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SENATE BILL No. 615

By Committee on Commerce

2-15

AN ACT concerning state agencies; reorganizing certain economic development agencies; amending K.S.A. 74-8015, 74-8102, 74-8111, 74-9303, 74-9306, 75-2935b and 79-3614 and K.S.A. 2001 Supp. 74-5001a, 74-5007a, 74-5049, 74-5089, 74-50,151, 74-8017, 74-8105, 74-8310, 74-8317, 74-8405, 75-2935 and 79-3234 and repealing the existing sections; also repealing K.S.A. 74-5099, 74-8013 and 74-8014 and K.S.A. 2001 Supp. 74-5093, 74-5094, 74-5095, 74-5096, 74-5097, 74-5098, 74-50,100, 74-50,101, 74-8001, 74-8002, 74-8003, 74-8004, 74-8005, 74-8006, 74-8007, 74-8009a, 74-8010, 74-8011, 74-8012 and 74-8016.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2001 Supp. 74-5001a is hereby amended to read as follows: 74-5001a. The purpose of the department of commerce shall be to develop and implement strategies to:

- (a) Facilitate the growth, diversification and expansion of existing enterprises and the creation by Kansans of new wealth-generating enterprises;
- (b) promote economic diversification and innovation within the basic industries and sectors of the state;
- (c) promote increased productivity and value added products, processes and services among wealth-generating enterprises, and the export of those goods and services created by small and large Kansas enterprises to the nation and world;
- (d) maintain and revitalize economically depressed rural areas and urban neighborhoods by annually targeting scarce resources by size, sector and location to communities and enterprises of particular need and opportunity, and by working in close collaboration with local communities;
- (e) protect and enhance the environmental quality of the state in ways consistent with dynamic economic growth; and
- forge a supportive partnership with the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives and the joint committee on economic development, Kansas, Inc., the Kansas technology enterprise cor-

poration, Kansas venture capital, Inc., Kansas certified development companies, Kansas small business development centers, Kansas public and private educational institutions, and other appropriate private and public sector organizations in achieving the economic goals of the state-;

- (g) evaluate and analyze the state's economy to guide the direction of future public and private actions, and report and make recommendations to the governor, the department of commerce and housing, the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives and the joint committee on economic development with respect to the state's economy;
- (h) oversee and evaluate the state's economic development activities on an ongoing basis through the establishment of goals, priorities, performance standards and the periodic program audit of those goals, priorities and performance standards; and
- (i) oversee the implementation of the state's economic development plan and monitor updates of that plan.
- Sec. 2. K.S.A. 2001 Supp. 74-5007a is hereby amended to read as follows: 74-5007a. The purpose of the division of business development shall be to attract new business and industry from outside the state and promote and encourage the growth, diversification, innovation and retention of existing Kansas business and industry, in rural and urban Kansas, thereby creating quality jobs, attracting new capital investment, and expanding and diversifying the state's economic tax base. In defining this purpose, the department and the state government shall recognize that the future of the Kansas economy depends largely on the creation of diversified, value added, primary economic activity that imports new quality jobs, income and wealth into the state. The division of business development is hereby authorized and empowered to:
- (a) Foster a climate of agricultural and industrial development by providing incentives to businesses and industries located principally outside the state to expand, locate or relocate within the state;
- (b) to engage in recruitment of such businesses and industries by identifying, contacting and informing them of the benefits of expanding, locating or relocating in Kansas;
- (c) maintain and keep current all available information regarding the industrial opportunities and possibilities of the state, including raw materials and by-products; power and water resources; transportation facilities; available markets and the marketing limitations of the state; labor supply; banking and financing facilities; availability of industrial sites; and the advantages the state and its particular sections have as industrial locations; and such information shall be used for the encouragement of new industries in the state and the expansion of existing industries within the state;

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- (d) to assist counties and cities in industrial development through the establishment of industrial development corporations, including site surveys, small business administration problems, and render such other similar assistance as may be required; and in those instances where it is deemed appropriate, to contract with and make a service charge to the county or city involved for such services rendered; and
- (e) to acquaint the people of this state with the industries within the state and encourage closer cooperation between the agriculture, commercial and industrial enterprises and the people of the state.
- (f) Provide programs that facilitate the development of existing industries and startup industries;
- (g) facilitate the availability of capital for business growth and quality job creation;
- (h) foster the development of a coordinated statewide network of business assistance programs;
- (i) encourage the development of minority and women-owned businesses;
- (j) pursue initiatives that expand the market for Kansas products and services;
- (k) assist small business by providing assistance in interpreting and applying the laws and administrative rules and regulations of the state applying to such businesses; and
- (l) make performance grants available to certified development companies and small business development centers as key constituent elements of a "statewide risk capital system" subject to legislative appropriations. Such grants shall be made to provide secure base levels of funding and incentives for providing financial and technical assistance through the statewide risk capital system to primary, job creating enterprises. The method of distribution of the grants shall be developed by the division in consultation with the certified development companies and small business development centers and reviewed and evaluated by Kansas, Inc. Prior to establishing the method of distribution, the division in consultation with the certified development companies and small business development centers shall perform a survey and analysis of the effectiveness of existing methods of distribution for funding in other states. The method of distribution shall include provision for the establishment of performance standards and performance review prior to initial funding and for all subsequent refunding. The method of distribution shall also provide a formula for base levels of funding which considers all current levels of federal, state and other existing funding, and which recognizes different needs based upon differences in client populations and areas served. The method of distribution proposed shall give priority to the use of state funds for incentive funding where possible, and shall specifically encour-

age co-location of services essential to an effective and efficient statewide risk capital system.

