

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on January 24, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Hank Avila, Kansas Legislative Research Department
Jason Long, Revisor of Statutes
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Sen. Nick Jordan
Dick Carter, Jr., Exec. Dir., Travel Industry Association of Kansas
Sandy Praeger, Kansas Insurance Commissioner
Tom Thornton, Pres. & CEO, Kansas Bioscience Authority

Others attending:

See attached list.

Senator Jordan spoke to the Committee briefly regarding Kansas Tourism Initiative (KTI).

Questions and answers followed.

Dick Carter offered a power point presentation on KTI. (Attachment 1).

Questions and answers followed.

Kathie Sparks presented a summary on the 2004 Kansas Bioscience Authority Act. (Attachment 2).

Questions and answers followed.

Commissioner Praeger appeared before the Committee to request a bill regarding a technical amendment to the employee tax credit. (Attachment 3).

A motion was made by Representative Olson and seconded by Representative Swanson to place this bill on the consent calendar. The motion passed on a voice vote.

Tom Thornton then provided the Committee with an update on the Kansas Bioscience Authority. (Attachment 4).

Mr. Thornton also offered information regarding the National Bio- and Agro-Defense Facility (NBAF), and an overview on sites in Kansas that are under consideration for the construction of a research laboratory. (Attachment 5).

He told the Committee that he was working on an annual report at this time and at the Chair's request, agreed to return at a later date to provide the Committee with any strategic plans that KBA might have.

The meeting was adjourned at 5:15 p.m. The next meeting is scheduled for Thursday, January 25, 2007.

House Economic Development & Tourism
Committee



January 24, 2007

Why KTII?



Created to research and manage the preparation of a comprehensive plan that will envision the full potential of the Kansas tourism industry statewide, including tourism product, message and return on investment.

KTII will encompass all diverse components, sectors and geographical regions.

KTII will operate as an empowered cooperative effort setting strategies and goals, allocating resources, evaluating plans and programs with the intent of creating a mechanism to maximize the economic benefits of the Kansas tourism industry.

Economic Development & Tourism

Date: 1-24-07

Attachment # 1-1

What are KTI Goals?

- Build for the future of the tourism industry statewide through cooperation and partnership
- Evaluate existing public and private resources to identify strategic issues and opportunities



KTI Goals continued. . .

- Maintain open communications with all segments of the state's tourism industry, challenging "all participants to dream big, with no barriers or boundaries" related to funding, resources, structure and execution for the KTI plan



KTI Goals continued. . .

- Educate Kansans of the resulting benefits of tourism development, including government officials, public and private leaders, business owners and operators and private citizens
- Establish a clear, concise, collective and empowered voice for the Kansas tourism industry



KTI Goals continued. . .

- Establish an acceptable and approved ROI measurement of the impact of the tourism industry – including baseline data and benchmarks to demonstrate success
- Create a nationally recognized and respected strategy for tourism development that will encourage and enable the industry to grow new tourism products and ideas, through public and private coalitions



KTI Goals continued. . .

- Present a sound public policy KTI Recommendation to Kansas Legislature and Governor for approval and support



Why Do We Need KTI?

- To transform the current day “inter-dependent tourism industry” to a “highly integrated tourism industry”
- To educate and gain support of business leaders, elected officials and citizens of Kansas about the economic benefits of a healthy, optimal tourism industry - including tax benefits, improved quality of life and workforce development



What KTI is NOT!

- An effort to simply secure more funding for the existing Kansas Division of Travel & Tourism
- An opportunity for individuals, communities and/or special interest groups to dictate the agenda and process with single focused goals
- A marketing tool! KTI is not a one-time special event with a unique marketing purpose



Why Does KTI Need YOU?

- Industry-wide “buy-in” is critical to KTI plan development, legislative support and passage
- ROI requires an investment from the tourism industry
- Investment of time, dollars and ideas will enable you and all tourism industry partners to maximize economic benefits for all sectors of the tourism industry



How Will KTI Function?

- **KTI Taskforce – Core Committee Members** are responsible for the strategic guidance and execution of KTI efforts
 - Senator Nick Jordan
 - Judy Billings, Lawrence CVB
 - Jeff Boerger, Kansas Speedway
 - Scott Nichols, Governor's Council on Economic Development
 - Michael Phipps, Hilton Wichita Airport Executive Conference Center
 - Stephen Koranda, Olathe Chamber & CVB
 - Becky Blake, Kansas Division of Travel & Tourism
 - Dick Carter, TIAK



KTI Taskforce Members:

Randall Allen, Kansas Association of Counties
Marlee Carpenter, Kansas Chamber of Commerce & Industry
Jennie Chinn, Kansas State Historical Society
Jerry Cook, Overland Park CVB
Llewellyn Crain, Kansas Arts Commission
Karen Hibbard, Manhattan CVB
Sandy Jacquot, League of Kansas Municipalities
Jerry Lindberg, Kansas Economic Development Alliance President
Bob Mathews, Kansas Department of Wildlife & Parks
Don Moler, League of Kansas Municipalities
Judy Moler, Kansas Association of Counties
Julie Mulvihill, Kansas Humanities Council
Kathy Olsen, Kansas Bankers Association
Tom Palace, Petroleum Marketers & Convenience Store Association of Kansas
Marci Penner, Kansas Sampler Foundation
Gina Riedel, Kansas Chamber of Commerce Executives President
John Rolfe, Greater Wichita CVB
Chuck Stones, Kansas Bankers Association
Jennifer Willits, Kansas Restaurant/Hospitality Association
Shari Wilson, Kansas Division of Wildlife & Parks Commissioner

How Will KTI Function cont . .

