

**MINUTES**

**JOINT COMMITTEE ON ECONOMIC DEVELOPMENT**

August 12-13, 2003  
Room 519-S—Statehouse

**Members Present**

Representative Kenny Wilk, Chairman  
Senator Nick Jordan, Vice Chairman  
Representative Tom Burroughs, Ranking Minority Member  
Senator Jim Barone  
Senator Karin Brownlee  
Senator Pete Brungardt  
Senator U.L. Rip Gooch  
Representative Donald Dahl (August 12, 2003 only)  
Representative John Faber  
Representative Lana Gordon  
Representative Judith Loganbill  
Representative Valdenia Winn

**Member Absent**

Representative Vern Osborne

**Staff Present**

April Holman, Kansas Legislative Research Department  
Deb Hollon, Kansas Legislative Research Department  
Renaë Jefferies, Office of the Revisor of Statutes  
Mitch Rice, Office of the Revisor of Statutes  
Fulva Seufert, Committee Secretary

**Conferees**

S. Lewis Ebert, President and CEO, Kansas Chamber of Commerce and Industry  
Dr. Eli Michaelis, Distinguished Professor and Chair, University of Kansas Department of  
Pharmacology and Toxicology  
Dr. Charles Decedue, Executive Director, Higuchi Biosciences Center, University of Kansas  
Dan Nagengast, Director, Kansas Rural Center  
Judy Billings, Director, Lawrence Convention and Visitors Bureau  
Dr. David Darling, Kansas State Research and Extension, Department of Agricultural Economics

Carol Gould, Director, Kansas Center for Rural Initiatives, Kansas State University  
Lt. Governor John Moore, Secretary Kansas Department of Commerce  
Matt Jordan, Kansas Department of Commerce  
Tracy Taylor, President and DEO, Kansas Technology Enterprise Corporation  
Mike Peck, Vice President of Business Development and Portfolio Management, Kansas  
Technology Enterprise Corporation  
Matt All, Office of the Governor  
Representative Tom Burroughs

## **Tuesday, August 12**

The meeting was called to order by Committee Chairman Kenny Wilk at 10:15 a.m. in Room 519-S in the State Capitol.

Chairman Wilk introduced April Holman, Kansas Legislative Research Department, who presented an overview of the topics along with a walk through the notebook prepared by the staff. Ms. Holman also informed the committee that she would be leaving the legislative staff effective August 29, 2003, and that Deb Hollon, Kansas Legislative Research Department, was also being reassigned to work with the Regents institutions budgets.

Ms. Holman mentioned that the Joint Committee on Economic Development is one of the few committees that has the authority to prepare its own agenda. However, this year the Legislative Coordinating Council suggested that the committee look at the following three topics:

1. Rural Economic Development Initiatives;
2. Agri Tourism Limited Liability that appeared in SB 134 which was passed by both houses in the 2003 Legislature and vetoed by the Governor; and
3. Work Force Development Coordination (possible streamlining and consolidating some of the existing work force functions).

She noted that a number of items have been identified for study by Committee leadership such as the issue of tourism, the status of venture capital and possible alternatives for those already in place, the impact of the Missouri Downtown Economic Stimulus Act known as MODESA, the possibilities of attracting corporate headquarters such as Life Sciences Companies, and the possible creation of a State Boxing Commission.

Chairman Wilk thanked Ms. Holman and commented that shortly after the 2003 Session there was an article in *The Kansas City Star* indicating that Missouri is strategically passing policy to lure economic growth into its area at the expense of Kansas and other parts of the country. He referred to several proposals that Representative Doug Patterson brought before the House Economic Development Committee in testimony during the 2003 session. Chairman Wilk stated that they were weighty issues that did not get much consideration, but perhaps will be revisited in the 2004 Legislature. Therefore, he wants the Committee to be fully informed about what it means for Kansas. The Chairman then asked Ms. Holman to brief the Committee on the research located on line at the MODESA website concerning MODESA.

