



KANSASBIO
KANSAS BIOSCIENCE ORGANIZATION

Legislative BIO BUZZ

Week of February 9 – 13, 2009

Thank you to all who participated in our **Bioscience Days** in Topeka, January 26th and 27th. By all accounts it was a productive two days! We accomplished a lot and had fun, too. Special thanks go to the following directors and members who spent an entire day in Topeka, meeting with legislators as part of KansasBio's industry outreach team: *Michael Beckloff, Wayne Carter, Tom Thornton, Sukh Bassi, Greg Krissek, Mary Martell, Dave Drovetta, Stan McDermott, Skip Johnson, Jeff Southard, Eric Danielson, Linda Weis, Pete Coody, Christian Morgan, Troy Carlson, Lyle Butler, and Gene Malcolm*. Our board chair, Michel Beckloff, testified before the Senate Commerce Committee regarding the NDDA, (the Accelerator), and now the statehouse is a-buzz with discussion about these companies and the important assets they are to our state and our industry.

We are delighted with the level of participation among bioscience industry executives, (doubling our participation over last year) **who met personally with 28 policy makers and testified before committees**. We also co-hosted two events: the Governor's NBAF reception and the Kansas Innovation Reception. Most legislators we met with also attended both of these evening functions, further enhancing the critical connection between our industry and our policymakers. **Please continue to stay involved by working with us during the caucus meetings this session!**

Bioscience and IT Caucus meets over lunch, bi-weekly during session. Last Thursday, Feb.5, we presented an overview of the **NDDA, the Accelerator**. Jeff Southard also provided an overview of his company, *VasoGenix Pharmaceuticals, Inc*. You can watch his company's video at: http://www.vasogenix.net/video/vid_Vasogenix_Info.aspx Jeff shared how the NDDA, as well as KTEC and the KBA have helped VasoGenix and many other start-up companies with access to expertise, early stage funding, angel investor tax credits, and other critical resources.

The next meeting of the Caucus is February 19th and we will highlight more success stories. The caucus continues to grow bigger than 60 members. Three new legislators signed up last week! **If you are interested in presenting or sponsoring one of these caucus meetings, please contact Jennifer at jbruning@kansasbio.org**

Finally, we want to keep you updated regarding our work this session. Below are notes from Ron Seeber, our biotechnology industry lobbyist, and Jennifer Bruning, KansasBio's Industry Relations and Policy Director. You can read more about government relations on our website at: <http://kansasbio.org/government/government.htm>

Dear KansasBio Members:

Thanks to the hard work and effort of KansasBio's board of directors, our Public Policy & Education committee, and many of our industry advisory panel members, KansasBio this year has its first industry agenda to take to the statehouse. It is our intention to give you weekly Legislative Bio Buzz updates to let you know how the legislature is responding to the industry agenda which you created. This note is much longer than the

As most of you already know, for the first weeks of session the Kansas Legislature has primarily been focused on the closing of the budget deficit for Fiscal Year 2009 (FY09), which runs from July 1, 2008 – June 30, 2009, rather than being able to focus on the planning for Fiscal Year 2010 (FY10), which runs from July 1, 2009 – June 30, 2010. Kansas' lackluster tax receipts FY09 has resulted in a budget deficit currently of over \$200 million. Legislators are concerned that this deficit will possibly grow to over \$300 million by the end of the current fiscal year, and they are struggling to close the shortfall. When we look at the FY10 budget, the Governor and the Legislature are expecting close to a one billion dollar budget shortfall. The Governor has proposed a series of budget cuts and tax "suspensions" to address this big deficit. The FY09 budget bill is known as the "Rescission Bill," and we've attached a synopsis of both this bill as well as the Governor's recommendations for both the FY09 and the FY10 budget bills at the end of this message. The Kansas Legislature will not debate the FY10 budget until they have reconciled the FY09 budget.