- **KTI Taskforce Members**

- Responsible for on-going and regular communication and guidance in the process of KTI plan development and approval
- Help communicate KTI message locally, encouraging “buy-in”
- Assist in gathering information and research from industry sectors
- Provide continued information updates to local communities and industry segments



How Will KTI Function cont. .

- **Kruzic Communications, Inc.**

- PR & Marketing firm specializing in providing service to the hospitality industry
- To facilitate the process and communicate progress to the industry and appropriately interested leaders

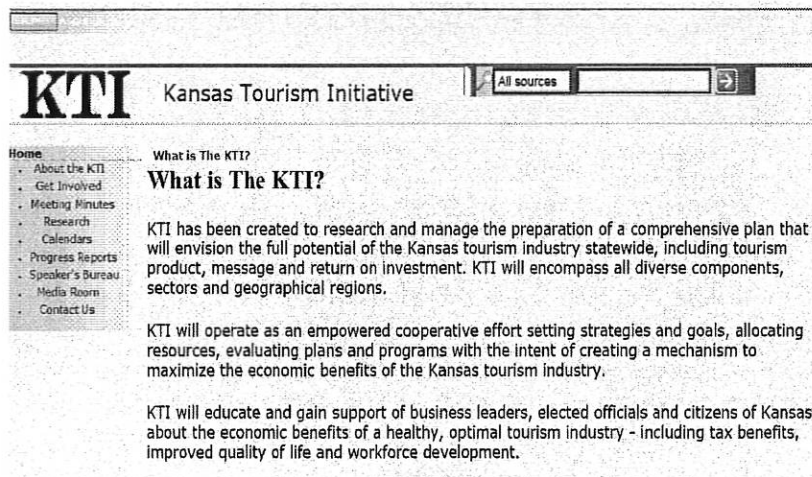


How Can YOU Participate?

- Talk to KTI Taskforce members to share new thoughts and ideas
- Stay current on KTI activity via the intranet www.thekti.net
- Provide KTI financial funding support through TIAK
- Serve as KTI ambassador in your community and/or your segment of the tourism industry



www.thekti.net



The screenshot shows the homepage of the Kansas Tourism Initiative website. At the top, there is a navigation bar with the KTI logo and the text "Kansas Tourism Initiative". To the right of the logo is a search bar with the text "All sources" and a search icon. Below the navigation bar, there is a "Home" menu on the left with links to "About the KTI", "Get Involved", "Meeting Minutes", "Research", "Calendars", "Progress Reports", "Speaker's Bureau", "Media Room", and "Contact Us". The main content area is titled "What is The KTI?" and contains the following text:

What is The KTI?

KTI has been created to research and manage the preparation of a comprehensive plan that will envision the full potential of the Kansas tourism industry statewide, including tourism product, message and return on investment. KTI will encompass all diverse components, sectors and geographical regions.

KTI will operate as an empowered cooperative effort setting strategies and goals, allocating resources, evaluating plans and programs with the intent of creating a mechanism to maximize the economic benefits of the Kansas tourism industry.

KTI will educate and gain support of business leaders, elected officials and citizens of Kansas about the economic benefits of a healthy, optimal tourism industry - including tax benefits, improved quality of life and workforce development.



Funding the KTI

- Anticipated Campaign – including national firm involvement - \$160,000
- Amount Pledged as of January 24, 2007 - \$135,000



What is KTI's Timeline?

- Fall 2006
 - Creation of KTI, Taskforce, Core Committee
 - First meeting of KTI Core Committee and Taskforce for preliminary discussions about resources, direction, goals and strategies – encouraging buy-in from all industry partners
 - Create KTI intranet - a communication & resource tool for the industry
 - Draft organizational outline for KTI document/plan
 - Core Committee and Taskforce member committee assignments
 - Begin research, inventory and evaluation of Kansas tourism product



KTI Timeline cont. . .

- **Winter 2006-07**
 - Continued meetings with KTI Core Committee
 - Second meeting of KTI Taskforce
 - Preliminary outline for KTI plan, solidifying the KTI message
 - Initial discussions with Kansas legislators and elected officials
- **Summer 2007**
 - Begin creation of the KTI final plan/document
 - Prepare for 2008 legislative session through summer interim committee meetings



KTI Timeline cont. . .

- **Fall/Winter 2007-08**
 - Incorporate changes to create final KTI plan
 - Facilitate endorsement by accredited firm such as Ernst & Young
 - Coordinate support and draft of legislation incorporating KTI plan
- **Winter/Spring 2008**
 - Introduction of KTI legislation, including management and coordination of industry representatives
 - Assist in securing Legislative and Office of the Governor's approval of KTI plan



Get On Board!