Ms. Holman reported that the Missouri legislation was recently passed and signed into law by the Governor of Missouri on July 2, 2003. She told the Committee that she had called the Downtown Kansas City Missouri office to see how many prospects they have had, but has not received an answer yet. Ms. Holman said that MODESA was adopted to provide new state redirected revenue for "major initiative" projects to revitalize urban cores of cities and towns throughout Missouri. She noted that a wide variety of projects would qualify for MODESA funding. Under the law, there is a \$10,000,000 threshold for a municipality with more than a population of 300,000, a \$5,000,000 threshold for population between 100,000 and 299,999, and a \$1,000,000 for population between 50,001 and 99,999. In order to qualify for MODESA under the business locations section, a Kansas City and St. Louis project must create 100 new jobs, a Springfield and Independence sized project (100,000 to 299,999 population) must create 50 new jobs, a Lee's Summit and Rolla sized project (50,000 to 99,999 population) must create 10 jobs; and every other Missouri town must create 5 new jobs." Qualified projects will receive the Missouri state sales tax of 1.5 percent collected within the district and up to half of the Missouri income tax through withholding. These taxes will be used to improve public infrastructure, parking, environmental remediation, and land acquisition. A compromise amendment gives Kansas City more ammunition against Kansas STAR bonds legislation since Kansas City will be able to use 2 percent (instead of only 1.5 percent) of Missouri sales tax on two retail projects which are to be approved prior to December 31, 2006 (Attachment 1).

A question from the Committee concerned what kind of businesses this legislation will attract, and Senator Brownlee stated that one project she was aware of was corporate headquarters of Waddell and Reed.

Chairman Wilk recognized Mr. S. Lewis Ebert, President and CEO, Kansas Chamber of Commerce and Industry, who spoke about the business environment in Kansas. Mr. Ebert said he wished to focus first on what is right with the Kansas business climate and then on what will make Kansas more attractive to prospective businesses. He said there are lots of things right in Kansas, but there are, of course, things Kansans can work on together to make the state a more productive leader. He noted that some of the state's assets include good roads with the 4<sup>th</sup> largest number of public roads in the country and with the 3<sup>rd</sup> largest number of bridges. The U.S. highway system traverses the state from east to west and from north to south, and the 1999 comprehensive transportation program was the largest public works program in the state's history, which indicated that roads have long been a Kansas priority. Another strength is Kansas' strategic location as the Crossroads of America. Kansas' educational system is another asset, ranking 7<sup>th</sup> highest in the country for SAT exam scores and the 15<sup>th</sup> highest for high school completion rate. Kansas has a skilled labor force with available labor in its manufacturing base and a reputation for a good work ethic. Kansas is a right-to-work state with strong workforce development efforts for future growth. Continued effort is also being made to improve the efficiency and effectiveness of this workforce. Kansas is strong in economic development with attractive incentives, sufficient professionals, and leadership commitment. Kansas has available natural resources with available land, clean air, clean water, temperate climate, and energy resources. Mr. Ebert commented on the recent Boeing legislation enacted by the 2003 Legislature as being very positive for the state, and he congratulated the Committee for its accomplishment and swift action to get this legislation passed.

Mr. Ebert compared the economic climate in Kansas to his native Pennsylvania, noting that Pennsylvania has made key investments in its economy. He challenged Kansans to look at what the state needs to do. He reported that Kansas is one of the top ten states losing population, and the tax climate is ranked 36<sup>th</sup> in the country. He noted that at the top of the list for most companies relocating is spiraling healthcare costs. Economic success in other states has meant actively taking

steps to review their tax structure and worker's compensation laws. He cited that Florida recently called a special session of the legislature to enact sweeping reform of their worker's compensation laws, while Florida already has the 4<sup>th</sup> best business climate in America. He stressed that Florida's aggressive actions have definitely established its reputation as a healthy business climate for companies who already do business in the state as well as for those looking for a place to relocate or expand. In closing, he cited Kansas' growth deficit as a bigger problem than the budget deficit. To address this growth deficit, he reported the Kansas Chamber will be bringing specific proposals to the 2004 Legislature on health care, workers' compensation, unemployment compensation, litigation expenses, and basic tax issues (Attachment 2).

Committee discussion followed, and Senator Brownlee suggested that Kansas needs to work together with Kansas, Inc. and staff to compile a score card and an annual economic survey using data from companies doing business in Kansas. Chairman Wilk said he was getting more and more interested in how Kansas can grow entrepreneurship and how best to link bio sciences and life sciences research and commercialize it by bringing it into the business world. Mr. Ebert added that when we find the best way to address the underlying cost of doing business in Kansas, opportunities will not only come to Kansas, but entrepreneurs will be energized and motivated to start businesses and expand existing businesses.

Chairman Wilk thanked Mr. Ebert and then summarized the remaining agenda for the afternoon session. He announced that the Committee would reconvene at 1:30 p.m.