Sec. 3. K.S.A. 2001 Supp. 74-5049 is hereby amended to read as follows: 74-5049. (a) In order to insure that the department of commerce and housing is effectively administering this act, the department shall cooperate with the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives and the joint committee on economic development and Kansas, Inc. in the performance of an independent performance review of the activities of the department and the departmental divisions. The review shall include, but not be limited to: (1) An assessment of the impacts of the department's programs corresponding to the strategic plans of the department and the departmental divisions; (2) a comparative assessment of the relative impact of the department's programs with similar programs in other states; and (3) a comparative assessment of the targeting of the department's programs by size and sector of economic activity, and by location in different areas of the state. The review shall be completed or updated at least once every three years.

(b) On or before October 1, the department shall prepare and publish an annual report, which shall be made widely available, of its activities and expenditures for the information of the governor, the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives and the joint committee on economic development, Kansas, Inc. and the public, and shall, from time to time, submit recommendations to the governor concerning legislation found to be necessary or desirable in effecting the purposes of this act. The annual report shall include any information which the department is required to report by law. The annual report shall specifically account for the ways in which the purposes of the department and its divisions as described in this act have been achieved, and the recommendations shall specifically note what changes in the activities of the department and its divisions, and of state government are necessary to better address the purposes described in this act.

Sec. 4. K.S.A. 2001 Supp. 74-5089 is hereby amended to read as follows: 74-5089. (a) There is hereby established a state matching grant program to provide assistance in the promotion of tourism and development of quality tourist attractions within the state of Kansas. Grants awarded under this program shall be limited to not more than 40% of the cost of any proposed project. Applicants shall not utilize any state moneys to meet the matching requirements under the provisions of this program. Both public and private entities shall be eligible to apply for a grant under the provisions of this act. Not less than 75% of all moneys granted under this program shall be allocated to public entities or entities

exempt from taxation under the provisions of 501(c)(3) of the federal internal revenue code of 1986 and amendments thereto. After July 1, 1994, no more than 20% of moneys granted to public or nonprofit entities shall be granted to any single such entity. Furthermore, after July 1, 1994, no more than 20% of moneys granted to private entities shall be granted to any single such entity. The secretary of commerce and housing shall administer the provisions of this act and the secretary may adopt rules and regulations establishing criteria for qualification for a matching grant and such other matters deemed necessary by the secretary for the administration of this act.

- (b) For the purpose of K.S.A. 74-5089 through 74-5091, and amendments thereto, "tourist attraction" means a site that is of significant interest to tourists as a historic, cultural, scientific, educational, recreational or architecturally unique site, or as a site of natural scenic beauty or an area naturally suited for outdoor recreation, however, under no circumstances shall "tourist attraction" mean a race track facility, as defined in K.S.A. 74-8802, and amendments thereto, or any casino or other establishment which operates class three games, as defined in the 1991 version of 25 USC 2703.
- (e) During the fiscal year 1997, Kansas Inc. shall commission an analysis of this program's impact on tourism. The analysis shall include a recommendation for continuation, discontinuation or alteration of the program.
- Sec. 5. K.S.A. 2001 Supp. 74-50,151 is hereby amended to read as follows: 74-50,151. (a) There is hereby created in the state treasury the Kansas economic opportunity initiatives fund. Subject to acts of the legislature applicable thereto, the moneys in the Kansas economic opportunity initiatives fund shall be used only for the purposes prescribed by this section.
- (b) All expenditures made pursuant to this act shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the governor or the governor's designee. The governor may approve a warrant upon certification, by the secretary of commerce and housing, that an economic emergency or unique opportunity exists which warrant funding for a strategic economic intervention by such state agency or agencies to address expenses involved in securing economic benefits or avoiding or remedying economic losses related to:
 - (1) A major expansion of an existing Kansas commercial enterprise;
- (2) the potential location in Kansas of the operations of a major employer;
- (3) the award of a significant federal or private sector grant which has a financial matching requirement;