Kansas Tourism Initiative (KTI) is the force behind the development and implementation of a nationally recognized strategic plan to promote the Kansas tourism industry and ultimately improve the quality of life for every Kansan. KTI will replace statewide interdependency with statewide integration creating collaboration and cooperation among all Kansas industries and geographic regions.



*So –
create,
collaborate &
Get involved!*

For More Information Contact

**Dick Carter, Jr.
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Travel Industry Association of Kansas
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January 24, 2007

2004 KANSAS BIOSCIENCE AUTHORITY ACT SUMMARY

Senate Sub. for Sub. for HB 2647, passed by the 2004 Legislature, created the Kansas Economic Growth Act. The bill also created or amended ten additional acts (which will not be discussed in this memorandum).

History of Kansas Bioscience Authority Act

Work in the area of bioscience was not new when the Kansas Legislature passed the Act in 2004. The Georgia Research Alliance was established in 1989 with a \$350 million investment by the State of Georgia. Since then, Georgia has attracted 40 eminent scholars and their teams, who have attracted significant federal and private funding for research, created new start-up companies and jobs from their discoveries, and helped Georgia companies to expand into new markets through collaborative efforts.

In 2000, Wisconsin launched BioStar, a 10-year \$317 million initiative to build a series of state-of-the-art research centers on the University of Wisconsin-Madison campus. In 2001, the Texas Legislature appropriated \$800 million for science, engineering, research, and commercialization activities, of which \$385 million was dedicated for construction, laboratory expansion, and equipment acquisition for research and science facilities at the state's universities.

In 2002, Ohio established its Third Frontier Program with a \$1.6 billion 10-year economic development program, which included \$500 million for a capital improvement program to improve research facilities and an additional \$500 million for a bond program to recruit world-class researchers and provide for technology commercialization.

In addition, Missouri announced a \$190 million bonding proposal that would create a Life Sciences Research District Program in late 2003. The proposal would have allowed for earmarking incremental state and local tax revenue from designated life science companies. If passed (I have been unable to verify the passage of this act at this time), this money would be dedicated to finance additional public-sector investment in life sciences programs at universities, including research facilities, wet labs, equipment, and scholarships.

During 2003, Thomas P. Miller & Associates completed a *State of Kansas Life Sciences Industry Survey* and found that Kansas, like many other states, is poised to take advantage of its homegrown strengths in the biosciences. More than 20,000 jobs in the State of Kansas are associated with the biosciences in 2004. In 2004, Kansas' bioscience industry includes more than 160 bioscience companies employing 11,000 to 13,000 people. These companies include Oceanic Medical Products in Atchison; Boehringer Ingelheim Vetmedica in Elwood; Forbes Medical in Burlingame; Labconco in Fort Scott; Primus Sterilizer in Great Bend; Stromgrem Support and Central Plains Labs in Hays; Bayer Animal Health and Bayer Crop Science, Cydex, JRH Bioscience, LabOne

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Economic Development & Tourism

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and Vasogenix in Johnson County; Deciphera Pharmaceuticals and Serologicals in Lawrence; Abbott Labs in McPherson; Hill's Pet Nutrition and Biocore in Topeka; and Cargil and St. Joe Vio Christi Lab in Wichita.

Kansas universities employ approximately 8,500 bioscience researchers and related support staff. Kansas was ranked 28th in the nation with 1,170 degrees awarded in the biological sciences in 2000, of which 51 were PhDs. Kansas employed two National Academy of Science (NAS) members. In 2000, the state's universities had \$140.3 million in federally supported research expenditures, of which \$41.2 million went to agricultural sciences, \$58.2 million went to biological sciences, \$23.4 million went to medical sciences, and \$17.5 million went to other life sciences.

2004 House Bill 2647

Bioscience Authority Act created the Kansas Bioscience Authority, governed by an 11-member Board of Directors.

- Nine members would be voting members representing the general public, who demonstrate leadership in finance, business, bioscience research, plant biotechnology, basic research, health care, legal affairs, bioscience manufacturing or product commercialization, education, or government. In addition, one member of the Board is to be an agricultural expert who is recognized for outstanding knowledge and leadership in the field of bioscience.
- The Governor, the Speaker of the House, and the President of the Senate will each appoint two Board members, and the House Minority Leader, Senate Minority Leader, and Kansas Technology Enterprise Corporation (KTEC) will each appoint one member.
- Two non-voting members of the Board are to represent state research universities and have research expertise, and represent Kansas universities.
- The voting members are subject to Senate confirmation and will serve four-year terms after conclusion of the initial term, with no more than three consecutive four-year terms.
- The Bioscience Authority is to be headquartered in the county with the highest number of bioscience employees associated with bioscience companies.
- The Authority, with state universities, would identify and recruit eminent and rising star scholars; jointly employ personnel to assist or complement eminent and rising star scholars; determine types of facilities and research; facilitate integrated bioscience research; and provide matching funds for federal grants.
- The Authority is given the power to:
 - Oversee the commercialization of bioscience intellectual property created by eminent and rising star scholars.
 - Own and possess patents and proprietary technology, and enter into contracts for commercialization of the research.