Chairman Wilk told the Committee that the afternoon would be devoted to the issue of rural development, and he extended an invitation for members to feel free to let him know if they have additional items they would like discussed. Chairman Wilk said he felt it would be beneficial for the House members to be briefed on the White Paper that the Senate Commerce Committee compiled on May 5, 2003. He said he had heard nothing but praise on the excellent report they have written on Rural Economic Development.

Ms. Holman started the briefing by saying that Senator Jordan put together the first draft of the White Paper and deserved recognition for it. The subcommittee members were Senator Nick Jordan, Chair, Senator Karin Brownlee, Senator Jay Emler, and Senator Janis Lee.

The report focuses on rural communities as a whole and not just agriculture. The report placed an emphasis on agriculture and non-agriculture entrepreneurship as the key to rural development. Part of the paper looks at the current status of the farm economy and the rural non-farm economy. The paper includes a measure of the prosperity of Kansas which includes the strength index of the following three factors: the wealth index, personal income index, and the employment index. The White Paper also examines the rural economy, entrepreneurship, recommendations, and current rural resources. A listing of available networks for rural development and available resources and programs is provided which can assist rural communities about where they can go to get assistance (Attachment 3).

Chairman Wilk welcomed Dr. Charles Decedue, Executive Director, Higuchi Biosciences Center, University of Kansas, who provided a handout showing test plot confinement requirements for open-pollinated corn. He explained that plant-made pharmaceuticals (PMP) are being made because it is economical. His testimony included a diagram showing the plant-made pharmaceutical permit process as well as some of the requirements for corn produced under controlled pollination.

Dr. Decedue said that safety surveillance issues will be a concern for the drug companies. Legislators will have to deal with the fear factor stemming from a fear of the unknown and fear of change. He said the role of the state in the bioscience area is the obvious regulatory role which will have to be funded. He expects that sometime the Department of Agriculture will be requesting more inspectors. He cautioned that legislative leaders will be called upon to address the safety concerns of the general population if the drug companies are allowed to come into Kansas and grow these drugs on Kansas farmland. Dr. Decedue also asked how the state can capture more of the value-added part of this market. If the drugs are turned into a highly priced commodity, then Kansas will want to benefit financially. And lastly, he stated that the Economic Development Committee should be interested in seeking answers to what the research and developmental problems and opportunities this technology will present to the State of Kansas. In closing, Dr. Decedue stated that he believes that the production of pharmaceuticals via plant-material is very likely to happen, and for Kansas to be left out of that would be unfortunate (Attachment 4).

Chairman Wilk thanked Dr. Decedue and then introduced Dr. Eli Michaelis, Distinguished Professor and Chair, University of Kansas, Department of Pharmacology and Toxicology, Higuchi Biosciences Center, and Co-Chair, Kansas University Life Sciences Council, who provided no written testimony but stated there are several institutions near Kansas who have applied for permits. In running a recent search on which institutions had applied for APHIS applications, he was surprised to learn that neither Kansas State nor Kansas University or any other institution in the State of Kansas has applied.

Dr. Michaelis addressed how the PMPs will be used and if there are any clinical trials planned. He stated that there are about a dozen companies that have made an effort to produce pharmaceuticals from plants and from these there are at least four of them that are in clinical trials. The variety of diseases that would be treated include both bacterial and viral infections, Hodgkins Disease, Cystic Fibrosis, and lymphoma. He also stated that there are additional diseases that can be treated which means there is a substantial number of human diseases that can be approached through use of these biotech drugs. He reminded the Committee that there is a limited capacity to produce pharmaceuticals, and that if we choose the path of plant-manufactured pharmaceuticals, there will be an increasing need to guarantee the drugs' purity before it is made into a tablet, etc. The FDA will require a very high purity guarantee which will necessitate a huge amount of technological development and research. The two areas that he sees Kansas as playing an increasing role are:

- Filling the basic research needs.
- Processing crops to extract the active ingredient from crops.

Chairman Wilk thanked Dr. Michaelis, and then welcomed Mr. Dan Nagengast, Director, Kansas Rural Center at Whiting, Kansas. Mr. Nagengast said he has been serving on the Secretary of Agriculture's Biotech Dialogue Group, and he became interested in this issue from the perspective of rural development and concern about farming incomes. He reported that we have entered a new era where crops are being engineered to produce other products like pharmaceuticals. Currently there are about 30 protein-based biotech drugs on the market and close to 400 in the pipeline. They have not been produced in crop fields, but rather in enclosed fermentation facilities. He stated that according to Russ McKinney, USDA-APHIS State Plan Director, there are currently about 45 biotech test plots of all kinds in Kansas with about 10 percent being pharmaceutical. Mr. Nagengast's main

concern is the need to develop a more conscious means for benefit and risk analysis and management. The following risks were named:

- Contamination of surrounding food crops through pollen drift or human error-related mixing.
- Growing a pharmaceutical or industrial biotech corn in a corn growing region increases the risk.

