

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Nick Jordan at 8:30 A.M. on February 1, 2006 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Helen Pedigo, Revisor of Statutes
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Scott Heidner-Self-Insurers Association
Mary Ellen Conlee-Via Christi Health Systems
Patty Clark-Department of Commerce
Steven Radley-Director, Kansas Center for Entrepreneurship
Wally Kearns-Kansas Small Business Development Center
Tracy Taylor-Kansas Technology Enterprise Corporation

Others attending:

See attached list.

Chairperson Jordan opened the meeting by calling on Scott Heidner representing the Self-Insurers Association to request a bill. Mr. Heidner request introduction of a bill that impacts excess insurance requirements for self funded work comp pools in Kansas that would cure an inconsistency between private and public requirements that currently exists.

Senator Brownlee moved to introduce the bill. Senator Kelly seconded. Motion carried.

Next Chairperson Jordan introduced Mary Ellen Conlee, Via Christi Health Systems to request a bill. She stated she was re-introducing a bill for a pay card which passed out of the Commerce Committee last year but failed on the floor and they had made changes on the bill from last year. (Attachment 1)

Senator Kelly moved to introduce the bill. Senator Emler seconded. Motion carried.

Chairperson Jordan requested the Committee to introduce a bill regarding eminent domain that raises the threshold for cities in claiming eminent domain, it raises the threshold on court review and changes the means of compensation for property owners.

Senator Brownlee moved to introduce the bill. Senator Emler seconded. Motion carried.

Chairperson Jordan opened the hearing on **SB324-Abolishing the Kansas community entrepreneurship fund** by introducing Patty Clark, Department of Commerce, to testify as a proponent for the bill. She is offering two amendments to the bill. (Attachment 2) (Attachment 3) Ms. Clark explained both amendments. One relating to offering 75% tax credits instead of 50%, as in the bill and the second relates to management and sustainability.

Chairperson Jordan introduced Steve Radley, Director of the Kansas Center for Entrepreneurship to give his testimony as a proponent for SB 324. Mr. Radley offered written testimony. (Attachment 4) Mr. Radley stated the changes associated with the bill are largely with one of the 4 service offerings provided by the Kansas Center for Entrepreneurship, StartUp Kansas Entrepreneurship fund. The goal of the StartUp Kansas is to provide seed capital to entrepreneurs who are looking to start a new business or expand an existing business. He stated he is in favor of the 75% tax credits to better achieve the 100% utilization of the tax credits. The second amendment is having the flexibility of loans vs. grants. Loans will allow StartUp Kansas to recoup funds as the entrepreneur pays the local organization back so that they can get the money into another entrepreneur's hands. This also reduces the dependence on and effort required for fund raising and optimizes the use of staff resources. In some cases, the local organization does not need a grant, they simply need a loan. He believes the changes would provide the flexibility required to work effectively in a dynamic entrepreneurial environment. In conclusion, he stated the NetWork Kansas Call Center and website will

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on February 1, 2006 in Room 123-S of the Capitol.

launch publicly on March 9 with an enrollment of more than 190 public sector organizations that provide business building services to entrepreneurs and small business owners throughout the state.

Chairperson Jordan introduced Wally Kearns, State Director, Kansas Small Business Development Center, to testify as a proponent for **SB 324**. Mr. Karns offered written testimony. (Attachment 5) Mr. Karns stated he agreed with both amendments and feels they will improve access to capital for new and existing business at the local and regional level. He also feels it is important for the Center and the Board of Directors to have the flexibility to not only grant the funds but also lend the funds.

Chairperson Jordan called the Committee's attention to written testimony provided by Senator Lee from the North Central Regional Planning Commission in Beloit Kansas a proponent of the bill with the amendments. (Attachment 6)

The Chair opened the floor for discussion. The seven regional foundations were discussed; where they were located; and how they were organized.. The amount of tax credits to date was also discussed along with the additional incentive of 25% more.

Being no other questions or discussion Chairperson Jordan closed the hearing on **SB 324**.

Chairperson Jordan recognized Senator Barone, he made a motion to amend the bill page 3, line 27 to delete the word services. Senator Wysong seconded. Motion did not carry. The Committee decided to hold the bill and work another day.

Chairperson Jordan introduced Tracy Taylor, President and CEO, Kansas Technology Enterprise Corporation (KTEC). Mr. Taylor presented written testimony. (Attachment 7) Mr. Taylor gave a brief history of KTEC stating KTEC was created by Legislation in 1986. The "Redwood-Krider Report" articulated need for entrepreneurship and technology economic development and is funded by the Economic Development Initiatives Fund which consists of revenues from the Kansas Lottery & Gaming Commission. KTEC's areas of focus are research, investments and business assistance. Upon completion of Mr. Taylor's presentation, Chairperson Jordan opened the floor for questions.

The Committee discussed how they appreciate an organization moving ahead and feels that KTEC is doing a great job and constantly responding to the markets.

Chairperson Jordan announced there would be a planning meeting with Senator Brownlee, Senator Kelly, Senator Jordan and staff at 3:45 p.m. today in conference room 192E.

He also called the Committee's attention to the proposed amendment on **SB 319—An Act regarding eminent domain; concerning excess land; amending K.S.A. 2005 Supp. 12-1773 and repealing the existing section.** (Attachment 8) and asked them to review and stated **SB 319** would be worked in a few days.