- Incur indebtedness and enter into contracts with the Kansas Development Finance Authority (KDFA) for bonding to construct state-of-the art facilities owned by the Authority. Neither the State of Kansas nor KDFA would be liable for the bonds of the Authority.
- Purchase, lease, trade, and transfer property. Architecture and construction requirements similar to those affecting the research universities' research facilities would also apply. Eminent domain would not be allowed to be used to secure agricultural land for a bioscience project.
- Solicit and study business plans and proposals.
- Establish a contractual relationship with KTEC and the National Institute for Strategic Technology Acquisition and Commercialization (NISTAC) for the first five years of operation.
- Enter into a required repayment agreement for any bioscience company that receives grants, awards, tax credits or any other financial assistance, including financing for any bioscience development project, if the company relocates operations associated with the funding outside Kansas within ten years after receiving such financial assistance. The Authority would be required to specify the terms of the repayment obligation and the amount to be repaid.

Emerging Industry Investment Act created the Bioscience Development Investment Fund which will not be a part of the state treasury.

- Funds in the Bioscience Development Investment Fund would belong exclusively to the Authority. The Secretary of Revenue and the Authority establish the base year of taxation for all bioscience companies and all state universities conducting bioscience research in the state.
- The Secretary of Revenue, the Authority, and the Board of Regents establish the number of bioscience employees associated with state universities, report annually, and determine the incremental increase from the base annually for the 15 years following the effective date of the Act.
- All of the incremental state taxes generated by the growth of bioscience companies and research institutions over and above the base taxation year go into the Fund. The baseline amount of state taxes go to the State General Fund each year. The Bioscience Development Investment Fund is used to fund programs and repay bonds.

Bioscience Development Financing Act allowed creation of tax increment financing districts for bioscience development.

- One or more bioscience development projects could occur within an established bioscience development district.
- The process for establishing the district follows the tax increment financing statutes. However, no bioscience development district can be established without the approval of the Authority.
- The bill allows counties to establish bioscience development districts in unincorporated areas.
- KDFA may issue special obligation bonds to finance a bioscience development project. The bonds would be paid with ad valorem tax increments, private sources, contributions, or other financial assistance from the state and federal governments.
- The bill creates the Bioscience Development Bond Fund, which will be managed by the Authority and not be part of the state treasury. A separate account will be created for each bioscience development district (BDD) and distributions will pay for the bioscience development project costs in a BDD.

Bioscience Tax Investment Incentive Act makes additional cash resources available to start-up companies.

- The bill created the Net Operating Loss (NOL) Transfer Program. The program will allow the Bioscience Authority to pay up to 50 percent of a bioscience company's Kansas NOL during the claimed taxable year.
- The program is managed by the Kansas Department of Revenue and would be capped at \$1.0 million for any one fiscal year.

Bioscience R and D Voucher Program Act establishes the Bioscience R and D Fund in the state treasury.

- The Fund could receive state appropriations, gifts, grants, federal funds, revolving funds, and any other public or private funds.
- The program requires that any Kansas companies conducting bioscience research and development apply to the Authority for a research voucher. After receiving a voucher, the company then locates a researcher at a Kansas university or college to conduct a directed research project.
- At least 51 percent of voucher award funds could be expended with the university in the state under contract, and could not exceed 50 percent of the research cost.
- The maximum voucher funds awarded could not exceed \$1.0 million each year for two years, and could not exceed 50 percent of the research costs. The

company would be required to provide a one-to-one dollar match of the project award for each year of the project.

Bioscience Research Matching Funds Act established the Bioscience Research Matching Fund to be administered by the Authority.

- Recipients must be bioscience research institutions and are encouraged to jointly apply for funds. The funds would be used to promote bioscience research and to recruit, employ, fund, and endow bioscience faculty, research positions, and scientists at universities in Kansas.
- Application for the matching funds would be made to the Authority.

Funding for the Kansas Bioscience Authority

The Secretary of Revenue is to establish the base year taxation for all Kansas bioscience companies and state universities. The Secretary, the Authority, and the Board of Regents are to establish the number of bioscience employees associated with state universities and report annually and determine the increase from the taxation base annually. For a period of 15 years from the effective date of the Act, the State Treasurer shall pay to the Bioscience Development and Investment Fund the state taxes in excess of the base year taxation from all bioscience companies as certified by the Secretary of Revenue. In addition, the State Treasurer shall pay, annually, 95 percent of withholding above the base (December 31, 2003), as certified by the Secretary of Revenue, upon Kansas wages paid by bioscience employees to the Bioscience Development and Investment Fund. In statute, a bioscience company is any Kansas company with the following NAICS codes:

- 325411 Medicinal and Botanical Manufacturing
- 325412 Pharmaceutical Preparation Manufacturing
- 325413 In-Vitro Diagnostic Substance Manufacturing
- 325414 Biological Product (except Diagnostic) Manufacturing
- 325193 Ethyl Alcohol Manufacturing
- 325199 All Other Basic Organic Chemical Manufacturing
- 325311 Nitrogenous Fertilizer Manufacturing
- 32532 Pesticide and Other Agricultural Chemical Manufacturing** (Deleted in 2005)
- 325320 Pesticide and Other Agricultural Chemical Manufacturing
- 334516 Analytical Laboratory Instrument Manufacturing
- 339111 Laboratory Apparatus and Furniture Manufacturing
- 339112 Surgical and Medical Instrument Manufacturing
- 339113 Surgical Appliance and Supplies Manufacturing
- 334510 Electromedical and Electrotherapeutic Apparatus Manufacturing
- 334517 Irradiation Apparatus Manufacturing
- 339115 Ophthalmic Goods Manufacturing
- 621511 Medical Laboratories
- 621512 Diagnostic Imaging Centers
- 54171 Research and Development in the Physical, Engineering, and Life Sciences** (Deleted in 2005)
- 541710 Research and Development in the Physical, Engineering, and Life Sciences

54138 Testing Laboratories (Deleted in 2005)
541380 Testing Laboratories
54194 Veterinary Services (Deleted in 2005)
541940 Veterinary Services
622110 *General Medical and Surgical Hospitals (Added in 2005)*

Source: www.census.gov/epcd/naics02/naicod02.htm

The term NAICS stands for the North American Industry Classification System which is maintained by the U.S. Bureau of the Census.

If you have any questions, please do not hesitate to contact me at Kathies@klrd.state.ks.us or 785-296-4405.



K a n s a s I n s u r a n c e D e p a r t m e n t

Sandy Praeger COMMISSIONER OF INSURANCE

HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

REQUEST FOR BILL INTRODUCTIONS BY KANSAS INSURANCE COMMISSIONER

JANUARY 24, 2007

Madam Chair and members of the Committee:

Thank you for allowing me to appear before you. Today I would like to propose an amendment to the Wheatland's Tax Incentive Bill. This is a technical amendment to the employee tax credit currently available to insurers against their premium tax.

For 40 years Blue Cross and Blue Shield of Kansas has administered a Medicare program for Kansas and other surrounding states.

Administration of this Medicare contract with the federal government is up for bid and there is stiff competition. There are currently about 600 jobs associated with this contract. I am proposing that the legislature do all it can to keep the Medicare contract in the state of Kansas.

Thank you for your time and now I will stand for any questions from the committee.

Sandy Praeger
Kansas Insurance Commissioner

Statement

**Tom Thornton
President and CEO
Kansas Bioscience Authority**

**Before the
House Economic Development and Tourism Committee**

Kansas Bioscience Authority Update

January 24, 2007

Chairwoman Gordon, members of the Committee, thank you for the opportunity to testify before you this morning to update you on the activities of the Kansas Bioscience Authority

There are four basic themes I want to share with you this morning:

1. Our success in generating a return on our investments
2. Our efforts to enhance bioscience research at Kansas' academic institutions
3. Our new focus on fostering the formation and growth of bioscience startups
4. Our commitment to make Kansas an international leader in sectors where we are already well positioned.

Return on Investment

First, the KBA continues to focus on fulfilling the mission we've been given by the Legislature, and the people of Kansas. And we continue to do it well.

You've entrusted us with a three-dimensional mission of expanding bioscience R&D, commercialization, and industrial recruitment that I see at work every day. Whether it's:

1. Aggressively pursuing a new \$450 million federal laboratory to the state;
2. Commercializing bio-fuels technology in western Kansas in conjunction with Sunflower Electric Power and major bio-fuels companies; and
3. Attracting, England-based Oncimmune to locate in Lenexa.

...the KBA is hard at work making our state a leader in the biosciences.

To date most of the KBA's activities have been focused on attracting bioscience companies to the state. That strategy has been sound. It will allow us the opportunity to do the important work in front of us. Going forward, you can expect to see a more balanced portfolio of activities out the KBA that equally emphasizes growing our research base, commercialization and industrial attraction.

Enhancing the Health and Vitality of the Kansas' Bioscience R&D Enterprise

Over the past few months, the KBA has moved aggressively to enhance the state's bioscience research base. Our academic research institutions are important pillars in the foundation of long-term growth in Kansas' bioscience sector. They produce skilled graduates, new scientific and technological knowledge and commercial innovations essential to the comparative advantage of Kansas.

The federal government is the largest supporter of research at Kansas research institutions. The health and vitality of Kansas' bioscience sector is inextricably linked to the state's ability to exploit federal R&D funding for its research institutions.

So, you might ask, how are we doing in the return of federal R&D funds? To put it lightly...NOT WELL!

Kansas ranks a lowly 43rd in the return of federal funding for R&D. In fact, Kansas' federal R&D ranking has actually declined in each of the last five years. We're losing ground.

On the bright side, bioscience research represents the largest component of federal R&D funding. Bioscience research at Kansas universities accounts for nearly 60 percent of all federal R&D funds.

