

Approved: 2/15/93  
Date

## MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 2, 1993 in Room 123-S of the Capitol.

Members present: Senators Burke, Downey, Feleciano, Gooch, Harris, Hensley, Kerr, Petty, Ranson, Reynolds, Steffes and Vidricksen

Committee staff present: Lynne Holt, Legislative Research Department  
Bob Nugent, Revisor of Statutes  
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee: Steve Kelly, Venture Capital Specialist, Existing Industry Development Division, Kansas Department of Commerce and Housing, Topeka  
Cal Lantis, Director, Existing Industry Development Division, Kansas Department of Commerce and Housing, Topeka  
Antonio Augusto, Director of Minority Business, Kansas Department of Commerce and Housing, Topeka

Others attending: See attached list

### **Hearing on SB 76 - Kansas venture capital company investment act; extended**

Cal Lantis, Director, Existing Industry Development Division, Kansas Department of Commerce and Housing, introduced Steve Kelly, Venture Capital Specialist, in the Existing Industry Development Division, who would be testifying on **SB 76**.

Mr. Kelly explained **SB 76** would amend the existing statute to extend the allowable period for investors in Kansas certified venture capital companies and local seed capital pools to claim credits against their Kansas income tax liability, through the end of calendar year 1997. He stated passage of **SB76** would encourage continued private investment in certified venture capital companies and local seed capital pools, providing a greater pool of "risk capital" for Kansas entrepreneurs and businesses, see Attachment 1.

In answer to Committee questions, Mr. Kelly replied that there has been a little over \$4 million in cumulative tax credits. He explained the report they put together does not break down into individual investments by individual venture capital companies. It is a summary of how many total dollars are invested, the number of communities that are impacted by venture capital investments, and the amount of tax credits that have been claimed against the program. He said he could provide the number of jobs claimed to be created or retained and the names of the investment companies.

Mr. Lantis informed the Committee research of the confidentiality statutes would be done to see if more information could be released in response to the Committee's desire to know where the money is going and what is happening to it.

### **Hearing on SB 77 - Change of name for office of minority business**

Cal Lantis, Director, Existing Industry Development Division, Kansas Department of Commerce and Housing, introduced Antonio Augusto, Director of Minority Business, who would be testifying on **SB 77**.

Mr. Augusto explained the Kansas Department of Commerce and Housing seeks to change the name of the Office of Minority Business to the Office of Minority and Women Business Development to reflect the current duties of the office. Fiscal impact of this change will be of no consequence. The budget and scope of operations now reflects the duties concerned with women business development. Attached to his testimony was a memorandum from the U. S. Small Business Administration showing the number of women-owned businesses by state, and a graph showing minority business growth in Kansas and nationally, see Attachment 2.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on February 2, 1993.

In reply to a Committee question, Mr. Augusto stated enactment of **SB 77** would not require additional staff.

A motion was made by Senator Feleciano to report **SB 77** favorably for passage and that it be placed on the consent calendar. Senator Gooch seconded the motion, and the motion passed.

### Consideration of confirmations:

The Chairman asked the Committee to consider the confirmations of Thomas R. Zarda and Anna R. Anderson.

Senator Feleciano moved to recommend to the Senate that the appointment of Thomas R. Zarda to the Export Loan Guarantee Review Committee, term expiring on September 30, 1994, be confirmed. Senator Kerr seconded the motion, and the motion passed.

Senator Kerr moved to recommend to the Senate that the reappointment of Anna R. Anderson to the Export Loan Guarantee Review Committee, term expiring on September 30, 1996, be confirmed. Senator Petty seconded the motion, and the motion passed.

The Committee meeting was adjourned at 8:50 a.m.

The next meeting is scheduled for February 4, 1993.

## GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE: 2/2/93

[illegible]

TESTIMONY TO:

SENATE COMMERCE COMMITTEE

SENATE BILL 76

FEBRUARY 2, 1993

BY: STEVE KELLY

*Commerce*  
*2-2-93*  
*1-1*

The Kansas Legislature, in an effort to increase the availability of "risk capital" for Kansas entrepreneurs and businesses, authorized the formation of Kansas certified venture capital companies and local seed capital pools. The legislation authorizing the formation of this "risk capital" system, K.S.A. Chapter 74, Articles 82, 83, and 84, provided for a 25% Kansas income tax credit for private monies invested in the funds. This Kansas income tax credit applied to qualified investments under a total cap of \$50 million of private investment. A portion of that cap \$20 million was reserved in equal amounts of \$10 million for private investment in Kansas Venture Capital, Inc. and KTEC's Ad Astra Fund. Tax credit authority was provided for cash investment made in any taxable year commencing after December 31, 1985, and prior to January 1, 1993.

✓ Senate Bill No. 76 would amend the existing statute to extend the allowable period for investors in Kansas certified venture capital companies and local seed capital pools to claim credits against their Kansas income tax liability, through the end of calendar year 1997. This proposal would provide tax credit authority for the approximately \$7 million of investment capacity still remaining under the original cap (see handouts). As of January 1, 1993, the sunset date, \$30 million of private investment had been placed in the certified funds. Through calendar year 1991, fund investment in the 60 companies receiving financing from certified venture and risk capital funds was in excess of \$19 million.

