

MINUTES OF THE HOUSE COMMITTEE ON NEW ECONOMY.

The meeting was called to order by Chairperson William Mason at 3:30 p.m. on February 20, 2001 in Room 522-S of the Capitol.

All members were present except: All present

Committee staff present: Bob Nugent, Revisor of Statutes
Renae Jefferies, Revisor of Statutes
April Holman, Legislative Research Department
Lynne Holt, Legislative Research Department
Rose Marie Glatt, Secretary

Conferees appearing before the committee:

Charles Ranson, President, Kansas, Inc.

Rich Bendis, President, KTEC

Gary Sherrer, Secretary, KDOC&H

John Fowler, President & CEO, KCCI

Written Testimony Only:

Harold Bradley, Senior Vice President, American Century Ventures

Tom Blackburn, Executive Vice President, Kansas Venture Capital, Inc.

Others attending: See Attached List

HB 2505 - Relating to income taxation; concerning venture capital

Charles Ranson, briefed the committee on the Venture Capital bill. Copies of "*Best Practices of State Sponsored Seed and Venture Capital Programs and Alternatives to Direct State Funding*" and "*A Kansas Vision for the 21st Century*", were distributed to the committee, copies on file at Kansas, Inc. He gave data on existing Venture Capital money in Kansas resulting in loss of businesses. He stated that the three economic development entities had agreed to the language and amounts of \$25 million with a \$12.5 tax credit, although the current bill reflects \$50 million with a \$25 million tax credit. He stated that was the only issue currently separating them.

Rich Bendis quoted statistics from the "*National Venture Capital Association*". The total last year invested by Venture Capitalists was in excess of \$103 billion dollars. The amount invested in Kansas companies was \$223 million dollars (2/10 of 1% of all the venture capital invested in the US). The average investment in seed capital was \$5 million dollars, the average investment made in a company was \$15 million dollars. The total amount of venture capital available through KTEC's related programs annually, is \$1.5 million dollars. He explained the process of availability of the tax credits in the current bill and asked the committee to consider whether the money represented a cost or an investment.

Representative Mason explained that the current bill, reflecting \$50 million dollars with 50% tax credits, was changed per his direction. The Legislature has been working on this bill for several years and he believes these amounts are reasonable representing the minimum amount they should invest.

Secretary Sherrer stated he was against the bill last year for the following reasons; questionable time frame for investments, tax credits too high, lack of restrictions on types of investments and liability for the state. His concerns this year are budgetary in nature and he believes they should start the program modestly and increase on a need basis.

John Fowler, President & CEO, KCCI expressed his support for **HB 2205** (Attachment 1). The use of income tax credits to stimulate private investment in new and promising ventures represents a sound approach to resolving the competitive issue of Kansas' risk capital deficit.

Written testimony was distributed from Tom Blackburn, Exec.Vice President, Kansas Venture Capital, Inc.

(Attachment 2) and Harold S. Bradley, President, American Century Ventures, (Attachment 3).

The hearing on **HB 2205** was closed.

HB 2497 - Concerning the renaming of Economic Development to the Committee on New Economy

It was moved by Representative Kuether and seconded by Representative Cox that **HB 2497** be passed out favorably. The motion carried on a voice vote.

HB 2205 - Relating to housing; concerning administration of state housing program; establishing a state housing corporation

Representative Aday moved that **HB 2205** be passed out favorably. The motion was seconded by Representative Beggs. After a voice vote, the Chair being undecided, asked for a show of hands. There were 10 counts in favor. The motion carried. Bob Nugent asked permission to update two dates in the bill from 2000 to 2001. There was no objection.

Representative Cox moved for the approval of the Committee minutes for February 13. Representative Compton seconded the motion which passed by a voice vote.

Next meeting March 6.

The Chairman adjourned the meeting at 5:00 p.m.