But without adequate federal support, Kansas' basic research efforts will quickly erode. In order to become a national leader in bioscience, Kansas needs an aggressive federal R&D advocacy strategy. And the KBA has developed it and is going to lead it.

Our plan is straightforward. We're going to aggressively communicate the scientific and economic importance of continued federal support for R&D in Kansas research institutions.

- Monitor overall federal budget trends and their impact on Kansas institutions
- Proactively determine federal R&D interests and exploit those opportunities
- Develop a unified Kansas R&D agenda
- Mobilize support for R&D agenda through meetings with public policy leaders and industry "champions"
- KBA can provide matching funds to leverage federal and private sector R&D
- Update R&D report annually focusing on outcomes and partnerships

National Bio and Agro-defense Facility (NBAF)

Importantly, we've already developed aggressive plans to pursue large-scale federal R&D funding opportunities. The most notable among these is the \$450 million Department of Homeland Security's National Bio and Agro-defense Facility, or NBAF.

NBAF represents a seminal opportunity to secure a federal laboratory in Kansas in a research area in which the state has internationally recognized strengths.

- The NBAF will be a magnet for private bioscience companies and will help anchor Kansas' existing strengths in animal health and plant sciences.
- It will bring international recognition to the state and its citizens if Kansas is selected for this facility. It will bring hundreds of millions in research dollars to Kansas' research universities and our world-class animal health industry.
- Most importantly, NBAF research activities will help safeguard and support the general public and Kansas' agricultural and food industries.

The Department of Homeland Security is currently conducting a nationwide site selection competition to build NBAF. Two sites in Kansas are under consideration for the NBAF, a site in Manhattan and one in Leavenworth. Kansas is the ideal location for the NBAF. The primary strength of Kansas' NBAF bid lies in the efficiencies and effectiveness that the NBAF would gain by locating near a critical mass of assets in the state.

But with an estimated economic impact of over \$3.5 billion over 20 years, the competition for NBAF is intense. The KBA has developed an aggressive plan to land the project.

Governor Sebelius announced last week she will soon sign an Executive Order appointing a Task Force comprised of some of Kansas' most influential representatives from business, academia and government to support the siting of the NBAF facility at one of the two sites in Kansas.

We've pulled together a team of internationally recognized experts to help develop our proposals and we're busy securing strong public support for the project.

Fostering the Formation and Growth of Bioscience Startups

We're also taking important steps to foster the formation and growth of bioscience startups. To do this, the KBA Board of Directors has approved the formation of a new program called BioVentures and committed \$4.7 million to support its operations over the next three years.

The mission of this unique program is to provide consulting services to bioscience startups in order to better prepare them to raise private capital and go to market.

Our strategy is focused:

- Tap centers of innovation and encourage regional bioscience entrepreneurship
- Focused services not currently available to bioscience entrepreneurs
- Reach out to bioscience VCs in the Midwest and nationally
- Emphasize niches where we have existing strengths

Our goals are aggressive because they need to be. Kansas ranks nearly dead last in the country in the amount of venture investment in the biosciences.

- We want to put the state on the path to exceed \$100 million annually in bioscience-related venture capital investments. We believe this level of investment denotes regional significance for early-stage bioscience activity.
- We will find and develop average of 10-12 regional bioscience companies annually
 - To do this, we will need to work with universities, entrepreneurs and corporations to develop strong pipeline

Importantly, we're not doing this alone. We intend to engage KTEC as a full partner in the execution of this program.

Growing Kansas' Bioscience Sectors

Lastly, let me address what may be the KBA's most important program, namely the Kansas Bioscience Centers of Innovation. This program recognizes that Kansas has inherent strengths in bioscience clusters such as animal health, plant sciences, biofuels, human health and bio-composites. But, currently, there is no program that specifically targets these sectors. We're going to change that.

The Bioscience Centers of Innovation will be large-scale, multi-institutional initiatives designed to position these sectors for international leadership. (Bio-composites)

But this isn't just research...this is an integrated strategy that will advance scientific knowledge, create globally competitive products, form new companies, attract new companies and key individuals, and employ significant numbers of Kansans.

- Technology focus must be world-class,
- Sustainable, and
- Supportive of economic development priorities in one or more Kansas regions.
- We will manage the Manage Eminent Scholars Program through the Centers. The recruitment of talent to Kansas is a requirement for these Centers – at least three prominent hires from outside Kansas, including eminent and entrepreneurial researchers.
- Centers must demonstrate continuous, industry driven market insight and that such insight will drive decision-making. The private sector participation is required in all aspects of operations. Private sector must lead and dominate boards.
- KBCIs must accelerate pace of commercialization and address full-cycle of activities.
- Business model must credibly describe how the Center will be maintained without further KBA support.
- Key outcomes include jobs, product sales, research funding, capital investment, and attraction of new companies and individuals.

Over the next few months, the KBA will issue an RFP challenging public and private organizations to develop compelling strategies in these sectors.

Accountability

As the chief executive of the KBA and with experience in the management of publicly supported technology development programs, I understand that the KBA is the steward of more than just the public's treasury...we are stewards of the public's trust.