During discussion and questions, Senator Jordan asked how the Committee can get more information and become more knowledgeable about biotechnology. Senator Jordan said he hoped there would be another session on this topic dealing with the additional steps Kansas should be taking to move forward in this area. Chairman Wilk asked staff to write a letter to Kansas Technology Enterprise Corporation (KTEC) asking them to coordinate the biotechnology initiatives in Kansas by seeking out other state agency experts and reporting to the Committee. The Chairman said that the Joint Committee would revisit this issue.

Included with Mr. Nagengast's written testimony is also a section entitled, "Highlights of the Federal Register Notice" ([Attachment 5](#)).

Chairman Wilk recognized Ms. Judy Billings, Lawrence Convention & Visitors Bureau, who testified before the Committee concerning National Heritage Areas. She focused on what a heritage area is, why it is good for Kansas, and how the Kansas Legislature can participate. She first gave a background of her involvement in what is being referred to nationally as a heritage area "movement." She reported that in January 2002, the Lawrence City and Douglas County Commissions appointed a committee which was chaired by Judge Deanell Tacha. The charge of the committee was to do research to see whether their area had significant national history that is required to be designated a heritage area. She said that after seven months of research they determined that they have met requirements, and therefore, opted to develop a document compiling one source of nationally significant historic information about the Bleeding Kansas era.

Ms. Billings explained that a national heritage area is both a place and a concept. Physically, it is a geographic region which contains important historic, cultural, natural and recreational resources which can be stimulated by shared stories. Conceptually, a heritage area combines education and conservation of resources with economic development which translates often into tourism.

She reported that presently 23 regions have achieved designation by Congress as National Heritage Areas because of the national significance of their resources and stories. Eleven more have legislation pending along with dozens more like theirs that are in various stages of development.

Ms. Billings stated that the intent of the designation is to bring national attention to the role that the Kansas Territory and the State of Kansas have played in the development of our nation. Last January, the group decided that the concept of the Bleeding Kansas Heritage Area (BKNHA) would be structured around the theme of "The Kansas Question," which has been popularized by Eastern newspapers in describing Kansas history and its struggles. She believes the story is actually in the struggle, and that places have no true meaning for citizens unless people know the story behind the struggles.

Ms. Billings' testimony included a draft of the vision, mission, and goals BKNHA is in the process of adopting as its first step in getting organized. Also included is the criteria to become a federally designated National Area and how BKNHA can meet that criteria (Attachment 6).

During discussion and questions, Ms. Billings said that a printed brochure with a map is being developed that will show the visitor where the museums and attractions are in the historical district. She believes the collective places will be as important as one major place to see. The question was asked about the \$32,000 that needs to be raised to submit the federal application for designation as a historical district, and she responded that at this time they do not have all the funds.

The members of the Joint Committee showed significant interest in this project and believe the heritage designation can foster tourism in the state. It also was mentioned that only in Kansas can tourists experience Kansas history. Chairman Wilk made the comment that history brings out a unique spirit in volunteers, and he said that he would like the staff to prepare a letter to the State Historical Society explaining that the Joint Committee had a hearing and is very excited about this project. He added that he hoped the additional money can soon be raised. Ms. Billings said that BKNHA feels the federal designation will give them added credibility which will make it easier to ask for donations from corporations and businesses. At the present time they have no staff, which makes it difficult to organize and raise funds.

Chairman Wilk requested a letter be drafted by staff and sent to each member of the Kansas Congressional Delegation showing support for this Heritage designation.

Chairman Wilk thanked Ms. Billings and welcomed Dr. David L. Darling, Extension Specialist, Kansas State Department of Agricultural Economics, who presented testimony about a study showing how the Kansas economy is structured county by county

Dr. Darling walked the Committee through the County Location Quotients Report which used the 2000 census data of Kansas (Attachment 7). This report was produced to aid those who are interested in gaining more knowledge about the total structure of the Kansas economy. The data is sorted into 13 industrial categories and uses this information to determine the percent of the population employed in natural resource based firms, construction firms, and ten other industries. Out of 12 industries, the report actually highlights the following five: (1) natural resources, (2) construction, (3) manufacturing, (4) retail trading, and (5) public administration.