Meeting adjourned at 9:30 a.m. with the next meeting scheduled for February 2, 2006 at 8:30 a.m. in room 123S.

**REQUEST FOR BILL INTRODUCTION
PRESENTED TO THE SENATE COMMERCE COMMITTEE**

**By Mary Ellen Conlee on behalf of Via Christi Health System
January 31, 2006**

Please consider introducing legislation to address the desire of many Kansas employers to streamline payroll processes by moving to a totally electronic payroll system. Similar legislation (SB 122) was sent to the Senate floor by this committee last year and failed to move forward on a vote of 20 -20. Via Christi Health System requested the legislation last year. Since that time several groups have approached us to see if we would be willing to attempt to move the concept forward again this year. Those groups included the Kansas Chapter of the Society of Human Resource Managers (SHRM) and Kansas YMCAs.

Working together we have revised the language in SB 122 (see below) to meet some of the legislative concerns that were expressed last year. The national SHRM group has provided input that represents efforts done on this issue in several states. The concept of an electronic pay card assures employees that do not have bank accounts or do not wish to deposit their earnings in a joint bank account with their spouse a viable option for receiving their pay.

Proposed statutory language:—

AN ACT concerning payment of compensation; relating to payment methods; electronic transfer and deposit; amending K.S.A. 44-314 and repealing the existing section.

- b) *The employer may designate the method by which employees receive wages, provided all wages shall be paid by one or more of the following methods at no cost to employees:*
- (1) *In lawful money of the United States;*
 - (2) *with checks or drafts which are negotiable in the community wherein the place of employment is located;*
 - (3) *by electronic transfer or deposit to an automated clearing house (ACH) member financial institution account designated by the employee; or*
 - (4) *at the election of the employee, when offered by the employer, by payroll card. For purposes of this section, "payroll card" means a card, issued by employer, a bank or other entity on behalf of an employer, on which the net wages of an employee have been loaded or deposited by employer and which are available to an employee each payday. Funds available to an employee by payroll card may be withdrawn by the employee at authorized Automated Teller Machines (ATMs), presentation to card accepting merchants at points of sale, or at other authorized locations as may be included in the payroll card program offered by employer.*
- (c) *Except as provided in paragraph (4) of subsection (b), an employee maynot have an option to refuse payment of wages by a method designated by the employer and permitted under subsection (b) of this section.*

Senate Commerce Committee

February 1, 2006

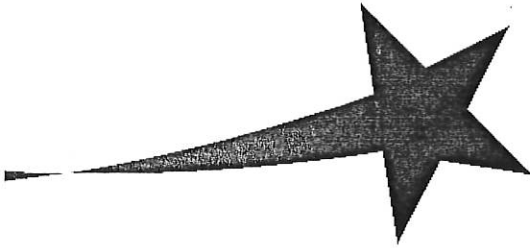
Attachment

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KANSAS
DEPARTMENT OF COMMERCE

Howard R. Fricke, Secretary



Senate Bill 324 Testimony

Senate Commerce Committee

February 1, 2006

For more information on this topic contact:
Patty Clark, Director of Ag Marketing & Community Development
Phone: (785) 296-5253
Fax: (785) 296-3776
e-mail: pclark@kansascommerce.com

www.kansascommerce.com

Senate Commerce Committee

February 1, 2006

Attachment

1 2-1

Chairwoman Brownlee and Chairman Jordan, I am Patty Clark and I serve as Director of Community Development for the Kansas Department of Commerce. I appreciate the opportunity to appear before your committee in support of SB 324 and thank the Interim Committee on Economic Development for introducing the bill this session.

The Kansas Economic Growth Act of 2004 provided many useful tools to enhance entrepreneurial success and rural development in Kansas. SB 324 simply improves the functionality of those tools.

The Rural Business Development Tax Credit program and the Kansas Community Entrepreneurship Tax Credit program were created to increase access to capital for our Kansas entrepreneurs. The financing for these programs comes from the marketing of 50% tax credits to donors. Economic development is an intangible product in the competitive world of fund raising and these programs must be moved to the 75% tax credit level if they are to succeed. In other words, donors need more of a reason to give.

In addition, the Kansas Community Entrepreneurship Fund (StartUp Kansas) is currently situated in the Kansas State Treasury and thus cannot offer to donors the federal tax incentive because it cannot qualify as a 501-c-3 not-for-profit organization. SB 324 addresses that shortcoming by simply moving the Fund to the Kansas Center for Entrepreneurship.

Amendments in SB 324 will also provide for greater flexibility in management of the StartUp Kansas fund by allowing the Center and its Board of Directors to not only grant funds to local and regional economic development organizations, but also to lend those funds and help create a more sustainable revolving loan fund over time.

We request two amendments to SB 324. Allowing the already marketed tax credits to be retroactively increased to 75%, would be a good faith gesture to those contributors that have already provided donations to the Rural Business Development Tax Credit Foundations.

We also request SB 324 be amended to delete the language calling for Commerce to reimburse the Center for the costs of administration of this act. The act clearly calls for the state to make an annual appropriation to cover the salaries and operations and the statute also allows the Center to use up to 10% of the beginning fiscal year balance of the fund to offset the expense of operations. Commerce received no additional resources to administer either the Center or the tax credit programs so there simply are no additional funds available from the Commerce budget.

Thank you for your continued efforts to enhance the economic vitality of rural communities and entrepreneurial culture of Kansas.

