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Commerce, Labor, and Economic Development

E-1 Kansas Bioscience Authority

The Kansas Economic Growth Act (KSA 74-99b01 to 74-99b89), comprised of a series of other acts, creates the Kansas Bioscience Authority (KBA). The mission of the KBA is to make Kansas a desirable state in which to conduct, facilitate, support, fund, and perform bioscience research, development, and commercialization. In addition, the KBA aims to make Kansas a national leader in bioscience, create new jobs, foster economic growth, advance scientific knowledge, and, therefore, improve the quality of life for all Kansas citizens.

Governance

- The Kansas Bioscience Authority is governed by an 11-member Board of Directors.
 - Nine members are voting members, representing the general public, who demonstrate leadership in finance; business; bioscience research; plant biotechnology; basic research; health care; legal affairs; bioscience manufacturing; or product commercialization; education; or government. One of the nine members of the Board is to be an agricultural expert who is recognized for outstanding knowledge and leadership in the field of bioscience.
 - The Governor, the Speaker of the House, and the President of the Senate each appoints two Board members. The House and Senate Minority Leaders each appoints one member. The Secretary of the Department of Commerce is an *ex officio* voting member.
 - The voting members, subject to Senate confirmation, serve four-year terms after conclusion of the initial term, with no more than three consecutive four-year terms.
 - Two non-voting members of the Board, having research expertise, represent Kansas universities.
- The KBA headquarters is located in Johnson County. A statutory provision requires the KBA to be located in the county with the greatest number of bioscience employees.
- The KBA, in conjunction with state universities, identify and recruit eminent and rising star scholars; jointly employ personnel to assist or complement those scholars; determine types of facilities and research; facilitate integrated bioscience research; and provide matching funds for federal grants.

Powers

The KBA has the following duties:

- Oversee the commercialization of bioscience intellectual property created by eminent and rising star scholars;
 - Own and possess patents and proprietary technology, and enter into contracts for commercialization of the research;
 - Incur indebtedness and enter into contracts with the Kansas Development Finance Authority (KDFA) for bonding to construct state-of-the-art facilities owned by the KBA. Neither the State of Kansas nor KDFA would be liable for the bonds of the KBA;
 - Purchase, lease, trade, and transfer property. Architecture and construction requirements similar to those affecting the research universities also apply; and
 - Solicit and study business plans and proposals.
 - A repayment agreement is required for any bioscience company that receives grants, awards, tax credits, or any other financial assistance, including financing for any bioscience development project, if the company relocates operations associated with the funding outside Kansas within 10 years after receiving such financial assistance. The KBA is required to specify the terms of the repayment obligation and the amount to be repaid.
 - The use of eminent domain is not allowed to be used to secure agricultural land for a bioscience project.
- and the KBA establish the base year of taxation for all bioscience companies and all state universities conducting bioscience research in the state.
- The Secretary of Revenue, the KBA, and the Board of Regents establish the number of bioscience employees associated with state universities and determine and report the incremental increase from the base annually for 15 years following the effective date of the Act.
 - All of the incremental state taxes generated by the growth of bioscience companies and research institutions over and above the base taxation year go into the Fund. The baseline amount of state taxes goes to the State General Fund each year. The Bioscience Development Investment Fund is to be used to fund programs and repay bonds.
 - The Bioscience Development Financing Act allows the creation of tax increment financing districts for bioscience development.
 - One or more bioscience development projects could occur within an established bioscience development district (BDD).
 - The process for establishing the district follows the tax increment financing statutes. However, no BDD can be established without the approval of the KBA.
 - Counties are allowed to establish BDDs in unincorporated areas.
 - The KDFA may issue special obligation bonds to finance a bioscience development project. The bonds are to be paid off with ad valorem tax increments, private sources, contributions, or other financial assistance from the state or federal governments.
 - The Act creates the Bioscience Development Bond Fund, which is managed by the KBA and is not part of the State Treasury. A separate account is created for each BDD, and

Revenues and Fund Uses

- The Emerging Industry Investment Act creates the Bioscience Development Investment Fund, which is not a part of the State Treasury.
 - Funds in the Bioscience Development Investment Fund belong exclusively to the KBA. The Secretary of Revenue

- distributions will pay for the bioscience development project costs in a BDD.
- The Bioscience Tax Investment Incentive Act makes additional cash resources available to start-up companies.
 - The Act creates the Net Operating Loss (NOL) Transfer Program.
 - The Program allows the KBA to pay up to 50 percent of a bioscience company's Kansas NOL during the claimed taxable year.
 - The Program is managed by the Kansas Department of Revenue and is capped at \$1.0 million for any one fiscal year.
 - The Bioscience Research and Development Voucher Program Act establishes the Bioscience Research and Development Fund in the State Treasury.
 - The Fund may receive funding from any source.
 - The program requires that any Kansas companies conducting bioscience research and development apply to the KBA for a research voucher. After receiving a voucher, the company will then locate a researcher at a Kansas university or college to conduct a directed research project.
 - At least 51 percent of voucher award funds are to be expended with the university in the state under contract and cannot exceed 50 percent of the research cost.
 - The maximum voucher funds awarded cannot exceed \$1.0 million, each year for 2 years, and cannot exceed 50 percent of the research costs. The company is required to provide a one-to-one dollar match of the project award for each year of the project.
 - The Bioscience Research Matching Funds Act establishes the Bioscience Research Matching Fund to be administered by the KBA.
 - The recipients must be bioscience research institutions, and institutions are encouraged to jointly apply for funds. The funds are to be used to promote bioscience research and to recruit, employ, fund, and endow bioscience faculty, research positions, and scientists at universities in Kansas.
 - Application for the matching funds must be made to the KBA.

Current Activity

In 2013, the KBA changed the focus of its policies by creating a market-based, sustainable financial model. The following programs, as identified in the KBA financial audit for FY 2013, are not intended to be used in the future: **Research and Development Voucher Program; Matching Fund Program; Eminent Scholars Program; Rising Stars Program;** Retention, Expansion, and Attraction Program; Bioscience Growth Fund; Proof of Concept Investment Program; and the Grant Writing Voucher Program. The names of programs bolded above are specifically mentioned in KSA article 74-99b; however, the authorization language for these programs and administratively created fund are discretionary in nature, not mandatory. In testimony given to legislative committees during the 2014 Session, representatives of the KBA stated under-performing commitments had been reduced by \$59 million and unfunded liabilities reduced by \$56 million.

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