After discussion, Chairman Wilk thanked Dr. Darling and welcomed the next conferee, Ms. Carol Gould, Director, Kansas Center for Rural Initiatives at Kansas State University, who said she would provide written testimony later since she was on vacation when contacted to testify. Ms. Gould said the purpose of the Kansas Center for Rural Initiatives is to connect the resources of the University to the needs of the community and to understand the resources and expertise of the university which includes both faculty and students and then to get those resources out to the community.

Ms. Gould explained that at Kansas State University, rural development and community outreach are not isolated activities, but are part of the total culture. Some of their collaborative efforts are as follows:

1. The Center for Rural Education and Small Schools was approved by the Kansas Board of Regents and established as a part of the College of Education in 1978.

2. Energy Extension Service (EES) provides answers to energy concerns, and specialists are available to answer questions and to provide advice on ways to reduce energy use in both the home and small business.
3. The Pollution Prevention Institute (PPI) was established in 1995 to provide services to businesses in Kansas.
4. The Kansas State Indoor Radon Grant Program is located at Kansas State under a contract with the Kansas Department of Health and Environment, Radiation Control Section.
5. The Food Animal Health and Management Center is a research center providing cutting edge research and information to the producers, processors, retailers, and consumers of food animal products.
6. Huck Boyd National Institute for Rural Development.
7. The Kansas Pride Program serves communities across the state to encourage and assist local government and volunteers in making their community a better place to live and work.
8. The Community Health Institute mission is to understand and promote behavioral and community health by providing information that leads to informed decision making and quality health behavior programming.
9. The Office of Local Government provides educational outreach, technical assistance, and applied research in community and economic development, local government, and natural resource management.
10. The Kansas State University Agricultural Experiment Station and Cooperative Extension Service, K-State Research and Extension employs approximately 300 research scientists, 180 faculty specialists and program leaders, 270 county and area specialists, and 400 support staff in 23 departments from 5 different colleges.
11. The Community Service Program was started in 1987 and is one of the oldest in the nation.
12. Faculty/student Technical Assistance and Consultation, as well as collaborative efforts.

Ms. Gould's written testimony, sent after her appearance before the Committee, lists the web sites for each of the above-mentioned. She said the programs and activities listed in her testimony barely scratch the surface of the tremendous resources available through Kansas State. She also stated they are eager to assist state agencies and the Legislature in becoming better informed about Kansas State's resources and to form partnerships to help leverage and enhance any of these resources to aid rural communities (Attachment 8).



Chairman Wilk thanked Ms. Gould, and again thanked all the conferees for their indulgence during the long meeting. He announced that the Joint Committee meeting would resume tomorrow, Wednesday, August 13, at which time discussion would center around Work Force Development. The meeting adjourned at 4:45 p.m.

### **Wednesday, August 13**

Chairman Wilk welcomed Lieutenant Governor John Moore who explained that he was going to walk through the distributed handout which gives an Overview of Kansas Workforce Development.

Lieutenant Governor Moore stated that Kansas must have the best work force development in the country if we are going to compete with the rest of the nation. He noted that the following states are really overhauling and trying to consolidate their workforce development programs: Michigan, Florida, Virginia, Illinois, New Jersey, and our neighbor, Missouri. The Georgia program has been studied extensively because Georgia and South Carolina are two states which are generally considered to have the best workforce development systems in the country.

Lieutenant Governor Moore said that in order to be market driven, the needs of employers must be met and we must be able to predict future needs. He noted that there have been at least eight studies over the last 17 years on workforce development. This list can be found in his testimony ([Attachment 9](#)).

Lieutenant Governor Moore stressed that the Department of Commerce pays out about \$14 million a year to employers to do their own training, and he believes that this money would be better spent providing training through Kansas educational institutions. He mentioned the creation of the Kansas Technical Training Initiative (KTTI) and the Kansas Institute of Technical Excellence by a consortium including four aviation companies which have all been brought together to address this critical need.

In response to Chairman Wilk's question concerning the impact of the Burlington Northern Line, Lieutenant Governor Moore said that he anticipates in two or three years, Kansas will have a center for aviation training that may extend from Wichita to Independence that will rival any in the country. He also said this objective is, in part, driven by the Burlington Northern Santa Fe training model. He explained that it originally was a small contract between Burlington Northern and Johnson County Community College, but turned into a training model that can be emulated by community colleges across the state. He also said he would like to come back at another time to talk about KTTI and bring its executive director because what they are doing is very exciting.