SENATE BILL No. 324

By Joint Committee on Economic Development

1-4

PROPOSED AMENDMENT
Department of Commerce
January 31, 2006

Senate Commerce Committee
February 1, 2006
Attachment 3-1

9 AN ACT concerning economic development; amending K.S.A. 2005
10 Supp. 74-50,154, 74-99c02, 74-99c05 and 74-99c09 and repealing the
11 existing sections; also repealing K.S.A. 2005 Supp. 74-99c06.
12

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

14 Section 1. K.S.A. 2005 Supp. 74-50,154 is hereby amended to read
15 as follows: 74-50,154. (a) As used in this act: (1) "Contributions" means
16 and includes the donation of cash, services or property other than used
17 clothing in an amount or value of \$250 or more. Contributions shall be
18 valued as follows:

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

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

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

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

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

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

39 (B) has been designated as a certified development company by the
40 United States small business administration;

41 (C) has been designated as an economic development district by the
42 United States department of commerce's economic development
43 administration;

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1 receive an equal share of this allocation.

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

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

12 (d) (1) The amount of credit allowed pursuant to this act, shall not
13 exceed ~~50%~~ 75% of the total amount contributed during the taxable year
14 by the taxpayer to a regional foundation approved pursuant to this act.

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

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

20 Sec. 2. K.S.A. 2005 Supp. 74-99c02 is hereby amended to read as
21 follows: 74-99c02. As used in this act, unless the context clearly requires
22 otherwise:

23 (a) "Banking industry" means banks, savings and loan associations
24 and credit unions;

25 (b) ~~"cash donation" means money or its equivalent contributed to the~~
26 ~~Kansas community entrepreneurship fund~~ "contribution" means and in-
27 cludes the donation of cash, services or property other than used clothing
28 in an amount or value of \$250 or more. Contributions shall be valued as
29 follows:

30 (1) Stocks and bonds contributed shall be valued at the stock market
31 price on the date of transfer;

32 (2) personal property items contributed shall be valued at the lesser
33 of the item's fair market value or cost to the donor and may be inclusive
34 of costs incurred in making the contribution. Such value shall not include
35 sales tax;

36 (3) contributions of real estate are allowable for credit only when title
37 of such real estate is in fee simple absolute and is clear of any encum-
38 brances; and

39 (4) the amount of credit allowable shall be based upon the lesser of
40 two current independent appraisals conducted by state licensed
41 appraisers;

42 (c) "center" means the Kansas center for entrepreneurship;

43 (d) "department" means the department of commerce;

(f) This section, as amended by this act, shall be construed and applied prospectively as well as retroactively to all taxable years beginning after December 31, 2003.

1 ~~—(c) Oversight and management of the fund shall be provided by the~~
 2 ~~Kansas center for entrepreneurship under guidelines developed and im-~~
 3 ~~plemented with the approval of the secretary. Any money received by the~~
 4 ~~center from any source shall be maintained in interest-bearing accounts~~
 5 ~~in Kansas banks or Kansas savings and loan associations. Any accounts~~
 6 ~~so maintained shall be administered by the center for entrepreneurship~~
 7 ~~under guidelines developed and implemented by the center and approved~~
 8 ~~by the secretary of commerce.~~

9 (b) *The Kansas center for entrepreneurship shall be subject to audit*
 10 *by the legislative division of post audit in accordance with the provisions*
 11 *of the legislative post audit act.*

12 ~~(c)~~ (c) A credit against the tax imposed by the Article 32, Chapter 79
 13 of the Kansas Statutes Annotated on the Kansas taxable income of ~~an~~
 14 ~~investor~~ a contributor and against the tax imposed by K.S.A. 40-252, and
 15 amendments thereto, shall be allowed for a ~~cash donation in contribution~~
 16 ~~to the Kansas community entrepreneurship fund center for entrepre-~~
 17 ~~neurship. The credit shall be a total maximum amount equal to 50% of~~
 18 ~~an investor's cash donation in 75% of a contributor's donation to the~~
 19 ~~Kansas community entrepreneurship fund center for entrepreneurship,~~
 20 subject to the limitation set forth. This tax credit may be used in its
 21 entirety in the taxable year in which the ~~cash donation contribution~~ is
 22 made, except that, no tax credit shall be allowed in a year prior to 2006.
 23 If the amount by which that portion of the credit allowed by this section
 24 exceeds the ~~investor's contributor's~~ liability in any one taxable year, be-
 25 ginning in the year 2006, the remaining portion of the credit may be
 26 carried forward until the total amount of the credit is used. If the ~~investor~~
 27 ~~contributor~~ is a corporation having an election in effect under subchapter
 28 S of the federal internal revenue code or a partnership, the credit pro-
 29 vided by this section shall be claimed by the shareholders of these cor-
 30 porations or the partners of a partnership in the same manner as these
 31 shareholders or partners account for their proportionate shares of the
 32 income or loss of these corporations or partnerships.

33 ~~(e)~~ (d) The secretary of revenue shall not allow tax credits of more
 34 than \$50,000 that are attributable to an individual ~~investor of cash do-~~
 35 ~~nations contributor~~ in the Kansas ~~community entrepreneurship fund cen-~~
 36 ~~ter for entrepreneurship~~ each year. In no event shall the total amount of
 37 tax credits allowed under this section exceed \$2,000,000 for any one fiscal
 38 year.

