

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Nick Jordan at 8:00 A.M. on February 14, 2007 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Amy Deckard, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Norm Furse, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Patty Clark, Department of Commerce
Jim Snyder, Silver Haired legislature, AARP, Shawnee County Advisory Council on Aging
Bob Vancrum, Greater Kansas City Chamber
Jenny Erdman, Great Kansas City Chamber
Jim Laufenberg, President & CEO, ImmunoGenetix, Lenexa
Edward Stevens, Vice President, Felton International, Inc.
Alan Cobb, Americans for Prosperity
Karl Peterjohn, Kansas Taxpayers Network
Steve Weatherford, KDFFA
Duane Goossen, Budget Director, Department of Administration

Others attending:

See attached list.

SB 288--Reports on workforce development activities

SB 242--Bioscience development projects; certain changes

SB 314--Kansas angel investor tax credit act

SB 193--State debt limitations and procedures

Chairperson Jordan opened the hearing on **SB 288** and introduced Patty Clark, Department of Commerce, to give her testimony as a proponent of **SB 288**. Ms. Clark presented written copy. (Attachment 1) Ms. Clark stated the Department of Commerce will be happy to provide an annual compliance and monitoring report on their Workforce Development Division and its programs to the Committee as outlined in the bill. As a point of information, these internal audit activities and personnel are housed in the Department of Commerce Legal Division with a direct reporting line to the Secretary of Commerce.

Chairperson Jordan introduced Jim Snyder, testifying on his own behalf, as a proponent of **SB 288**. Mr. Snyder presented written copy. (Attachment 2) He stated he was a member of the Silver Haired Legislature, AARP, Shawnee County Advisory Council on Aging, and the Senior Action Committee. This bill provides for legislative over-sight regarding various workforce functions of the Department of Commerce. He is in favor of this bill. He stated the bill is a positive step but suggested it does not go far enough. He highlighted some suggestions he feels should be put in other bills to improve workforce development in the state of Kansas.

Chairperson Jordan closed the hearing on **SB 288**.

Senator Teichman made a motion to move SB 288 our favorably. Senator Schodorf seconded. Motion carried.

Chairperson Jordan introduced Kathie Sparks, Legislative Research, to explain **SB 242**. Ms. Sparks stated this bill was adding language regarding wet labs and some cleanup on Page 10.

Questions followed.

Chairperson Jordan introduced Bob Vancrum, Greater Kansas City Chamber, to give his testimony as a proponent of **SB 242**. Mr. Vancrum presented written copy. (Attachment 3) Mr. Vancrum stated he wrote

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:00 A.M. on February 14, 2007 in Room 123-S of the Capitol.

this bill and it was intended as a cleanup bill on the Bioscience Investment Act of 2004. It was intended to allow municipalities to issue special obligations bonds in a Bioscience district. It changed allowing bond proceeds to be used to pay for all the personal property necessary or appropriate for a wet lab facility and incubator project. Also, adding language to say even though school districts and counties are given the power to review and in effect veto the project they are not to have that power unless their revenues are being adversely impacted by the project.

Chairperson Jordan called the Committee's attention to the written only testimony of Ashley Sherrad, Lenexa Chamber, as a proponent of **SB 242**. (Attachment 4)

Chairperson Jordan closed the hearing on **SB 242**.

Senator Brownlee moved a conceptual amendment to technically clarify working on Page 10 of the SB 242. Motion carried.

Senator Brownlee made a motion to move SB 242 out favorably as amended. Senator Schodorf seconded. Motion carried.

Chairperson Jordan introduced Kathie Sparks, Legislative Services to explain **SB 314**. Ms. Sparks presented written copy. (Attachment 5) Ms. Sparks the amendments that **SB 314** would make to the Kansas Angel Investor Tax Credit Act.

Questions followed regarding the tax credits.

Chairperson Jordan opened the hearing on **SB 314** and introduced Jenny Erdman, Greater Kansas City Chamber, to give her testimony as a proponent of **SB 314**. Ms. Erdman presented written copy. (Attachment 6) Ms. Erdman stated **SB 314** provides needed enhancements to the very successful Angel Investor Tax Credit program and the Greater Kansas City Chamber is in support of the bill; but would like to see an increase in the time a bioscience business can be in operation and still qualify for the program to ten years. She also reviewed other changes the Greater Kansas City Chamber would like to see in the bill.

Chairperson Jordan introduced Jim Laufenberg, President & CEO, ImmunoGenetix, Lenexa to give his testimony as a proponent of **SB 314**. Mr. Luafenberg presented written copy. (Attachment 7) Mr. Laufenberg stated ImmunoGenetix endorses and supports proposed enhancements to the tax credit act as stated in **SB 314**. In closing, Mr. Laufenberg stated the Kansas Angel Tax Credit Act is an innovative program that allows for the nurturing of bioscience in the state creating economic development benefits . Improving the program is encouraging for entrepreneurs.

Chairperson Jordan introduced Edward Stevens, Vice President, Felton International, Inc. to give his testimony as a proponent of **SB 314**. Mr. Stevens presented written copy. (Attachment 8) Mr. Stevens explained what Felton International, Inc. does stating they work closely with animal health companies in the Kansas City Animal Health Corridor. He stated Felton International, Inc. is in strong support of **SB 314**.

Chairperson Jordan called the Committee's attention to the written only proponent testimony of Ashley Sherrad, Lenexa Chamber. (Attachment 9) and Joerg Ohle, Chairman, Advisory Board, KC Animal Health Corridor. (Attachment 10)

Questions and a discussion followed.

Chairperson Jordan closed the hearing on **SB 314**.

Chairperson Jordan stated the Committee would work **SB 314** at a later date.

Chairperson Jordan introduced Kathie Sparks, Legislative Research, to explain **SB 193**. Ms. Sparks presented written copy. (Attachment 11) She stated **SB 193** would require the Kansas Development Finance Authority

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:00 A.M. on February 14, 2007 in Room 123-S of the Capitol.

(KDFFA) to annually prepare a debt affordability report. She stated the bill was taken from Florida statute.

Questions followed.

Chairperson Jordan opened the hearing on **SB 193** and introduced Alan Cobb representing Americans for Prosperity, to give his testimony as a proponent of **SB 193**. Mr. Cobb presented written copy. (Attachment 12) He stated that more disclosure and information about the levels of state debt is welcomed. The bill will provide a very helpful tool to legislators as they consider debt as a finance option. Mr. Cobb reviewed his testimony and highlighted some Kansas debt facts.

Chairperson Jordan called the Committee attention to the written only testimony of Karl Peterjohn as a proponent of **SB 193**. (Attachment 13)

Chairperson Jordan introduced Duane Goossen, Budget Director, Department of Administration, to give his testimony as a neutral party of **SB 193**. He stated the testimony was joint testimony with himself and Steve Weatherford and they would both stand for questions at the appropriate time. Mr. Goossen presented written copy. (Attachment 14) He stated the Department of Administration and KDFFA support the idea of coming to a consensus on a reasonable and workable debt policy for Kansas, and annually preparing a report on state debt, which they believe should be assigned as a joint responsibility to the Department of Administration and KDFFA. They also believe the various terms in the bill should be more specifically defined or given contextual structure or purpose; therefore, more discussions should take place about this bill and the Department of Administration and KDFFA are ready to participate.

Questions and discussion followed.

Chairperson Jordan closed the hearing on **SB 193** and stated they would wait for a balloon with the requested changes.

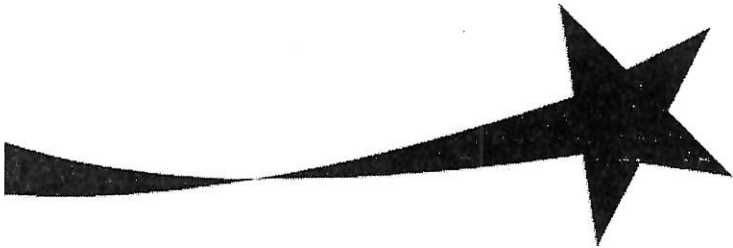
Chairperson Jordan adjourned the meeting at 9:22 a.m. with the next scheduled meeting, February 15th at 8:00 a.m. in room 123 S.



KANSAS

DEPARTMENT OF COMMERCE

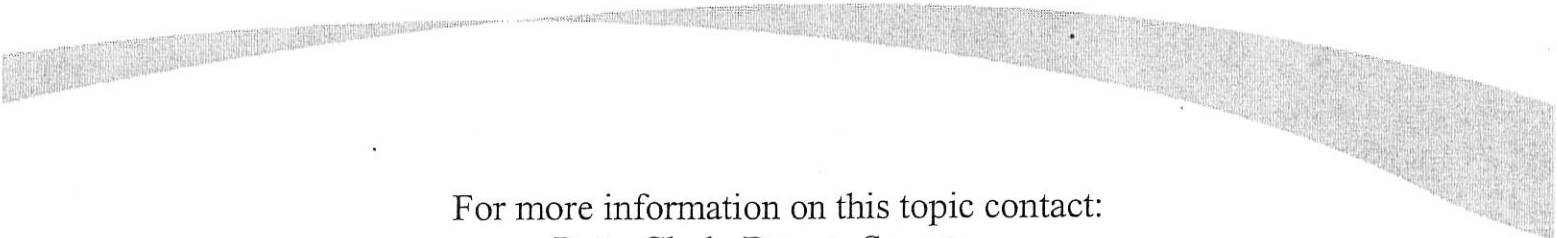
Steve Kelly, Acting Secretary



Senate Bill 288

Senate Commerce

February 14, 2007



For more information on this topic contact:

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Senate Commerce Committee

February 14, 2007

Attachment 1-1

Co-Chairs Brownlee and Jordan, and members of the Committee, I am Patty Clark and I currently serve as a Deputy Secretary in the Department of Commerce. Thank you for the opportunity to speak in favor of SB 288.