Week in Review 2/09/09

2009 Budget Rescissions

The House approved its version of the 2009 rescission budget. The bill decreases the Governor's recommended State General Fund expenditures by \$110 million, and decrease expenditures from all funding sources by \$134.9 million. The Senate previously approved their version of the bill cutting roughly \$30million less than the House. The bill now resides in a Joint House/Senate conference committee at which conferees pound out differences in the bills to try and reach agreement. After two late conference committee sessions, conferees have agreed to accept a modified House position limiting the Kansas Bioscience Authority's spending to \$38million (the Senate and Governor approved \$35million out of the \$47million fund). The conference committee also agreed to the Senate position of restoring \$1.9million to KTEC. The conference committee broke for the weekend and will resume negotiations on Monday. Still in contention is \$2.9 million for the Wichita Center for Graduate Medical Education. It remains undecided whether that money will come from the KBA (as previously planned) or from the State General Fund. Additionally, the amount of cuts to education, social services, all agencies, and payments to localities have yet to be agreed on.

KS Bioscience Authority Audit

At a Joint meeting of the House and Senate Commerce Committees, legislators received a briefing regarding the Kansas Bio Science Authority performance. The audit was conducted by GPS Consulting, Pittsburg PA. The audit focused on whether the KBA was adhering to its statutory obligations, initiating defined programs, and outcomes of KBA investments. After the review, the audit recommended that the KBA preserve funding mechanism citing that no

other state has stable long term funding that Kansas has applied. The consultant declared it a stable, patient investment and that the KBA should not become a "political football" with regard to the budget. It was recommended that the legislature continue to monitor and evaluate progress by analyzing job creation and benchmarking comparisons with other states. It was also recommended that the KBA Board should be made up with more bioscience entrepreneurs. The report also suggested that the KBA address communication gaps. It was sited that some critiques of KBA included a lack of awareness around what is going on and that stakeholders should receive a consistent set of communications on what the KBA is doing and supporting. Finally, the report believed the KBA should expand the research and development voucher program.

This week:

The recession budget will remain a top priority this week as well as the House Agriculture Budget's Committee review of the Governor's recommendation to move KTEC to the Department of Commerce. There are several abortion related bills up for hearing this week that may be germane for stem cell amendments. We will monitor all of the above closely and other items that may pop up.

Please see bill tracker report below.

Bill Number and Sponsor	Bill Subject	Current Status	Last Action	
SB 13 Anthony Hensley, D-19th	Kansas Bioscience authority; regarding membership on the board	In Senate Federal and State Affairs	01/13/2009 - Senate Referred to Federal and State Affairs	bio
H Sub for Sub for SB 23 Senate Ways and Means Committee	Appropriations for the fiscal years ending June 30, 2009, June 30, 2010 and June 30, 2011, for state agencies; authorizing certain transfers, capital improvement projects and fees, imposing certain restrictions and limitations, and directing or authorizing certain receipts, disbursements and acts incidental to the foregoing	In Conference Committee	02/05/2009 - House Acceded; Appointed Yoder, Watkins and Feuerborn	bio
SB 202 Mark Taddiken, R-21st	Abortion	In Senate Federal and State Affairs	02/05/2009 - Senate Referred to Federal and State Affairs	bio

HB 2011	Abortion	In House Federal and State Affairs	02/04/2009 - House Scheduled Hearing: Tuesday, 2/10/2009, 1:30 PM, Rm 143-N	Bio
Arlen H. Siegfried, R-15th				
HB 2022	Making and concerning appropriations for the fiscal years ending June 30, 2009, and June 30, 2010, for state agencies; authorizing certain transfers, capital improvement projects and fees, imposing certain restrictions and limitations, and directing or authorizing certain receipts, disbursements and acts incidental to the foregoing	In House Appropriations	01/21/2009 - House Scheduled Hearings: Monday, 1/26/2009, 9:00 AM, Rm 143-N; Tuesday, 1/27/2009, 9:00 AM, Rm 143-N; Wednesday, 1/28/2009, 9:00 AM, Rm 143-N; Thursday, 1/29/2009, 9:00 AM, Rm 143-N; Friday, 1/30/2009, 9:00 AM, Rm 143-N	bio
House Appropriations Committee				
HB 2093	Making and concerning appropriations for the fiscal years ending June 30, 2009, June 30, 2010 and June 30, 2011, for state agencies; authorizing certain transfers, capital improvement projects and fees, imposing certain restrictions and limitations, and directing or authorizing certain receipts, disbursements and acts incidental to the foregoing	In House Appropriations	01/28/2009 - House Referred to Appropriations	bio
House Appropriations Committee				
HB 2094	Making and concerning appropriations for the fiscal years ending June 30, 2010, June 30, 2011, June 30, 2012, June 30, 2013, and June 30, 2014, for the Department on Aging, the Department of Social and Rehabilitation Services and the Department of Health and Environment – Division of Health; authorizing certain transfers, capital improvement projects and fees, imposing certain restrictions and limitations, and directing or authorizing certain receipts, disbursements and acts incidental to the foregoing	In House Appropriations	01/28/2009 - House Referred to Appropriations	bio
House Appropriations Committee				
HB 2166	Abortion; relating to late-term and partial birth abortion	In House Federal and	02/04/2009 - House Scheduled Hearing:	bio

