

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on March 9, 2004 in Room 526-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Legislative Research Department
Renae Jefferies, Office of Revisor of Statutes
Helen Pedigo, Office of Revisor of Statutes
Fulva Seufert, Secretary

Conferees appearing before the committee:

Robert J. Vancrum, Government Affairs Specialist, Greater Kansas City Chamber of Commerce
Michael Peck, Vice President of Investments, Kansas Technology Enterprise Corporation (KTEC)
Michael Farmer, Entrepreneur, Orca Gear and KTEC Vice President of Commercialization
Mike Taylor, Public Relations Director, Unified Government Public Relations, Kansas City, Kansas
Trudy Aron, Executive Director, American Institute of Architects in Kansas (AIA Kansas)
Larry R. Baer, Assistant General Counsel, League of Kansas Municipalities
David A. Cleveland, Manager of Business Finance & Workforce Development, Kansas Department of Commerce
Dr. Robert Masters, Interim Vice President of Academic Affairs, Kansas Board of Regents

Others attending:

See Attached List.

Chairman Wilk asked Ms. Kathie Sparks, Legislative Research, to brief the committee on **SB 480** - Kansas Investor Tax Credit Act. Ms. Sparks reported that **SB 480** would create the Kansas Angel Investor Tax Credit Act which would allow to a qualified investor a 50 percent tax credit not to exceed \$50,000 of cash investment in a qualified Kansas business.

The Chair opened the Public Hearing for the following:

SB 480 - Kansas Investor Tax Credit Act

Chairman Wilk welcomed Mr. Robert J. Vancrum, Government Affairs Specialist, Greater Kansas City Chamber of Commerce, who spoke as a proponent. Mr. Vancrum said **SB 480**, **SB 520**, and **SB 394** were all complimentary to the Kansas Entrepreneurship Initiative and the Kansas Biosciences Authority Act and among the Chamber's highest priorities. He specifically said **SB 480** would provide tax incentives for successful business persons to invest in Kansas start up companies. These "Angel Investors" provide up to 80% of the seed money and start-up capital for entrepreneurial ventures which is desperately needed. He said the bill would allow investors to utilize 50% of the qualifying investment and would seem to be a small investment for the State to share. (Attachment 1)

The Chair thanked Mr. Vancrum and welcomed Mr. Michael Peck, Vice President of Investments, Kansas Technology Enterprises Corporation (KTEC), who spoke as a proponent. Mr. Peck spoke in behalf of Tracy Taylor, KTEC President, and expressed strong support of the Kansas Economic Growth Act legislative package. He said KTEC appreciates the cooperation and collaboration of Lt. Gov. John Moore and the Department of Commerce. His testimony noted the value of angel investors. He reported that in late 2003, the Kauffman Foundation of Kansas City agreed to sponsor the new Angel Capital Alliance (ACA), which has been endorsed by 46 angel capital organizations throughout the U.S. and Canada. He said that KTEC supports this legislation because it not only encourages investment, but it encourages an incredible group of individuals to become involved as mentors, advisors, and coaches for our Kansas start-ups. KTEC has identified potentially more than 100 individuals from all Kansas industry sectors including aviation, agriculture, biosciences, energy, information technology, retail, etc. Mr. Peck said that Angels and

CONTINUATION SHEET

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on March 9, 2004 in Room 526-S of the Capitol.

entrepreneurs will strive to build companies with real value, good jobs, and sustainable growth opportunities for Kansas. (Attachment 2)

Chairman Wilk thanked Mr. Peck and welcomed Mr. Michael Farmer, Entrepreneur, Orca Gear and KTEC, Vice President of Commercialization. Mr. Farmer spoke as a proponent of **SB 480** and said he was wearing his hat as an entrepreneur who during the past 2-1/2 years was able to experience first hand the great assistance that Angel investors provide entrepreneurs. He said that he was involved with three other individuals in a start-up called Orca Gear, which manufactures automatic inflatable jacket liners that turn a jacket or vest into Personal Floatation Devices for boaters and sailors. He said that thanks to Angel investors, Orca Gear has 4 full time employees, a product on the shelf, and strong sales with an expanding sales force. He stressed that all this would not have happened if it had not been for the influence of their angel investors. (Attachment 3)

The Chair closed the Public Hearing on **SB 480**.

Chairman Wilk reminded the committee about the 20 million dollar Venture Capital bill which passed the House last year. He complimented the Department of Commerce for alerting the legislature that this has not worked as they had hoped. He said that usually legislators do not hear when something doesn't work. The Angel investors has a lot a appeal in the rural areas and is not only putting in something new, but also taking something out.

Chairman Wilk asked Ms. Kathie Sparks, Legislative Research, to brief the committee on **SB 520**. Ms. Sparks said that **SB 520** would create the Kansas Downtown Redevelopment Act. The Secretary of Commerce would approve applications from cities for the designation of downtown redevelopment areas. The criteria the Secretary would use when reviewing the applications includes:

- The proposed redevelopment area is located in a well-defined, core commercial district of the city
- The structures located within the proposed redevelopment area have a vacancy rate that exceeds 15 percent; or
- The average appraised valuation of the properties located within the proposed area has not increased by more than 15 percent in the past 10 years.

Chairman Wilk thanked Ms. Sparks and announced the opening of the Public Hearing on:

SB 520 - Creating the Kansas downtown redevelopment act

Chairman Wilk welcomed Mr. Mike Taylor, Public Relations Director, Unified Government Public Relations, Kansas City, Kansas, who spoke as a proponent for **SB 520**. Mr. Taylor said this legislation provided a promising tool for reinvigorating dying or dead downtown core areas with a negligible financial impact on local and state treasuries. He also said it comes at a very good time for Wyandotte County and Kansas City, Kansas. (Attachment 4)

Chairman Wilk thanked Mr. Taylor and welcomed Trudy Aron, Executive Director, American Institute of Architects in Kansas (AIA Kansas) who spoke in support of **SB 520**. She said the bill provides incentives needed to help revitalize downtown areas in depressed and rural areas of Kansas. With this type of assistance, owners are more likely to invest the funds to make the repairs needed to make their property commercially viable. She said **SB 520** can provide the needed "spark" to bring reinvestment in towns throughout Kansas. (Attachment 5)

The Chair thanked Trudy Aron and welcomed Mr. Larry R. Baer, Assistance General Counsel, League of Kansas Municipalities, who spoke as a proponent of **SB 520**. Mr. Baer said the League appreciates the efforts to assist downtown areas and supports the concept behind the total program proposed in **SB 520**. (Attachment 6)

Chairman Wilk thanked Mr. Baer and then closed the Public Hearing on **SB 520**.

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MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on March 9, 2004 in Room 526-S of the Capitol.

The Chair asked Ms. Kathie Sparks, Legislative Research, to brief the committee on **SB 394**. Ms. Sparks said that **SB 394** amends the Kansas Investments in Major Projects and Comprehensive Training Act to allow the Secretary of the Department of Commerce to make direct investments in educational and related workforce development institutions. The bill also increases the Secretary's ability to invest in capital requirements of major facility expansions from 10.0 percent to 20.0 percent of IMPACT funds. During questions, Rep. Brunk asked for a brief history of IMPACT funds. Ms. Sparks said that basically it provides a different tool and that the Department of Commerce would be the administrator of these programs.

Chairman Wilk thanked Ms. Sparks and opened the Public Hearing on:

SB 394 - Impact, increased cap on major product investment; authorizes direct investment to educational institutions

Chairman Wilk welcomed Mr. David A. Cleveland, Manager of Business Finance and Workforce Development, Kansas Department of Commerce, who spoke as a proponent of **SB 394**. Mr. Cleveland gave a brief background on the IMPACT program and explained why the proposed amendments were needed. The first amendment redirects existing administrative expenses, and the second raises the Major Project Investment (MPI) cap from 10% of the total revenue available to the IMPACT program to 20%. In conclusion, he said the bill would help the Department of Commerce fully honor one of the original legislative objectives behind the IMPACT program which was equipping schools to become meaningful training partners for Kansas businesses. In addition, it would give the Department a tool that would allow Kansas to be first in line for recently announced federal matching funds that are aimed at transforming schools. (Attachment 7)

Chairman Wilk thanked Mr. Cleveland and welcomed Dr. Robert Masters, Interim Vice President of Academic Affairs, Kansas Board of Regents, who spoke as a proponent of **SB 394**. Dr. Masters gave a general overview and said the Kansas Board of Regents supports the goals and objectives of **SB 394**, which authorizes the Secretary of Commerce to make direct investments in educational and related workforce development institutions that enhance the overall stewardship of the funds. (Attachment 8)

Chairman Wilk closed the Public Hearing on **SB 394**.