Commerce would be happy to provide an annual compliance and monitoring report on our Workforce Development Division and its programs to the Committees as outlined in SB 288, with or without this legislation. Our agency always welcomes the opportunity to share this type of oversight information, as well as information on the economic impact of Commerce programs, to any Committee interested in listening.

As a point of information, these internal audit activities and personnel are housed in our Commerce Legal Division with a direct reporting line to the Secretary to ensure reporting of research and findings is forthright and to ensure that if follow-up actions are necessary those actions are undertaken with high priority. The staff includes five positions. One of those is half-time to provide oversight to the Migrant and Seasonal Farm Workers program.

Thank you.

**SENATE BILL 288 - SENATE COMMERCE COMMITTEE
FEBRUARY 14, 2007
JIM SNYDER**

Madame Chair, members of the Committee, I am Jim Snyder. I am a member of the Silver Haired Legislature, AARP, Shawnee County Advisory Council on Aging, Topeka Senior Action Committee, and myself. And, I am here as a proponent of Senate Bill 288.

This bill provides for legislative over-sight regarding various work-force functions of the Department of Commerce. It certainly is a positive step. However, may I suggest it doesn't go far enough. I have attached sheets of material furnished the Joint Committee on Economic Development 2 years ago illustrating the fact that more than \$600 million was earmarked for work-force development by various Kansas Departments and Agencies. And, during the course of 4 days of meetings, it became apparent--at least to me--that there was no cooperation between the groups, nor was there any responsibility attached for what they may do--at least direct responsibility such as you have to your constituents.

In addition I have attached material from the U. S. Census projecting future Kansas populations by total and by age group. For instance, the 2010 projection shows a total increase in population of about 54,000 of which 17,000 is 65 years and over...yet, the 2015 projection shows a total increase of 47,000 and the increase of 65 years and over is 42,000...and this gets worse until in 2030 the projections are an increase in total population of just 21,000, but the 65 years and over category has increased nearly 50,000. This illustrates possible shortages in the Kansas Workforce unless excellent businesses and corporations which will attract out-of-state workers become available in Kansas.

Of course, all of the other 49 states will have this same concern, so it really is important that you present members of the Kansas Legislature do some real planning and instigate methods so that Kansas' future advances with cooperation of all the Departments and Agencies. And I would hope you would accept the responsibility of seeing that this is done.

Thank you.

Senate Commerce Committee
February 14, 2007

Attachment 2-1

U.S. CENSUS

Interim Projections of the Population by Selected Age Groups for the United States and States: April 1, 2000 to July 1, 2030

Geographic Area Selected Age Groups	Census April 1, 2000	Projectio ns July 1, 2005	Projectio ns July 1, 2010	Projectio ns July 1, 2015	Projectio ns July 1, 2020	Projectio ns July 1, 2025	Projectio ns July 1, 2030
KANSAS							
Total	2,688,418	2,751,509	2,805,470	2,852,690	2,890,566	2,919,002	2,940,084
Under 5 years	188,708	194,443	199,534	201,489	199,315	197,384	197,085
5 to 13 years	358,195	344,606	344,793	352,833	358,172	356,566	352,393
14 to 17 years	166,090	163,337	154,669	153,646	156,412	159,597	159,468
18 to 24 years	275,592	283,235	275,807	263,146	258,659	263,025	267,337
25 to 44 years	769,204	740,575	728,444	738,302	741,344	727,166	710,942
45 to 64 years	574,400	667,244	726,908	723,526	696,745	670,508	659,768
65 years and over	356,229	358,069	375,315	419,748	479,919	544,756	593,091
Under 15 years	588,300	579,467	582,461	593,049	596,778	593,922	589,125
16 years and over	2,058,489	2,130,601	2,184,537	2,221,058	2,254,632	2,285,119	2,311,153
18 years and over	1,975,425	2,049,123	2,106,474	2,144,722	2,176,667	2,205,455	2,231,138
21 years and over	1,847,513	1,925,755	1,985,141	2,031,084	2,061,355	2,088,250	2,112,036
62 years and over	413,585	423,779	457,937	514,212	584,152	647,091	675,873
85 years and over	51,770	58,762	66,506	70,951	73,209	77,146	87,969
Median Age	35.2	35.8	36.4	36.9	37.8	38.5	39.1

2-2

State Employment and Training Funding

by Agency

Program Name

FY 2005 Actual Expenditures

Italics indicate programs designated as required partners by the Workforce Investment Act (WIA)

Program Name	SGF	Other State			Gifts, Grants, and Donations	TOTAL	
		Funds	Local Funds	Federal Funds			
Department of Commerce							
Foreign Labor Certification		\$0	\$0	\$0	\$156,666	\$0	\$156,666
Apprenticeship Program (funding included in WIA total)		0	0	0	0	0	0
<i>Local Veterans Employment</i>		0	0	0	662,894	0	662,894
<i>Disabled Veterans Outreach</i>		0	0	0	891,096	0	891,096
Neighbor, Improve, and Youth Employ (funding included in WIA total)		0	0	0	0	0	0
Job Service (Wagner Peyser)		0	0	0	7,089,065	0	7,089,065
Job Training Partnership Act (evolved into WIA)		0	0	0	0	0	0
Workforce Investment Act		0	0	0	0	0	0
NAFTA Transitional Adjustment (merged into TAA program)		0	0	0	19,276,439	0	19,276,439
Older Kansas Employment Program		0	0	0	0	0	0
Senior Community Services Employment		0	239,430	0	0	0	239,430
Trade Adjustment Assistance	4,444	0	0	0	876,475	0	880,919
Migrant & Seasonal Farm worker Programs (funding included in Wagner Peyser total)		0	0	0	1,704,057	0	1,704,057
Wheat Harvest Program		0	0	0	0	0	0
Work ' Opportunity Tax Credit		0	0	0	25,156	0	25,156
Welfare to Work (closed)		0	0	0	193,633	0	193,633
IMPACT		0	0	0	0	0	0
Kansas Industrial Training (FY 05 Award Amounts)		0	14,103,027	0	0	0	14,103,027
Kansas Industrial Retraining (FY05 Award Amounts)		0	1,636,392	0	0	0	1,636,392
Training Equipment Grants - closed		0	870,549	435,275	0	0	1,305,824
Community Service Block Grant --transferred with Housing Division		0	0	0	0	0	0
Kansas Economic Opportunity Initiatives Fund (KEOIF):		0	0	0	0	0	0
Kansas Existing Industry Expansion Program (KEIEP):		0	9,760,996	0	0	0	9,760,996
Re-Employment Services		0	866,875	0	0	0	866,875
Commerce Total		0	0	0	470,576	0	470,576
	\$4,444	\$27,477,269	\$435,275	\$31,346,057	\$0	\$59,263,045	
Department of Corrections							
Offender Programs (Excludes expenditures for 4th time DUI offenders and other "non-program" expenditures included in offender programs budget. (1))		\$4,407,635	\$1,264,666	\$0	\$894,322	\$0	\$6,566,623
Corrections Total		\$4,407,635	\$1,264,666	\$0	\$894,322	\$0	\$6,566,623
Department of Social and Rehabilitation Services (SRS)							
TAF Employment		\$0	\$0	\$0	\$10,585,534	\$0	\$10,585,534
Vocational Rehabilitation (Basic Support Grant & Supported Employment Grant)		5,659,094	135,577	0	27,522,208	0	33,316,879
Food Stamps Employment & Training		17,838	0	0	17,837	0	35,675
SRS Total		\$5,676,932	\$135,577	\$0	\$38,125,579	\$0	\$43,938,088
Department of Education							
Kansas Transition Systems Change Project - Project has ended		\$0	\$0	\$0	\$0	\$0	\$0
Learn & Serve and Americorps		0	0	1,759,989	1,849,251	0	3,609,240

2-3

a-2

State Employment and Training Funding

by Agency

Program Name	FY 2005 Actual Expenditures					TOTAL
	SGF	Other State Funds	Local Funds	Federal Funds	Gifts, Grants, and Donations	
<i>Italics indicate programs designated as required partners by the Workforce Investment Act (WIA)</i>						
<i>Carl Perkins Leadership Funds (2)</i>	202,196	0	0	460,953	0	663,149
<i>Secondary Vocational Education</i>	29,159,514	18,328	35,434,242	5,364,285	0	69,976,369
Education Total	\$29,361,710	\$18,328	\$37,194,231	\$7,674,489	\$0	\$74,248,758
Kansas Board of Regents						
<i>Adult Education and Family Literacy Act</i>	\$1,048,985	\$0	\$1,393,995	\$3,738,003	\$0	\$6,180,983
Regents Total	\$1,048,985	\$0	\$1,393,995	\$3,738,003	\$0	\$6,180,983
Emporia State University (ESU)						
Accounting	\$427,093	\$182,959	\$0	\$2,369 (3)	\$0	\$612,418
Business Management & Marketing	1,115,946	514,950	0	5,839 (3)	0	1,636,732
Instructional Design & Technology	375,898	280,786	0	3,372 (3)	0	660,053
Teacher Education	2,163,831	1,084,835	0	8,472 (3)	0	3,257,135
Biosciences	1,896,187	938,941	0	19,710 (3)	0	2,854,835
Nursing/Allied Health	0	180,219	552,485	0 (3)	0	732,701
ESU Total	\$5,978,955	\$3,182,690	\$552,485	\$39,762 (3)	\$0	\$9,753,889
Fort Hays State University (FHSU)						
Bachelor of Science in Nursing (RN-BSN)	1,167,642	275,737	\$0		\$0	\$1,443,378
Master of Science in Nursing (MSN)	457,145	68,934	0		0	\$526,079
Graphic Design	705,863	63,878	0		0	\$769,741
Kansas Cisco Networking Academy System	315,992	5,598	0	11,743	0	\$333,332
Medical Diagnostic Imaging	635,492	86,960	0		0	\$722,452
Teacher Education	1,176,344	211,570	0	107,078	0	\$1,494,992
Technology Leadership	398,795	22,596	0		0	\$421,391
Accountant / CPA	1,056,422	14,564	0		0	\$1,070,986
Management / Marketing	933,011	20,428	0		0	\$953,439
FHSU Total	\$6,846,705	\$770,266	\$0	\$118,820	\$0	\$7,735,791
Kansas State University (KSU)						
Accounting	\$229,045	\$1,412,593	\$0	\$0	\$0	\$1,641,638 (4)
Management	251,612	2,455,175	0	63,170	0	\$2,769,957 (4)
Marketing	214,674	1,045,498	0	7,099	0	\$1,267,271 (4)
Engineering	3,516,966	11,133,360	0	216,802	0	\$14,867,128 (4)
Teacher Education	1,796,378	7,925,684	0	4,702,657	0	\$14,424,719 (4)
Aviation	1,077,591	4,043,520	0	5,225	0	\$5,126,336 (4)
Agriculture	6,545,114	1,334,107	0	219,094	0	\$8,098,315 (4)
Veterinary Medicine	7,376,283	12,868,525	0	10,788	0	\$20,255,596 (4)
KSU Total	\$21,007,663	\$42,218,462	\$0	\$5,224,835	\$0	\$68,450,960 (4)

