

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 4:30 P.M. on April 28, 2006 in Room 231 N of the Capitol.

All members were present except:

David Wysong- unexcused
Susan Wagle- excused

Committee staff present:

Helen Pedigo, Revisor of Statutes
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Chairperson Brownlee announced to the Committee the first business of the day is a confirmation hearing to replace a board member on the Kansas Bioscience Authority Board.

Chairperson Brownlee introduced Dr. Smilor and asked him to tell the Committee about himself and give his background. Dr. Smilor stated he feels, because of his background, he can make a significant contribution to the Bioscience Authority and that he can bring an important and unique perspective to its efforts. Dr. Smilor stated he is excited for personal and professional reasons. Personally, serving on the Board of the Bioscience Authority will allow him to give something back to a community and region that has provided great opportunities for him and his family. He stated he had the great good fortune to work in this region from 1992 to 2000 as Vice President for the Kauffman Center for Entrepreneurial Leadership at the Kauffman Foundation. He stated he was privileged to work with Mr. Kaufman for a year and a half before his death in 1993. Dr. Smilor stated he then went on to help build the Kauffman foundation into the nationally prominent organization it has become supporting entrepreneurship. He stated Mr. Kauffman had a passion for entrepreneurship and Dr. Smilor stated he has that same passion. Dr. Smilor stated Mr. Kauffman was also a good salesman. He convinced Dr. Smilor to give up his tenure in the Graduate School of Business at the University of Texas and join him in the entrepreneurial adventure of building an entirely new kind of philanthropy. Dr. Smilor stated his wife, Judy, was a real estate agent in Kansas and Missouri during those same years and it was a very rewarding experience for her. He also stated he had developed lasting friendships here in Kansas and also has a continuing stake in the region. His oldest son, Matthew lives in Overland Park and in his house he has a permanently reserved bedroom for his father and mother. His youngest son, Kevin, will graduate from the University of Kansas in just a few weeks. His sons accompanied him to the meeting today.

Dr. Smilor stated the mission of the Kansas Bioscience Authority is extremely compelling to him; to make Kansas the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research development and commercialization; to make Kansas a national leader in biosciences and to create new jobs, foster economic growth, advance scientific knowledge and improve the quality of life for the citizens of the state of Kansas. Dr. Smilor thinks it is a grand and achievable mission. He is convinced that bioscience will be the driver for economic competitiveness and economic development in the 21st century. For over 25 years he has been involved in advancing entrepreneurship in accelerating commercialization and in promoting economic development nationally and internationally.

At the University of Texas at Austin from 1979 to 1992 he helped build the IC² Institute and served as its Executive Director from 1986 to 1992. The institute became one of the foremost centers in the world for technology based economic development. From 1992 to 2000 he helped start, with Mr. Kauffman and others, building the Kauffman Center for Entrepreneurial Leadership. In the

process the Kauffman Foundation became the most significant force for understanding and advancing entrepreneurship in the United States. Since 2001 Dr. Smilor has served as Executive Director of the Beyster Institute at the Rady School of Management at the University of California at San Diego. The Beyster Institute is a leading educational, training and consulting organization promoting and implementing entrepreneurship and employee ownership world wide. They are now active in about 25 countries around the world. The Beyster Institute is headquartered in LaJolla, California with offices in Washington, D.C., Moscow, Russia and in Manama, Bahrain. Dr. Smilor is now overseeing economic development projects in the Middle East and North Africa for the United States Department of State and in Russia for the United States Agency for International Development. Through his practice, research, consulting and publishing, he has come to understand and apply the dynamics for the development of technology centers. Just as importantly he has come to realize and help implement the power of entrepreneurship in small and large enterprises especially around the opportunities that come with innovative technology. For Dr. Smilor, entrepreneurship and especially technology entrepreneurship is more than starting a company, licensing the technology or commercializing the product. Entrepreneurship is about hope and opportunity; it is about job creation and wealth creation; it's about economic vitality and community well-being; it's about creativity and innovation in practice; and it's about self reliance and self determination. Dr. Smilor stated that is why he has devoted his career to this field. In closing, Dr. Smilor stated if the Committee concurs with his nomination, he will do his best to bring his knowledge, his experience, his networks and his passion to help achieve the mission of the Kansas Bioscience Authority.

Upon conclusion Dr. Smilor stood for questions. Senator Kelly entered asking what Dr. Smilor could add to the Bioscience Authority. Dr. Smilor responded stating he brings a strategic view on technology based economic development. He understands the technology trends and the commercialization process and can bring that knowledge to the Bioscience Authority. Senator Reitz entered asking where he grew up and Dr. Smilor stated he grew up in Cleveland, Ohio he left for Austin, Texas when he was 18 to the University of Texas. Senator Reitz wanted to know why Dr. Smilor finds Kansas and the Bioscience Authority interesting. Dr. Smilor responded stating this is a chance for Kansas to seize an opportunity and he would like to be a part of that. Chairperson Brownlee asked how he could contribute to the practical side. He stated he had been involved in several entrepreneurship personal ventures and some have succeeded and some have not, but he has learned from both. Senator Kelly entered the discussion asking how he knew Michael Dell. Dr. Smilor stated while he was at the University of Texas he invited Michael Dell to speak to his MBA classes. Michael Dell was only twenty-one at the time and was making \$50 million a year. He invited him as a role model. Michael Dell sparked the imagination. Over the years they have stayed in touch. Senator Reitz entered the discussion stating that Kansas needs someone with original ideas and that is what the Committee is looking for in this position on the Bioscience Authority. (Attachment 1)

Chairperson Brownlee closed the confirmation hearing.