The Chair directed the committee's attention to **SB 417 - Rural business development income tax credits**.

Representative Kuether made a motion to amend line 15 on page 3 to read 50%, and Representative Hill seconded. Motion passed. (Attachment 9)

Representative Novascone made a motion to pass out SB 417 marked favorable for passage as amended. Representative O'Malley seconded. Motion passed.

The Chair directed the committee's attention to **SB 393 - Kansas center for entrepreneurship**. He asked Ms. Renae Jefferies, Revisor of Statutes, to walk the committee through the proposed policy amendments. (Attachment 10)

Representative Carlin made a motion to accept the proposed policy amendments to SB 393, and Representative Huntington seconded. Motion passed.

Representative Burroughs made a motion to insert (g) after sub section (f) and to re-letter remaining sections. Representative Carlin seconded. Motion passed.

Representative Gordon made a motion to accept the balloon amendments, and Representative Burroughs seconded. Motion passed.

Representative Burroughs spoke to two amendments. The first on page 2, line 2, to re-number the sub section. On page 3, line 35, insert new (g), and on page 5, lines 21-22, strike word "or."

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Representative Burroughs made a motion to accept his balloon amendments, and Representative Carlin seconded. Motion passed. (Attachment 11)

The Chair announced the committee was back on the bill.

Representative Burroughs made a motion to pass out favorably as amended **SB 393**, and Representative Brunk seconded. Motion passed.

Representative Hill made a motion to approve the minutes for the meetings on February 24, 2004 and March 4, 2004. Representative Boyer seconded. Motion passed.

The meeting adjourned at 6:00 p.m. The next meeting will be Thursday, March 11, 2004.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
GUEST LIST

DATE: Tuesday, March 9, 2004

NAME	REPRESENTING
Robert Masters	KBOR
Larry R Baer	LKM
Judy Geron	Assoc of Architects
Dan Murray	Federico Consulting
Bob Vanorum	Greater KC Chamber
Ron Seebert	Hirshorn Firm

Testimony to House Committee
on Economic Development
Robert J. Vancrum, Government Affairs Specialists
Greater Kansas City Chamber of Commerce

March 9, 2004

Chairman Wilk and other Honorable Committee Members:

I am appearing today on behalf of the Greater Kansas City Chamber of Commerce to offer testimony in favor of Senate Bills 480, 520 and 394. These Bills are all complimentary to the Kansas Entrepreneurship Initiative and the Kansas BioSciences Authority Act, and as such are highest priority for our Chamber in this legislative session.

Senate Bill 480, the Kansas Investor Tax Credit Act would provide tax incentives for successful business persons to invest in Kansas start-ups. Such "Angel Investors" provide up to 80% of the seed money and start-up capital for entrepreneurial ventures and are desperately needed in Kansas throughout all industry sectors, but especially BioSciences Information Technology and the sectors that we hope will constitute a fourth leg of the Kansas economy in the very near future. Senate Bill 480 would allow investors to utilize 50% of the qualifying investment as dollar for dollar credits to reduce Kansas income tax owed by investors. Since return to the Kansas economy on these investments should be many multiples of the investment, this would seem to be a small investment for the State to share.

Senate Bill 520, is the Kansas Downtown Redevelopment Act which is intended to stimulate and develop rural and low income communities and encourage rehabilitation of property in vacant or unutilized downtown areas. It may seem strange that our Chamber is supporting this Act strongly. However, we are fully aware that it is in the interest of all Kansans to increase the number of communities that are thriving throughout the State and we believe it will benefit all of us as Kansans to do so. One of the important features of this Act would abate increased real property tax for a period of time for properties that have approved investments.

Senate Bill 394 is a part of the Governor's Economic Development package allowing the Secretary of Commerce to make direct investments in educational and other work force development institutions and to invest up to 20% of IMPACT funds in capital or major facilities expansions. We are equally supportive of these changes since they fit hand and glove with all the economic gross strategies that we have supported.

Mr. Chairman, I would be happy to stand for questions now or at your convenience.

House Economic Development
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Attachment 1

**House Economic Development Committee
Testimony on SB 480
Michael Peck, Vice President of Investments
Kansas Technology Enterprise Corporation (KTEC)**

March 8, 2004

Mr. Chair, Members of the committee,

My name is Michael Peck, Vice President of Investments with the Kansas Technology Enterprise Corporation. I am here today, on behalf of KTEC and KTEC's President, Tracy Taylor, to speak in strong support of the Kansas Economic Growth Act legislative package, and specifically, SB 480, the Kansas angel investor tax credit.

Over the last four months, KTEC has worked closely with the Legislature, Lt. Governor Moore and the Department of Commerce on this issue. The Department of Commerce has indicated full support and agreement, and we greatly appreciate their collaboration.

My charge at KTEC is to make investments in seed and early-stage technology companies in Kansas. On an annual basis, KTEC invests approximately \$1.5M in the Kansas companies that will create higher-paying jobs and bring innovative technologies to market. The KTEC investment process includes reviewing business plans, market research and analysis by KTEC staff, due diligence of the company management team, and analysis of business potential. The process also involves a private-sector investment committee that includes successful entrepreneurs, experienced investors, and intellectual property experts.

Throughout this investment process, I have come to know firsthand the pioneers of tomorrow, our entrepreneurs. I have also come to know the value of angel investors and their importance to these entrepreneurs and to Kansas. Whereas the state of Kansas does much in the way of supporting our entrepreneurs, we can do more. We can ask our successful pioneering entrepreneurs who have gone before to support our budding entrepreneurs of today. Who better to insure the success of a start-up business than, say, Gene Bicknell or a Ross Beach; someone who knows how to be successful in a start-up?

Is this possible? This is a question that has been answered by many states. A number of states, including our neighbors Iowa and Oklahoma, have learned that all their state governments had to do was ask. In the state of Oklahoma, the Angel Investor network is over 300 strong. These groups of successful businesspersons are willing to invest in companies within their state. Nationally, these groups of individuals, commonly referred

to as “Angel Investors”, have indeed answered the call. In these states, entrepreneurs are helping entrepreneurs providing this valuable support is in the form of financial investment and mentoring.

Various studies and new initiatives indicate that angel investors are a key component of early-stage growth companies.

According to the Center for Venture Research, in 2002, Angels invested \$15.7 billion dollars in entrepreneurial businesses in the United States. Angels are the major source of the critical seed and start-up equity capital for entrepreneurial ventures. The latest research indicates that more than two-thirds of all of Angel investments are in the seed and start-up stage. In 2002, these business angels invested in 36,000 ventures. Compare this to less than 5,000 venture capital deals and less than 150 seed and start-up venture capital investment in 2002. Almost 100% of angel’s investments are in new venture versus 66% of venture capital deals that are in existing portfolios.

In 2000, the MIT Entrepreneurship Center commissioned the Venture Support System Project. Some of the key angel investor findings of this study indicated that:

1. The motivations and operations of experienced angel investors are typically different than those of venture capitalists. First-time entrepreneurs can benefit from approaching experienced angel investors.
2. Experienced angel investors are becoming increasingly systematic in their operation. Systematic evaluation and analysis help reduce risk, improve returns, and increase the number of investments considered.
3. The recent rise in angel groups is an important new development in venture creation. These groups provide the fastest way for entrepreneurs to find angels and provide a way for angels to leverage their combined skills, time, expertise and networks.

The Ewing Marion Kauffman Foundation recently noted the value of angel investors across the country. In late 2003, the Kauffman Foundation of Kansas City agreed to sponsor the new Angel Capital Alliance (ACA). The ACA has been endorsed by 46 angel capital organizations throughout the U.S. and Canada with many other angel groups interested in membership. According to the foundation, the ratio of potential to active angel investors is estimated at five to one, and angel investors traditionally become more involved as “active” investors to assist start-ups. Furthermore, local angel investors provide the bulk of seed capital prior to institutional venture funds.

Kansas’s entrepreneurs **need** this valuable group of investors to invest in their companies:

- Total seed capital raised from 1995 through Q1 '03 in the State of Kansas represented less than .09 of 1 percent of the seed venture capital raised in the United States.¹

¹Price Waterhouse Cooper/National Venture Capital Assoc. *MoneyTree*™ Survey, 2003

- Total equity capital invested in the State of Kansas per \$1,000 of the Kansas Gross State Product (GSP) was only \$.54, which ranks Kansas 32nd in United States.²
- The National Governors Association³ found in its 2000 study on state entrepreneurial growth that a lack of capital formation is a significant impediment to aspiring entrepreneurs. The size of the investment and the risk inherent in entrepreneurs' ventures limit their ability to raise the necessary capital from traditional sources of funding, resulting in a "capital gap." Estimates of the gap vary, but it is generally believed to be significant. This amount typically is beyond the means of personal and family sources and too high a risk for traditional lenders and most state business loan programs.