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- (4) the departure from Kansas or the substantial reduction of the operations of a major employer; and
- (5) the closure or the substantial reduction of a major federal or state institution or facility.
- (c) An intervention strategy may include financial assistance in the form of grants, loans or both. The department of commerce and housing shall adopt written guidelines concerning the terms and conditions of any such loans. However, all repaid funds shall be credited to the Kansas economic opportunity initiatives fund. No intervention strategy approved pursuant to this act shall facilitate the moving of an existing Kansas firm to another location within the state unless such restriction is waived by the secretary of commerce and housing. Every intervention strategy approved pursuant to this act shall identify the intended outcomes to be realized by the strategy for which funding is sought.
- (d) The department of commerce and housing and Kansas, Inc. shall make joint findings concerning the costs and benefits, on both a local and statewide basis, of projects proposed pursuant to this act. Prior to allocation of any funds pursuant to this act, the governor shall review the cost-benefit findings performed on each project.
- (e) The director of the budget and the director of the legislative research department shall consult periodically and review the balance credited to and the estimated receipts to be credited to the state economic development initiatives fund during the fiscal year. During any period when the legislature is not in session, upon a finding by the director of the budget in consultation with the director of the legislative research department that the total of the unencumbered balance and estimated receipts to be credited to the state economic development initiatives fund during a fiscal year are insufficient to fund the budgeted expenditures and transfers from the state economic development initiatives fund for the fiscal year in accordance with the provisions of appropriation acts, the director of the budget shall make a certification of such finding to the governor. Upon approval by the governor, the director of accounts and reports shall transfer the amount of moneys from the Kansas economic opportunity initiatives fund to the state economic development initiatives fund that is required, in accordance with a certification by the director of the budget under this subsection, to fund the budgeted expenditures and transfers from the state economic development initiatives fund for the fiscal year in accordance with the provisions of appropriation acts, as specified by the director of the budget pursuant to such certification.
- (f) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the state economic development initiatives fund interest earnings based on:
 - (1) The average daily balance of moneys in the Kansas economic op-

portunity initiatives fund for the preceding month; and

- (2) the net earnings rate for the pooled money investment portfolio for the preceding month.
- (g) A five three member panel consisting of the secretary of commerce and housing, the president of Kansas, Inc., the president of the Kansas technology enterprise corporation, the private sector chairperson of the board of Kansas, Inc. and the private sector chairperson of the Kansas technology enterprise corporation shall review annually the propriety of projects funded under this section. The panel shall report its findings in writing to the governor, the economic development committee of the house of representatives, the senate commerce committee and the joint committee on economic development.
- Sec. 6. K.S.A. 74-8015 is hereby amended to read as follows: 74-8015. (a) As used in this section "state agency" means any state office or officer, department, board, commission, institution, bureau or any agency, division or unit within any office, department, board, commission or other state authority or any person requesting a state appropriation.
- (b) On October 1, 1990, and annually thereafter, state agencies making community and economic development grants or loans shall submit to Kansas, Inc. the department of commerce and housing in a form prescribed by Kansas, Inc. the department of commerce and housing, reports detailing community and economic development grants or loans made by such state agencies. Such reports shall include the identity of the recipient of such loans or grants. Kansas, Inc. The department of commerce and housing, shall provide annually, to the governor and the legislature, a compilation of such reports.
- Sec. 7. K.S.A. 2001 Supp. 74-8017 is hereby amended to read as follows: 74-8017. (a) On and after January 1, 2003, it shall be the duty of Kansas, Inc. to prepare the department of commerce and housing to contract for the preparation of an annual report evaluating the cost effectiveness of the various income tax credits and sales tax exemptions enacted to encourage economic development within this state and submit the same to the standing committees on taxation and economic development of the house and assessment and taxation and commerce of the senate at the beginning of each regular session of the legislature. The secretary of revenue shall develop a questionnaire on the utilization of state income tax credits and sales tax exemptions that shall be completed by all corporate taxpayers subject to state income tax that shall be submitted to the department of revenue concurrently with the filing of an annual corporate income tax return. The questionnaire shall require respondents to indicate utilization of the following credits and exemptions:
- (1) Income tax credits authorized under the provisions of the job expansion and investment credit act of 1976 and acts amendatory thereof

and supplemental thereto;

- (2) income tax credits for expenditures in research and development activities authorized by K.S.A. 79-32,182, and amendments thereto;
- (3) income and financial institutions privilege tax credits for cash investment in stock of Kansas Venture Capital, Inc. authorized by K.S.A. 74-8205 and 74-8206, and amendments thereto;
- (4) income tax credits for cash investment in certified Kansas venture capital companies authorized by K.S.A. 74-8304, and amendments thereto;
- (5) income tax credits for cash investment in certified local seed capital pools authorized by K.S.A. 74-8401, and amendments thereto;
- (6) income tax credits for investment in the training and education of qualified firms' employees authorized by K.S.A. 2001 Supp. 74-50,132, and amendments thereto;
- (7) sales tax exemptions for property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business, or retail business meeting the requirements of K.S.A. 74-50,115, and amendments thereto, and machinery and equipment for installation at such business or retail business authorized by subsection (cc) of K.S.A. 79-3606, and amendments thereto; and
- (8) sales tax exemptions for machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility. The secretary of revenue shall provide the completed questionnaires and copies of sales tax exemption certificates to Kansas, Inc. for the preparation of such report.
- (b) Prior to the commencement of the 2002 legislative session, Kansas, Inc. and the Kansas department of revenue shall agree upon procedures for the purpose of disclosure of corporate and individual taxpayer information to fulfill the purposes of this section and protect sensitive taxpayer information to the extent possible consistent with this section. Such procedures shall be submitted to an appropriate committee at the commencement of such session in the form of a proposed bill.
- Sec. 8. K.S.A. 74-8102 is hereby amended to read as follows: 74-8102. (a) The purpose of the Kansas technology enterprise corporation is to foster innovation in existing and developing businesses, especially the creation, growth and expansion of Kansas enterprises in a diversified range of primary sectors, which develop value-added products, processes and services including, but not limited to:
- (1) Existing resource-based industries of agriculture, oil, gas, coal and helium;