I'm pleased to tell you my first hire at the KBA was a chief financial officer with over 20 years experience in the private sector. She is hard at work developing the internal financial management controls and procedures that will provide the transparency you expect from us. We are working to develop tighter and more clearly defined evaluation criteria for our investments and working closely with each of our investments to ensure they hit the milestones they supposed to.

Conclusion

In summary: We are fulfilling KBA's mission and providing an excellent return on the state's investment in us. We deeply appreciate the leadership that you have shown in developing the Kansas Economic Growth Act which established the KBA. Thank you for giving me the opportunity to testify. I'll be glad to answer your questions.

KANSAS Bioscience Authority

Backgrounder National Bio- and Agro-Defense Facility

Overview

The Department of Homeland Security (DHS) is seeking a location to build a \$450 million, 500,000-square-foot, high-containment (biological containment) federal laboratory to research and develop countermeasures to animal, human, and zoonotic (infecting both animals and people) diseases. DHS is calling this proposed center the National Bio- and Agro-Defense Facility, or NBAF. NBAF will provide the nation with integrated research and response capabilities to protect animal and public health and enhance the nation's capability to protect livestock and the livestock industry from both naturally occurring and intentionally introduced disease threats.

Two sites in Kansas are under consideration for the NBAF, one in Manhattan and one in Leavenworth. NBAF represents a seminal opportunity to secure a federal laboratory in Kansas in a research area in which the state has internationally recognized strengths.

Governor Kathleen Sebelius soon will sign an Executive Order appointing a task force comprised of some of Kansas' most influential representatives from business, academic, and government to support the siting of the NBAF facility at one of the two sites in Kansas.

National Bio- and Agro-Defense Facility

DHS has identified the need for "safe, secure, and state-of-the-art agriculture biocontainment laboratories that research and develop diagnostic capabilities for foreign animal and zoonotic diseases." The Plum Island Animal Disease Center (PIADC), owned and operated by DHS and the Department of Agriculture (USDA), currently performs much of this research. However, there are no facilities in the United States that have adequate containment (e.g., large animal BSL-4), security, equipment, and infrastructure to meet current requirements. To meet this need DHS and its federal partners initiated plans for NBAF.

NBAF will research high-consequence biological threats involving human, zoonotic, and foreign animal diseases (i.e., BSE, Foot-and-Mouth Disease, Porcine Reproductive & Respiratory Syndrome). NBAF will bring together researchers from three government departments — USDA, the Department of Health and Human Services (DHHS), and DHS — to combat foreign animal diseases that Plum Island already works on (such as Foot-and-Mouth Disease) and animal diseases that can infect humans, such as avian flu. DHS also expects the new lab to expand on Plum Island's ability to find drugs, vaccines, and other countermeasures against these diseases.

NBAF's capability is needed to fill a critical gap in the nation's bio- and agro-research plan. NBAF is a part of a critical effort to modernize homeland security facilities and research to meet current and future national security needs.

NBAF would be owned and operated by DHS. Should either of the Kansas proposals be selected, research would be conducted in cooperation with Kansas academic research institutions and other potential public and private research partners. One of the important needs of the department, in the context of this planned laboratory, is a capable and available work force.

Status and Timeline

In March 2006, the Heartland BioAgro Consortium and 28 other interested organizations submitted formal "expressions of interest" to DHS for this facility. In August 2006, DHS reduced this list to 18 sites in 14 states which have advanced to the next phase of the competitive process.

The consortia that proposed these 18 sites now will be given the opportunity to provide more detailed information in support of their submissions. In the first part of 2007, DHS expects to visit the 18 sites, review the more detailed submissions and narrow the list of potential sites to a short list of final candidates.

Economic Development & Tourism

Date: 1-24-07
Attachment # 5-1

Environmental Impact Statements (EIS) will then be prepared following the requirements of the National Environmental Policy Act. Upon completion of the EIS process, DHS expects to name the final NBAF site in 2008. NBAF construction is scheduled to begin in 2010 and to be completed in 2014.