KTEC supports Senate Bill 480, because it not only encourages investment, but it perhaps more importantly encourages an incredible group of individuals to become involved as mentors, advisors, and coaches for our Kansas start-ups. The purest definition of an "Angel investor" is not just a high-net worth individual, rather it is someone who brings critical risk capital, experienced advice, and visionary guidance to the entrepreneur. Angel investors are spread out across the state of Kansas; these individuals reside in metropolitan and rural Kansas. In the previous example of the two potential angel investors, one lives in Hays, Kansas, and the other in Pittsburg, Kansas. KTEC has identified potentially more than 100 individuals from all Kansas industry sectors including aviation, agriculture, biosciences, energy, information technology and retail to name a few.

Under SB 480, angels will continue to assert their role as value-added, patient investors in entrepreneurial companies. Angels will continue to invest in Kansas. Angels and entrepreneurs will strive to build companies with real value, good jobs, and sustainable growth opportunities for our state.

Thank you.

² US Dept. of Commerce, 2003

³ National Governor's Association (2000), Nurturing Entrepreneurial Growth in State Economies

House Economic Development Committee
Testimony on SB 480
Michael Farmer, Entrepreneur, Orca Gear
(KTEC, VP of Commercialization)

March 8, 2004

Mr. Chair, Members of the committee,

My name is Michael Farmer, I am a recent addition to the KTEC staff. Today, I would like to speak in support of Senate Bill 480 from my prior perspective as an entrepreneur who over the past 2 ½ years was able to experience first hand the great assistance that Angel investors provide entrepreneurs.

Prior to my arrival at KTEC in July of last years, for 18 months in New York, I was involved with a start-up called OrcaGear. Myself and three other individuals developed, a patent-pending, automatic inflatable jacket liner that when zipped into a jacket or vest would turn the jacket or vest into a Personal Floatation Device for boaters and sailors. For the first 8 months, after developing this product, we sought venture capital investment money. After 8 months, we were unable to raise any money from the venture capital community.

About the same time, we were recommended to present our business plan to a group of angel investors. Within two months, we were able to land our first angel investor for \$70,000. This individual was a high net worth individual who was the co-founder of a bio-science company. Soon there after we were able to land our second angel investor who pledged \$25,000.

The third angel investor came to us from an introduction from our first investor, this new investor pledged \$50,000, if our first investor match his investment. As a result of this we raised an additional \$100,000. This new investor was the retired Director of Research and Development for General Electric. It was indicated to us with this investor that tax credits available in up-state New York had influenced his decision.

Because of the recommendation to seek out the Angel investor community, or company, Orca Gear had now raised \$195,000 for start-up – even though we were unable to raise any money from the Venture Capital community.

But perhaps the more important value these angel investor have brought Orca Gear involve their commitment to offer their expertise to our company.

Over the past 12 month, this angel investor group has provided advice to the company on such things as:

- 1) Advice on advisory board formation;
- 2) Consultation on matters relating to intellectual property;
- 3) The location of an alternative contract manufacturer;
- 4) The location of additional angel investors;
- 5) And even on investor has gone so far as to assist us in sales, by literally walking the docks of New York demonstrating our jacket.

Today, Orca Gear has 4 full time employees, has product on the shelf, sales are strong and the company is expanding its sales force. All this would not have happened if it was not from the influence of our angel investors.

I bring this example to you as a simple case where an entrepreneur was able to benefit greatly from the influence of the angel investor community.

With this, I support Senate Bill 480. Thank you.

Michael Farmer
Kansas Technology Enterprise Corporation



Testimony

Unified Government Public Relations
701 N. 7th Street, Room 620
Kansas City, Kansas 66101

Mike Taylor, Public Relations Director 913.573.5565
Don Denney, Media Relations Specialist 913.573.5544

Senate Bill 520 Kansas Downtown Development Act

**Delivered March 9, 2004
House Economic Development Committee**

The Unified Government of Wyandotte County/Kansas City Kansas supports House Bill 520. The bill is a promising tool for reinvigorating dying or dead downtown core areas in a way which has negligible financial impacts on local and state treasuries.

This proposal comes at a very good time for Wyandotte County and Kansas City, Kansas. In her State of the Government Address to the community in January, Mayor Carol Marinovich called for "renewed efforts to revitalize and renovate" the downtown and urban core areas of Kansas City. The Mayor stated the community must commit the same energy and attention to downtown projects that it did in creating the successful Village West development.

The KCK business community is in agreement. A task force of downtown stakeholders, meeting regularly for months has determined that improving the physical appearance of downtown and creating mixed use neighborhoods in downtown KCK are top priorities. Clearly, Senate Bill 520 would offer valuable financial incentives toward this effort.

World class cities continue creating opportunities for citizens. Opportunities in jobs, business, education, cultural and recreational activities. We cannot turn our backs on neighborhoods which have been neglected. We cannot leave behind people who have difficulty keeping up on their own. We cannot ignore inequities, both social and economic, which prevent people from striving for and reaching success. Focusing our attention and energy to revitalizing downtown urban core areas is crucial in accomplishing these goals.

World class cities build partnerships and coalitions in which citizens, business and government work together. Supporting Senate Bill 520 makes the Kansas Legislature an active partner with local communities in their efforts to make Kansas better. By working together, we can continue making positive steps towards renewing older areas of our communities and creating economic benefit and prosperity for all of our citizens. The Unified Government of Wyandotte County urges your support of Senate Bill 520.

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March 9, 2004



President

Rich Bartholomew, AIA
Overland Park

President Elect

Mark Franzen, AIA
Overland Park

Secretary

Jan Burgess, AIA
Wichita

Treasurer

Michael Seiwert, AIA
Wichita

Directors

Tracy Anderson, AIA
Manhattan

Richard Blackburn, AIA
Topeka

Joy Coleman, AIA
Lawrence

Douglas R. Cook, AIA
Olathe

Timothy J. Dudte, AIA
Wichita

Robert D. Fincham, AIA
Topeka

John Gaunt, FAIA
Lawrence

Jane Huesemann, AIA
Lawrence

J. Jones, Associate AIA
Manhattan

Michael G. Mayo, AIA
Manhattan

Rick McCafferty
Wichita

Tom Milavec, AIAS
Manhattan

Courtney Miller, AIAS
Lawrence

Bobbi Pearson, Assoc, AIA
Emporia

C. Stan Peterson, AIA
Topeka

Jennifer Rygg, Assoc, AIA
Wichita

Jason Van Hecke, AIA
Wichita

Kyle Wedel, AIAS
Manhattan

TO: Representative Wilk and Members of the Economic
Development Committee

FROM: Trudy Aron, Executive Director

RE: **SUPPORT OF SB 520**

Good afternoon Mr. Chairman and members of the Committee. I am Trudy Aron, executive director, of the American Institute of Architects in Kansas (AIA Kansas.) I appreciate the opportunity to testify in support of SB 520.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 100 private practice architectural firms designing a variety of project types for both public and private clients including justice facilities, schools, hospitals and other health facilities, industrial buildings, offices, recreational facilities, housing, and much more. The rest of our members work in industry, government and education where many manage the facilities of their employers and hire private practice firms to design new buildings and to renovate or remodel existing buildings.

We believe SB 520 and similar bills provide incentives needed to help revitalize downtown areas in depressed and rural areas of the state. These incentives can mean the difference between renewed vitality or continued decline in our town core. With this type of assistance, owners are much more likely to invest the funds to make the repairs needed to make their property commercially viable.

AIA Kansas believes SB 520 can provide the needed "spark" to bring needed reinvestment in towns throughout Kansas. We hope you will report SB 520 out of the committee favorably. Thank you.

Executive Director

Trudy Aron, Hon. AIA, CAE
aron@aiaks.org

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Topeka, KS 66603-3757
Telephone: 785-357-5308 or 800-444-9853
Facsimile: 785-357-6450
Email: info@aiaks.org

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Attachment 5



League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

Date: March 9, 2004
To: House Economic Development Committee
From: Larry R. Baer
Assistant General Counsel
Re: SB 520
Testimony in Support

Thank you for the opportunity to appear today on behalf of the League of Kansas Municipalities (LKM) and our 556 member cities. We appear in support of SB 520.

