

February 7, 2011

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

and

The Honorable Susan Wagle, Chairperson
Senate Committee on Commerce
Statehouse, Room 135-E
Topeka, Kansas 66612

Dear Senators McGinn and Wagle:

SUBJECT: Fiscal Note for SB 42 by Senate Committee on Commerce

In accordance with KSA 75-3715a, the following fiscal note concerning SB 42 is respectfully submitted to your committee.

SB 42 would abolish the Kansas Technology Enterprise Corporation (KTEC) and would transfer the primary duties and responsibilities to the Department of Commerce and Board of Regents. The Department of Commerce would be responsible for managing the grant programs of KTEC, including the Entrepreneurial Centers, **which** provide business development and financing to start-up technology-based businesses; and Mid-America Manufacturing Technology Center (MAMTC), which provides business assistance to manufacturers to improve their technical capabilities and allow companies to become more competitive through the adoption of advances in technological processes. The Department of Commerce would also be responsible for managing KTEC's investment portfolio and administering the Angel Investor Tax Credit Program. The Board of Regents would be responsible for the Centers of Excellence, which are university-based research centers that provide technical assistance to Kansas businesses, each with a different technology specialization; and the Experimental Program to Stimulate Competitive Research (EPSCoR) and Strategic Technology and Research (STAR) Fund Program, which provides matching dollars for grants aimed at funding basic research in science and engineering at state universities.

The KTEC Board of Directors would continue to function as an advisory board within the Department of Commerce to make recommendations on grant awards and to make decisions

related to the direct investments that KTEC has previously made in early-stage companies. The bill would also eliminate a member of KTEC on the Kansas Center for Entrepreneurship Board, add an additional at-large position to replace the current member of KTEC on the Kansas State Fair Board, and would allow the Secretary of Commerce to appoint a member to the Kansas Bioscience Authority to replace the current member appointed by KTEC.

The Governor's budget recommends eliminating KTEC and transferring its key programs and duties to the Department of Commerce and Board of Regents. For FY 2012, KTEC requested expenditures of \$7,869,167, including \$6,004,217 from the Economic Development Initiatives Fund (EDIF) to support 14.68 FTE positions. Under the Governor's recommendation, the Department of Commerce and Board of Regents would receive a total of \$6,216,554, including \$4,351,604 from the EDIF to operate the programs previously managed by KTEC. Implementing the Governor's recommendation would generate \$1,652,613 in EDIF cost savings in FY 2012. The cost savings would come from eliminating funding for the investment program, suspending funding for the PIPELINE Mentoring Program, and by reducing salary and wages and overhead expenses.

Specifically, the Governor recommended \$5,216,554 in the FY 2012 Department of Commerce budget to operate the Angel Investor Tax Credit Program and to provide operational support to the Centers of Excellence, Entrepreneurial Centers, and MAMTC. Of that total, \$3,351,604 is from the EDIF and \$1,864,950 is from federal matching funds for the operations of MAMTC. The Governor also recommended that the Department of Commerce receive 1.00 FTE position and use its existing staff and resources to help manage these programs. The Governor recommended that the Board of Regents receive \$1.0 million from the EDIF to operate the EPSCoR/STAR Fund Program. The only substantial difference between SB 42 and the Governor's recommendation deals with the management of the Centers of Excellence. The Governor's budget recommendation provides \$1,358,581 from the EDIF to the Department of Commerce to manage the Centers of Excellence, while SB 42 would transfer management of the Centers of Excellence to the Board of Regents. If the same level of funding is provided to the Board of Regents to manage the Centers of Excellence, then the overall amount of proposed savings would remain. The fiscal effect associated with eliminating KTEC and transferring the primary duties and responsibilities to the Department of Commerce and Board of Regents is reflected in *The FY 2012 Governor's Budget Report*.

The Kansas State Fair indicates SB 42 would add an additional at-large position to the State Fair Board to replace the member representing KTEC. The Kansas State Fair indicates that it currently is not responsible for the expenses of the current Board member representing KTEC. If the Kansas State Fair becomes responsible for the lodging, mileage, and per diem expenses of an additional at-large board member, it is estimated to cost \$3,000 from the State Fair Fee Fund.

KTEC indicates that the bill would require legal action to change the ownership position of 12 legal entities KTEC is currently a shareholder. KTEC estimates that this one-time expense would cost approximately \$80,000 in FY 2011. KTEC also indicates that it operates a computer tracking software system that facilitates the tracking and management of records for all programs within its agency. Sorting these records and providing all relevant information to the

The Honorable Carolyn McGinn, Chairperson

February 7, 2011

Page 3—Fisc_Note_Sb42

Department of Commerce and to the Board of Regents would require programming and staff time which is estimated to cost the agency \$40,000 in FY 2011. KTEC also indicates that the Department of Commerce and Board of Regents will require additional resources and FTE positions to manage and operate the programs of KTEC than is currently recommended by the Governor for FY 2012.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Traci Herrick, Commerce
Michele Weigand, KTEC
Diane Duffy, Board of Regents
Denny Stoecklein, State Fair