39 ~~(f) The Kansas center for entrepreneurship shall be reimbursed by~~
 40 ~~the department of commerce for the reasonable costs of the administration~~
 41 ~~of this act and for the processing, issuance and costs incurred in author-~~
 42 ~~izing tax credits from the Kansas community entrepreneurship fund.~~

43 (g) The Kansas center for entrepreneurship, along with the depart-

1 ment, shall develop a system for application for registration of an au-
 2 thorization of tax credits authorized pursuant to this act and shall control
 3 distribution of all tax credits to ~~investors contributors~~ pursuant to this act.
 4 The Kansas center for entrepreneurship, along with the department, shall
 5 also develop rules for the administration of and disbursements from ~~the~~
 6 ~~Kansas community entrepreneurship fund its accounts.~~

7 ~~(h) The Kansas community entrepreneurship fund shall be distrib-~~
 8 ~~uted center for entrepreneurship shall distribute grants~~ to regional or local
 9 community seed capital funds or economic development agencies based
 10 on the following criteria: (1) The organization can provide a 40% match;
 11 (2) the organization provides a plan that assures ~~grant~~ funds will be used
 12 as seed capital for qualified entrepreneurs; (3) the ~~grant~~ will be used in
 13 a distressed or rural community ~~and~~ or (4) other criteria as deemed nec-
 14 essary by the Kansas center for entrepreneurship.

15 Sec. 5. K.S.A. 2005 Supp. 74-50,154, 74-99c02, 74-99c05, 74-99c06
 16 and 74-99c09 are hereby repealed.

17 Sec. 6. This act shall take effect and be in force from and after its
 18 publication in the statute book.

f

funds

;

(g) This section, as amended by this act, shall be construed and applied prospectively as well as retroactively to all taxable years beginning after December 31, 2003.



The Kansas Center for Entrepreneurship was established as a component of the Kansas Economic Growth Act of 2004 to further establish entrepreneurship and small business as a priority for economic and community development in the state of Kansas. Its mission is to promote an entrepreneurial environment throughout the state of Kansas by establishing a central portal that connects entrepreneurs and small business owners with the right resource; expertise, education, and/or economic, at the right time.

Expertise - NetWork Kansas

NetWork Kansas is a statewide service that enables entrepreneurs and small business owners to be connected with the resources they need when they need them! Currently, there are more than 190 NetWork Kansas partners that provide business building services to entrepreneurs and small business owners. Network Kansas works by providing a conduit that bridges the entrepreneur and small business owner with the resource that has the expertise they need. Entrepreneurs and small business owners call 877-521-8600 to speak with a NetWork Kansas Counselor. NetWork Kansas' unique database enables counselors to view the entire network of resource partners and their area of expertise. The NetWork Kansas counselor researches the network with the entrepreneur's needs in mind and refers the entrepreneur to the partners that meet their particular needs. NetWork Kansas also tracks the success of the entrepreneur throughout the process by utilizing a software program called Biz-Trakker developed by the Kaufman Foundation and KCSOURCELINK of Kansas City.

Education - Entrepreneurial Education

The Kansas Center for Entrepreneurship has awarded a grant to the Center for Entrepreneurship at Wichita State University. The purpose of this grant is to perform an inventory of the entrepreneurial education currently being taught throughout the state. The inventory includes non credited and credited courses offered by K-12 schools, community colleges, private colleges, and regents colleges. The goal of this inventory process is to learn what is already available that can be promoted through NetWork Kansas and to determine a vision and mission for entrepreneurial education for the state of Kansas.

Economic Resources – StartUp Kansas

The mission of StartUp Kansas is to partner with business support providers in providing or obtaining seed capital funding for Kansas entrepreneurs in for-profit business startups and expansions in rural and distressed communities. Through its Kansas Community Entrepreneurship Fund, entrepreneurs can access StartUp Kansas funding by working with their local non-profit business support providers. Examples are the seven regional foundations: Northwest Kansas Planning and Development Commission, North Central Kansas Community Network Co., Glacial Hills Resource Conservation and Development Region, Inc., East Central Kansas Rural Development Tax Credit Program, Inc., Southeast Kansas, Inc., South Central Kansas Economic Development District, and Great Plains Development, Inc. Other examples of non-profit business support providers include Main Street Kansas organizations, Chambers of Commerce, Economic Development agencies and other non-profit organizations charged with assisting for-profit entrepreneurs and small businesses in Kansas.

CONTACT INFORMATION

Steve Radley, Director
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Email: sradley@fhsu.edu

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Senate Commerce Committee
February 1, 2006
Attachment 4-1

Senate Commerce Committee

February 1, 2006

Testimony by:
Wally Kearns, State Director
Kansas Small Business Development Center

Senate Bill 324

Chairwoman Brownlee and Chairman Jordan, I am Wally Kearns, State Director of the Kansas Small Business Development Center. Thank you for the opportunity to appear before your committee today.

My testimony is in support of SB 324. The change from a 50% to a 75% tax credit is vital for the seven Rural Business Development Tax Credit foundations and the Kansas Center for Entrepreneurship to be able to market and sell the tax credits. Tax credit sales will improve access to capital for new and existing businesses at the local and regional level.

The change from 50% to 75% is not due to a lack of effort on behalf of the seven Rural Business Development Tax Credit foundations; the foundations collaborated with other resources to identify strategies for selling the tax credits and also had the opportunity to attend Foundation Board training hosted by the Kansas Department of Commerce. Two KSBDC regional center directors also attended the training.