This bill proposes to create the Kansas Downtown Redevelopment Act. The purpose of this Act is to encourage reinvestment and improvement in downtown areas. It is no secret that downtown areas across Kansas, and indeed across the country, have struggled to survive. Urban sprawl and declining rural populations have taken their toll on our once vital main streets in Kansas.

This bill focuses specifically on smaller communities with less than 50,000 population and on areas determined to be "distressed" communities. We support the addition of this incentive program aimed at helping to improve downtown areas in Kansas cities.

In the Senate Commerce Committee we expressed a concern regarding the constitutionality of the tax abatement originally proposed in the bill. We proposed that the abatement language should be changed to provide for a rebate of taxes paid. This would make SB 520 consistent with other economic development programs, such as the Neighborhood Revitalization Act, which uses a rebate system whereby the complete tax is paid and then a portion of the increment is rebated back to the taxpayer. The Senate Commerce Committee did in fact address this concern. The bill, as now before you, has been amended to remove the concern earlier expressed by the League.

The League of Kansas Municipalities appreciates the efforts to assist our downtown areas and we support the concept behind the program proposed in SB 520.

Again, thank you for the opportunity to appear today. I would be happy to answer questions at the appropriate time.

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3-9-04
Attachment 6

**Testimony before the
House Economic Development Committee
Senate Bill 394
David A. Cleveland, Manager of Business Finance & Workforce Development
Kansas Department of Commerce
March 9, 2004**

Representative Wilk and Members of the Committee:

Thank you for the opportunity to appear today and testify in support of SB 394. This bill amends the IMPACT law to allow the Secretary of Commerce to make direct investments in the human capital, training expertise, and physical infrastructure of our schools, and limits such expenditures to 10% of the total program costs of the project. This bill also raises the cap on the Major Project Investment component of the IMPACT program from 10% to 20%.

Background on the IMPACT program

The IMPACT program was originally established as the State of Kansas Investments in Lifelong Learning (SKILL) act in 1991. The SKILL program is designed to help companies offset the costs of training workers for new jobs. In 1996, the SKILL program was given its current name: Investments in Major Projects And Comprehensive Training (IMPACT). The IMPACT program has two components; SKILL and Major Project Investments (MPI). SKILL is the major workforce-training component of IMPACT. The MPI component is used offset some of the capital costs associated with a company expansion project.

In addition to fulfilling its role as a major workforce-training tool and business attraction tool, IMPACT was also intended to help our schools become an increasingly relevant training partner of Kansas employers. This objective would be accomplished by requiring employers to submit a joint training proposal with a Kansas public educational institution to the Department of Commerce. By requiring schools and companies to sit down together to develop a proposal, it was hoped that that the training needs of the employer would be matched with the training expertise of the schools, thereby creating a prime opportunity for the school to meet that need and get paid for it. To date, this objective has not been realized. Only 5.25% of all IMPACT dollars are currently used to purchase training expertise from our schools. There are at least two

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reasons for this. First, while we encourage companies to use Kansas training institutions, the programs are flexible and do not require the companies to do so. Secondly, our schools generally speaking are simply not equipped to respond to many of the training needs of Kansas companies.

Why the proposed amendments are needed

Quite frankly, our schools need help to become more relevant to the needs of Kansas companies, especially if they are to successfully fulfill the new role envisioned for them under the Lt. Governor's new "KansasFirst" plan. KansasFirst will be the single point of contact for all employers that seek to access state workforce development programs and services. KansasFirst will re-engineer how we deliver training services to employers. Instead of paying companies to train their employees, we will pay our community colleges and technical schools to develop curriculum and deliver training services to employers.

Unfortunately, as mentioned above, our schools are not fully prepared to accept this new challenge. If we want our schools to become the training provider of choice of Kansas businesses, we must be willing to provide them with the resources they need to meet this new challenge. As most in this room would probably agree, the state's current budget situation does not leave much room if any, for new programs. The question then becomes how do we upgrade the training expertise, human capital, and infrastructure of our schools within existing resources? SB394 provides an answer to that question. Once enacted, this bill will allow the Secretary of Commerce to apply a fee of no more than 10% on every workforce-training project we fund, and deposit those funds into a workforce development trust fund for direct re-investment in our schools.

This proposed amendment is not another fee that will be added on top of other project expenses. The amendment simply redirects existing administrative expenses. Commerce currently assigns a fee of up to 10 percent of every project to cover the administrative expenses of the educational institution that is party to the agreement. Under KansasFirst, the administrative function currently fulfilled by the schools will be brought in house. This action will strengthen the audit

position of the Secretary and eliminate unnecessary overhead. These funds will then be redirected to the workforce development trust fund. Simply put, this is an attempt to capture existing dollars that are being used in what we feel is an inefficient and ineffective manner and re-invest those funds into the transformation of our schools into a long-term economic asset for Kansas.

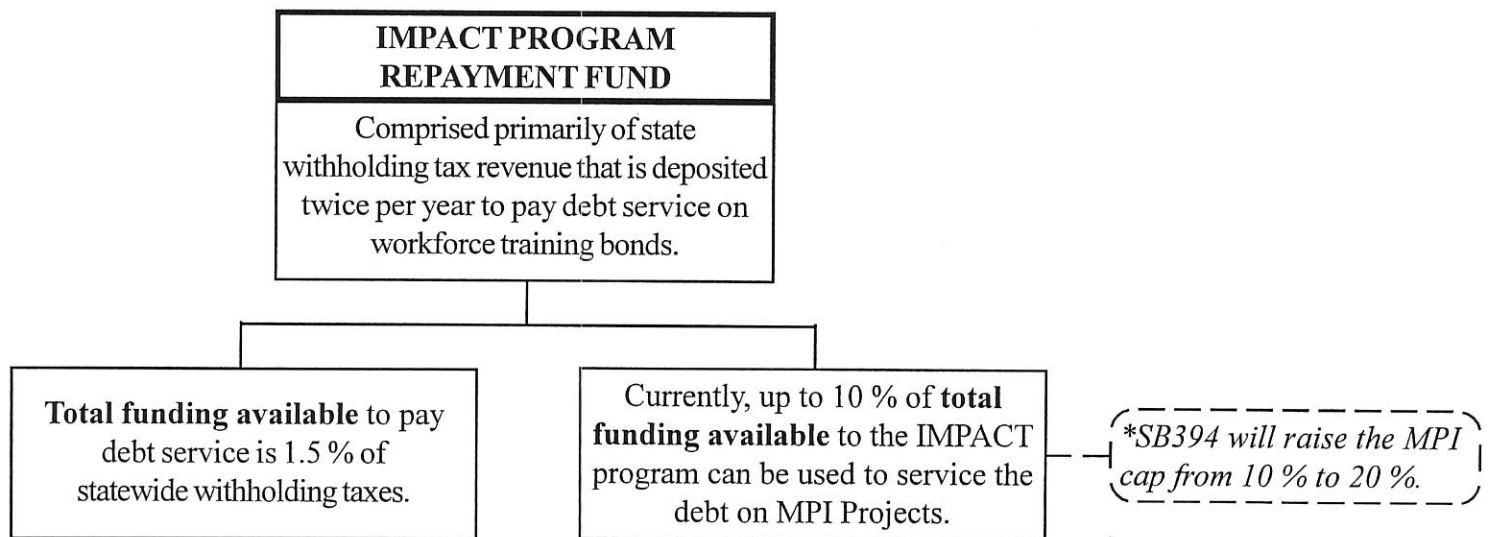
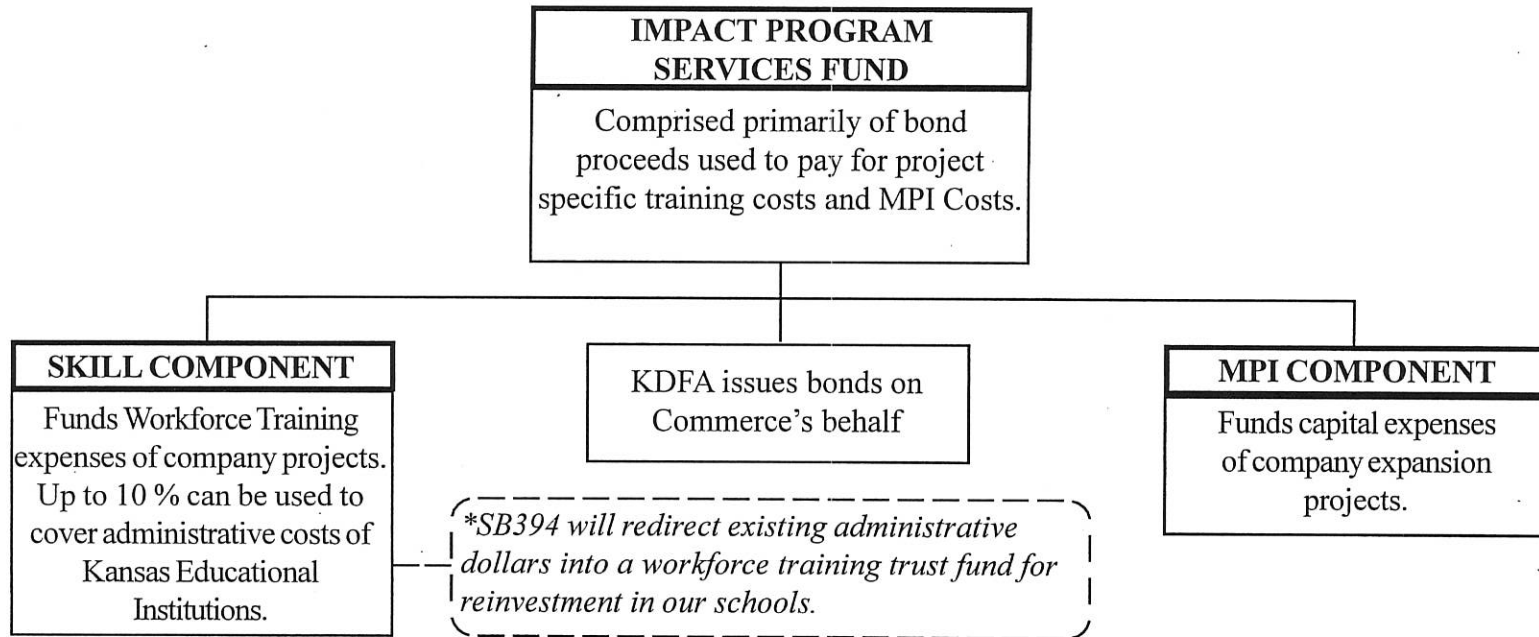
The second amendment raises the Major Project Investment (MPI) cap from 10% of the total revenue available to the IMPACT program to 20%. The MPI component of IMPACT allows the Secretary to offer some of the funds available for an individual project to offset a portion of the capital expenses related to that expansion project. Examples of eligible MPI expenses include building construction, production equipment, and company relocation costs. The MPI component is most often used as a “deal closer” when Kansas is in direct competition with another state for a new business location. Our experience for blue chip prospects (those firms that pay extraordinarily high wages and create 150 or more jobs) in recent years indicates that they often have more capital and relocation costs than training costs. The adjustment of the MPI cap will allow the Secretary more capacity to compete effectively for these high wage, high yield prospects, while still maintaining the primary focus of the program on employee training.