2-4

1-2

State Employment and Training Funding

by Agency

Program Name

FY 2005 Actual Expenditures

Italics indicate programs designated as required partners by the Workforce Investment Act (WIA)

Program Name	SGF	Other State Funds	FY 2005 Actual Expenditures			TOTAL
			Local Funds	Federal Funds	Gifts, Grants, and Donations	
University of Kansas (KU)						
KU Continuing Education	\$1,982,818	\$5,164,923 (5)	\$0	\$51,485	\$0	\$7,199,221
Kansas Law Enforcement Training Center (KLETC)	0	3,320,826 (5)	0	11,769	0	\$3,332,590
Kansas Fire and Rescue Training Institute	326,937	747,210 (5)	0	270,062	0	\$1,344,204
KU Public Management Center	268,368	282,853 (5)	0	0	0	\$551,216
KU Total	\$2,578,123	\$9,515,812 (5)	\$0	\$333,316	\$0	\$12,427,246
University of Kansas Medical Center (KUMC)						
School of Medicine (Includes KC and Wichita)						
Undergraduate	\$27,333,383	\$11,606,099	\$48,209,325	\$27,602,333	\$0	\$114,751,140 (6)
Graduate	\$35,071,600	\$14,891,845	\$61,857,626	\$35,416,692	0	147,237,763 (6)
School of Nursing						
Undergraduate						
Graduate	4,723,054	68,495	288,384	1,948,146	0	7,028,079 (6)
	2,656,718	38,529	162,216	1,095,832	0	3,953,295 (6)
School of Allied Health						
Undergraduate						
Clinical Laboratory Sciences	571,820	109,173	22,557	0	0	703,550 (6)
Cytotechnology	43,033	1,637	1,698	0	0	46,368 (6)
Health Information Management	403,948	61,965	116,325	0	0	582,238 (6)
Respiratory Care	384,834	68,546	18,478	0	0	471,858 (6)
Occupational Therapy	1,403,635	241,321	159,058	0	0	1,804,014 (6)
Graduate						
Dietetics and Nutrition	565,580	65,795	98,489	695,621	0	1,425,485 (6)
Hearing and Speech	964,859	225,361	264,743	331,348	0	1,786,311 (6)
Nurse Anesthesia	821,263	523,053	177,965	7,919	0	1,530,200 (6)
Occupational Therapy	1,070,401	130,146	99,318	550,753	0	1,850,618 (6)
Physical Therapy & Rehabilitation Sciences	1,192,352	145,913	149,201	640,156	0	2,127,622 (6)
Biometry	362,335	70,382	0	0	0	432,717 (6)
Continuing Education	928,042	870,415	383,839	913,499	0	3,095,795 (6)
KUMC Total	\$78,496,857	\$29,118,675	\$112,009,222	\$69,202,299	\$0	\$288,827,053
Pittsburg State University (PSU)						
Nursing	\$787,780	\$400,735	\$54,019	\$34,620	\$0	\$1,277,154

2-5

5-2

State Employment and Training Funding

by Agency

Program Name	FY 2005 Actual Expenditures					TOTAL
	SGF	Other State Funds	Local Funds	Federal Funds	Gifts, Grants, and Donations	
<i>Italics indicate programs designated as required partners by the Workforce Investment Act (WIA)</i>						
Accounting	676,407	289,797	76,311	0	0	1,042,515
Management & Marketing	1,032,208	499,835	8,860	83,052	0	1,623,955
Teacher Education	896,189	372,617	13,795	241,886	0	1,524,487
Construction Management & Engineering	191,059	99,510	94,813	0	0	385,382
PSU Total	\$3,583,643	\$1,662,494	\$247,798	\$359,558	\$0	\$5,853,493
Wichita State University (WSU)						
Nursing-Undergraduate	\$1,365,725	\$857,938	\$0	\$0	\$82,813	\$2,306,476 (7)
Physician Assistant	436,390	264,276	0	623,652	91,585	1,415,903
Dental Hygiene	265,120	153,710	0	2,000	262,000	682,830
Cooperative Education	327,893	174,186	0	80,000	0	582,080 (8)
Accounting-Bachelors/Master	820,177	537,336	0	0	54,015	1,411,529
Entrepreneurship	470,823	315,647	0	0	81,834	868,304
Center for Entrepreneurship	74,880	55,941	0	0	347,148	477,968
Cisco	0	0	0	0	1,205,000	1,205,000
Electrical and Computer Engineering	979,698	579,528	0	342,843	105,655	2,007,724 (9)
NIAR/CAD/CAM	743,928	4,232,799	0	15,647,204	4,241,560	24,865,491
Transition to Teaching	64,350	0	0	0	20,000	84,350
WSU Total	\$5,548,984	\$7,171,363	\$0	\$16,695,699	\$6,491,610	\$35,907,656
STATEWIDE TOTAL						
	\$160,133,001	\$121,270,935	\$151,833,006	\$172,858,418	\$6,491,610	\$612,586,962

- (1) Excludes expenditures for 4th time DUI offenders and other "non-program" expenditures included in offender programs budget.
- (2) only about 6-7% of total is for employment and training
- (3) Represents federal work/study funds
- (4) Reflects instructional costs only and excludes all indirect costs such as research, public service, academic support, administrative support, student services, auxiliary services, physical plant and scholarships and fellowships. Also excluded are costs of instruction provided by other academic units such as Arts and Sciences.
- (5) Includes revenues collected from fees for training, tuition fees collected for independent study, docket fees collected for KLETC, and insurance fees collected for Fire and Rescue Training.
- (6) Total funding includes direct costs only. Funding does not include allocated costs from the EVC Administration, all support services and utilities. Funding does include all research and clinical costs.
- (7) SGF and Other State Funds include the total expenditures for the Department of Nursing. Local Funds and Federal Funds are only for the undergraduate program.
- (8) Federal Funds refers to the America Reads Program which pays college students who assist children with reading in Title I schools.
- (9) SGF and Other State Funds are for the entire department of Marketing and Entrepreneurship.

2-6

2-2

Testimony to Senate Commerce Committee
Robert Vancrum, Kansas Government Affairs Specialist
Greater Kansas City Chamber of Commerce

SB242

February 14, 2007

Honorable Members of the Committee:

SB 242 was the result of requests from several people attempting to set up bioscience districts in the Kansas City area and especially a wet lab incubator project. It addresses several we think inadvertent deficiencies of the Kansas Bioscience Investment Acts of 2004. The bill makes three changes:

1. It allows municipalities to issue special obligation bonds in a bioscience district. Currently this only applies in a redevelopment district that was created by the municipality. Since the act retains the requirement that the approval of the Bioscience Authority is necessary in addition to the approval of the local government, we see no reason why this flexibility isn't granted.

2. It allows the bond proceeds to pay for all the personal property necessary or appropriate to create a wet lab facility in an incubator project in either type of district. Currently only certain items of equipment can be so financed and it is very expensive specialized equipment.

3. It clarifies that counties and school districts, which must get a prior notice of the creation of the district, only have the right to disapprove the creation of the district if their revenues could be adversely impacted. If the project would have no such impact on other taxing districts, no valid public purpose appears to be served by requiring their concurrence.

I would be happy to try to answer any questions.

Senate Commerce Committee
February 14, 2007
Attachment 3



The Historic Lackman-Thompson Estate

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TO: Senator Karin Brownlee, Chairperson
Senator Nick Jordan, Vice-Chairperson
Members, Senate Commerce Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 14, 2007

RE: **Support for SB 242—Wet Lab Facilities Among Eligible
Bioscience Development Project Costs**

The Lenexa Chamber of Commerce would like to express its support for Senate Bill (SB) 242, which would designate the financing of wet lab facilities among eligible bioscience development project costs for which proceeds of municipal bonds may be used.

The emerging bioscience industry is already an important contributor to the Kansas economy. In addition to significant capital investment and millions of dollars in federal bioscience research funding, by January 2004 more than 20,000 Kansans held bioscience-related jobs, employed either as researchers and support staff at the state's universities or as researchers, management, technicians, and support staff at one of more than 160 bioscience companies currently operating in Kansas.

Recognizing its economic value and significant growth potential, a number of states are already taking steps to ensure their ability to effectively compete for future bioscience-related opportunities. To cultivate the strengths that make our state a natural fit for bioscience work and to remain a forerunner in the race to attract this important economic sector, the State of Kansas must continue to demonstrate its serious commitment to creating a supportive environment for the biosciences industry.