It is important to keep the tax credits competitive; this can be accomplished with the approval of SB 324 because it moves the Kansas Community Entrepreneurship Fund (StartUp Kansas) from the Kansas State Treasury to the Kansas Center for Entrepreneurship thus positioning the Fund to have the potential to qualify as a 501-c-3 not-for-profit organization.

Lastly, in order to sustain the Kansas Community Entrepreneurship Fund (StartUp Kansas) it is important for the Center and the Board of Directors to have the flexibility to not only grant the funds, but also to lend the funds.

Again, I thank you for this opportunity and would welcome your questions at this point.

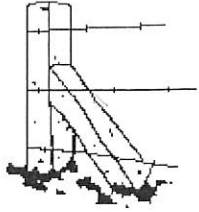
Contact Information: Wally Kearns, State Director, Kansas Small Business Development Center Network. ksbdc.wkearns@fhsu.edu 785-296-6514

Senate Commerce Committee

February 1, 2006

Attachment

5-1



North Central Regional Planning Commission

109 N. Mill Street • P.O. Box 565 • Beloit, KS 67420
Telephone: (785) 738-2218 • FAX: (785) 738-2185

January 31, 2006

The Honorable Janis Lee
Senator, 36th District
State Capitol, Rm 402-S
300 SW Tenth Street
Topeka, KS 66612

Re: Senate Bill 324 by Joint Committee on Economic Development

Dear Senator Lee:

The North Central Regional Planning Commission (NCRPC), along with its close affiliate, the North Central Kansas Community Network Co., a 501(c)3, was identified by the Kansas Department of Commerce as the regional foundation for North Central Kansas. To date we have successfully raised \$179,000 from eight (8) different businesses and individuals through use of the 50% state tax credits as authorized by the Kansas Rural Business Development Tax Credit Program with other donations pending.

Our experience thus far has been 50% credits for regional economic development are a tough sale. This is especially true given we must compete for donations against other programs offering larger tax credits that address projects much more easily envisioned than is economic development on a regional scale. The fact your Committee is proposing to increase the value of the 50% credits to 75% is welcomed, for it will make our job much more feasible and successful.

One additional action I would like the Joint Committee on Economic Development to further consider is that of making any increase retroactive. This would ensure all program donors are fairly treated plus reward all contributors to-date for the support they have given to their regional programs. This is an extremely important matter, since they are program pioneers and their best interests need to be considered if we expect them to remain committed to and engaged in the concept.

Again, thank you for the concern you and your counterparts have shown in making regional economic development a success.

Sincerely,

(E-mailed, dated stated)

John R. Cyr
Executive Director

Senate Commerce Committee

February 1, 2006

Attachment 6-1



KTEC

KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION



Overview of KTEC and KTEC Initiatives

Senate Commerce Committee
February 1, 2006

Tracy B. Taylor
President and CEO

Kansas Technology Enterprise Corporation (KTEC)

Senate Commerce Committee

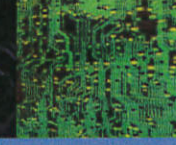
February 1, 2006

Attachment 7-1



KTEC

KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION



7-2

Agenda

About KTEC

Technology Commercialization Value Chain

Kansas and the Biosciences

Questions and Discussion



KTEC

KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION



7-3

About KTEC

- Created by Legislature in 1986
 - “Redwood-Krider Report” articulated need for entrepreneurship and technology economic development
- Governed by 20-member, industry-led board
 - Includes university, legislature and administration representatives
- Funded by the Economic Development Initiatives Fund,
 - Consists of revenues from the Kansas Lottery & Gaming Commission



KTEC

KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION



Technology Entrepreneurship

- Definition of "Technology"
 - *Processes* by which an organization transforms
 - labor,
 - capital,
 - materials, and
 - information
 - into products and services of greater value.
- Small business entrepreneurship – SBDC
- Technology entrepreneurship – KTEC



KTEC

KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION



KTEC Areas of Focus

Research

Centers of Excellence

- HBC, *Univ. of Kansas*
- ITTC, *Univ. of Kansas*
- NIAR, *Wichita St. Univ.*
- AMI, *Kansas St. Univ.*
- KPRC, *Pittsburg St. Univ.*

Experimental Program to Stimulate Competitive Research (EPSCoR)

Small Business Innovation Research (SBIR) assistance

Investments

Applied Research Matching Fund (ARMF)

Angel Tax Credits

Creation of Angel Networks

Technology Commercialization Seed Fund (TCSF)

Business Assistance

Incubators

- NISTAC, *Manhattan*
- LRTC, *Lawrence*
- ECJC, *Lenexa*
- KUMCRI, *Kansas City*
- ATC, *Pittsburg*
- WTC, *Wichita*
- WKTC, *Great Bend*
- Quest, *Hutchinson*

Mid-America Manufacturing Technology Center (MAMTC)



KTEC

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CORPORATION



7-6

4 Pillars of KTEC Strategy

- Flow Talent
 - Import new ideas, export good experiences with Kansas
- Process Improvements
 - Continuous, methodical, measurable and sustainable
- Critical Mass and Shared Services
 - Criterion and strategy for maximizing ROI
- Technology Commercialization Value Chain
 - Our responsibility – fill essential gaps and force collaboration



