or perceived conflicts that are identified. The Conflict of Interest Committee consists of Tracy Taylor, KTEC Board Chair; Kurt Saylor, KTEC Board Vice Chair; Howard Mossberg, the University of Kansas and Representative Bill Mason, KTEC Board members.

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

KTEC's mission is to create, grow and expand Kansas enterprises through technological innovation.

KTEC CONFLICT OF INTEREST POLICY

KTEC employees interact with businesses, industries, public and private foundations and other government agencies in order to assure the success of KTEC's mission. Through these contacts, potential conflicts, real or perceived, may occur. Accordingly, KTEC must be prepared to identify, evaluate and manage any conflict that may occur.

It is the policy of KTEC to conduct all business transactions in the discharge of its statutory duties with impartiality, and to ensure that no KTEC employee improperly receives any personal gain in connection therewith. Therefore, all employees are prohibited from directly or indirectly engaging in conduct that creates, or has the appearance of creating, a conflict of interest between the employee, on the one hand, and KTEC, its clients, or suppliers on the other hand.

Generally, a conflict of interest occurs when an individual's personal relationships or interests and their professional obligations to KTEC are such that an independent observer might reasonably question whether considerations of personal benefit determine the individual's official actions or decisions on behalf of KTEC.

A conflict of interest, or the appearance of it, depends on the particular facts and circumstances of a given situation, and not necessarily on the employee's character or motivations. The appearance of a conflict of interest can be as damaging or detrimental as an actual conflict. Thus, individuals are asked to report potential conflicts so that appearances can be separated from reality and the potential conflict can be managed.

Employees may not engage in the following:

> *Employees may not charge any fees or receive any compensation from any person or entity that has received assistance from a KTEC program with respect to which the employee has any administrative, operational, or discretionary authority as part of the employee's KTEC job responsibilities. This policy is not meant to prevent employees from being compensated for services performed or duties assumed in matters not related to KTEC business.
>
> *Employees may not recommend or participate in the bidding process (i.e., preparing the request for bids, soliciting of bids, or evaluating bids) for the purchase of goods, services or property in which they or their parent, sibling, spouse, child or adopted child have a direct or indirect financial interest.

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*Employees may not prepare or participate in the making of a contract with any person or business in which the employee or employee's immediate family (parent, spouse, sibling, child or adopted child) has a financial interest.

*Employees may not use private or confidential information related to KTEC's business transactions, or received from third parties by the employee in his or her official capacity, for the personal gain of the employee. Additionally, an employee may not disclose such information to third parties except in the proper discharge of the official job responsibilities.

Employees are required to notify the KTEC President (or if the employee is the KTEC President, then KTEC's Board Chair) in writing, if they are:

*Knowingly participating in any aspect of the granting of funds to any entity in which they, their spouses, parents, siblings, children or adopted children own equity interests or have other financial interests; or

*Aware of any activity of KTEC that will directly or indirectly financially benefit them or their spouses, parents, siblings, children or adopted children that has not already been disclosed and approved in writing.

Employees are responsible for recognizing the potential for conflict of interest. When the potential for conflict is identified, or if there are doubts whether there is a conflict, employees must notify the KTEC President (or in the case of KTEC's President, the KTEC Board Chair) with all information deemed relevant by the KTEC President or Board Chair or their outside advisors. The KTEC President (or KTEC Board Chair in applicable cases) will determine whether a conflict exists and notify the employee of the ruling regarding the conflict. The KTEC President or Board Chair may consult with outside resources to receive additional advice in reaching a decision. The KTEC President or Board Chair shall endeavor to promptly resolve the conflict within thirty days.

Failure to comply with this policy may result in disciplinary action, including termination of employment. This policy supplements and is in addition to such applicable ethics regulations that now or may hereinafter exist.

In addition to the above policy, every KTEC employee is required to complete a Statement of Substantial Interest for the Kansas Commission on Governmental Standards and Conduct. These statements will be submitted to the Office of the Secretary of State, as required, with a copy kept at KTEC offices.

This policy is effective as of January 1, 1997.

KANSAS BOARD OF REGENTS
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TESTIMONY ON SENATE BILL 18

Judith Penrod Siminoe

January 22, 1997 - 1:30 p.m.

Good afternoon, Senator Hardenburger and members of the Committee. I am Judith Siminoe. I serve as Associate General Counsel to the Kansas Board of Regents. I am here this afternoon to propose amendments to the language of Senate Bill 18 and to speak in favor of the bill, if these changes can be made. The bill is intended to amend the state governmental ethics laws at K.S.A. 46-247 and 46-285, to require disclosures by persons who may be in a position to accrue personal financial benefit from knowledge gleaned as a result of involvement in economic development activities.

The law would require certain employees of Regents institutions to file written statements of substantial interest with the state governmental ethics commission. The suggestions I offer this afternoon are intended to clarify who the relevant employees of Regents institutions will be and to propose language consistent with that used in other statutes to describe our institutions and their chief executives.

First, I would propose that lines 1 and 2 on page two be amended to read:

> (i) employees of state educational institutions who are engaged in economic development activities, as designated by the president or chancellor of the institution.

"State educational institution" is defined at K.S.A. 1995 Supp. 76-711 to mean the University of Kansas, Kansas State University, Wichita State University, Emporia State University, Pittsburg State University and Fort Hays State University. Regents institution is not defined in statute.

Secondly, I would propose that new section (b) might be amended by the inclusion of the words "or chancellor" following "the president" and preceding "of each institution governed by the Board of Regents . . . ." This would make it clear that the chancellor will be expected to act in the same manner as the presidents of the other universities.

Lastly, I would propose an addition to Section 2.(b) to indicate that the Board of Regents has the authority to define economic development activities. This will assist the presidents and chancellor and assure a consistent approach among the institutions. The term in itself is quite broad and could arguably be applied to anyone who earns a salary at a Regents institution and spends it in the community. I would propose the addition of the words "as defined by the board of regents" in line 19 of page 2, after the words "engaged in economic development activities."

With these changes, we can support the bill. Thank you for allowing me to offer suggestions. If you have any questions for me, I will attempt to answer them. If not, I thank you for your attention.