Conclusion

In summary, by endorsing this bill, you will help the Department of Commerce fully honor one of the original legislative objectives behind the IMPACT program---equipping our schools to become meaningful training partners for Kansas businesses. You will also give the Department a tool that will allow Kansas to be first in line for recently announced federal matching funds that are aimed at transforming our schools. Finally, you will enhance the Secretary’s ability to compete for more high value projects.

Thank you for the opportunity to testify before you today on a bill that is important to the launch of KansasFirst and the reform of workforce development in Kansas. I would be happy to respond to any questions you may have.

IMPACT WORKFORCE TRAINING PROGRAM





KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

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Testimony on SB 394 House Economic Development Committee

March 9, 2004

Dr. Robert Masters Interim Vice President of Academic Affairs

Good afternoon Mr. Chairman and members of the committee. My name is Robert Masters and I am the Interim Vice President of Academic Affairs for the Kansas Board of Regents. I am here on behalf of the Kansas Board of Regents to comment on SB 394.

General Overview

For years, the Kansas Board of Regents has maintained a viable partnership with the Department of Commerce in serving the economic and workforce development needs of Kansas. Board of Regents' staff work with Commerce staff on workforce training programs such as Kansas Industrial Training (KIT), Kansas Industrial Retraining (KIR), and Investments in Major Projects and Comprehensive Training (IMPACT). The Kansas training institutions have strong partnerships with businesses throughout the state. Community colleges and technical schools and colleges serve over 100,000 business employees annually. Course variety and accessibility to the state's 16 area technical schools and colleges, 19 community colleges, and seven universities help Kansas business and industry remain competitive.

In the past, the IMPACT program brought businesses and the Kansas public educational institutions together to jointly submit proposals for the creation of new jobs and meet training needs of the workforce. These partnerships have been focused on the improvement of Kansas basic industry and creation of jobs in Kansas.

SB 394 authorizes the Secretary of Commerce to make direct investments in educational and related workforce development institutions for the purpose of promoting improvements in workforce development, human capital, training expertise and infrastructure. SB 394 also provides a mechanism for funding these initiatives. These two additions to the IMPACT program should result in a more efficient and effective program with measurable outcomes. Technical education and training available at the technical schools and colleges and community colleges is frequently driven by the availability of human capital, training expertise, and infrastructure. SB 394 offers a visionary approach and mechanism to enhance human capital, training expertise, and infrastructure while at the same time focus on meeting the needs of business and industry.

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In summary, the Kansas Board of Regents supports the goals and objectives of SB 394. Authorizing the Secretary of Commerce to make direct investments in educational and related workforce development institutions enhances the overall stewardship of the funds.

Thank you for the opportunity to comment. I will be happy to answer any questions.

As Amended by Senate Committee

Session of 2004

SENATE BILL No. 417

By Committee on Commerce

2-2

Proposed Amendment
Representative Kuether
March 9, 2004

12 AN ACT concerning income taxation; relating to rural business devel-
13 opment tax credits; amending K.S.A. 40-2803 and 40-2804 and K.S.A.
14 2003 Supp. 79-32.117 and repealing the existing sections.
15

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

17 New Section 1. (a) As used in this act: (1) "Contributions" means
18 and includes the donation of cash, services or property other than used
19 clothing in an amount or value of \$250 or more. Contributions shall be
20 valued as follows:

21 (A) Stocks and bonds contributed shall be valued at the stock market
22 price on the date of transfer;

23 (B) personal property items contributed shall be valued at the lesser
24 of the item's fair market value or cost to the donor and may be inclusive
25 of costs incurred in making the contribution. Such value shall not include
26 sales tax;

27 (C) contributions of real estate are allowable for credit only when
28 title of such real estate is in fee simple absolute and is clear of any en-
29 cumberances; and

30 (D) the amount of credit allowable shall be based upon the lesser of
31 two current independent appraisals conducted by state licensed
32 appraisers;

33 (2) "region" means multi-county areas as defined by the secretary of
34 commerce;

35 (3) "regional foundation" means any organization in Kansas that dem-
36 onstrates capacity to provide economic development services to regions
37 as defined by this act, and: (A) Has obtained a ruling from the internal
38 revenue service of the United States department of treasury that such
39 organization is exempt from income taxation under the provisions of sec-
40 tion 501(c)(3) or 501(c)(6) of the federal internal revenue code;

41 (B) has been designated as a community development company by
42 the United States small business administration;

43 (C) has been designated as an economic development district by the

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49

1 \$2,500,000 for fiscal year 2005; \$2,500,000 for fiscal year 2006; and
 2 \$2,000,000 for fiscal year 2007. Each region as defined by this act shall
 3 receive an equal share of this allocation.

4 (5) Any credits not sold by such regional foundations shall be re-
 5 claimed by the secretary from such region and redistributed to other
 6 regions that sold all credits previously issued.

7 (6) The secretary shall annually review and approve or disapprove the
 8 proposal of each designated regional foundation for continued eligibility
 9 for tax credits. The department of commerce retains that right to reclaim
 10 credits in such cases the regional foundation closes or there is demon-
 11 strated violation of the organization's policies. Changes to the investment
 12 policies of each regional foundation are subject to approval of the
 13 secretary.

14 (d) (1) The amount of credit allowed pursuant to this act, shall not
 15 exceed ~~70%~~ ~~50%~~ ~~70%~~ 50% of the total amount contributed during the tax-
 16 able year by the taxpayer to a regional foundation approved pursuant to
 17 this act.

18 (2) If the amount of the credit allowed by this act, exceeds the tax-
 19 payer's income tax liability imposed under the Kansas income tax act,
 20 such excess amount shall be refunded to the taxpayer.