Lieutenant Governor Moore's testimony continued by stating the principles that must be included in any comprehensive integrated system. He stated that when the Department of Commerce pays companies IMPACT dollars, 94 cents out of every dollar is used by the company itself or vendors which it chooses, so that money does not go to our existing institutions. He further stated that there is no single source to integrate programs, evaluate quality and results, eliminate duplication, or drive cost efficiency. He thinks for Kansas to create a comprehensive workforce development system, all parties must come to the table and agree to clearly defined roles for each

of the parties; a single source of visibility for all programs; and investments to strengthen the entire system.

He stressed the following attributes which should be included in the plan:

- Market Driven;
- Full integration;
- Easily accessible to and widely recognized by employers and employment seekers;
- Cost effective - minimum administrative costs and duplication;
- Aggressive assessment is a key component, as well as flexibility;
- Meaningful evaluation criteria, which includes job preparedness, placement and retention; and
- Accountability for quality clearly assigned.

He reported that the Department of Commerce once had six economic development regions, but changes were made to create seven regions which he believes must be organized and driven by similar industries, geography, and opportunity. He said several meetings in each of these seven regions will be held before September 5, 2003 (Attachment 9).

Lieutenant Governor Moore added that one-stop shops should be placed in community colleges or in technical colleges, if feasible and service areas should be modified and renamed centers of excellence for workforce development. He assured the Committee that the Department of Commerce will not do anything that does not make good sense. He continued with the following additional steps involved in creating a comprehensive integrated workforce development system:

- Identify training programs at Community Colleges and Technical Colleges which are true programs of excellence.
- Create a single point of entry for businesses known as **KANSASFIRST** which will be under the Department of Commerce with representatives at each center for workforce excellence.
- Eliminate payments from Commerce to employers who expand in or relocate to Kansas.
- Implement a well-defined strategy to have one-stop shops pay Kansas educational institutions.
- Payments will be made to **KANSASFIRST** and the institution providing and guaranteeing the training.

During the discussion, Chairman Wilk commended the Lieutenant Governor for his leadership, but cautioned that from his years of experience in state government, he thinks it is important to be cautious because once an agency is created, it is very difficult to get it dissolved. The Chairman also asked if there would be legislation forthcoming for the 2004 session, and Lieutenant Governor Moore said that whatever is needed will be prepared by the start of the 2004 Session.

Chairman Wilk thanked Lieutenant Governor Moore and welcomed Mr. Matt Jordan, Kansas Department of Commerce Community Development Director, who addressed the subject of the Enterprise Facilitation Initiative and how it relates to rural development. He explained why the Sirolli Institute was consulted concerning rural communities' needs for sustainable economic development strategies. He stated that the Sirolli Institute is a global education and training organization which was founded in 1996. It has developed "Enterprise Facilitation," a person-centered approach to community and economic development. He said that funds have been diverted from other programs to support this novel approach to rural development. The pilot projects are comprised of multi-county regions encompassing 24 counties (Attachment 10).

Chairman Wilk thanked Mr. Jordan and then welcomed Mr. Tracy Taylor, President, KTEC, who presented a status report on venture capital. He gave a bit of background on the focus of KTEC, which is comprised of three primary segments. The three areas are research, business assistance primarily in the form of incubators, and a small amount of dollars to invest in early technically oriented companies. They focus on collaboration, commercialization, and capital. KTEC, the Legislature, and the administration will be developing a legislative agenda that can be molded into a comprehensive economic development strategy. Since capital is very important, he introduced their expert, Michael Peck, Vice President of Investments. Mr. Taylor then turned the podium over to Mr. Michael Peck who discussed venture capital in Kansas in detail (Attachment 11). Mr. Peck addressed the trends in capital, both national and state. He also discussed venture capital investments in Kansas (1995-2002) and Kansas' capital status. He said KTEC's perspective is that enough deal flow exists to support additional capital formation in Kansas, and the state should continue to focus on privately managed funds and state supported initiatives. He said that venture capital has really taken a slide nationally since September 11<sup>th</sup>. However, as of the second quarter of 2003, he believes there is light at the end of the tunnel because venture capital has begun to stabilize. His testimony included a chart listing Venture Capital Investments in Kansas for the years 1995-2002, and Pricewaterhouse Coopers (PWC) Money Tree Historical National Trends. There are also examples of public incentives, privately managed. As for Kansas, he said the data suggests that from 1995 to 2002, Kansas had the capacity to invest an additional \$1.5 billion and to fund an additional 265 deals, which led to the conclusion that Kansas is underperforming.