By enabling and encouraging technical infrastructure necessary to the development of bioscience products and services, we believe SB 242 would send a positive message and raise Kansas's competitive position in attracting unique bioscience-related opportunities across the state.

For these reasons, the Lenexa Chamber of Commerce urges the committee to consider SB 242 favorable for passage. Thank you for your time and attention to this important issue.

Senate Commerce Committee
February 14, 2007

Attachment 4

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 12, 2007

To: Senate Committee on Commerce
From: Kathie Sparks, Principal Analyst
Re: SB 314—Kansas Angel Investor Tax Credit Act

SB 314 would make the following amendments to the Kansas Angel Investor Tax Credit Act:

- Amends the definition of angel investor to mean an accredited individual investor or an owner of a permitted entity investor. Under current law, the definition of an Angel investor is an accredited individual investor.
- Adds the definition of "Bioscience business."
- Adds the definition of "owner" to mean any natural person who is, directly or indirectly, a partner, stockholder, or member in a permitted entity investor;
- Adds the definition of "permitted entity investor" to mean: (A) any general partnership, limited partnership, corporation that has in effect a valid election to be taxed as an S corporation under the United States internal revenue code, or a limited liability company that has elected to be taxed as a partnership under the United States internal revenue code and (B) that was established and is operated for the sole purpose of making investments in other entities.
- Adds new language that would allow the credit for a business investor to be claimed by the owners of the business in proportion to their ownership share.
- Amends the amount of allowable tax credits by:
 - deleting the \$20,000,000 cumulative aggregate amount under the Act; and
 - increasing the \$2.0 million tax credit to \$8.0 million per tax year until 2016.
- Amends the transfer of the tax credits to require that the investor not owe any Kansas Income Tax for the immediate past three years, and who does not reasonably believe that taxes will be owed in the current year. Under current law, the investor could transfer the credit when he or she did not owe any Kansas Income Tax.
- Amends the transfer of credits to any person, whether or not such person is an investor. Under current law, the transfer of credits is only allowed to an investor.

- Amends the Act to require that a Bioscience business could only be in operation for less than ten years and all other businesses must have been in operation for less than five years. Under current law, all businesses to qualify for the tax credits must have been in operation for less than five years.
- Amends the Act by adding a condition that when all else is equal, first consideration would be given to animal health companies. Under current law, no consideration is listed.
- Adds the exemption that any business would not qualify for the tax credit if the major focus of the business is to purchase real estate, land, or fixtures.
- Removes the requirement that KTEC consider the ability of investors to receive tax credits for cash investments in qualified securities of the business is necessary, because funding otherwise available for the business is not available on commercially reasonable terms.



Testimony of Jenny Erdman
Director, Government Relations & Policy Development
Greater Kansas City Chamber of Commerce
Before the Commerce Committee of the Kansas Senate
8 a.m., Wednesday, February 14

Good morning Madame Chairperson and Mister Chairperson. My name is Jenny Erdman. I am the Director of Government Relations & Policy Development for the Greater Kansas City Chamber of Commerce. In this position, I provide staff support for The Chamber's role in the KC Animal Health Corridor initiative. I am here to testify today in support of SB 314.

The KC Animal Health Corridor is a relatively new initiative funded by Bayer Animal Health of Shawnee, Kansas. Three organizations, The Chamber, the Kansas City Area Development Council, and the Kansas City Area Life Sciences Institute, have aligned their resources to pursue the initiatives' mission to make the KC Animal Health Corridor the national center of the animal health industry. The KC Animal Health Corridor extends from Manhattan, Kansas to Columbia, Missouri, including St. Joseph, Missouri and the Greater Kansas City metropolitan area. Over 120 animal health and nutrition companies are located in the Corridor. We want to make these companies more successful, bring new animal health companies here, with a proportionate increase in jobs, and increase state and federally-funded animal health research.

The Chamber's role in the initiative is to improve the public policy environment to encourage animal health business development and expansion. I'd like to thank each of you for your vote in favor of SCR 1606, officially designating the KC Animal Health Corridor and declaring it to be the national center of the industry. This action will certainly raise the Corridor's national and, we hope, international profile. It sends a message to animal health companies located outside the Corridor that they need to come here to be at the epicenter of their industry.

I am here today to talk about SB 314, which provides for needed enhancements to the very successful Angel Investor Tax Credit program. With me today are two representatives of young Kansas biotech companies: Ed Stevens, Vice President of Felton International, a Lenexa-based animal and human health company, and Jim Laufenberg, President and CEO of Immunogenetix, a human health

Senate Commerce Committee
February 14, 2007

Attachment 6-1



pharmaceutical company. Both of these companies were able to use tax credits under the Angel Investor Tax Credit Program to raise seed capital. They are here to talk to you about how the program has helped them, and why they think the changes provided for in SB 314 are needed.

The Angel Investor Tax Credit Program has been a success. In 2006, KTEC authorized \$1.8 million in tax credits that were utilized by 17 companies. In talking with biotech start-up entrepreneurs, The Chamber has learned that these companies continue to need angel investor financing beyond the very early stages of their venture. Many biotech companies can take as long as 20 years to generate significant revenue, or close a venture capital deal, alleviating the need to continue raising money from angel investors. The current Angel Investor Tax Credit Program disqualifies businesses that have been in operation five years or more. I understand from talking with KTEC staff that a few bioscience companies currently participating in the program will soon be ineligible because they will reach this five year milestone. We don't want these companies to fail or leave the state to find capital to keep their venture alive.

The Chamber asks that you increase the time a *bioscience business* can be in operation and still qualify for the program to ten years. All non-biotech start-ups will still have to be in operation less than five years to qualify. As Ed and Jim will tell you, the nature of drug development requires a longer incubation period before a business is through raising money from angel investors.

Other changes in SB 314 are important as well. Obviously, The Chamber is supportive of the priority expressed in the bill for animal health companies. This sends a strong message to animal science entrepreneurs that they can come here to find the money they need to grow their businesses. Raising other tax credit caps in the program as outlined in SB 314 will help ensure there is adequate available capital for all commercially promising start up companies in Kansas. It's a great way to use state resources to encourage investors, who are the experts at identifying the best new companies, to keep their money in Kansas growing our bioscience economy.

Thank you for the opportunity to testify in favor of SB 314.

February 14, 2007

Re: SB 314

Jim Laufenberg
President and CEO
ImmunoGenetix
Lenexa, KS
913.221.4492
jbl@igxbio.com

ImmunoGenetix Therapeutics, Inc. is an early stage biotechnology company developing advanced DNA-based therapies for the treatment of viral infections, with a focus on HIV. The Company has exclusive worldwide rights to proprietary therapeutic candidates and supporting technologies being developed at the Marion Merrell Dow Laboratory of Viral Pathogenesis, at the University of Kansas Medical Center. A proprietary lead candidate, GenePro™, has completed initial efficacy studies in non-human primates with promising results. The company is now prepared to advance towards an IND and human trials.

The company has raised over \$1,000,000 primarily from KTEC, the Precede LC Fund, and accredited angel investors. The company has utilized \$150,000 in KS tax credits with accredited investors to date.

The company would endorse and support proposed enhancements to the tax credit act as stated in SB 314, as follows:

- Increasing the time in business for emerging biotech companies from 5 to 10 years, due to the nature of developmental timelines.
- Increasing the available tax credits from \$2M to \$8M per year, in order to provide a larger pool of incentives.
- Increasing the amount an accredited investor can make in a qualified company to allow a \$50k tax credit up from \$25K. This would encourage larger single investments.
- Allowing for an "entity investor" to pass thru tax credits to its membership streamlines financing rounds.
- Allowing for tax credit transfers to any accredited investor, not just those who have made investments will assist in attracting investors in other states.

The Kansas Angel Tax Credit Act is an innovative program that allows for the nurturing of bioscience in the state and the economic development benefits we all are aware of. Improving the program is encouraging for entrepreneurs such as myself.

Senate Commerce Committee

February 14, 2007

Attachment 7

Written Testimony of Edward Stevens
Vice President – Healthcare Business
Felton International, Inc., Lenexa, Kansas

Good morning. My name is Ed Stevens and I am an investor and officer of Felton International in Lenexa Kansas. Thank you for giving me the opportunity to testify in favor of Senate Bill 314 this morning.

Felton International manufactures high-workload needle-free injection devices for the animal health and human health markets. Our animal health business supplies injection devices to large pork and cattle producers across the country. These devices improve animal health and food safety by (i) eliminating the risk of broken needles in the food supply, (ii) protecting livestock workers from accidental needlestick injuries, and (iii) reducing disease transmission across animal herds by avoiding repeated needle reuse. Felton International works closely with other animal health companies in the KC Animal Health Corridor, including Seaboard Foods and Intervet. We have about 20 employees and annual revenues of nearly \$2 million. We manufacture our products in Lenexa and source the majority of our device components from local manufacturers.

Our human products, which are still in the developmental stage, will improve healthcare worker and patient safety in mass immunization campaigns by avoiding needlestick injuries, minimizing disease transmission through improper needle reuse and reducing sharps waste disposal expenses. Our human devices were recently the subject of a large scale clinical study in Beijing, China, which was supported through funding from the Bill and Melinda Gates Foundation.

Felton International has been operational since 2001, and in 2006 Felton International participated in the Kansas Angels tax credit program in conjunction with an investment round that resulted in over \$1 Million of new investment in our business. Most of our shareholders are high-net worth “angel” investors from the Kansas City area, so we are appreciative that the Kansas Legislature has incentivized investment in companies like ours through the Angel Investor Tax Credit program. Without angel investors, our technology would not be developed and our company would not exist today.