Steve Huebert, R-90th		State Affairs	Thursday, 2/12/2009, 1:30 PM, Rm 143-N	
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HB 2295	Milk and dairy products; relating to labels for such products	In House Agriculture and Natural Resources	02/06/2009 - House Referred to Agriculture and Natural Resources	bio
House Taxation Committee				
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Budget Synopsis:

KANSAS BIOSCIENCE AUTHORITY (KBA):

Governor's Budget

The Governor submitted her budget report for FY2009/FY2010 on January 12, 2009. In regards to the KBA, she made the following recommendations to the legislature.

- FY2009
 - Cap the KBA transfer at **\$35 million**
 - This is a cut of \$12 million from the CRE's (Consensus Revenue Estimating group) \$47 million estimate.
- FY2010
 - Cap the KBA transfer at **\$40 million**
 - This is a cut of \$20 million from the CRE's \$60 million estimate.

Senate Ways and Means Committee

The Senate Ways and Means Committee, headed up by Chairman Emler, submitted their budget proposal for FY2009 which recommended the following.

- Reduce the KBA transfer amount by 6.5% equaling a \$3.1 million reduction
- This would leave the KBA with **43.9 million** for FY2009

Substitute for Senate Bill 23

The Senate took up the Ways and Means Committee budget proposal on Wednesday, January 28th. Senator Kelly offered a Substitute for Senate Bill No. 23 which passed. The Governor's cap of \$35 million for the KBA was put back into this bill.

House Appropriations Committee

The House Appropriations Committee met on Friday, January 30th to go over the Substitute for Senate Bill No. 23. In this committee meeting the following changes to the KBA transfer for FY2009 were made.

- Reduced original full transfer amount (\$47 million) by 4 percent (\$1.9 million).
- Further reduce transfer by \$2.9 million for WCGME.
 - This totals a **\$4.8 million** reduction.
- Vice-Chairman Watkins offered an amendment, which passed, to take an additional \$1.3 million from the KBA to be transferred to WCGME.
 - This totals a \$6.1 million reduction to the KBA transfer leaving the KBA with **\$40.9 million** for FY2009.

KANSAS TECHNOLOGY ENTERPRISE CORPORATION (KTEC):

Governor's Budget Recommendation

The Governor submitted her budget report for FY09/FY10 on January 12, 2009. In regards to KTEC, she made the following recommendations to the legislature:

- FY2009
 - Reduce KTEC's FY09 budget by 11.1%.

The amount of this cut can be a bit confusing because it is couched in the Governor's recommendation which reads "Reduce Non-SGF (State General Fund) Agencies But Do Not Transfer Balances: Reduce non-SGF agencies by 3.0 percent but do not sweep any savings to the SGF." However, in that recommendation, some non-SGF agencies are cut more than 3%, like KTEC, while other agencies budgets, like Commerce, are actually increased. If the cuts and the increases are totaled, it results in a overall 3% cut to non-SGF agencies. KTEC has been educating the legislature that this proposed 11.1% cut is impossible for them to absorb with less than five months left in the fiscal year. They have contractual funding obligations that need to be met, and this level of cut would mean that almost all of those contracts would have to be broken. KTEC has also stressed to the legislature that their board recognized the need for cutbacks earlier this Fall, and was proactive in already approving a 3% cut to KTEC.
- FY2010
 - The Governor recommends eliminating a majority of KTEC's programs, and consolidating the operations of the rest of KTEC's programs into the Department of Commerce in FY10. All of KTEC's entrepreneurship programs (including KTEC Pipeline) and all KTEC staff will be eliminated, and Commerce will be responsible for operational management of the seven business incubators, the EPSCOR and STAR funds, the five Centers of Excellence, and MAMTC (with no

proposed recommendation of how the operational management of these programs would be staffed or funded).