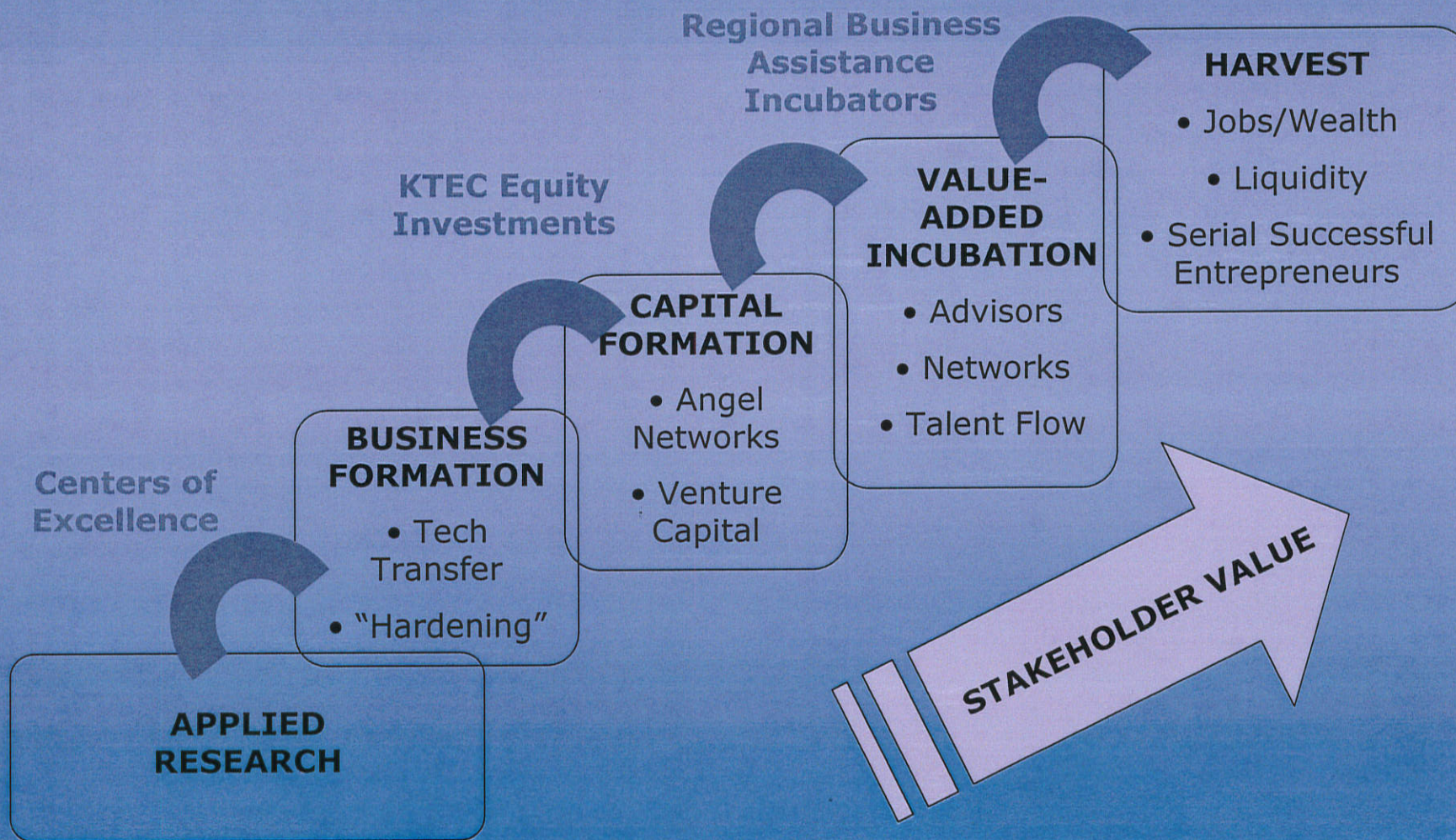
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7-7

Technology Commercialization Value Chain





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7-8

Principles of State-Sponsored Technology-Based Economic Development

- University (academia) sector mission =
 - Research, teaching and service (or extension)
 - Economic development is secondary
- Business (private) sector mission =
 - Shareholder value, principally from profits
 - Economic development is secondary
- Government (public) sector mission =
 - Stimulus for economic development that creates jobs and wealth by private sector, often by leveraging university sector investments



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CORPORATION



7-9

Fallacies of State-Sponsored Technology-Based Economic Development

- Universities should lead all aspects of technology commercialization
 - All of commercialization is not a university's job or responsibility
 - At best, universities should create an environment where technologies are accessible to private sector
 - They should retain some upside, but not negotiate to the brink of scuttling deals
 - Tech transfer offices are generally not viable profit centers
 - Best practice = tech transfer offices as courtesy service to researchers
- Trust private sector to fix university problems
 - Oversimplified views on world issues rarely produce insights



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Roles and Responsibilities

	Primary	Secondary #1	Secondary #2
Tracy Taylor	People development	New initiatives / resource planning	Stakeholder communications
Kevin Carr	Core operations – legislative affairs	University programs	Ctrs of Excellence
Michele Weigand	Investments	Process improvements	Capital formation
Suresh Ramamurthi	Capital formation	Business assistance	New initiatives
Dan Schmisser	New initiatives / resource planning	Strategic communications	Process improvements
Diarmuid Boran and George Laurence	New Business formation		Business assistance