Senator Schodorf made a motion to recommend the confirmation Dr. Smilor to the Kansas Bioscience Authority. Senator Kelly seconded. Motion carried.

Chairperson Brownlee opened the hearing on **Sub HB 2012-Sub for H 2012 by Committee on Economic Development--Tax increment financing; sales tax and revenue bonds; requirements and limitations.**

Chairperson Brownlee introduced Gary Anderson from the Law Firm of Gilmore and Bell, legal council for the city of Olathe. (Attachment 2) Current law provides that a building or structure that is financed by STAR bonds or TIF that is owned by a city cannot be leased to any other party. The proposed amendments would provide an exception for a professional sports facility. This proposed change would allow a city to put the risk of the operation and maintenance of that facility on the team and not on the city. They are asking to change the STAR bond language to allow a sports facility that is financed by STAR bonds or TIF to be turned over to another party to be maintained.

Upon the conclusion of Mr. Anderson's testimony there was discussion with the Committee. Senator Jordan entered the discussion regarding the 11th hour attempt to change STAR bonds. Michael Wilke, the City Manager of Olathe, entered the discussion and stated the reason for the 11th

hour is because, about two weeks ago, the city of Olathe found out that they were on the short list in the running for a professional soccer team. The city of Olathe had made the proposal about two to three months earlier. The City of Olathe is trying to put together a package with STAR bonds and/or TIF as an incentive. Senator Jordan asked Mr. Wilke if the Hunt Group would be turning ownership over to another party. The Committee was told that the Hunt Group would be involved in some way with the soccer stadium and the professional soccer team long term. Senator Jordan and Mr. Wilke discussed the project with Mr. Wilke stating it was very early and he could not divulge a lot of information. Senator Reitz entered the discussion with concerns that if the Committee changed the language they would be setting the stage for other projects of a similar nature wanting something else in STAR bonds changed. Senator Kelly entered the discussion voicing her concerns regarding the risks of a professional team picking up and leaving the area or not being successful. She stated she is more interested in the youth soccer complex Mr. Wilke stated that major league soccer has markets where they get very good attendance. He also stated there are several new professional soccer stadiums that have been built strictly for professional soccer and they are doing quite well. Mr. Wilke stated that the professional soccer league has taken several steps to be a viable force. Senator Schodorf entered the discussion asking Mr. Wilke if there were three sites in Kansas that were under consideration for the new soccer stadium and professional soccer team. Mr. Wilke stated it had been narrowed down to three sites all in Johnson County. He further stated that the youth soccer complex would be a major draw. Senator Barone entered the discussion regarding the statement Mr. Wilke made earlier that the city of Olathe wanted to pass the risk of maintaining and operating the stadium to another party. Mr. Wilke stated they had a league and ownership group willing to take on that responsibility but it could not be done under the present rules of STAR bonds. Senator Barone and Mr. Wilke discussed the risks with undertaking and maintaining the project. Senator Barone stated he has concerns with the 11th hour attempt to get STAR bonds changed while the project is in such early stages. Mr. Wilke stated they will need about 100 acres to support a professional soccer stadium along with a youth soccer complex. Senator Kelly entered the discussion with concerns regarding changing the STAR bonds at this late date in the session and she feels the proposal should come from the Department of Commerce.

Senator Brownlee entered the discussion stating that she needed to make an announcement to the Committee that it is rumored that one of the people that might be involved in the ownership is married to her cousin but that is not who contacted her about this issue. Due to that fact, she turned the meeting over to Senator Jordan, the co-chair.

Chairperson Jordan asked how the T-Bones stadium was financed. Mr. Gary Anderson answered that the stadium was financed privately. Senator Brownlee entered the discussion regarding the property taxes and what would be taxable. She stated that the Committee had spent a lot of time and effort to write a universal STAR bond policy and every year they were being asked to make changes. Senator Barone entered the discussion stating he wished the proposal had come earlier in the session because he would like to pursue this project in depth. Senator Emler entered the discussion stating he feels that when decisions are made too fast sometimes mistakes are made. He stated that the Committee needs more time for this issue. Chairperson Jordan entered stating that since Senator Brownlee had recused herself from voting on this issue, they did not have a quorum so they would not be able to take any action on this bill today.

Chairperson Jordan adjourned the meeting at 5:35 p.m. with not further meetings scheduled for this session.