Like many small technology-driven businesses, Felton International has not generated positive cash flows during its first five years of operations. This is primarily a function of the product development lifecycles associated with novel products such as ours. Every animal species device we develop represents a 12-18 month development program involving (i) design, (ii) prototyping, (iii) field testing, (iv) design modifications, etc. Our human device development cycles are even longer, due to human safety precautions, regulatory constraints, and the sterile manufacturing processes required for human medical devices. For example, the recent large-scale human clinical trial in Beijing took three years to prepare for and complete.

Our company may seek to raise additional capital to support our human product development program and the launch of our animal devices into international markets. If

Senate Commerce Committee
February 14, 2007
Attachment 8-1

we do, we will most likely pursue additional investments from our current shareholders and other angel investors in our area. Investing in development projects like ours is not a short-term endeavor. Companies that are seeking capital after the initial startup phase will continue to benefit from angel tax credit programs and expansion of the 5-year company age requirement is welcomed by middle-stage companies like Felton International.

I would also like to touch upon another provision of Senate Bill 314 – the expansion of the tax credit to accommodate investment entities like S-corp's or limited liability companies. Our experience has been that potential angel investors strongly prefer to invest via business entities formed to hold their private investments. This provides an additional layer of liability protection for passive investors and can provide flexibility for subsequent transfers of the ownership interest. Thus, aligning the Kansas Angel Tax Credit program with these investment preferences should also serve to spur additional investment in Kansas startup companies.

Thank you again for inviting me to discuss this important legislation with the Commerce Committee.



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TO: Senator Karin Brownlee, Chairperson
Senator Nick Jordan, Vice-Chairperson
Members, Senate Commerce Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 14, 2007

RE: **Support for SB 314—Expanding the Angel Investor Tax Credit Act**

The Lenexa Chamber of Commerce would like to express its support for Senate Bill (SB) 314, which includes increasing the aggregate amount of angel investor tax credits authorized each year from a total of \$2,000,000 up to \$8,000,000 and allowing bioscience companies to potentially qualify for such tax credits for up to ten years.

We strongly believe it is good public policy to encourage and support entrepreneurship. Entrepreneurial companies typically experience the fastest growth rates and create most of the net new jobs in the U.S. each year, producing economic growth, additional tax base, and reinvestment.

Aspiring entrepreneurs have many risks and challenges to overcome. It is therefore vital that the state take steps to ensure that entrepreneurship continues to thrive in Kansas. We believe SB 314 provides critical new resources that will encourage additional private financial support for entrepreneurial initiatives, substantially improving their chances of success.

SB 314 also recognizes the unique challenges faced by start-up companies in the bioscience sector. These businesses typically take longer than other industries to develop and become profitable. Accordingly, SB 314 would allow investments in bioscience companies to potentially qualify for angel investor tax credits for up to ten years, rather than five years.

In summary, because we believe encouraging entrepreneurship will positively impact the economy and promote business development in communities statewide, the Lenexa Chamber of Commerce urges the committee to consider SB 314 favorable for passage. Thank you for your time and attention to this important issue.

Senate Commerce Committee
February 14, 2007
Attachment 9

10
George Ohle



The Honorable Karin Brownlee, Co-Chairperson
The Honorable Nick Jordan, Co-Chairperson
Commerce Committee, Kansas Senate
300 SW 10th Ave., Room 136N
Topeka, KS 66612

February 12, 2007

Dear Chairpersons Brownlee and Jordan,

As Chairman of the KC Animal Health Corridor Advisory Board, I am writing to communicate my strong support for SB 314.

The Kansas Angel Investor Tax Credit Program has proven to be a successful tool in stimulating early stage investments in Kansas start-up companies. Last year, KTEC authorized \$1.8 million in tax credits. Seventeen start-up companies utilized these tax credits. It would be interesting to hear the stories of each of these companies. I would not be surprised to find that many, if not most, would not exist today, or would not be in Kansas, without the help of the Angel Investor Tax Credit Program. Those of you on the Senate Commerce Committee who played a role in establishing the Angel Investor Tax Credit Program are to be commended for your vision.

The KC Animal Health Corridor's stated business goals included making companies in the area more successful, attracting new companies, and creating a proportionate increase in jobs. Start up animal health companies are an important component to our success. They will create new products and bring jobs and wealth to our state. Established companies in the region are interested in nurturing start up animal health companies for opportunities to partner on new product development, manufacturing agreements, and research ventures. Today's start up animal health company could be the next big Kansas animal health employer.

I am concerned that the current Angel Investor Tax Credit Program ends eligibility for bioscience companies to participate in the program before these companies have the opportunity to generate significant revenue or secure venture capital financing. Bioscience companies, including animal health, will generally need to raise money from angel investors for longer than five years. Therefore, the provision in SB 314 extending the time bioscience companies can be in operation and qualify for tax credits from five to ten years is a needed change.

Senate Commerce Committee

February 14, 2007

Attachment 10-1

The Honorable Karin Brownlee
The Honorable Nick Jordan
Page 2

Other amendments to the Angel Investor Tax Credit in SB 314 are needed as well. Increasing the annual program cap from \$2 million to \$8 million will provide opportunities for more companies to participate in the program and allow KTEC to authorize more tax credits. Increasing the investors' individual tax credit cap for an investment in one company in any year from \$25,000 to \$50,000 will provide an incentive for investors to make larger investments in start up companies. I also encourage you to allow tax credits to flow to persons investing through certain business entities organized for purposes of investing in start up companies. Finally, the priority expressed in SB 314 for animal health companies sends a clear message to animal science entrepreneurs looking for a place to grow their business that they need to come to Kansas.

In summary, the amendments to the Angel Investor Tax Credit Program in SB 314 are needed to strengthen and expand a very important and successful program that helps attract seed capital to young Kansas companies. I urge you to vote in favor of SB 314.

Best regards,



Joerg Ohle
Chairman, Advisory Board
KC Animal Health Corridor

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February 7, 2007

To: Senate Committee on Commerce
From: Kathie Sparks, Principal Analyst
Re: SB 193, Requirement for Annual State Debt Report

SB 193 would require the Kansas Development Finance Authority (K DFA) to annually prepare a debt affordability report. The report would include the following:

- A listing of state debt outstanding, other debt secured by state revenues, and other contingent debt;
- An estimate of revenues available for the next ten fiscal years to pay debt service including general revenues plus any revenues specifically pledged to pay debt service;
- An estimate of additional debt issuance for the next ten fiscal years for the state's existing borrowing programs;
- A schedule of the annual debt service requirements, including principal and interest allocation, on the outstanding state debt and an estimate of the annual debt service requirements on the debt included if the additional state tax-supported debt service exceeds 7 percent;
- An overview of the state's general obligation credit rating;
- Identification and calculation of pertinent debt ratios, including debt service to revenues available to pay debt service, debt to personal income, and debt per capita for the state's net tax supported debt;
- The estimated debt capacity available over the next ten fiscal years without the benchmark debt ratio of debt service to revenue exceeding 6 percent; and
- A comparison of the state's debt service to revenues available to pay debt service, debt to personal income, and debt per capita for the state's net tax supported debt against the same ratios for the ten most populous states.

K DFA would be required to update the report once the revenue estimates are made available for the legislative session each year. In addition, any entity issuing debt secured by state revenues would be required to provide any information necessary to prepare the report and any failure to comply with the report would not affect the validity of any debt or the authorization of such debt.

Senate Commerce Committee
February 14, 2007

Attachment 11-1

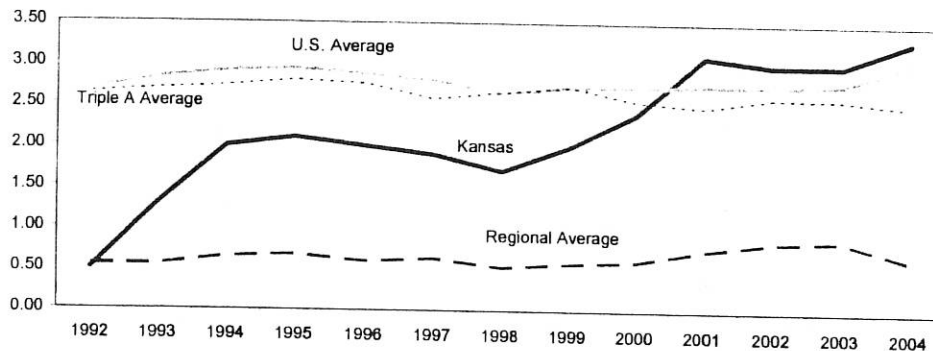
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The bill states that the Legislature declares that it is the policy of this state to exercise prudence in undertaking the authorization and issuance of debt. In order to implement this policy, the Legislature desires to authorize the issuance of additional state tax-supported debt only when such authorization would not cause the ratio of debt service to revenue available to pay debt service on tax-supported debt to exceed 6 percent. If the 6 percent target debt ratio would be exceeded, the authorization would be required to have an accompanied legislative statement of determination that such authorization and issuance is in the best interest of the state and should be implemented.

Finally, the bill would require that the Legislature not authorize the issuance of additional state tax-supported debt exceeding 7 percent unless the Legislature determines that such additional debt is necessary to address a critical state emergency.

KLS/kal

Figure 16: Tax-Supported Debt as a Percent of Personal Income Years, 1992 to 2004



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Kansas	0.50	1.30	2.00	2.10	2.00	1.90	1.70	2.00	2.40	3.10	3.00	3.00	3.30
U.S. Average*	2.69	2.83	2.91	2.94	2.88	2.80	2.65	2.73	2.73	2.75	2.75	2.78	3.05
Regional Average	0.55	0.55	0.65	0.68	0.60	0.635	0.53	0.58	0.61	0.75	0.85	0.88	0.65
Triple-A Average	2.64	2.69	2.73	2.80	2.76	2.58	2.66	2.73	2.56	2.49	2.61	2.60	2.51

Source: Moody's Investors Service; * difference between reported U.S. average in Figure 18 and computed mean may be due to rounding off of numbers. Triple-A states vary by year.