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15-7

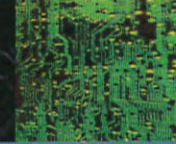
Capital Formation

- Implementation of Tax Credit Legislative Change
- Creation of Angel Networks in South Central, Southeast and Northeast Kansas



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Kansas and the Biosciences

- KTEC's Bioscience Initiatives
 - Kansas Economic Growth Act (KEGA)
 - KansasBio
 - Kansas Bioscience Innovation Roadmap
 - Kansas Bioscience Authority planning



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Kansas Economic Growth Act

1. Bioscience Authority Act
2. Emerging Industry Investment Act
 - Amended in 2005
3. Bioscience Development Financing Act
4. Bioscience Tax Investment Incentive Act
5. Bioscience Research and Development (R&D) Voucher Program Act
6. Bioscience Research Matching Funds Act
7. Center for Entrepreneurship Act
8. Angel Investor Tax Credit Act
 - Amended in 2005



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Mission – Bioscience Authority

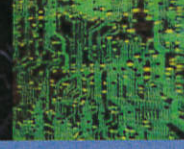
“The legislature of the state of Kansas hereby finds and declares that...the mission of the Kansas bioscience authority is:

- to make Kansas the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research, development and commercialization,
- to make Kansas a national leader in bioscience,
- to create jobs, foster economic growth, advance scientific knowledge, and improve the quality of life for the citizens of the state of Kansas.”



KTEC

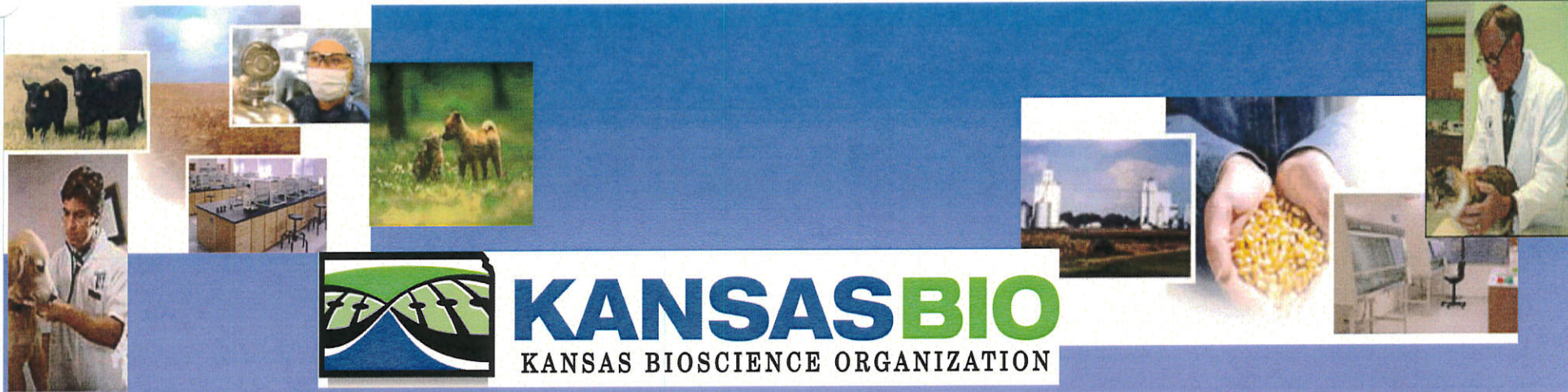
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Potential Outcomes – Metrics

Potential Outcomes	Cumulative After 10 Years
Research Expenditures	More than \$1B
Potential New Start-up Companies	More than 100
Anticipated New Bioscience Jobs	More than 23,000
Projected New Non-Bioscience Industry Jobs (Indirect)	More than 20,000



KANSAS BIO

KANSAS BIOSCIENCE ORGANIZATION

- Advocate for the bioscience community in Kansas
- Founded in 2004 by KTEC and KCALSI
- Trade organization representing the bioscience industry continuum in Kansas
 - Human, Plant, and Animal
 - Academic, Industry, and Government
 - Entrepreneurial ventures, start-ups, service providers
- Leading Kansas' presence at BIO 2006



KANSAS
Bioscience & Innovation
ROADMAP

Identifying and Strengthening Our
 Bioscience Assets and Opportunities





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7-18

Roadmap Summary

1.) *Kansas Institute for Human and Animal Health (including)*

- *Plant-based Pharmaceuticals*
- *Statewide Telemedicine Delivery*

2.) *Fusion Center for animal health and food safety*

- *Monitoring & Managing Biological Risk (with Institute)*

3.) *Kansas Center for Biologically-Inspired Materials*

4.) *Kansas Bioproducts Initiative*

- *Incubate Statewide Biofuels Project*
- *Neutraceuticals Project*

Statewide Collaboratory – Accelerating Digital BioScience Connectivity

Fundamentals Required for Achieving Sustainability

1.) Workforce

The Statewide Workforce Continuum: Skills, Competencies and Future Talent

2.) Awareness Campaign

Positioning Kansas' Assets:
Increasing Branding, Marketing and Awareness In and Beyond the State

3.) Statewide Funding Team

Resources for Competitiveness
Resources for Competitiveness:
Federal-Philanthropic-State-Industry