- (2) existing advanced technology industries of aviation, pharmaceuticals, computers and electronics; and
- (3) emerging industries of telecommunications, computer software, information services and research services.
- (b) The corporation shall achieve the purpose stated in subsection (a) of this section by:
- (1) Financing basic research, applied research and development, and technology transfer at Kansas educational institutions which meet competitive standards of excellence as measured by national and international peers, and which create innovative collaboration between Kansas educational institutions and Kansas enterprises;
- (2) awarding applied research matching grants to Kansas educational institutions and Kansas private enterprises in order to move innovation and applied research toward commercial application;
- (3) engaging in seed-capital financing for the development and implementation of innovations or new technologies for existing resource, technology-based and emerging Kansas businesses; and
- (4) providing technical referral services to such small, new, emerging or mature businesses and encouraging Kansas educational institutions to establish technical information data bases and industrial liaison offices which are easily accessible by both private and public sector Kansas organizations.
- (c) The department of commerce, Kansas, Inc. and all other interested state agencies shall cooperate with the Kansas technology enterprise corporation in providing information and other assistance as may be requested for the performance of its duties with respect to the state's economic development strategy.
- Sec. 9. K.S.A. 2001 Supp. 74-8105 is hereby amended to read as follows: 74-8105. (a) The president shall be the chief executive officer of the corporation and shall serve at the pleasure of the board secretary of commerce and housing. The president's salary shall be set by the board of directors. The president shall be in the unclassified service under the Kansas civil service act. The board of directors may negotiate and enter into an employment agreement with the individual selected as president of the corporation which may provide for such compensation and such provisions for allowances, benefits and expenses as may be included in such agreement. The board of directors is authorized to make all payments and payroll deductions as may be required under such agreement. The president shall direct and supervise administrative affairs and the general management of the corporation.
 - (b) The president:
- (1) May employ and terminate such other officers and employees as designated by the board of directors. Any officer or employee of the

corporation who receives a salary allocated from state funds shall receive no other compensation including, but not limited to, salaries, bonuses, fees or incentives for performance of any duties on behalf of any entity which is a subsidiary of or is otherwise related to the corporation or is a business in which the corporation or any entity related to the corporation has invested state funds. The president's employment contract, including any renewal of an existing contract, shall be made available to the senate commerce committee and the house economic development committee, or if the legislature is not in session, the joint committee on economic development, prior to execution of the contract. Such officers and employees shall be in the unclassified service under the Kansas civil service act:

- (2) shall attend board meetings;
- (3) shall appoint a secretary to keep a record of all proceedings and maintain and be custodian of all financial and operational records, documents and papers filed with the corporation and of the minute book of the corporation; and
- (4) before accepting any applications as provided for under this act, shall prepare a business plan which shall include the corporate analysis of funding levels of programs in other states that are shown in the report required in subsection (b) of K.S.A. 74-8111 and amendments thereto and the threshold funding levels specified in subsection (c) of K.S.A. 74-8111 and amendments thereto. Upon approval of the business plan by the corporation board, the plan shall be presented to the standing committee on commerce of the senate and the standing committee on economic development of the house of representatives or the joint legislative committee on economic development for review and evaluation.
- Sec. 10. K.S.A. 74-8111 is hereby amended to read as follows: 74-8111. (a) The corporation shall publish an annual report which shall include an audit in accordance with generally accepted accounting principles as of June 30 of each year, and present the report to the governor; and legislature and Kansas, Inc., setting forth in detail the operations and transactions conducted by it pursuant to this act or to other legislation. The annual report shall specifically account for the ways in which the purpose of the corporation and the programs described in this act have been carried out, and the recommendations shall specifically note what changes in the activities of the corporation and the programs it administers, and of state government are necessary to better address the purposes described in this act. The corporation shall distribute its annual report by such means that will make it widely available to those innovative enterprises of special importance to the Kansas economy.
- (b) The corporation shall annually review and prepare a report showing how and and at what level other states fund the programs provided

for under this act. The corporation shall recommend an appropriate funding level for Kansas which will make these programs nationally competitive with those of other states. The corporation's findings and recommendations shall be submitted to the governor and the legislature.

- (c) The corporation shall adopt a threshold funding level for each of the programs provided for under this act. The threshold amount shall provide for funding that is great enough to have a significant impact and carry out the intent of this act. If the appropriation to fund these programs falls below the threshold, then no funding shall be provided by the corporation to the program funded below threshold level.
- (d) The corporation shall be subject to an audit by the legislative division of post audit.
- Sec. 11. K.S.A. 2001 Supp. 74-8310 is hereby amended to read as follows: 74-8310. (a) Pursuant to K.S.A. 74-5049, and amendments thereto, the secretary shall report the following:
 - (1) The number of Kansas venture capital companies;
 - (2) the total tax credit generated;
 - (3) the total investments made in Kansas venture capital companies;
- (4) the total investments in Kansas businesses by Kansas venture capital companies;
 - (5) an estimate of jobs created or preserved under the program; and
- (6) an estimate of the multiplier effect on the Kansas economy of the program.
- (b) Additionally, in the report the secretary shall evaluate the success of the program in collaboration with Kansas, Inc. and the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives and the joint committee on economic development, and may include specific recommendations for legislation.
- Sec. 12. K.S.A. 2001 Supp. 74-8317 is hereby amended to read as follows: 74-8317. The corporation shall transmit annually to the governor, the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives; *and* the joint committee on economic development and Kansas, Inc.:
 - (a) The annual statement of the fund; and
- (b) a report, based upon information received by the fund manager, which specifies the following:
- (1) The manner in which the purpose as described in this act has been carried out by the fund.
- (2) The total investments made annually by the fund in Kansas businesses.
- 42 (3) An estimate of jobs created and jobs preserved by investments by 43 the fund in Kansas businesses.