21 (e) The provisions of this act shall be applicable to all taxable years
 22 beginning after December 31, 2003.

23 Sec. 2. K.S.A. 40-2803 is hereby amended to read as follows: 40-
 24 2803. For the purpose of computing the tax imposed upon life insurance
 25 companies under the provisions of this act the term "net income" shall
 26 mean the net taxable income for the preceding calendar year of such
 27 company as determined under the provisions of section 802 of the internal
 28 revenue code of 1954, as heretofore or hereafter amended. The term
 29 "net income" shall not include dividends received from stock issued by
 30 Kansas Venture Capital, Inc. to the extent such dividends are included in
 31 the Kansas taxable income of a corporation, interest income on obligations
 32 of this state or a political subdivision thereof which is specifically exempt
 33 from income tax under the laws of this state authorizing the issuance of
 34 such obligations. The term "net income" shall include the amount of any
 35 charitable contribution made to the extent the same is claimed as the
 36 basis for the credit allowed pursuant to K.S.A. 79-32,196, and amend-
 37 ments thereto. The term "net income" shall include the amount of any
 38 contribution made to the extent the same is claimed as the basis for the
 39 credit allowed pursuant to section 1, and amendments thereto. In case
 40 the entire business of such company is not transacted within this state,
 41 the net income for the purposes of this act shall be determined by multi-
 42 plying such net income by a fraction, the numerator of which shall be
 43 the premiums received from business transacted within this state and the

50%

SENATE BILL No. 393

By Committee on Commerce

1-29

Revisor's Proposed
Policy Amendments
March 8, 2004

z393h2wpd

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10 AN ACT establishing the Kansas center for entrepreneurship within the
11 department of commerce; providing for the membership and organi-
12 zation thereof; prescribing powers, duties and functions therefor; pro-
13 viding tax credits for investment in Kansas community entrepreneur-
14 ship fund.

15
16 ~~WHEREAS. The vision is to create a world class center for entrepre-~~
17 ~~neurship to support and grow entrepreneurs in Kansas; and~~

18 ~~—WHEREAS. The Kansas center for entrepreneurship will serve as the~~
19 ~~central portal for entrepreneurs looking for business assistance and fi-~~
20 ~~nancing options in Kansas; and~~

21 ~~—WHEREAS. The Kansas center for entrepreneurship will lead collab-~~
22 ~~orative efforts between education, research and outreach services to serve~~
23 ~~potential entrepreneurs across the state; and~~

24 ~~—WHEREAS. A center for entrepreneurship will serve as a seamless~~
25 ~~resource center, clearinghouse and referral source for starting a business;~~
26 ~~and~~

27 ~~—WHEREAS. A center for entrepreneurship will foster growth in areas~~
28 ~~of traditional, corporate, government, nonprofit and university entrepre-~~
29 ~~neurship; and~~

30 ~~—WHEREAS. A center for entrepreneurship will manage a statewide~~
31 ~~pool of grant funds to be distributed to qualified entrepreneurs; and~~

32 ~~—WHEREAS. A center for entrepreneurship will organize a summit to~~
33 ~~recommend policy that will foster an economic climate conducive to the~~
34 ~~development of an agricultural bioscience industry; and~~

35 ~~—WHEREAS. A center for entrepreneurship will work with the board~~
36 ~~of regents and board of education to create training and course work on~~
37 ~~entrepreneurship for dissemination to elementary, secondary and voca-~~
38 ~~tional technical schools and community colleges and universities. Now,~~
39 ~~therefore:~~

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

41 Section 1. *Sections 1 through 12, inclusive, and amendments*
42 *thereto, shall be known and may be cited as the center for entre-*
43 *preneurship act.*

10

1 **Sec. 2.** As used in this act, unless the context clearly requires otherwise: (a) "Cash investment" means money or its equivalent contributed to the Kansas community entrepreneurship fund;

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4 (b) "community seed capital fund" or "economic development organization" means a not-for-profit organization properly organized under Kansas statute to provide funds to start-up entrepreneurs through loans, grants or agreements with financial institutions;

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7 (c) "department" means the department of commerce;

8
9 (d) "distressed community" means an area in which 20% or more of the population of all ages for each census tract located within the area has an income below poverty level as reported in the most recently completed decennial census published by the United States bureau of the census;

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13
14 (e) "investor" means a person making a cash investment in the Kansas community entrepreneurship fund, ~~which person qualifies as an "accredited investor," as the term is defined in 17 CFR 230.501(a) in an amount of \$250 or more;~~

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18 (f) "Kansas business" means any business owned by an individual, any partnership, association or corporation domiciled in Kansas, or any corporation, even if a wholly owned subsidiary of a foreign corporation, that does business primarily in Kansas or does substantially all of its production in Kansas;

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23 (g) "qualified entrepreneur" means an entrepreneur who has exhibited a financial commitment to the business and who has proven business experience or who possesses either a bachelor or master of business administration degree or who has completed course work as directed by the Kansas center for entrepreneurship that certifies the individual as a qualified entrepreneur;

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29 (h) "rural community" means any city having a population of fewer than 50,000 or except as otherwise provided, any unincorporated area. Unincorporated areas within any county having a population of more than 100,000 are not eligible; and

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31
32
33 (i) "secretary" means the secretary of the department of commerce; and

34
35 (j) "seed capital" means financing that is provided for the development, refinement and commercialization of a product, process or innovation whether for the startup of a new firm, the expansion or the restructuring of a small firm.

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38
39 **Sec. 3.** (a) There is hereby created a body politic within the department of commerce to be known as the Kansas center for entrepreneurship. The secretary of commerce shall enter into a contractual agreement for the operation of the center.

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42
43 (b) The center shall be governed by a board of 11 directors. The

and corporate
, after consulting with the board of directors,
The center's exercise of all the rights, powers and privileges conferred by this act and shall be deemed and held to be the performance of an essential government function.

1 board of directors shall be appointed by the secretary of commerce and
2 shall be comprised of individuals who have demonstrated entrepreneurial
3 success, including one member from each of the following organizations:

- 4 (1) Three at-large entrepreneurs,
- 5 (2) An agricultural entrepreneur knowledgeable in biosciences,
- 6 (3) banking industry,
- 7 (4) travel/tourism industry,
- 8 (5) enterprise facilitation,
- 9 (6) Kansas chamber of commerce and industry,
- 10 (7) Kansas small business development centers,
- 11 (8) Kansas technology enterprise corporation and
- 12 (9) national federation of independent businesses.

13 (c) (1) Directors shall serve for a term of four years, except that, of
14 the members first appointed, three shall serve for a term of two years,
15 three shall serve for a term of three years and two shall serve for a term
16 of four years.

17 (2) Members shall be appointed for terms of four years and until their
18 successors are appointed.

19 (3) In case of a vacancy in the appointive membership of the Kansas
20 center for entrepreneurship, a successor shall be appointed in like manner
21 and subject to the same qualifications and conditions as the original ap-
22 pointment of the member creating the vacancy.

23 (d) The secretary of commerce shall organize and schedule the first
24 meeting of the board, at which time the board shall choose a chairperson
25 and an executive committee. The board of directors shall annually elect
26 an executive committee which may establish subcommittees of the board
27 as necessary.

28 (e) Members of the board of directors attending meetings or subcom-
29 mitted meetings thereof authorized by the Kansas center for entrepre-
30 neurship shall be paid amounts provided in subsection (e) of K.S.A. 75-
31 3223, and amendments thereto.

32 (f) Members of the board of directors, in their dealings with enter-
33 prises that may receive financing through the corporation, shall declare
34 any potential conflict of interest and abstain from voting prior to taking
35 any actions relating to that transaction.

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

38 (h) Members of the board of directors may serve multiple terms.

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

41 Sec. 34. (a) The purpose of the Kansas community entrepreneur-
42 ship fund is to enhance the quality of life for citizens of this state through
43 increased availability of an accessibility to capital, particularly at the seed

and shall serve the remainder of the unexpired term

and may appoint committees from its members as necessary

(e) The board of directors shall meet at least four times a year and at such
other times as it deems appropriate or upon call of the chairperson or
upon the written request of a majority of the members of the board.

(f)

board meetings or committee

center

(j) A majority of the total voting membership of the board shall
constitute a quorum for meetings. The board may act by a majority
of those at any meeting where a quorum of the board is present.