Figure 16 shows annual net tax-supported debt as a percent of personal income for Kansas and three comparison groupings: the U.S. average; the average of the four surrounding states; and, the average of states with the top credit rating. Since 2001, Kansas is the highest of all three groupings, reaching a peak of 3.3 percent in 2004, well above the U.S. average for all states of 3.05 percent, regional average of 0.65 percent, as well as the Triple-A average of 2.51 for the same year. The table also shows two surges of increase corresponding to the implementation timeline of the first major highway program in 1989 and the second Comprehensive Transportation Plan adopted in 1999. While Kansas consistently placed above the regional average since 1992, the state did not exceed the national average until 2001.

Compared to Kansas, the surrounding states of Oklahoma, Missouri, Colorado, and Nebraska all have a lower ranking of net tax-supported debt per capita as a percent of personal income. Based on these figures, the debt burden per individual citizen is higher in Kansas than in the surrounding states. One contributing factor is the State's population, which is among the lowest 20 states in the country. Population impacts a state's infrastructure needs. When consisting of a relatively small percentage of the state's land area, the population bears the heavier debt burden associated with higher infrastructure demands such as miles of roads and bridges. Moreover, the quality of services and infrastructure may differ substantially.

Kansas' higher debt burden is a significant factor in assessing the State's long-term financial health. The State has limited debt capacity in the future since Kansas citizens already pay a larger percentage of their personal incomes for state debt in comparison to other regional states. Carried to an extreme, if debt burden is a

2003			2004		
Rank	State	Percent	Rank	State	Percent
1	Hawaii	10.4%	1	Hawaii	10.4%
2	Massachusetts	8.4%	2	Massachusetts	8.4%
3	Connecticut	8.1%	3	Connecticut	8.4%
4	New York	5.8%	4	New York	6.7%
5	New Jersey	5.5%	5	New Jersey	5.9%
6	Mississippi	5.4%	6	Illinois	5.8%
7	Delaware	4.9%	7	Delaware	5.6%
8	Rhode Island	4.8%	8	Mississippi	5.2%
9	Washington	4.6%	9	Washington	4.9%
10	Kentucky	4.3%	10	Oregon	4.5%
11	West Virginia	4.0%	11	Wisconsin	4.5%
12	New Mexico	3.5%	12	Rhode Island	4.4%
13	Florida	3.3%	13	Kentucky	4.4%
14	Wisconsin	3.2%	14	New Mexico	4.1%
15	Illinois	3.1%	15	West Virginia	3.6%
16	Kansas	3.0%	16	Utah	3.5%
17	Vermont	2.9%	17	Florida	3.5%
18	Utah	2.8%	18	Kansas	3.3%
19	Georgia	2.8%	19	California	3.2%
20	Maryland	2.7%	20	Alaska	3.0%
21	Louisiana	2.6%	21	Maryland	3.0%
22	Ohio	2.6%	22	Georgia	2.9%
23	California	2.5%	23	Ohio	2.7%
24	South Carolina	2.3%	24	Louisiana	2.6%
25	Pennsylvania	2.2%	25	Vermont	2.5%
26	Alabama	2.1%	26	South Carolina	2.4%
27	Arizona	2.1%	27	Arizona	2.3%
28	Minnesota	1.8%	28	Pennsylvania	2.2%
29	Michigan	1.8%	29	Michigan	2.2%
30	Maine	1.7%	30	Minnesota	2.0%
31	Virginia	1.7%	31	North Carolina	2.0%
32	Oregon	1.6%	32	Nevada	2.0%
33	North Carolina	1.5%	33	Alabama	2.0%
34	New Hampshire	1.4%	34	Arkansas	1.8%
35	Arkansas	1.4%	35	Maine	1.8%
36	Nevada	1.4%	36	Virginia	1.7%
37	Montana	1.3%	37	Missouri	1.6%
38	Missouri	1.3%	38	New Hampshire	1.5%
39	Oklahoma	1.2%	39	Indiana	1.3%
40	Indiana	1.1%	40	Montana	1.3%
41	Colorado	0.9%	41	Oklahoma	1.2%
42	Texas	0.9%	42	South Dakota	0.9%
43	Wyoming	0.8%	43	Colorado	0.9%
44	North Dakota	0.8%	44	North Dakota	0.9%
45	Tennessee	0.8%	45	Wyoming	0.8%
46	South Dakota	0.7%	46	Tennessee	0.8%
47	Iowa	0.6%	47	Texas	0.8%
48	Idaho	0.3%	48	Iowa	0.5%
49	Alaska	0.3%	49	Idaho	0.5%
50	Nebraska	0.1%	50	Nebraska	0.1%
	MEAN:	2.7%		MEAN:	3.1%
	MEDIAN:	2.2%		MEDIAN:	2.4%

Source: Moody's Special Comment (April 2001, May 2002, July 2003).
Note: Personal Income figures were released by the U.S. Bureau of Economic Analysis. 2002 percentages are based on 2000 personal income figures, 2001 percentages are based on 1999 personal income; * Issuer rating; ** NGO (No GO rating equivalent requested).

Figure 15: Net Tax-Supported Debt as a Percent of Personal Income, 2001 to 2004

2001			2002		
Rank	State	Percent	Rank	State	Percent
1	Hawaii	11.0%	1	Hawaii	10.4%
2	Massachusetts	8.5%	2	Massachusetts	8.6%
3	Connecticut	8.0%	3	Connecticut	8.0%
4	New York	6.2%	4	New York	5.9%
5	New Jersey	5.5%	5	New Jersey	5.6%
6	Delaware	5.5%	6	Delaware	5.3%
7	Rhode Island	5.3%	7	Rhode Island	5.2%
8	Mississippi	4.6%	8	Mississippi	4.7%
9	Washington	4.4%	9	Washington	4.4%
10	Kentucky	4.4%	10	Kentucky	4.3%
11	West Virginia	4.2%	11	New Mexico	4.0%
12	New Mexico	4.0%	12	West Virginia	4.0%
13	Florida	3.3%	13	Florida	3.4%
14	Vermont	3.3%	14	Vermont	3.0%
15	Wisconsin	3.2%	15	Kansas	3.0%
16	Kansas	3.1%	16	Utah	3.0%
17	Utah	2.8%	17	Wisconsin	3.0%
18	Illinois	2.7%	18	Georgia	2.9%
19	Georgia	2.6%	19	Illinois	2.8%
20	Maryland	2.6%	20	Ohio	2.6%
21	Ohio	2.6%	21	Maryland	2.6%
22	Louisiana	2.5%	22	South Carolina	2.5%
23	California	2.5%	23	California	2.5%
24	Alabama	2.2%	24	Louisiana	2.4%
25	Pennsylvania	2.2%	25	Pennsylvania	2.3%
26	Maine	2.0%	26	Alabama	2.2%
27	Virginia	1.9%	27	Arizona	1.9%
28	Minnesota	1.8%	28	Maine	1.9%
29	Nevada	1.8%	29	Virginia	1.8%
30	South Carolina	1.8%	30	Minnesota	1.8%
31	Montana	1.7%	31	Nevada	1.7%
32	Arizona	1.6%	32	Montana	1.6%
33	Michigan	1.6%	33	Oregon	1.5%
34	Oregon	1.6%	34	New Hampshire	1.5%
35	New Hampshire	1.5%	35	Michigan	1.5%
36	Oklahoma	1.4%	36	Wyoming	1.4%
37	North Carolina	1.4%	37	North Carolina	1.4%
38	Tennessee	1.2%	38	Missouri	1.3%
39	Arkansas	1.2%	39	Oklahoma	1.3%
40	South Dakota	1.2%	40	Arkansas	1.2%
41	Missouri	1.1%	41	Indiana	1.1%
42	Indiana	1.1%	42	South Dakota	0.9%
43	Wyoming	1.0%	43	Tennessee	0.9%
44	Texas	1.0%	44	North Dakota	0.9%
45	North Dakota	0.9%	45	Texas	0.9%
46	Alaska	0.4%	46	Colorado	0.7%
47	Colorado	0.4%	47	Iowa	0.6%
48	Iowa	0.4%	48	Alaska	0.4%
49	Idaho	0.3%	49	Idaho	0.4%
50	Nebraska	0.1%	50	Nebraska	0.1%
	MEAN:	3.0%		MEAN:	2.7%
	MEDIAN:	2.1%		MEDIAN:	2.3%