- The KTEC Board of Directors will continue to function as part of the Department of Commerce.

Senate Ways & Means Committee Budget (SB23)

- FY09
 - Senator Emler, Chairman of the Ways & Means Committee, submitted a budget proposal which recommended a 6.5% across-the-board reduction in the Economic Development Initiatives Fund, which funds KTEC.
 - Senator Emler's budget proposal left in the Governor's recommendation of a 11.1% decrease to KTEC which was couched in one of the Governor's budget recommendations.
 - This budget proposal resulted in a 17.6% cut to KTEC in FY09.

Substitute to Senate Bill 23

The Kansas Senate debated, amended and approved the Senate Substitute for Senate Bill 23, the 2009 budget rescission bill. A coalition of conservative Republicans and Democrats successfully amended the bill, overriding Senate Republican leadership. It includes a 1.5% across the board for all agencies with the exception of K-12 education, and this bill still included the Governor's 11.1% KTEC reduction. Senator John Vratil successfully amended the bill reducing the KTEC budget cut to 6.5%.

House Appropriations Committee

The House Appropriations Committee approved a 2009 rescission budget which cut KTEC funding by 15% (the Governor's 11.1% cut plus an across the board cut of 4%). The full House will debate their version of the bill this week.

DEPARTMENT OF COMMERCE

Governor's Budget Recommendation

The Governor submitted her budget report for FY09/FY10 on January 12, 2009. In regards to the Department of Commerce, she made the following recommendations to the legislature:

- FY2009
 - Grant the Department of Commerce an additional \$1,030,757 for FY09 (a 5.5% increase).
 - This additional money comes in lieu of a significant 11.1% cut to KTEC, which is detailed below.
- FY2010
 - Grant the Department of Commerce an additional \$6,349,250 for FY10 (a 32.4% increase from the Revised FY09 budget)
 - The Governor recommends eliminating a majority of KTEC's programs, and consolidating the operations of the rest of KTEC's programs into the Department of Commerce in FY10. All of KTEC's entrepreneurship programs and all KTEC staff will be eliminated, and Commerce will be responsible for operational

management of the seven business incubators, the EPSCOR and STAR funds, the five Centers of Excellence, and MAMTC.

- The KTEC Board of Directors will continue to function as part of the Department of Commerce.
- The governor has proposed sweeping a fund established by the business machinery and equipment tax credit that returns dollars back to counties and municipalities that would have otherwise retained revenue through the exemption. This is a cut of \$20 million from the CRE's \$60 million estimate.

Senate Ways & Means Committee Budget (SB23)

- FY09
 - Senator Emler, Chairman of the Ways & Means Committee, submitted a budget proposal which recommended a 6.5% across-the-board reduction in the Economic Development Initiatives Fund which funds the Department of Commerce.
 - Senator Emler's budget proposal left in the Governor's recommendation of a 5.5% increase to Commerce (this increase to Commerce was not itemized in the explanation of the Governor's adjustments and was actually included in one of Governor's recommended "cuts")

Substitute to Senate Bill 23

The full Senate took up the Ways and Means Committee budget proposal on Wednesday, January 28th. Senator Kelly offered a Substitute Bill for Senate Bill No. 23 which passed. This bill reintroduced all of the Governor's FY09 recommendations for the Department of Commerce.

House Appropriations Committee

The House Appropriations Committee met on Friday, January 30th to go over the Substitute Bill for Senate Bill No. 23. In this committee meeting the following changes to Commerce's budget were made:

- Accepted the Governor's 5.5% increase to Commerce (this increase to Commerce was not itemized in the explanation of the Governor's adjustments and was actually included in one of Governor's recommended "cuts")
- Instituted a 4.0% across-the-board reduction in the Economic Development Initiatives Fund which funds the Department of Commerce.

*As of today, the conference committee discussions are still underway regarding the recession budget.