

Approved: February 5, 1998  
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 4, 1998 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Donovan, Gooch, Jordan, Ranson, Steffes, Steineger and Umbarger.

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

Conferees appearing before the committee:  
Chris McKenzie, Executive Director, League of Kansas Municipalities  
Bob Totten, Public Affairs Director, Kansas Contractors Association  
Tom Blackburn, Executive Vice President, Kansas Venture Capital, Inc.

Others attending: See attached list

Upon motion of Senator Jordan, seconded by Senator Steineger, the Minutes of the February 3, 1998 Meeting were unanimously approved.

**SB 487 - Privatize Kansas Venture Capital, Inc.**

Chris McKenzie, Executive Director, League of Kansas Municipalities, appeared in support of crediting \$5 million to the Public Water Supply Loan Fund. Mr. McKenzie stated the League has been involved in the development of public water supply revolving loan fund legislation which allows federal and state funds to be used to capitalize low-interest revolving loan programs to finance public water supply improvement in cities and rural water districts. The League believes this is a program that benefits all Kansans as well as being an example of a federal-state-local partnership. (Attachment 1)

Bob Totten, Public Affairs Director, Kansas Contractors Association, testified in support of crediting \$5 million to the Public Water Supply Loan Fund, to improve the public water supply. (Attachment 2)

The hearing on **SB 487** was concluded.

Lynn Holt, Research Analyst, briefed the Committee on the origin of Kansas Venture Capital, Inc., (KVC). Ms. Holt stated that originally there was to be \$10 million from the private sector matched by \$10 million of state money. That did not occur and the legislation was amended at a later time to allow an investment of \$5 million in as much as \$6.6 million had been raised from the private sector. The legislation provided for a 25% for investment in KVC which could be carried forward. The original legislation resulted from a concern about capital shortage in Kansas in an attempt to spur investment for start up companies.

The Committee clarified during its deliberations that: a) **SB 487** provides a mechanism by which (KVC) can repay the \$5 million the state initially invested in KVC over a period of five years with a termination date of July 1, 2003; b) there is no obligation for KVC to pay back the \$5 million; therefore there is no assurance the state will receive the \$5 million to put into the public water supply loan fund.

Tom Blackburn, Executive Vice President, Kansas Venture Capital, Inc., responded to Committee questions stating it is the intent of KVC to pay back the \$5 million to the state. Mr. Blackburn stated there are 337 shareholders, 300 of which are banks. NationsBank is the largest shareholder due to acquisitions, with a 20% stock ownership. Mr. Blackburn stated the KVC Board believes its financial position will allow it to commence repaying the State; the Board believes KVC can become a more viable corporation if it can remove the state's direct involvement as it hurts business as a result of peoples' perceptions of state scrutiny, negative publicity and lack of confidentiality.

Mr. Blackburn stated KVC has been successful in that it has created 2800 jobs, assisted 24 companies

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on February 4, 1998.

in 13 counties and has provided company's with resources to expand and become more profitable. The companies aided by KVICI have payrolls of over \$300,000,000. Mr. Blackburn, responding to a question, stated he believes KVICI has accomplished what it was created to do and the state has been more than reimbursed for its \$5 million investment. Mr. Blackburn stated shares are privately sold and stated there was a recent transaction where the stock was sold between 5 1/4 to 6 1/4. Mr. Blackburn further responded that the operating expenses were approximately 5% of assets, \$800,950 in 1995 and under \$700,000 in 1996.

The Chair appointed a subcommittee comprised of Senators Steffes, Ranson and Barone, to study **SB 487** further and to report back to the full committee.

The next meeting is scheduled for Thursday, February 5, 1998.





**League  
of Kansas  
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (785) 354-9565 FAX (785) 354-4186

**TO:** Senate Commerce Committee  
**FROM:** ✓ Chris McKenzie, Executive Director  
**DATE:** February 2, 1998  
**SUBJECT:** Support for SB 487

Thank you for this opportunity to appear today briefly and offer the support of the 530 member cities for the provisions of SB 487 that would transfer \$5 million of the direct investment commitment to KVIC to the public water supply loan fund. The League was directly involved a few years ago in the development of the far-sighted public water supply revolving loan fund legislation which allows federal and state funds to be used to capitalize a low-interest revolving loan program to finance public water supply improvements in the cities and rural water districts of Kansas. Like its sister program for wastewater system loans, the public water supply loan program will meet a critical need for low-interest loans for water system improvements to meet federal and state water supply standards as well as to continue to modernize this important part of our public infrastructure.

We are convinced this is truly a program that can benefit all Kansans as well as being an example of a federal-state-local partnership. We urge your favorable consideration of this legislation.

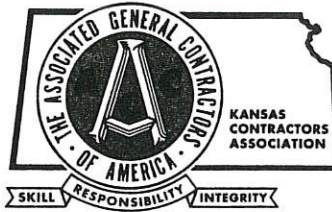
Thank you.

Senate Commerce Committee

Date 2-4-98

Attachment # 1

# THE KANSAS CONTRACTORS ASSOCIATION, INC.



## OFFICERS

BILL KLAVER, JR., President  
Kingman, Kansas

ORVILLE SPRAY, JR., Vice President  
Great Bend, Kansas

TED DANKERT, Treasurer  
Towanda, Kansas

## STAFF

DAN RAMLOW, Executive Director  
BOB TOTTEN, Public Affairs Director  
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## TESTIMONY BY

### THE KANSAS CONTRACTORS ASSOCIATION

### REGARDING SENATE BILL #487

### BEFORE THE SENATE COMMERCE COMMITTEE

February 4, 1998

## DIRECTORS

EUGENE "CORKY" BEACHNER  
St. Paul, Kansas  
GARY BROWN  
Salina, Kansas  
JOHN BRYAN  
Overland Park, Kansas  
CHUCK GRIER  
Wichita, Kansas  
CHARLES JARVIS  
Hutchinson, Kansas  
DICK KISTNER  
Marysville, Kansas  
DAN SCHEER  
Wichita, Kansas  
JIM SNOOK  
Wichita, Kansas  
JOHN WALTERS  
Manhattan, Kansas  
DAVID WITTWER  
Wichita, Kansas

**Madame Chair and members of the Senate Commerce Committee, thank you for the opportunity to appear before you today to provide input on Senate Bill #487.**

**I am Bob Totten, Public Affairs Director for the Kansas Contractors Association. Our association represents over 410 heavy, highway, utility and municipal utility contractor and associate members in the Kansas Construction Industry.**

**This morning, I want to let you know our association supports Senate Bill #487. We favor the bill since it will allow additional monies to be spent on water treatment plant construction. If this measure is passed, it appears to me that local governmental entities will have the opportunity to get low interest loans to help improve the public water supplies in Kansas.**

**That is good news for the communities that need these facilities and will improve our water supplies in Kansas. Many of our members who build these type of facilities have noticed there is a very large need for better and more efficient water treatment facilities and the plans to allow 5 million dollars to be earmarked for this type of construction goes a long way in improving the water supply in our state.**

**Again, we support Senate Bill #487 and I encourage you to approve this proposal. I will be glad to answer any of your questions if I can.**

Senate Commerce Committee

Date 2-4-98

Attachment # 2