

SESSION OF 2004

SUPPLEMENTAL NOTE ON SENATE BILL NO. 393

As Amended by House Committee of the Whole

Brief*

SB 393 would establish the Kansas Center for Entrepreneurship within the Department of Commerce. The Secretary of Commerce would enter into a contract for the operations of the Center. An 11-member Board of Directors would be appointed by the Secretary of Commerce and specific qualifications for Board membership are outlined in the bill.

The purpose of the Center would be to increase seed capital for entrepreneurs, especially those in distressed and rural communities; work with the Kansas Board of Regents and the Kansas Board of Education to create training and course work in entrepreneurship; and provide a resource center clearinghouse and referral source which would include a website and a toll-free telephone number.

The bill also creates the Kansas Community Entrepreneurship Fund (KCEF), which would receive state funds, donations, and gifts from any source. The Center would administer the fund under guidelines established by the Secretary of Commerce and the funds would be used for awards to regional and community organizations that provide seed capital to qualified entrepreneurs, especially those located in distressed and rural communities in Kansas. A maximum of 10 percent of the fund each year could be used for the operation of the Center.

A new tax credit for entrepreneurship in distressed and rural communities would also be established in SB 393. Taxpayers that invest in the KCEF could claim a 50 percent tax credit of the amount donated. The first year that a tax credit could be claimed is 2006 and would be limited to a total amount of \$2.0 million for any one fiscal year. In addition, the minimum amount of investment would be \$250 to

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

receive the credit. The Center and the Department of Commerce would control the distribution of the credits to investors.

After the third year of operation, the Center is to be reviewed by Kansas Inc. for evaluation of the program in meeting its goals and objectives, and cost effectiveness of the program.

Background

Proponents for the bill included representatives for the Barton School of Business at Wichita State University, Jabara Venture Group, NFIB, KSBDC, Department of Commerce, Lenexa Chamber of Commerce, and Kansas Farm Bureau.

The Senate Committee amended the bill by requiring that Kansas Inc. complete an evaluation of the Center after the third year of operation. Also, the definition of an investor was changed from an accredited investor to anyone investing a minimum of \$250 into the Kansas Community Entrepreneurship Fund. Finally, the Committee removed the preamble language.

The House Committee amended the bill by requiring that the Board members, prior to assuming office, must complete and file a statement of substantial interest with the Secretary of State. In addition, language was added that clarified the duties and responsibilities of the Board. The succession of members on the Board was also added to the bill.

The House Committee of the Whole amended the bill to require that the Secretary credit the Kansas Community Entrepreneurship Fund with gifts, donations, investments, or grants received from any source for the center. In the prior versions of the bill the language was permissive, not mandatory. In addition, the State Treasurer shall pay interest earnings on the account.