2003				2004			
Rank	State	Amount	Rating	Rank	State	Amount	Rating
1	Connecticut	\$3,440	Aa3	1	Connecticut	\$3,558	Aa3
2	Massachusetts	\$3,298	Aa2	2	Massachusetts	\$3,333	Aa2
3	Hawaii	\$3,111	Aa3	3	Hawaii	\$3,101	Aa3
4	New Jersey	\$2,110	Aa2	4	New York	\$2,420	A2
5	New York	\$2,095	A2	5	New Jersey	\$2,332	Aa2
6	Delaware	\$1,599	Aaa	6	Illinois	\$1,943	Aa3
7	Rhode Island	\$1,508	Aa3	7	Delaware	\$1,800	Aaa
8	Washington	\$1,507	Aa2	8	Washington	\$1,580	Aa1
9	Mississippi	\$1,207	Aa3	9	Rhode Island	\$1,307	Aa3
10	Kentucky	\$1,095	Aa2**	10	Wisconsin	\$1,325	Aa3
11	Illinois	\$1,040	Aa3	11	Oregon	\$1,281	Aa3
12	Florida	\$985	Aa2	12	Mississippi	\$1,169	Aa3
13	Maryland	\$977	Aaa	13	Kentucky	\$1,119	Aa2**
14	Wisconsin	\$958	Aa3	14	Maryland	\$1,077	Aaa
15	West Virginia	\$950	Aa3	15	California	\$1,060	Baa1
16	Vermont	\$861	Aa1	16	Florida	\$1,023	Aa2
17	Kansas	\$860	Aa1**	17	Kansas	\$963	Aa1**
18	New Mexico	\$844	Aa1	18	New Mexico	\$962	Aa1
19	California	\$810	A2	19	Alaska	\$962	Aa2
20	Georgia	\$802	Aaa	20	West Virginia	\$859	Aa3
21	Ohio	\$750	Aa1	21	Utah	\$846	Aaa
22	Pennsylvania	\$693	Aa2	22	Georgia	\$827	Aaa
23	Utah	\$682	Aaa	23	Ohio	\$806	Aa1
24	Louisiana	\$650	A2	24	Vermont	\$724	Aa1
25	Minnesota	\$625	Aa1	25	Pennsylvania	\$711	Aa2
26	South Carolina	\$587	Aaa	26	Minnesota	\$691	Aa1
27	Virginia	\$546	Aaa	27	Michigan	\$670	Aa1
28	Michigan	\$542	Aaa	28	Louisiana	\$661	A1
29	Alabama	\$540	Aa3	29	South Carolina	\$599	Aaa
30	Arizona	\$539	NGO	30	Arizona	\$591	NGO**
31	New Hampshire	\$485	Aa2	31	Nevada	\$590	Aa2
32	Maine	\$471	Aa2	32	North Carolina	\$556	Aa1
33	Oregon	\$454	Aa3	33	Virginia	\$546	Aaa
34	North Carolina	\$429	Aa1	34	Alabama	\$505	Aa3
35	Nevada	\$413	Aa2	35	New Hampshire	\$495	Aa2
36	Missouri	\$368	Aaa	36	Maine	\$492	Aa2
37	Montana	\$329	Aa3	37	Missouri	\$461	Aaa
38	Arkansas	\$328	Aa2	38	Arkansas	\$420	Aa2
39	Oklahoma	\$302	Aa3	39	Indiana	\$361	Aa1**
40	Indiana	\$300	Aa1**	40	Oklahoma	\$315	Aa3
41	Colorado	\$295	NGO	41	Montana	\$311	Aa3
42	Wyoming	\$256	NGO	42	Colorado	\$307	NGO**
43	Texas	\$246	Aa1	43	South Dakota	\$254	NGO**
44	North Dakota	\$223	Aa3**	44	Wyoming	\$250	NGO**
45	Tennessee	\$222	Aa2	45	North Dakota	\$235	Aa3
46	South Dakota	\$190	NGO	46	Texas	\$220	Aa1
47	Iowa	\$156	Aa1**	47	Tennessee	\$220	Aa2
48	Alaska	\$94	Aa2	48	Iowa	\$139	Aa1**
49	Idaho	\$83	Aa3**	49	Idaho	\$83	Aa3**
50	Nebraska	\$38	NGO	50	Nebraska	\$43	NGO**
	MEAN:	\$838			MEAN:	\$944	
	MEDIAN:	\$606			MEDIAN:	\$701	

Source: Moody's Special Comment (June 23, 2004); their calculations.
Note: NGO (No General Obligation rating equivalent requested); ** Issuer Rating; * computed based on figures: population figures taken from the U.S. Census Bureau.

Figure 13: Net Tax-Supported Debt per Capita, Years 2001 to 2004

2001				2002			
Rank	State	Amount	Rating	Rank	State	Amount	Rating
1	Connecticut	\$3,037	Aa2	1	Massachusetts	\$3,267	Aa2
2	Hawaii	\$2,987	Aa3	2	Connecticut	\$3,240	Aa2
3	Massachusetts	\$2,957	Aa2	3	Hawaii	\$2,936	Aa3
4	New York	\$2,020	A2	4	New Jersey	\$2,066	Aa2
5	New Jersey	\$1,935	Aa1	5	New York	\$2,045	A2
6	Delaware	\$1,616	Aaa	6	Delaware	\$1,650	Aaa
7	Rhode Island	\$1,497	Aa3	7	Rhode Island	\$1,552	Aa3
8	Washington	\$1,316	Aa1	8	Washington	\$1,383	Aa1
9	Kentucky	\$999	Aa2**	9	Kentucky	\$1,046	Aa2**
10	Mississippi	\$918	Aa3	10	Mississippi	\$996	Aa3
11	Florida	\$883	Aa2	11	Florida	\$959	Aa2
12	West Virginia	\$878	Aa3	12	Illinois	\$908	Aa2
13	Wisconsin	\$859	Aa3	13	Maryland	\$879	Aaa
14	New Mexico	\$843	Aa1	14	New Mexico	\$879	Aa1
15	Vermont	\$828	Aa1	15	West Virginia	\$867	Aa3
16	Maryland	\$819	Aaa	16	Wisconsin	\$834	Aa3
17	Illinois	\$815	Aa2	17	Kansas	\$824	Aa1**
18	Kansas	\$802	NGO	18	Vermont	\$813	Aa1
19	California	\$733	Aa2	19	Georgia	\$804	Aaa
20	Ohio	\$698	Aa1	20	California	\$795	A1
21	Georgia	\$679	Aaa	21	Ohio	\$749	Aa1
22	Utah	\$637	Aaa	22	Utah	\$708	Aaa
23	Pennsylvania	\$603	Aa2	23	Pennsylvania	\$671	Aa2
24	Louisiana	\$565	A2	24	South Carolina	\$615	Aaa
25	Minnesota	\$546	Aaa	25	Minnesota	\$576	Aaa
26	Virginia	\$537	Aaa	26	Louisiana	\$570	A2
27	Alabama	\$506	Aa3	27	Virginia	\$566	Aaa
28	Nevada	\$502	Aa2	28	Alabama	\$526	Aa3
29	Maine	\$487	Aa2	29	Nevada	\$524	Aa2
30	New Hampshire	\$463	Aa2	30	New Hampshire	\$503	Aa2
31	Michigan	\$449	Aaa	31	Arizona	\$495	NGO
32	Oregon	\$417	Aa2	32	Maine	\$486	Aa2
33	South Carolina	\$398	Aaa	33	Michigan	\$438	Aaa
34	Arizona	\$382	NGO	34	Oregon	\$437	Aa2
35	Montana	\$361	Aa3	35	Wyoming	\$388	NGO
36	North Carolina	\$340	Aaa	36	North Carolina	\$375	Aaa
37	Oklahoma	\$320	Aa3	37	Montana	\$358	Aa3
38	Tennessee	\$308	Aa1	38	Missouri	\$347	Aaa
39	South Dakota	\$291	NGO	39	Oklahoma	\$297	Aa3
40	Missouri	\$288	Aaa	40	Indiana	\$296	Aa1**
41	Indiana	\$283	Aa1**	41	Arkansas	\$268	Aa2
42	Arkansas	\$260	Aa2	42	Colorado	\$245	NGO
43	Texas	\$251	Aa1	43	South Dakota	\$244	NGO
44	Wyoming	\$250	NGO	44	Texas	\$238	Aa1
45	North Dakota	\$207	Aa3**	45	Tennessee	\$231	Aa2
46	Colorado	\$129	NGO	46	North Dakota	\$216	Aa3**
47	Alaska	\$127	Aa2	47	Iowa	\$166	Aa1**
48	Iowa	\$89	NGO	48	Alaska	\$112	Aa2
49	Idaho	\$78	NGO	49	Idaho	\$86	Aa3**
50	Nebraska	\$25	NGO	50	Nebraska	\$34	NGO
	MEAN:	\$820			MEAN:	\$810	
	MEDIAN:	\$541			MEDIAN:	\$573	

Indebtedness of the State of Kansas*
FY 1997 - FY 2007

<u>Fiscal Year</u>	<u>Bonds</u>	<u>Loans Outstanding Pooled Money Investment Board</u>
FY 1997	1,152,418,451	22,990,547
FY 1998	1,160,485,487	20,702,751
FY 1999	1,320,116,565	15,958,280
FY 2000	1,427,911,190	11,113,248
FY 2001	1,781,202,105	8,375,230
FY 2002	2,506,059,479	6,775,233
FY 2003	2,334,940,984	5,700,380
FY 2004	2,519,100,301	3,314,541
FY 2005	3,713,838,876	4,861,506
FY 2006	3,830,183,786 **	727,995
FY 2007	<u>3,951,759,149</u>	2,875,000
Change FY 1997 to FY 2007	\$2,799,340,698	
Percent Change	242.9%	

* Principal balance as of the end of the fiscal year.

** In addition, there is authorized but unissued debt of \$272,856,607.

Source: *Comparison Report*, Kansas Division of the Budget.



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Kansas Debt Explosion

"We must not let our rulers load us with perpetual debt."
-- Thomas Jefferson (letter to Samuel Kercheval, 7/12/1816)

February 14, 2007

I am Alan Cobb, Kansas State Director of Americans for Prosperity, and we support SB 193.

More disclosure and information about the levels of state debt is welcome. This bill will provide a very helpful tool to legislators as they consider debt as a finance option.

Particularly important are the safeguards contained in sections (2) and (3) which states a goal of having debt service not exceed 6% of revenue available to pay the debt.

According to the Governor's FY 2008 budget, SGF debt service is \$67.8MM; non-SGF debt service is \$200.6MM; off-budget debt service is \$3.4MM; Pooled-money investment loan debt service, \$1MM; off-budget PMIB loan debt service, \$2.4MM; master lease program debt service, \$3.7MM; off-budget master lease program debt service, \$800,000; Facilities conservation improvement program debt service, \$4MM.