✓ The availability of "risk capital" remains a vital component of a healthy Kansas economy. An earlier Legislature's recognition of that fundamental premise resulted in the current legislation. The need

*Commerce*  
*2-2-93*  
*1-2*

identified in that earlier session continues. Increased regulatory pressure on banks has further restricted the ability and willingness of banks to finance the types of opportunities addressed through this program.

Passage of Senate Bill No. 76 would encourage continued private investment in certified venture capital companies and local seed capital pools, providing a greater pool of "risk capital" for Kansas entrepreneurs and businesses. The Kansas Department of Commerce & Housing supports increased capital availability for small business and therefore seeks favorable action on Senate Bill No. 76.

*Commerce*  
*2-2-93*  
*1-3*

TOTAL CAP QUALIFYING FOR TAX CREDITS  
\$50,000,000

\$10,000,000	Reserved for KVCJ-Sunset 6/30/90
<u>- 6,582,791</u>	Used
\$ 3,417,209	Capacity Lost

\$10,000,000	Reserved for KTEC Ad Astra-Sunset 12/31/90
<u>742,418</u>	Used
\$ 9,257,582	Capacity Lost

\$50,000,000	Total Cap
<u>12,674,791</u>	Total Capacity Lost
\$37,325,209	Capacity Remaining for non-reserved investment

CUMULATIVE PRIVATE INVESTMENT THROUGH STATED PERIOD

1986	1987	1988	1989
\$1,575,000	\$ 6,848,245	\$22,595,506	\$25,230,100
	1990	1991	1992
	\$27,555,309	\$27,555,309	\$30,325,098

\$37,325,209	Capacity Remaining
<u>30,325,098</u>	Non-Reserved Investment
\$ 7,000,111	Available Capacity under Cap

*Commerce*  
*2-2-93*  
*1-4*

PRIVATE INVESTMENT IN CERTIFIED VENTURE CAPITAL COMPANIES  
AND LOCAL SEED CAPITAL POOLS  
(December 31, 1992)

Venture Capital Companies:

Research Capital Management Group I, Ltd.	\$ 1,575,600
Kansas Venture Capital, Inc.	\$ 6,582,791
Research Capital Management Group II, Ltd.	\$ 2,222,000
Devlin Venture Partners, L.P.	\$ 2,025,000
DeBoer Venture Capital Company, Inc.	\$ 1,500,000
Jabara Ventures Group	\$ 1,500,000
Kansas Business Investment Company	\$ 3,007,288
Carmen Venture Partners, L.P.	\$ 1,770,000
DV Venture Investments, L.P.	\$ 1,500,000
Ruhfus Venture Capital Company	\$ 1,500,000
Coleman Venture Capital, Inc.	\$ 1,500,000
R.M.B. Venture Capital Company	\$ 1,500,000
VanKan, Inc.	\$ 3,000,002
Ad Astra Fund, L.P.	\$ 742,418

TOTAL:	<hr/> \$29,925,099
--------	--------------------

Local Seed Capital Pools:

Kansas Seed Capital Fund, Inc.	\$ 200,000
Harris Seed Capital Fund	\$ 200,000

TOTAL:	<hr/> \$ 400,000
--------	------------------

*Commerce*  
*2-2-93*  
*1-5*



TESTIMONY TO

SENATE COMMERCE COMMITTEE

SENATE BILL 77

BY: ANTONIO AUGUSTO

FEBRUARY 2, 1993

*Commerce*  
*2-2-92*  
*2-1*

I would like to thank the Committee for the opportunity to discuss SB 77. We, at the Kansas Department of Commerce & Housing, seek to change the name of the Office of Minority Business to the Office of Minority and Women Business Development to reflect the current duties of the office.

In 1988, the Department of Commerce & Housing initiated programs to assist women in business development. It was at this time that the Women Business Ownership Act (HR 5050) was passed by the U.S. Senate and House of Representatives. This act amended the U.S. Small Business Act "to establish programs and initiate efforts to assist the development of small business concerns owned and controlled by women". The task was given to the Office of Minority Business, which is within the Existing Industry Development Division of Department of Commerce & Housing.

In Kansas today one of every three small businesses is women-owned. Kansas ranks fifth in the nation in women businesses per capita. I have enclosed a graph and a census study about women-owned businesses in Kansas. The office now devotes about 40% of its time to the development of women-owned businesses.

Fiscal impact of this change will be of no consequence. Our budget and scope of operation now reflects the duties concerned with women business development. The name change on our printed materials will be done with routine orders. There are no additional costs or revenues affected by this legislation.

Thank you for your time. I will entertain any questions the committee might have.

*Commerce*  
*2-2-92*  
*2-2*



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

OFFICE OF CHIEF COUNSEL FOR ADVOCACY

MEMORANDUM

DATE: July 15, 1991

TO: Regional Administrators  
Regional Advocates  
District Directors

FROM: Mark S. Hayward,  
Acting Chief Counsel for Advocacy

SUBJECT: Number of Women-Owned Businesses by State



Although we are familiar with the fact that the number of businesses owned by women across the country has increased dramatically - women owned 30 percent of all firms<sup>1</sup> in 1987, compared to 23 percent in 1982 - a look at the growth of women-owned businesses in each state provides some new insights.