- (4) An estimate of the multiplier effect on the Kansas economy of investments by the fund in Kansas businesses.
- (5) An analysis of the targeting of scarce resources by the fund by size, sector and location to enterprises of particular need and opportunity.
- Sec. 13. K.S.A. 2001 Supp. 74-8405 is hereby amended to read as follows: 74-8405. (a) Pursuant to K.S.A. 74-5049, and amendments thereto, the secretary of commerce and housing shall report the following:
 - (1) The number of local seed capital pools;
 - (2) the total tax credit generated;
 - (3) the total investments made in Kansas venture capital companies;
- (4) the total investments in Kansas businesses by local seed capital pools;
 - (5) an estimate of jobs created or preserved under the program; and
- (6) an estimate of the multiplier effect on the Kansas economy of the program.
- (b) Additionally, in the report the secretary shall evaluate the success of the program in collaboration with Kansas, Inc. and the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives and the joint committee on economic development, and may include specific recommendations for legislation.
- Sec. 14. K.S.A. 74-9303 is hereby amended to read as follows: 74-9303. (a) There is hereby created a body politic and corporate to be known as the information network of Kansas, Inc. INK is hereby constituted as a public instrumentality and the exercise by INK of the authority and powers conferred by this act shall be deemed and held to be the performance of an essential governmental function.
- (b) INK shall be governed by a board consisting of 10 members as follows:
- (1) The president of Kansas, Inc. secretary of commerce and housing or the secretary's designee;
 - (2) the secretary of state;
- (3) two members who are chief executive officers of agencies of the executive branch, appointed by the governor who shall serve at the pleasure of the governor;
- (4) one member appointed by the governor from a list of three Kansas bar association members submitted by such association. Such member shall serve a three-year term;
- (5) three members from other user associations of a statewide character appointed by the governor from a list of not less than nine individuals and their respective user associations compiled initially by the president of Kansas, Inc. and thereafter by the board of INK and submitted to the governor. No two members appointed pursuant to this paragraph

shall represent the same user association. The terms for such members shall be for a period of three years, except initially, when the terms shall be for one, two and three years, respectively;

- (6) one member appointed by the governor from a list submitted by the president of the Kansas public libraries association and comprised of three librarians employed by public libraries. Following the initial appointment hereunder, such list shall be comprised of librarians of public libraries which subscribe to INK. Such member shall serve a three-year term; and
- (7) the director of information systems and communications who shall serve as a nonvoting member.
- (c) The board shall annually elect one member from the board as chairperson of INK, another as vice-chairperson and another as secretary.
- (d) Five members of the board shall constitute a quorum and the affirmative vote of five members shall be necessary for any action taken by the board. No vacancy in the membership of the board shall impair the right of a quorum to exercise all the rights and perform all the duties of the board.
- Sec. 15. K.S.A. 74-9306 is hereby amended to read as follows: 74-9306. Kansas, Inc. and The division of information services and communications shall provide to INK such staff and other assistance as may be requested thereby, and the actual costs of such assistance shall be paid for by INK.
- Sec. 16. K.S.A. 2001 Supp. 75-2935 is hereby amended to read as follows: 75-2935. The civil service of the state of Kansas is hereby divided into the unclassified and the classified services.
- (1) The unclassified service comprises positions held by state officers or employees who are:
 - (a) Chosen by election or appointment to fill an elective office;
- (b) members of boards and commissions, heads of departments required by law to be appointed by the governor or by other elective officers, and the executive or administrative heads of offices, departments, divisions and institutions specifically established by law;
- (c) except as otherwise provided under this section, one personal secretary to each elective officer of this state, and in addition thereto, 10 deputies, clerks or employees designated by such elective officer;
 - (d) all employees in the office of the governor;
- (e) officers and employees of the senate and house of representatives of the legislature and of the legislative coordinating council and all officers and employees of the office of revisor of statutes, of the legislative research department, of the division of legislative administrative services, of the division of post audit and the legislative counsel;
 - (f) chancellor, president, deans, administrative officers, student

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health service physicians, pharmacists, teaching and research personnel, health care employees and student employees in the institutions under 3 the state board of regents, the executive officer of the board of regents 4 and the executive officer's employees other than clerical employees, and, at the discretion of the state board of regents, directors or administrative 5 6 officers of departments and divisions of the institution and county extension agents, except that this subsection (1)(f) shall not be construed to include the custodial, clerical or maintenance employees, or any employ-8 9 ees performing duties in connection with the business operations of any 10 such institution, except administrative officers and directors; as used in this subsection (1)(f), "health care employees" means employees of the university of Kansas medical center who provide health care services at 12 13 the university of Kansas medical center and who are medical technicians 14 or technologists or respiratory therapists, who are licensed professional 15 nurses or licensed practical nurses, or who are in job classes which are 16 designated for this purpose by the chancellor of the university of Kansas 17 upon a finding by the chancellor that such designation is required for the 18 university of Kansas medical center to recruit or retain personnel for 19 positions in the designated job classes; and employees of any institution 20 under the state board of regents who are medical technologists; 21