(k) The board of directors shall:

- (1) Consult with and make a recommendation to the secretary concerning the awarding of the contract for the Kansas center for entrepreneurship;
- (2) make recommendations to the Kansas center for entrepreneurship regarding its policies and procedures;
- (3) review and evaluate the Kansas center for entrepreneurs' annual report in light of this act's purpose, policy and procedures and current economic conditions, and, report its conclusions and recommendations to the secretary and the center;
- (4) advise the secretary regarding any matter of impropriety involving the Kansas center for entrepreneurship of which it becomes aware; and
- (5) carry out any other advisory or oversight function the secretary deems necessary to fulfill and further the purpose and intent of this act.

1 capital investment stage, encouraging wealth creation through new jobs
 2 that increase the wage base and promote new business development. The
 3 specific purpose of this act is to encourage individuals to invest in the
 4 Kansas community entrepreneurship fund and to assist regional and com-
 5 munity organizations in providing seed funding for entrepreneurs. The
 6 Kansas center for entrepreneurship shall:

7 (1) Create and review policies that *foster support and grow* tradi-
 8 tional corporate, government, nonprofit and university ~~entrepreneurship~~
 9 *entrepreneurs in Kansas;*

10 (2) ~~provide~~ *serve as the central portal for entrepreneurs seeking*
 11 *business assistance and financing options in Kansas by providing* a
 12 seamless resource center clearinghouse and referral source, to include
 13 establishment of a website and a toll free telephone number;

14 (3) ~~oversee collaboration among all stakeholder organizations;~~ *lead*
 15 *collaborative efforts between education, research and outreach*
 16 *services to serve potential entrepreneurs across the state;*

17 (4) manage the Kansas community entrepreneurship fund and de-
 18 velop policies and procedures to assure that funds are distributed to qual-
 19 ified entrepreneurs;

20 (5) organize a summit to recommend policy to foster an economic
 21 climate conducive to the development of an agricultural bioscience
 22 industry;

23 (6) work with the board of regents and Kansas board of education to
 24 create training and coursework in entrepreneurship for dissemination to
 25 elementary, secondary and vocational-technical schools, community col-
 26 leges and universities; and

27 (7) prepare an annual report to the governor and the legislature de-
 28 tailing the operational and fund activity of the center and recommending
 29 a legislative agenda that will encourage growth in entrepreneurship.

30 (b) The Kansas center for entrepreneurship shall have all the powers
 31 necessary to achieve its purposes including the power to make contracts
 32 and execute all instruments necessary or convenient for carrying out its
 33 business.

34 Sec. 4 5. (a) ~~The~~ **S** ~~The~~ Kansas center for entrepreneurship is a public-
 35 private partnership. ~~The~~ **S** ~~The~~ state shall provide an annual appropriation to
 36 fund the salaries and operating expenses of the center, as well as research
 37 and evaluation activities conducted at the request of the executive or
 38 legislative branches. Private funds shall be raised to support the economic
 39 development research and education programs and related activities.

40 (b) The center may use the Kansas community entrepreneur fund,
 41 as defined in section 8, to carry out the purposes of this act by awarding
 42 funds to regional and community organizations that provide seed capital
 43 to qualified entrepreneurs with an emphasis on those located in distressed

1 and rural communities, as defined in section 1. Up to 10% of the fund
2 balance on July 1 of the year may be used for operations of the center.
3 Awards of the remainder of the funds shall be made on a competitive
4 basis.

5 (c) The Kansas center for entrepreneurship is authorized to enter into
6 contracts with, and to receive donations, contributions and grants from
7 individuals, corporations, private foundations and other governmental and
8 non-governmental entities for the purpose of fulfilling its mission and
9 duties. It may also receive in-kind contributions in the form of personnel,
10 services, equipment or other items of value.

11 (d) An annual financial report shall be made to the board of directors
12 which itemizes and accounts for the receipt and expenditure of all state
13 and non-state funds and contributions received.

14 Sec. 5 6. (a) All state appropriations to or grants of state appropriations
15 to the Kansas center for entrepreneurship shall remain in the state
16 treasury until expended or transferred to other state agencies pursuant
17 to the Kansas center for entrepreneurship act.

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

24 Sec. 6 7. (a) The Kansas center for entrepreneurship shall transmit
25 annually to the governor, the secretary, the standing committee on com-
26 merce in the senate, the standing committee on economic development
27 in the house of representatives, the joint committee on economic devel-
28 opment, and Kansas Inc. a report, in respect to what tax credits have been
29 issued during the preceding year and based on information provided by
30 the regional or local community seed capital fund or economic develop-
31 ment agency describe the following: (1) the manner in which the purpose,
32 as described in this act, has been carried out, (2) the total grants given to
33 community seed capital funds or economic development agencies during
34 the preceding year and cumulatively since the inception of this act, (3)
35 the number of companies and jobs created or preserved by the grants
36 given under this act and their location, and (4) an estimate of the multi-
37 plier effect on the Kansas economy of the grants made pursuant to this
38 act.

39 (b) The center shall be subject to an audit by the legislative division
40 of post audit.

41 Sec. 7 8. (a) Except as provided in subsection (c) of section 1, and
42 amendments thereto, for members of the Kansas center for entrepre-
43 neurship, the provisions of article 32 of chapter 75 of the Kansas Statutes

1 Annotated, any acts amendatory thereof or supplemental thereto, and any
 2 rules and regulations adopted thereunder, shall not apply to officers or
 3 employees of the Kansas center for entrepreneurship. Subject to policies
 4 established by the Kansas center for entrepreneurship, the president of
 5 the Kansas center for entrepreneurship or the president's designee shall
 6 be authorized to approve all travel and travel expenses of such officers
 7 and employees.

8 (b) Nothing in this act or the act of which it is amendatory shall be
 9 construed as placing any officer of the Kansas center for entrepreneurship
 10 in the classified service under the Kansas civil service act.

11 Sec. 89. (a) The Kansas community entrepreneurship fund is hereby
 12 created to which shall be credited any state funds specifically so desig-
 13 nated. The secretary may budget moneys to the Kansas community en-
 14 trepreneurship fund from the economic development initiatives fund sub-
 15 ject to appropriations. The secretary also may credit the fund with gifts,
 16 donations, investments or grants received from any source, some of which
 17 shall qualify for the income tax credit allowed pursuant to this section
 18 and amendments thereto.

19 (b) Oversight and management of the fund shall be provided by the
 20 Kansas center for entrepreneurship under guidelines developed and im-
 21 plemented with the approval of the secretary.

22 (c) A credit against the tax imposed by the Article 32, Chapter 79 of
 23 the Kansas Statutes Annotated on the Kansas taxable income of an in-
 24 vestor and against the tax imposed by K.S.A. 40-252, and amendments
 25 thereto, shall be allowed for a cash investment in the Kansas community
 26 entrepreneurship fund. The credit shall be a total maximum amount equal
 27 to 50% of an investor's cash investment in the Kansas community entre-
 28 preneurship fund, subject to the limitation set forth. This tax credit may
 29 be used in its entirety in the taxable year in which the cash investment is
 30 made, except that, no tax credit shall be allowed in a year prior to 2006.
 31 If the amount by which that portion of the credit allowed by this section
 32 exceeds the investor's liability in any one taxable year, beginning in the
 33 year 2006, the remaining portion of the credit may be carried forward
 34 until the total amount of the credit is used. If the investor is a corporation
 35 having an election in effect under subchapter S of the federal internal
 36 revenue code or a partnership, the credit provided by this section shall
 37 be claimed by the shareholders of these corporations or the partners of
 38 a partnership in the same manner as these shareholders or partners ac-
 39 count for their proportionate shares of the income or loss of these cor-
 40 porations or partnerships.

41 (d) The secretary of revenue shall not allow tax credits of more than
 42 \$50,000 that are attributable to an individual investor of cash investments
 43 in the Kansas community entrepreneurship fund each year. In no event

Officers and employees of the Kansas center for entrepreneurship shall not be considered state employees, as such term is defined in any other statute or regulation, and shall be paid from appropriations to the center and moneys allocated in sections 5 and 6, and amendments thereto, for salaries and operating expenses.

1 shall the total amount of tax credits allowed under this section exceed
2 \$2,000,000 for any one fiscal year.

3 (c) [The reasonable costs of the administration of this act and of the
4 issuance of tax credits authorized hereby shall be reimbursed through
5 fees paid by the Kansas community entrepreneurship fund.]

The Kansas center for entrepreneurship shall be reimbursed for the reasonable costs of the administration of this act and for the processing, issuance and costs incurred in authorizing tax credits from the Kansas community entrepreneurship fund.