During the discussion, Senator Jordan said he would like to see KTEC think "out of the box" on entrepreneurship. It was mentioned that the KTEC model is built around the university and more needs to be done to help rural development.

Chairman Wilk thanked Mr. Peck and called on Ms. April Holman to brief the Joint Committee on SB 134 which would have expanded the definition of "recreational purpose" as it relates to the liability of a property owner toward an individual entering that property. Ms. Holman explained that, under the bill, recreational farming activities would have included the individual's farming activities as set forth in the bill, except that recreational farm activities would not have included operation of agricultural equipment by a person who is a member of the public on the land for recreational purposes. She further explained that "agricultural equipment" would have included, but not be limited to tractors, trailers, combines, tillage implements, bailers, and other equipment used in planting,

cultivating, irrigating, or harvesting agricultural products, excluding self-propelled machines designed primarily for the transportation of persons or property on a street or highway (Attachment 12).

Chairman Wilk thanked Ms. Holman and recognized Mr. Matt All, Chief Legal Counsel, Office of the Governor, who said he was here to address the concerns over the Governor's veto on SB 134 and that he would also like to talk about the Governor's broader interest and hope for agritourism and how her administration can work with the Legislature along with this industry to make it thrive in Kansas. In regard to SB 134, Mr. All said that the Governor wants a bill that will protect the people. He said the interpretation of SB 134 by the legal staff in the Governor's office "was that it allowed nearly total immunity from liability for activities identified as agritourism, whether or not those activities were conducted by a small family farm or a large commercial outfit."

Mr. All said that the Governor is appointing members to a Governor's Rural Life Task Force and is working toward a comprehensive plan for agritourism. The primary components of this plan:

- Education of farm families, rural community, and state officials about the many facets of the fledgling industry called agritourism;
- Assessment of current and potential agritourism sites in Kansas;
- Product development for those Kansas farm families that wish to diversify into agritourism; and
- Marketing of Kansas agritourism (Attachment 13).

Mr. All thanked the Committee for putting agritourism on the forefront. During the discussion, it was brought out that it is not the job of the Legislature to design an agritourism program, but rather to address the issues that might result from the design of a program. Senator Jordan said the Senate Commerce Committee spent a lot of time with lawyers in developing SB 134. He said one of their disappointments was they felt they had agreement among many of the lawyers when the bill left the Senate. He said that there actually could be an argument that current law right now for recreational purposes is wide open for agritourism. There is nothing in there that would limit someone from going onto a farm and using an implement or piece of equipment because that is not in current law. The Senate felt that this actually tightened the current law rather than making it too loose. Senator Jordan said he would like to hear Mr. All's interpretation of current law and why he felt this weakened the law rather than strengthening it.

Mr. All said he did not think there were any court cases that say for sure and that everything he said would be speculative, but he thought the question was excellent. He believes that commercial enterprises were not contemplated under the recreational use statute. He said the original purpose of this statute was to allow farmers and others who owned land to allow individuals on their land to hunt and fish without having to warn them about certain types of dangers. He said that SB 134 would change the purpose to include perhaps large commercial enterprises that are spending a great deal of money advertising to bring large groups of people onto their property. He opined that this would result in too broad an immunity. He noted that in Missouri if a person pays one penny to come on the land, the immunity is removed although this is not the case in Kansas.

Chairman Wilk asked Mr. All to return to the Committee with a proposal, explaining that the Committee was obligated to report back to the 2004 Legislature, and in the absence of a

compromise proposal, the same legislation will probably be introduced again in the 2004 Legislative Session.

Senator Brownlee suggested that it might be advantageous to have the Attorney General's opinion on SB 134. Chairman Wilk asked the Joint Committee if everyone thought it would be a good idea for Senator Brownlee, Senator Jordan, and the Chairman to draft some questions to submit to the Attorney General for an opinion. The Committee members agreed that this would be helpful. Chairman Wilk asked Mr. All to submit something before the October meeting instead of the November meeting so that it will allow more time for Committee input.