- (g) operations, maintenance and security personnel employed to implement agreements entered into by the adjutant general and the federal national guard bureau, and officers and enlisted persons in the national guard and the naval militia;
- (h) persons engaged in public work for the state but employed by contractors when the performance of such contract is authorized by the legislature or other competent authority;
- (i) persons temporarily employed or designated by the legislature or by a legislative committee or commission or other competent authority to make or conduct a special inquiry, investigation, examination or installation;
- (j) officers and employees in the office of the attorney general and special counsel to state departments appointed by the attorney general, except that officers and employees of the division of the Kansas bureau of investigation shall be in the classified or unclassified service as provided in K.S.A. 75-711, and amendments thereto;
 - (k) all employees of courts;
 - (l) client, patient and inmate help in any state facility or institution;
 - (m) all attorneys for boards, commissions and departments;
- (n) the secretary and assistant secretary of the Kansas state historical society;
- (o) physician specialists, dentists, dental hygienists, pharmacists, medical technologists and long term care workers employed by the de-

partment of social and rehabilitation services;

- (p) physician specialists, dentists and medical technologists employed by any board, commission or department or by any institution under the jurisdiction thereof;
- (q) student employees enrolled in public institutions of higher learning;
- (r) administrative officers, directors and teaching personnel of the state board of education and the state department of education and of any institution under the supervision and control of the state board of education, except that this subsection $\frac{(1)(r)}{r}$ shall not be construed to include the custodial, clerical or maintenance employees, or any employees performing duties in connection with the business operations of any such institution, except administrative officers and directors;
 - (s) all officers and employees in the office of the secretary of state;
- (t) one personal secretary and one special assistant to the following: The secretary of administration, the secretary of aging, the secretary of agriculture, the secretary of commerce and housing, the secretary of corrections, the secretary of health and environment, the superintendent of the Kansas highway patrol, the secretary of human resources, the secretary of revenue, the secretary of social and rehabilitation services, the secretary of transportation, the secretary of wildlife and parks and the commissioner of juvenile justice;
- (u) one personal secretary and one special assistant to the chancellor and presidents of institutions under the state board of regents;
- (v) one personal secretary and one special assistant to the executive vice chancellor of the university of Kansas medical center;
- (w) one public information officer and one chief attorney for the following: The department of administration, the department on aging, the department of agriculture, the department of commerce and housing, the department of corrections, the department of health and environment, the department of human resources, the department of revenue, the department of social and rehabilitation services, the department of transportation, the Kansas department of wildlife and parks and the commissioner of juvenile justice;
 - (x) civil service examination monitors;
- (y) one executive director, one general counsel and one director of public affairs and consumer protection in the office of the state corporation commission;
 - (z) specifically designated by law as being in the unclassified service;
- (aa) all officers and employees of Kansas, Inc. and the Kansas technology enterprise corporation; and
- (bb) any position that is classified as a position in the information resource manager job class series, that is the chief position responsible

 for all information resources management for a state agency, and that becomes vacant on or after the effective date of this act. Nothing in this section shall affect the classified status of any employee in the classified service who is employed on the date immediately preceding the effective date of this act in any position that is a classified position in the information resource manager job class series and the unclassified status as prescribed by this subsection shall apply only to a person appointed to any such position on or after the effective date of this act that is the chief position responsible for all information resources management for a state agency.

- (2) The classified service comprises all positions now existing or hereafter created which are not included in the unclassified service. Appointments in the classified service shall be made according to merit and fitness from eligible pools which so far as practicable shall be competitive. No person shall be appointed, promoted, reduced or discharged as an officer, clerk, employee or laborer in the classified service in any manner or by any means other than those prescribed in the Kansas civil service act and the rules adopted in accordance therewith.
- (3) For positions involving unskilled, or semiskilled duties, the secretary of administration, as provided by law, shall establish rules and regulations concerning certifications, appointments, layoffs and reemployment which may be different from the rules and regulations established concerning these processes for other positions in the classified service.
- (4) Officers authorized by law to make appointments to positions in the unclassified service, and appointing officers of departments or institutions whose employees are exempt from the provisions of the Kansas civil service act because of the constitutional status of such departments or institutions shall be permitted to make appointments from appropriate pools of eligibles maintained by the division of personnel services.
- Sec. 17. K.S.A. 75-2935b is hereby amended to read as follows: 75-2935b. Salaries and other compensation of all persons who are within the unclassified service of the Kansas civil service act, and which salaries and other compensation are not fixed by statute, shall be subject to the approval of the governor and such salaries or other compensation shall not be paid until approved by the governor. The provisions of this section shall not apply to the salaries and other compensation of any officer or employee when such salary or other compensation is specifically prescribed by law, nor to officers and employees of elected state officials, officers and employees under the jurisdiction of the state board of regents, the executive secretary and other employees of the Kansas public employees retirement system that are in the unclassified service as specified under K.S.A. 74-4908 and amendments thereto, officers and employees of Kansas, Inc. and the Kansas technology enterprise corporation,

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officers and employees under the jurisdiction of the supreme court, legislative officers and employees or officers and employees of any agency performing functions and duties primarily for the legislative branch.