The all-state funds budget, the money available to pay state debt, is about \$9 billion year. Thus, the State debt service of \$284MM is in the 3% range.

It would be helpful if local governments would adopt a similar policy. While state debt is around \$4 billion, local government non-IRB debt in Kansas is around \$8 billion and is increasing.

All of the measures that Moody's uses got worse for Kansas in the last two years. (from the '04 report to the new '06 report).

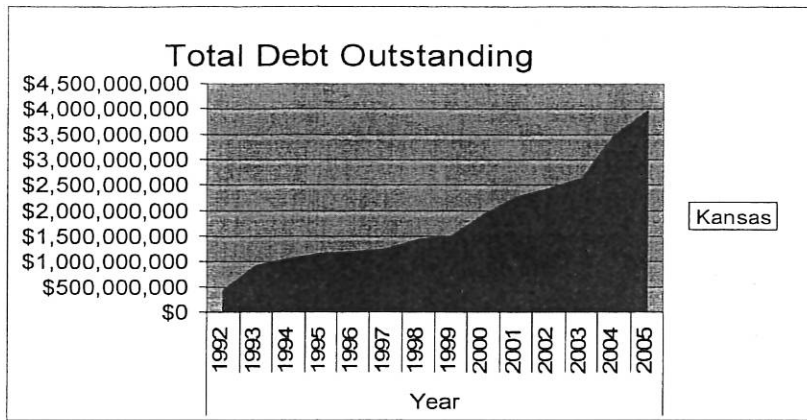
As you know, Moody's does not care so much about total debt, because that is not a measure of a states ability to pay. So, measures like debt per capita, debt as a % of personal income, etc all got worse, especially compared to our neighbors.

Kansas Debt Facts

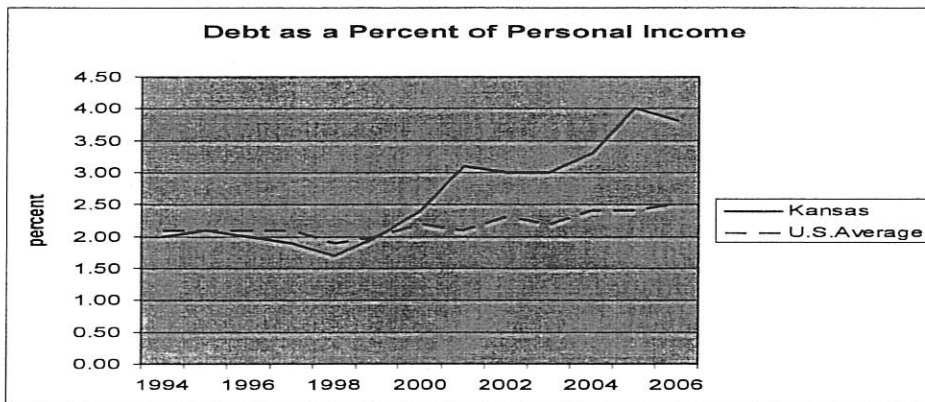
- Kansas debt has increased 832% since 1992, from \$424 million in 1992 to \$3.95 billion in 2006. Kansas debt increased 32% between 2003 and 2004 alone.
- Kansas ranks the 2nd in the growth of debt as a percent of personal income: 1992-2006 (660% increase).
- During this same time ('92-'06) 19 states actually DECREASED their debt as a percent of personal income. (Moody's Investors Service, 2006)

Senate Commerce Committee
February 14, 2007

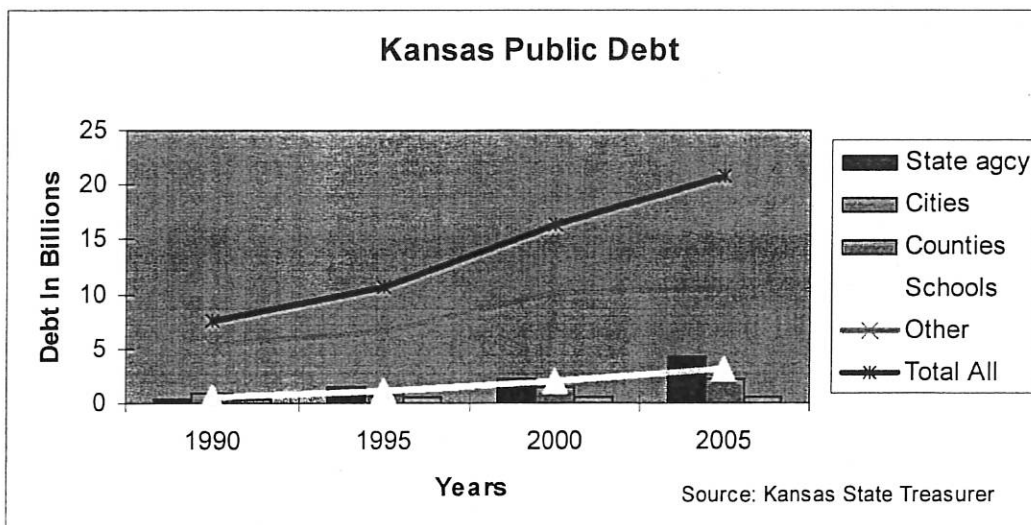
Attachment 12-1



- Kansas' debt per capita is much higher than ALL its surrounding states. (*Moody's Special Comment, April 2006*)
 - Kansas \$1,169 per person
 - Missouri \$496 per person
 - Oklahoma \$395 per person
 - Nebraska \$27 per person
- Kansas debt as a percent of personal income has increased 660% between 1992-2006. During this same time, the US average increase was only 13%. (*Moody's Investor Service 2006*)



- Kansas' debt as a percent of personal income is considerably higher than ALL the surrounding states (*Moody's Special Comment, June 23, 2006*).
 - Kansas 3.8%
 - Missouri 1.6%
 - Oklahoma 1.4%
 - Colorado 0.9%
 - Nebraska 0.1%



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8 February 2007

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Testimony Supporting S.B. 193
Karl Peterjohn, Executive Director

Kansas debt was limited from territorial days and well into the 20th century by its constitutional provision, Article 11, Section 7. This provision, which was initially adopted in the 1850's required that state debt get approval by the voters before this could be enacted.

This was an important safeguard that served this state well. This provision has been superseded in the later part of the 20th century and this protection was eliminated. That is unfortunate. Bonding is the equivalent of placing a mortgage onto the taxable property and assets that belong to the people. Bonded indebtedness can be a valuable tool if used properly and with care. However, like many other tools, if improperly used bonded indebtedness can cause significant damage and create extended problems for those who have to pay for the bonds.

Recent figures that I have seen indicate that Kansas state debt has now grown to over \$4 billion. S.B. 193 would place a statutory limitation based upon an effective debt service ceiling of 7 percent unless the legislature provides that "...a critical state emergency," exists and bonding is needed to address this problem.

Many other states have requirements for voter approval of debt before bonds can be sold. That is an important protection to prevent excessive issuance of bonded indebtedness. In some states a super majority of the voters are needed for issuing bonds because of the importance of this type of spending and the burden it places upon the people who have to pay for these bonds.

Currently, bonding limitations upon Kansas are basically limited to the capital markets willingness to purchase state debt. Kansas Taxpayers Network (KTN) would like to see additional and stronger limits on state indebtedness put in place. Restoration of Article 11 Section 7 of the Kansas Constitution would have put the people back into the indebtedness issue and we would not have as large an amount of debt if the people had been more involved in this process in the last couple of decades.

S.B. 193 will not take us back to these halcyon days but will provide more clarity and information about the state's debt situation under the report that KDFR would be required to provide under this bill. This is good public policy that is needed for Kansas and the Kansans who ultimately must provide the revenues to pay off these debts.

Senate Commerce Committee
February 14, 2007

Attachment 13

14
Thank you for the opportunity to testify on SB 193.

We support the idea of coming to a consensus on a reasonable and workable debt policy for Kansas, and annually preparing a report on state debt, which we believe should be assigned as a joint responsibility to the Department of Administration and KDFA.

SB 193 is an effort to do that. However, before the Committee considers moving the bill forward, various terms in the bill should be more specifically defined or given contextual structure or purpose. Line 13 refers to state debt, but does not define the debt encompassed by this term, for example, that debt which is an obligation of the state general fund. On line 23, it is unclear whether "revenue available to pay debt service" refers to all revenue of the state or only revenues into the State General Fund. Likewise on lines 22 and 24, it is uncertain whether "tax-supported debt" refers only to debt repaid by the State General Fund or debt repaid from all sources of revenue. The interpretation of these terms makes a significant difference in the application of the debt limit outlined in the bill and also in the presentation of several of the items required in the annual report. Also, line 17 on page 2, refers to the state's general obligation credit rating. The state of Kansas does not issue general obligation debt, and does not receive a general obligation credit rating. The AA+/Aa1 issuer shadow credit rating assigned to debt issued by KDFA by Standard & Poor's and Moody's is based on the strength of the state general fund appropriation credit.

For FY 2008 estimated State General Fund debt service payments total just under \$68 million, or 1.2 % of the expected revenue to the State General Fund. However, another \$204 million of debt service payments will be made from other special dedicated revenue funds that have been specifically pledged to repay bonds. Most of the other debt service payments are made from the Highway Fund, but also from the State Institutions Building Fund, the Education Building Fund, the Correctional Institutions Building Fund, university parking and housing funds, etc.

Standard and Poor's and Moody's, the state's two main rating agencies, take different approaches to these definitions. Standard and Poor's counts obligations of the State General Fund as tax supported debt, while Moody's includes the debt obligations of special revenue funds.

We believe further discussions should take place about this bill and the Department of Administration and KDFA are ready to participate.

Duane Goossen, Secretary of Administration/Budget Director
Steve Weatherford, President, Kansas Development Finance Authority

Senate Commerce Committee
February 14, 2007
Attachment 14