6 (f) The Kansas center for entrepreneurship, along with the depart-
7 ment, shall develop a system for application for registration of an au-
8 thorization of tax credits authorized pursuant to this act and shall control
9 distribution of all tax credits to investors pursuant to this act. The Kansas
10 center for entrepreneurship, along with the department, shall also de-
11 velop rules for the administration of and disbursements from the Kansas
12 community entrepreneurship fund.

13 (g) The Kansas community entrepreneurship fund shall be distrib-
14 uted to regional or local community seed capital funds or economic de-
15 velopment agencies based on the following criteria: (1) The organization
16 can provide a 40% match; (2) the organization provides a plan that assures
17 grant funds will be used as seed capital for qualified entrepreneurs; (3)
18 the grant will be used in a distressed or rural community and (4) other
19 criteria as deemed necessary by the Kansas center for entrepreneurship.

20 **Sec. 10. Three years from the effective date of this act, Kansas,**
21 **Inc. shall conduct a review of the center for entrepreneurship and**
22 **the community entrepreneurship fund to determine program and**
23 **cost effectiveness. A report, including findings and recommenda-**
24 **tions, shall be submitted to the legislature by January 1, 2008.**

25 **Sec. 11.** If any provision of this act or the application thereof to
26 any person or circumstances is held invalid, the invalidity shall not affect
27 other provisions or applications of the act which can be given effect with-
28 out the invalid provision or application, and to this end the provisions of
29 this act are severable.

30 **Sec. 12.** This act shall take effect and be in force from and after
31 its publication in the statute book.

PROPOSED AMENDMENT
Representative Burroughs
March 4, 2004

1 **Sec. 2.** As used in this act, unless the context clearly requires otherwise: (a) ~~“Cash investment”~~ means money or its equivalent contributed
2 to the Kansas community entrepreneurship fund;
3 ~~“community seed capital fund”~~ or “economic development organization” means a not-for-profit organization properly organized under
4 Kansas statute to provide funds to start-up entrepreneurs through loans,
5 grants or agreements with financial institutions;
6 ~~“department”~~ means the department of commerce;
7 ~~“distressed community”~~ means an area in which 20% or more of
8 the population of all ages for each census tract located within the area
9 has an income below poverty level as reported in the most recently completed decennial census published by the United States bureau of the
10 census;
11 ~~“investor”~~ means a person making a cash investment in the Kansas
12 community entrepreneurship fund, which person qualifies as an “accredited investor,” as the term is defined in 17 CFR 230.501(c) ~~in an amount~~
13 ~~of \$250 or more~~;
14 ~~“Kansas business”~~ means any business owned by an individual,
15 any partnership, association or corporation domiciled in Kansas, or any
16 corporation, even if a wholly owned subsidiary of a foreign corporation,
17 that does business primarily in Kansas or does substantially all of its production in Kansas;
18 ~~“qualified entrepreneur”~~ means an entrepreneur who has exhibited a financial commitment to the business and who has proven business
19 experience or who possesses either a bachelor or master of business administration degree or who has completed course work as directed by the
20 Kansas center for entrepreneurship that certifies the individual as a qualified entrepreneur;
21 ~~“rural community”~~ means any city having a population of fewer
22 than 50,000 or except as otherwise provided, any unincorporated area. Unincorporated areas within any county having a population of more than
23 100,000 are not eligible; and
24 ~~“secretary”~~ means the secretary of the department of commerce;
25 and
26 ~~“seed capital”~~ means financing that is provided for the development, refinement and commercialization of a product, process or innovation whether for the startup of a new firm, the expansion or the restructuring of a small firm.
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28
29 **Sec. 3.** (a) There is hereby created a body politic within the department of commerce to be known as the Kansas center for entrepreneurship. The secretary of commerce shall enter into a contractual agreement for the operation of the center.
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43 (b) The center shall be governed by a board of 11 directors. The

“Banking industry” means banks, savings and loan associations and credit unions;
(b)

AND RELETTER REMAINING SUBSECTIONS

House Economic Development
3-9-04
Attachment 11

1 board of directors shall be appointed by the secretary of commerce and
2 shall be comprised of individuals who have demonstrated entrepreneurial
3 success, including one member from each of the following organizations:

- 4 (1) Three at-large entrepreneurs.
- 5 (2) An agricultural entrepreneur knowledgeable in biosciences.
- 6 (3) banking industry.
- 7 (4) travel/tourism industry.
- 8 (5) enterprise facilitation.
- 9 (6) Kansas chamber of commerce and industry.
- 10 (7) Kansas small business development centers.
- 11 (8) Kansas technology enterprise corporation and
- 12 (9) national federation of independent businesses.

13 (c) (1) Directors shall serve for a term of four years, except that, of
14 the members first appointed, three shall serve for a term of two years,
15 three shall serve for a term of three years and two shall serve for a term
16 of four years.

17 (2) Members shall be appointed for terms of four years and until their
18 successors are appointed.

19 (3) In case of a vacancy in the appointive membership of the Kansas
20 center for entrepreneurship, a successor shall be appointed in like manner
21 and subject to the same qualifications and conditions as the original ap-
22 pointment of the member creating the vacancy.

23 (d) The secretary of commerce shall organize and schedule the first
24 meeting of the board, at which time the board shall choose a chairperson
25 and an executive committee. The board of directors shall annually elect
26 an executive committee which may establish subcommittees of the board
27 as necessary.

28 (e) Members of the board of directors attending meetings or subcom-
29 mittee meetings thereof authorized by the Kansas center for entrepre-
30 neurship, shall be paid amounts provided in subsection (e) of K.S.A. 75-
31 3223, and amendments thereto.

32 (f) Members of the board of directors, in their dealings with enter-
33 prises that may receive financing through the corporation, shall declare
34 any potential conflict of interest and abstain from voting prior to taking
35 any actions relating to that transaction.

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

38 ~~(h)~~ Members of the board of directors may serve multiple terms.

39 ~~(i)~~ A member appointed to the board of directors may be removed
40 by the secretary for cause, stated in writing, after a hearing thereon.

41 Sec. 34. (a) The purpose of the Kansas community entrepreneur-
42 ship fund is to enhance the quality of life for citizens of this state through
43 increased availability of an accessibility to capital, particularly at the seed

(g) Before assuming office, each person appointed as a member of the board of directors shall complete and file with the office of the secretary of state a statement containing the information required in a statement of substantial interest pursuant to K.S.A. 46-247, and amendments thereto;
(h)

AND RELETTER REMAINING SECTIONS

1 and rural communities, as defined in section 1. Up to 10% of the fund
2 balance on July 1 of the year may be used for operations of the center.
3 Awards of the remainder of the funds shall be made on a competitive
4 basis.

5 (c) The Kansas center for entrepreneurship is authorized to enter into
6 contracts with, and to receive donations, contributions and grants from
7 individuals, corporations, private foundations and other governmental and
8 non-governmental entities for the purpose of fulfilling its mission and
9 duties. It may also receive in-kind contributions in the form of personnel,
10 services, equipment or other items of value.

11 (d) An annual financial report shall be made to the board of directors
12 which itemizes and accounts for the receipt and expenditure of all state
13 and non-state funds and contributions received.

14 Sec. 5 6. (a) All state appropriations to or grants of state appropri-
15 ations to the Kansas center for entrepreneurship shall remain in the state
16 treasury until expended or transferred to other state agencies pursuant
17 to the Kansas center for entrepreneurship act.

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

,
or Kansas chartered credit unions

24 Sec. 6 7. (a) The Kansas center for entrepreneurship shall transmit
25 annually to the governor, the secretary, the standing committee on com-
26 merce in the senate, the standing committee on economic development
27 in the house of representatives, the joint committee on economic devel-
28 opment, and Kansas Inc. a report, in respect to what tax credits have been
29 issued during the preceding year and based on information provided by
30 the regional or local community seed capital fund or economic develop-
31 ment agency describe the following: (1) the manner in which the purpose,
32 as described in this act, has been carried out, (2) the total grants given to
33 community seed capital funds or economic development agencies during
34 the preceding year and cumulatively since the inception of this act, (3)
35 the number of companies and jobs created or preserved by the grants
36 given under this act and their location, and (4) an estimate of the multi-
37 plier effect on the Kansas economy of the grants made pursuant to this
38 act.

39 (b) The center shall be subject to an audit by the legislative division
40 of post audit.

41 Sec. 7 8. (a) Except as provided in subsection (e) of section 1, and
42 amendments thereto, for members of the Kansas center for entrepre-
43 neurship, the provisions of article 32 of chapter 75 of the Kansas Statutes