Sec. 18. K.S.A. 2001 Supp. 79-3234 is hereby amended to read as follows: 79-3234. (a) All reports and returns required by this act shall be preserved for three years and thereafter until the director orders them to be destroyed.

- (b) Except in accordance with proper judicial order, or as provided in subsection (c) or in K.S.A. 17-7511, subsection (g) of K.S.A. 46-1106, K.S.A. 46-1114, or K.S.A. 79-32,153a, and amendments thereto, it shall be unlawful for the director, any deputy, agent, clerk or other officer, employee or former employee of the department of revenue or any other state officer or employee or former state officer or employee to divulge, or to make known in any way, the amount of income or any particulars set forth or disclosed in any report, return, federal return or federal return information required under this act; and it shall be unlawful for the director, any deputy, agent, clerk or other officer or employee engaged in the administration of this act to engage in the business or profession of tax accounting or to accept employment, with or without consideration, from any person, firm or corporation for the purpose, directly or indirectly, of preparing tax returns or reports required by the laws of the state of Kansas, by any other state or by the United States government, or to accept any employment for the purpose of advising, preparing material or data, or the auditing of books or records to be used in an effort to defeat or cancel any tax or part thereof that has been assessed by the state of Kansas, any other state or by the United States government.
- (c) Nothing in this section shall be construed to prohibit the publication of statistics, so classified as to prevent the identification of particular reports or returns and the items thereof, or the inspection of returns by the attorney general or other legal representatives of the state. Nothing in this section shall prohibit the post auditor from access to all income tax reports or returns in accordance with and subject to the provisions of subsection (g) of K.S.A. 46-1106 or K.S.A. 46-1114, and amendments thereto. Nothing in this section shall be construed to prohibit the disclosure of taxpayer information from income tax returns to persons or entities contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality. Nothing in this section shall be construed to prohibit the disclosure of job creation and investment information derived from tax schedules required to be filed under the Kansas income tax act to the secretary of commerce. Nothing in this section shall be construed to prohibit the disclosure of income tax returns to the state gaming agency to be used

solely for the purpose of determining qualifications of licensees of and applicants for licensure in tribal gaming. Any information received by the state gaming agency shall be confidential and shall not be disclosed except to the executive director, employees of the state gaming agency and mem-bers and employees of the tribal gaming commission. Nothing in this section shall be construed to prohibit the disclosure of the taxpayer's name, last known address and residency status to the department of wildlife and parks to be used solely in its license fraud investigations. Nothing in this section shall prohibit the disclosure of the name, residence address, employer or Kansas adjusted gross income of a taxpayer who may have a duty of support in a title IV-D case to the secretary of the Kansas department of social and rehabilitation services for use solely in administra-tive or judicial proceedings to establish, modify or enforce such support obligation in a title IV-D case. In addition to any other limits on use, such use shall be allowed only where subject to a protective order which pro-hibits disclosure outside of the title IV-D proceeding. As used in this section, "title IV-D case" means a case being administered pursuant to part D of title IV of the federal social security act (42 U.S.C. § 651 et seq.) and amendments thereto. Any person receiving any information un-der the provisions of this subsection shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection

- (d) Any violation of subsection (b) or (c) is a class B nonperson misdemeanor and, if the offender is an officer or employee of the state, such officer or employee shall be dismissed from office.
- (e) Notwithstanding the provisions of this section, the secretary of revenue may permit the commissioner of internal revenue of the United States, or the proper official of any state imposing an income tax, or the authorized representative of either, to inspect the income tax returns made under this act and the secretary of revenue may make available or furnish to the taxing officials of any other state or the commissioner of internal revenue of the United States or other taxing officials of the federal government, or their authorized representatives, information contained in income tax reports or returns or any audit thereof or the report of any investigation made with respect thereto, filed pursuant to the income tax laws, as the secretary may consider proper, but such information shall not be used for any other purpose than that of the administration of tax laws of such state, the state of Kansas or of the United States.
- (f) Notwithstanding the provisions of this section, the secretary of revenue may:
- (1) Communicate to the executive director of the Kansas lottery information as to whether a person, partnership or corporation is current in the filing of all applicable tax returns and in the payment of all taxes,

 interest and penalties to the state of Kansas, excluding items under formal appeal, for the purpose of determining whether such person, partnership or corporation is eligible to be selected as a lottery retailer;

