

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on February 6, 2003 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research
Deb Hollon, Legislative Research
Mitch Rice, Revisor of Statutes
Norman Furse, Revisor of Statutes

Conferees appearing before the committee: Steve Kelly, Kansas Department of Commerce and Housing
Jay Kayne, Kansas Department of Commerce and Housing
Tracey Taylor, Kansas Technology Enterprise Corporation

Others attending: See attached list.

Chairperson Brownlee opened the hearing on **SB 65** and welcomed Steve Kelly from the Kansas Department of Commerce and Housing as the first conferee. Mr. Kelly is a proponent of **SB 65**, regarding venture capital, and appeared to propose an amendment to the bill. (Attachment 1) Mr. Kelly explained why he believes changes are needed to the bill. He is attempting to correct previous language that would make it difficult to attract investors. The schedule that requires investment to be made on a certain timeline, which could be a deterrent to investment. The solution is to tie tax credits to the actual investment in Kansas companies. Investors shall be entitled to claim a percentage of the credit proportional to the amount invested by the CFC in a qualified Kansas business, not to exceed 10% of the credit per taxable year, taxable years commencing on or after January 1, 2005. The intent is to make sure Kansans get value for investments in Kansas companies.

Chairperson Brownlee welcomed Jay Kayne to the committee. Mr. Kayne is a private consultant who was asked by the Kansas Department of Commerce and Housing to develop the regulatory framework for implementing the Certified Capital Formation Act and is a proponent of **SB 65**. The current Kansas Act is among the most stringent of any state in the country. The purpose of the Act was to encourage investment in emerging Kansas businesses that will create jobs and add to the state's overall economic growth. The purpose of the tax credits given to investors is to make investment in a certified capital company more attractive than alternative investments. The proposed amendments make the certified capital company program more attractive to potential investors without violating the Legislature's intent under the original language. Mr. Kayne would like to see more clear criteria about who can be the director of a fund. He recommended that the committee clarify the language regarding restrictions on directors with criminal pasts. (Attachment 2)

Charles Ranson, President of Kansas, Inc. appeared briefly before the committee as a proponent of **SB 65**. He believes that **SB 65** is a good and important change to the current act.

Chairperson Brownlee closed the hearing on **SB 65** and asked Norman Furse to look into the criminal past language of the bill, page 5, lines 26-30.

Tracey Taylor, President and CEO of the Kansas Technology Enterprise Corporation (KTEC) gave a brief update on the activities of KTEC. (Attachment 3) His report focused on the role of technology-based economic development in Kansas. KTEC relies on collaboration with outside companies and agencies and has been very successful.

Senator Brownlee announced the formation of a subcommittee on rural economic development consisting of Senators Jordan, Emler, Lee, and Brownlee that will meet on Monday mornings.

The meeting was adjourned at 9:30 a.m.

The next meeting is scheduled for February 7, 2003 at 8:30 a.m. in room 123-S.