4.) 3C

Catalyzing Capital, Commercialization & Critical Mass of Growth, Mature Companies



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**CENTER FOR ECONOMIC DEVELOPMENT,
INNOVATION
& COMMERCIALIZATION**





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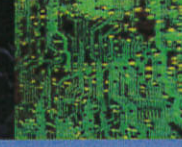
4 Pillars of KTEC Strategy

- Flow Talent
 - Import new ideas, export good experiences with Kansas
- Process Improvements
 - Continuous, methodical, measurable and sustainable
- Critical Mass and Shared Services
 - Criterion and strategy for maximizing ROI
- Technology Commercialization Value Chain
 - Our responsibility – fill essential gaps and force collaboration



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12-1

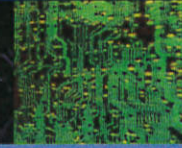
KTEC Values

- Private Sector
- Collaboration
- Partnerships
- Synergies



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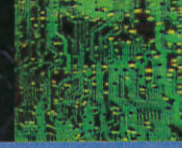
FY 2005 Results

- 890 Jobs Created or Retained
- \$62 Million Company Sales
- Ratio of Non-State to State Funds: \$8:1



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KTEC Cumulative Results

- 401 New Companies Started
- 14,987 Jobs Created or Retained
- \$1.35 Billion Company Sales
- \$391 Million Federal Grants
- \$334 Million Venture Capital
- \$151 Million Industry Capital Investment
- Leverage Ratio 4.5:1



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For more information about
KTEC visit, www.ktec.com
or call
785-296-5272

SENATE BILL No. 319

By Joint Committee on Economic Development

12-28

PROPOSED AMENDMENT
Senate Commerce Committee
January 30, 2006

Senate Commerce Committee
February 1, 2006
Attachment 8-1

9 AN ACT regarding eminent domain; concerning excess land; amending
10 K.S.A. 2005 Supp. 12-1773 and repealing the existing section.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. K.S.A. 2005 Supp. 12-1773 is hereby amended to read as
14 follows: 12-1773. (a) Any city which has adopted a redevelopment project
15 plan in accordance with the provisions of this act may purchase or oth-
16 erwise acquire real property in connection with such project plan. Upon
17 a $\frac{2}{3}$ vote of the members of the governing body thereof a city may acquire
18 by condemnation any interest in real property, including a fee simple title
19 thereto, which it deems necessary for or in connection with any project
20 plan of an area located within the redevelopment district. Prior to the
21 exercise of such eminent domain power, the city shall offer to the owner
22 of any property which will be subject to condemnation with respect to
23 any redevelopment project, other than one which includes an auto race
24 track facility or a special bond project, compensation in an amount equal
25 to the highest appraised valuation amount determined for property tax
26 purposes by the county appraiser for any of the three most recent years
27 next preceding the year of condemnation, except that, if in the year next
28 preceding the year of condemnation any such property had been damaged
29 or destroyed by fire, flood, tornado, lightning, explosion or other cata-
30 strophic event, the amount offered should be equal to the appraised val-
31 uation of the property which would have been determined taking into
32 account such damage or destruction unless such property has been re-
33 stored, renovated or otherwise improved. However no city shall exercise
34 such eminent domain power to acquire real property in a conservation
35 area. Any such city may exercise the power of eminent domain in the
36 manner provided by K.S.A. 26-501 et seq., and amendments thereto. In
37 addition to the compensation or damage amount finally awarded there-
38 under with respect to any property subject to proceedings thereunder as
39 a result of the construction of an auto race track facility or a special bond
40 project, such city shall provide for the payment of an amount equal to
41 25% of such compensation or damage amount. In addition to any com-
42 pensation or damages allowed under the eminent domain procedure act,
43 such city shall also provide for the payment of relocation assistance as

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1 provided in K.S.A. 12-1777, and amendments thereto.

2 (b) Any real property acquired by a city under the provisions of this
 3 ~~act~~ may be sold, transferred or leased to a developer, in accordance with
 4 the redevelopment project plan and under such other conditions as may
 5 be agreed upon. Any real property sold, transferred or leased to a rede-
 6 velopment project developer for a specific redevelopment project shall be
 7 sold, transferred or leased to such developer on the condition that such
 8 property shall be used only for that specific approved redevelopment pro-
 9 ject. If the developer does not utilize the entire tract of the real property
 10 sold, transferred or leased, that portion of property not used shall not be
 11 sold, transferred or leased by the developer to another developer or party,
 12 but shall be deeded back to the city. If the developer paid the city for the
 13 land, a percentage of the ~~amount~~ paid to the city which represents the
 14 percentage of the entire tract being deeded back to the city shall be re-
 15 imbursement to the developer upon the deeding of the property back to the
 16 city.

section

original purchase price

17 (c) ~~Should the redevelopment project developer, in violation of sub-~~
 18 ~~section (b), sell the excess unused real property to another developer, the~~
 19 ~~total dollar amount received for the excess real property by the redevel-~~
 20 ~~opment project developer shall be turned over to the city as a civil penalty~~
 21 ~~for such violation.~~

Any transfer by the redevelopment project developer of real property acquired pursuant to this section shall be valid only if approved by a 2/3 majority vote of the members-elect of the governing body

22 Sec. 2. K.S.A. 2005 Supp. 12-1773 is hereby repealed.

23 Sec. 3. This act shall take effect and be in force from and after its
24 publication in the statute book.

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