The July 1991 American Demographics magazine contains an analysis of women in business.

The number of businesses owned by women varies enormously across the states. American Demographics determined the rate of women business ownership by dividing the number of women-owned firms by the number of adult women in each state. This yielded some interesting findings:

- Although California had the greatest number of women-owned firms (559,821), **Alaska** actually had the highest rate, with nearly 85 firms for every 1,000 women.
- Most people think big cities offer more opportunities for women to start businesses. The rate findings show that this is not necessarily true. Besides Alaska, other high ranking states include Colorado, Vermont, Wyoming, and Montana - all largely rural.

The table on the next page depicts the rate of business ownership among women, the number of women-owned businesses, and the number of adult women in each state in 1987.

<sup>1</sup> All firms counted by the Bureau of the Census, that is, which does not include C corporations.

*Commerce*  
2-2-92  
2-3

3

The Rate of Women's Business Ownership

STATE	# OF WOMEN-OWNED BUSINESSES	# OF ADULT WOMEN (in thousands)	WOMEN OWNERSHIP RATE
Alaska	13,976	165	84.7
Colorado	89,411	1,226	72.9
Vermont	13,802	211	65.4
Wyoming	10,796	166	65.0
Montana	17,747	296	60.0
Kansas	53,505	945	56.6
Oregon	58,941	1,046	56.3
Utah	29,810	536	55.6
New Hampshire	22,713	409	55.5
Hawaii	21,696	391	55.5
Minnesota	88,137	1,619	54.4
Idaho	18,973	351	54.1
California	559,821	10,380	53.9
Nebraska	32,285	608	53.1
Washington	90,285	1,706	52.9
North Dakota	12,689	243	52.2
Maine	23,922	462	51.8
Oklahoma	63,690	1,236	51.5
South Dakota	13,374	262	51.0
Nevada	18,831	373	50.5
Texas	298,138	6,067	49.2
Iowa	53,592	1,099	48.8
Arizona	60,567	1,268	47.9
Connecticut	60,924	1,291	47.2
New Mexico	25,397	539	47.1
Massachusetts	111,376	2,407	46.3

56.6  
for every 100  
women

Commerce  
2-2-93  
2-4

STATE	# OF WOMEN-OWNED BUSINESSES	# OF ADULT WOMEN (In thousands)	WOMEN OWNERSHIP RATE
Maryland	81,891	1,781	46.0
Florida	221,361	4,918	45.0
Missouri	87,658	2,010	43.6
Indiana	89,949	2,127	42.3
District of Columbia	10,987	263	41.8
Virginia	94,416	2,295	41.1
Illinois	177,057	4,479	39.5
New York	284,912	7,212	39.5
Arkansas	35,469	919	38.6
Delaware	9,727	254	38.3
Michigan	133,958	3,517	38.1
New Jersey	117,373	3,096	37.9
Wisconsin	69,185	1,833	37.8
Kentucky	53,454	1,424	37.5
North Carolina	93,532	2,505	37.3
Georgia	88,050	2,364	37.2
Ohio	154,084	4,204	36.7
Rhode Island	14,517	403	36.0
Tennessee	67,448	1,903	35.4
Pennsylvania	167,362	4,828	34.7
Louisiana	55,852	1,643	34.0
South Carolina	42,604	1,299	32.8
Alabama	48,018	1,574	30.5
West Virginia	22,549	740	30.5
Mississippi	28,976	973	29.8

Commerce  
2-2-93  
2-5

## STATE OF KANSAS

# MINORITY BUSINESS GROWTH 1982—1987

Ethnic Group	Number of Firms			Sales & Receipts (millions)		
	1987	1982	% of Change	1987	1982	% of Change
All Minorities	5230	4349	20	\$299	\$192	5
Blacks	2323	1903	22	154	60	153
Hispanics	1541	1038	<del>48</del> 48	62	61	1
Asians	1120	804	39	74.	42	74
Native Americans	246	251	-1	8.	13	-39
Women-Owned	53,505	36,770	45	\$2,145	\$1,234	73
Total Small Businesses	169,593	99,838	69	\$17,086	\$6,181	176

## NATIONALLY 1982—1987

Ethnic Group	Number of Firms			Sales & Receipts (millions)		
	1987	1982	% of Change	1987	1982	% of Change
All Minorities	1,213,750	741,640	63.7	\$77,840	\$34,454	125.9
Blacks	424,165	308,260	37.6	19,763	9,619	105.5
Hispanics	422,373	233,975	80.5	24,732	11,759	110.9
Asians	21,380	13,573	57.5	911	495	84.4
Native Americans	355,331	187,691	89.3	33,124.	12,654	161.8
Women-Owned	4,114,787	2,612,621	57	\$278,138	\$98,291	197
Total Small Businesses	13,695,480	6,856,665	99	\$1,994,808	\$599,841	252

Commerce  
2-2-93  
2-6