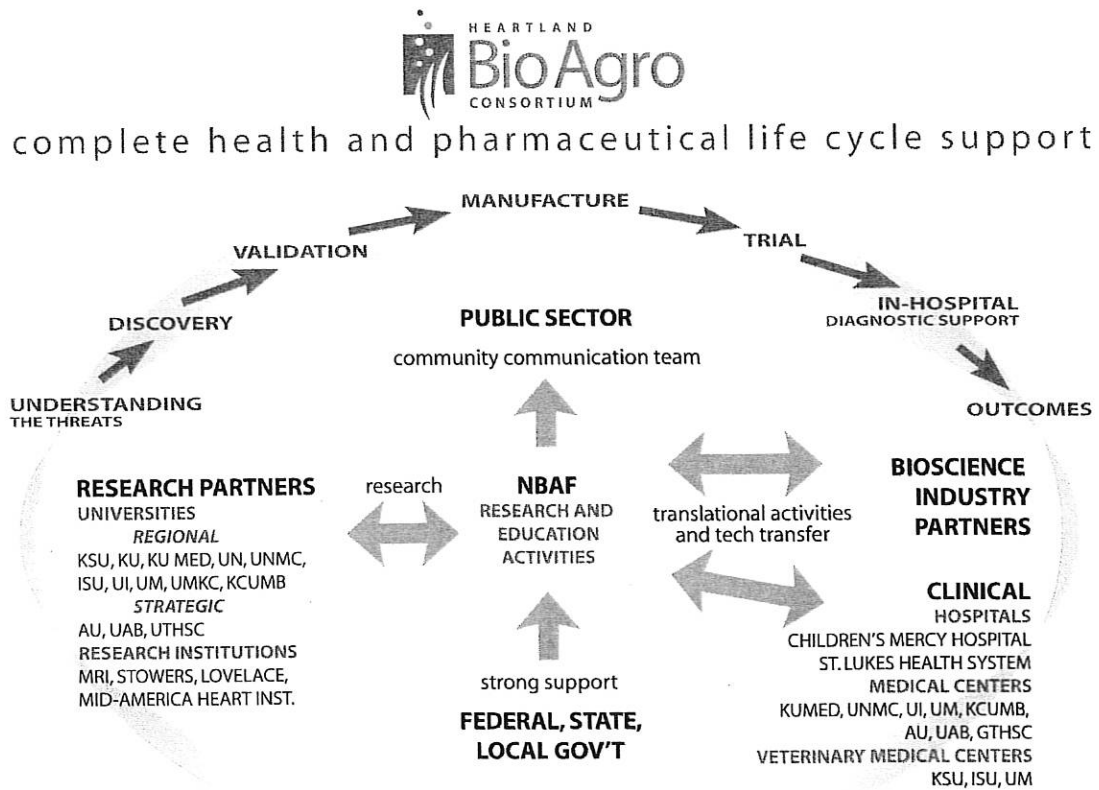
Why NBAF in Kansas?

Kansas is the ideal location for the NBAF. This world-class facility would continue our tradition of strong support for the country's national defense infrastructure.

Kansas has become a world leader in bioscience, especially in the areas of animal health, infectious diseases, vaccines, and food safety. The primary strength of Kansas' NBAF proposals lies in the efficiencies and effectiveness that the NBAF would gain by locating near a critical mass of assets in the state. This impressive mix will provide a full complement of expertise, technologies and facilities for disease surveillance, diagnosis, prevention, and treatment. Statewide complementary resources include:

- Kansas State University's nationally recognized expertise and programs in zoonotic, emerging, reemerging infectious diseases, and livestock medicine.
- Kansas State's Biosecurity Research Institute, a unique stand-alone BSL-3 agricultural facility, and its National Agricultural Biosecurity Center.
- The Kansas City region's reputation as the animal health epicenter of the world. The Animal Health Corridor includes more than 120 animal health organizations — including 37 global leaders — employing more than 13,000 specialists.
- An exceptional student population and work force, thanks to five major universities with animal science and/or veterinary programs within a 300-mile radius.
- A state community that understands, accepts and values the importance of this type of research for the state and the nation.

Heartland BioAgro Consortium Support of Both Kansas Sites



Benefits to Kansas

Economic Development

- Projected facility construction cost: \$450 million (DHS estimate).
- Construction jobs: 1,000 to 1,500 over a four-year period.
- Facility employees: 250 to 500 scientists, technicians, and support staff.
- Economic impact to Kansas: estimated to top \$3.5 billion during first 20 years of its projected 50- year life span.

Business and Educational

- The NBAF will be a biotechnology magnet for private biotechnology companies, professionals, and support infrastructure and will help anchor Kansas' existing strengths in animal health and plant sciences.
- It will bring international recognition to the state and its citizens if Kansas is selected for this facility. It will bring research dollars to Kansas' research universities and world-class animal health industry.
- It will generate new educational and training programs for our students and scientists and enhance collaborations across the state.
- Most importantly, NBAF research activities will help to safeguard and support the general public health as well as the nation's agricultural and food industries.

Task Force

Governor Kathleen Sebelius soon will sign an Executive Order appointing a task force comprised of some of Kansas' most influential representatives from business, academia, and government to support the siting of the NBAF facility at one of the two sites in Kansas proposed by the Heartland BioAgro Consortium. The Task Force would be the embodiment of Kansas' strong interest in siting NBAF in the state. The principle activities of the task force would be to develop and present a compelling case for the siting of the NBAF at one of the two locations in Kansas proposed by the Heartland BioAgro Consortium. These activities will include the following:

1. Briefing the Kansas Congressional Delegation
2. Development of Specific Site Location Packages
3. Fostering Collaboration Between and Among State Research Institutions
4. Fostering Collaboration with Industry
5. Development and Implementation of an Advocacy Plan
6. Development of a Mode for Public Input at All Stages of Site Selection
7. Development and Implementation of a Marketing Plan for the Siting of the NBAF in Kansas
8. Hosting of the Planned DHS Site Evaluation Visit

Any activities of the task force would be supported by the State of Kansas, the KBA, and private contributions. The KBA would serve as "staff" of the task force, along with personnel from Kansas State University.