Chairman Wilk said the last thing on the agenda was the subject of the State Boxing Commission, and he asked Ms. Holman to provide the history of the Kansas Athletic Commission. Ms. Holman said that Kansas had something similar to a boxing commission called The Kansas Athletic Commission. It was created in 1925 to regulate boxing in Kansas. In 1933, wrestling was added and under the 1925 original law, boxing matches were allowed only when they were sponsored by a benevolent, patriotic, fraternal, or religious organization. The original commission was composed of the athletic directors of Kansas University, Kansas State, and the Kansas State Teachers College at Emporia, which is now Emporia State University. She said that in 1976 the Legislature changed the composition of the Commission to include seven members which were appointed by the Governor. At this time, the Advisory Athletic Board of the Hall of Fame was abolished and its duties and responsibilities were transferred to the Commission. Effective May 12, 1978, the Legislature removed the Commission's authority over all amateur matches. This reduced the number of boxing matches that needed regulation. The Athletic Commission had general supervision of all professional boxing and wrestling in the state except those of high schools, colleges, and intercollegiate athletics. Under the sunset law, the Kansas Athletic Commission was one of six agencies scheduled to be abolished as of July 1, 1979. She informed the Committee that there is a copy of the Sunset Audit Report in the State Library. Due to the small number of actual boxing matches held in 1978, it was determined revenue brought in did not warrant the expense of operating a commission, so the Kansas Athletic Commission was terminated on June 30, 1980, pursuant to the sunset law ([Attachment 14](#)).

Chairman Wilk thanked Ms. Holman for her report and announced that the next conferee was Representative Tom Burroughs.

Representative Burroughs said that he was bringing this before the Joint Committee on Economic Development because boxing associations are usually associated with tourism. Representative Burroughs said he was making the presentation because Tim Lueckenhoff, President, Association of Boxing Commissions who resides in Missouri, was unable to be here today because he is in California ([Attachment 15](#)).

Representative Burroughs shared his qualifications and interests in the boxing arena. He said he has some experience on the promotional side as well as personal experience in the fighting world. He shared that he has a personal association with a number of world and national contenders, some who are still seen regularly on national television on "Wide World of Sports." He said he has traveled extensively visiting with promoters who want to bring the martial arts professionals to the U.S. and Kansas, but to do so would require a regulatory commission. He said that Kansas has a strong tie to the boxing industry, but unfortunately when the Kansas Athletic Commission was abolished, Kansas separated itself from boxing which has limited bringing sanctioned fights from national and international competition to the State of Kansas.

Representative Burroughs said when the Athletic Commission sunsetted, 5 percent of the \$4.00 individual ticket price did not generate much money. Today's average ticket prices are \$40.00 at most local events, so this can add up very fast when a 2,500 seat arena is sold out in a martial arts competition. He believes that a 5,000 seat arena would be three-fourths sold out, and that kind of a market brings in national television, HBO, and other media.

Representative Burroughs hopes the Committee will give consideration to at least thinking about reestablishing the Kansas Athletic Commission. He reminded the Committee not to forget the impact on economic development and the tourist draw. He said, "Like it or not, there is boxing in the state," and we have some national contenders that we need to protect. They need to be able to participate in their sport and earn their livelihood at home in Kansas. He urged the Committee to give this some serious thought because as Kansans we want to protect our investment in Kansas fighters. He said we need to take care of our own who are wanting to fight at home and also need to protect the public and the industry from itself. He said that he and possibly others would be bringing a bill to the 2004 Legislature.

During the discussion, the question was asked about funding, and Representative Burroughs said it would need some state funding to start. He believed it would take three to five years for the Commission to be self-sustaining. He said the exposure in national advertising that Kansas could receive cannot be purchased. He used the example of a Kansas boxer being on "Wide World of Sports" and the tremendous amount of publicity Kansas could receive. Representative Burroughs said he has a wealth of well-informed individuals who are more than willing to come to Kansas to answer any and all questions the Committee might have.

Chairman Wilk thanked Ms. April Holman for all her work on the Committee, and wished her success in her new position. He also thanked Ms. Deb Hollon, Legislative Research, who has been reassigned to work with different legislative committees.

Ms. Holman announced that the October meetings will be held in Room 526-S instead of Room 519-S as was previously announced. Chairman Wilk said that the agenda for the October meetings would be sent out earlier than the agenda for this meeting.

The meeting adjourned at 12:35 p.m.

Prepared by Fulva Seufert  
Edited by April Holman

Approved by Committee on:

October 9, 2003