- (2) communicate to the executive director of the Kansas racing commission as to whether a person, partnership or corporation has failed to meet any tax obligation to the state of Kansas for the purpose of determining whether such person, partnership or corporation is eligible for a facility owner license or facility manager license pursuant to the Kansas parimutuel racing act; and
- (3) provide such information to the president of Kansas, Inc. secretary of commerce and housing or the secretary's designee as required by K.S.A. 2001 Supp. 74-8017, and amendments thereto. The president secretary and any employees or former employees of Kansas, Inc. the department of commerce and housing or any contractors or former contractors of the department receiving any such information shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection (d).
- (g) Nothing in this section shall be construed to allow disclosure of the amount of income or any particulars set forth or disclosed in any report, return, federal return or federal return information, where such disclosure is prohibited by the federal internal revenue code as in effect on September 1, 1996, and amendments thereto, related federal internal revenue rules or regulations, or other federal law.
- Sec. 19. K.S.A. 79-3614 is hereby amended to read as follows: 79-3614. All information received by the director from returns filed under this act, or from any investigations conducted under the provisions of this act, shall be confidential, except for official purposes, and it shall be unlawful for any officer or employee of such director to divulge any such information in any manner, except in accordance with a proper judicial order, or as provided in K.S.A. 74-2424, and amendments thereto. The post auditor shall have access to all such information in accordance with and subject to the provisions of subsection (g) of K.S.A. 46-1106, and amendments thereto. Nothing in this section shall be construed to prohibit the disclosure of taxpayer information from sales tax returns to persons or entities contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality. Notwithstanding the provisions of this section, the secretary of revenue may provide such information to the president of Kansas, Inc. secretary of commerce and housing as required by K.S.A. 2001 Supp. 74-8017, and amendments thereto. Any person receiving any such information pursuant to this section shall be subject to the same duty of confidentiality imposed on officers and employees of the department of

revenue by this section and shall be subject to any civil or criminal penalties imposed by law for violations of such duty of confidentiality.

New Sec. 20. There is hereby created an advisory board for the Kansas department of commerce and housing. The board shall consist of members as follows:

- (1) The governor of Kansas, or the governor's designee;
- (2) the secretary of the Kansas department of commerce and housing;
- (3) nine members who are appointed by the governor, subject to confirmation by the senate as provided in K.S.A. 75-4315b, and amendments thereto. Except as provided by K.S.A. 46-2601, and amendments thereto, no person appointed pursuant to this paragraph shall exercise any power, duty or function as a member of Kansas, Inc. until confirmed by the senate. Such members shall be appointed as follows:
- (A) One member from each of the primary economic sectors in the state, agriculture, oil and gas, and aviation, who are recognized for outstanding knowledge and leadership in their field;
- (B) one member from one other primary, job creating, value added business sector who is recognized for outstanding knowledge and leadership in the member's field;
- (C) two members from the private financial sector, one of whom shall have experience in the area of high-risk venture investments, and one of whom shall have commercial banking experience in an industry of special importance to the Kansas economy, and both of whom are recognized for outstanding knowledge and leadership in their fields;
- (D) one member representing labor who is recognized for outstanding knowledge and leadership in the member's field;
- (E) one member from the professional and business services sector who is recognized for outstanding knowledge and leadership in the member's field:
- (F) one member who owns a small business and who is recognized for outstanding knowledge and leadership in that community of interest;
- (4) one member who serves as the commanding general of the Kansas cavalry;
- (5) one member who is appointed by the state board of regents from a Kansas university and who is recognized for outstanding knowledge and leadership in the field of economic development; and
- (6) the speaker of the house, the house minority leader, the president of the senate and the senate minority leader or legislators who are appointed to represent them and who will provide continuity by virtue of their membership on the standing committee on commerce of the senate, the standing committee on economic development of the house of representatives or the joint committee on economic development.
 - (b) (1) State officers who are designated as members shall serve by

virtue of office or position.

- (2) Members appointed under subsection (a)(6) shall be appointed for a term ending on the first day of the regular legislative session in odd-numbered years.
- (3) Except as provided by paragraph (5) of this subsection, the member appointed under subsection (a)(5) shall serve for a term of four years.
- (4) Members appointed under subsection (a)(3) shall serve for a term of four years, except that, of the members first appointed, two shall serve for a term of two years, three shall serve for a term of three years, and two shall serve for a term of four years.
- (5) The terms of members appointed under paragraphs (3) and (5) of subsection (a) and who are serving on Kansas, Inc. on the effective date of this act shall expire on January 15, of the year in which such member's term would have expired under the provisions of this section prior to amendment by this act. Thereafter, members shall be appointed for terms of four years and until their successors are appointed and confirmed.
- (6) In case of a vacancy in the appointive membership of Kansas, Inc., a successor shall be appointed in like manner and subject to the same qualifications and conditions as the original appointment of the member creating the vacancy.
- (c) The board shall advise the department of commerce and housing with respect to long-term strategic planning and ensure and maintain consistent and effective economic development policy.
- Sec. 21. K.S.A. 74-5099, 74-8013, 74-8014, 74-8015, 74-8102, 74-8111, 74-9303, 74-9306, 75-2935b and 79-3614 and K.S.A. 2001 Supp. 74-5001a, 74-5007a, 74-5049, 74-5089, 74-5093, 74-5094, 74-5095, 74-5096, 74-5097, 74-5098, 74-50,100, 74-50,101, 74-50,151, 74-8001, 74-8002, 74-8003, 74-8004, 74-8005, 74-8006, 74-8007, 74-809a, 74-8010, 74-8011, 74-8012, 74-8016, 74-8017, 74-8105, 74-8310, 74-8317, 74-8405, 75-2935 and 79-3234 are hereby repealed.
- Sec. 22. This act shall take effect and be in force from and after its publication in the statute book.