

# Bioscience Authority Statement

In 2004, the Kansas Legislature determined that:

- biosciences develop uses of biochemistry, molecular biology, genetics, biotechnology, bioengineering and life sciences to promote and enhance health care, veterinary medicine, agriculture, forestry, energy, pharmacy, environment and other industries in the state of Kansas;
- high-paying jobs and innovative commercial products ensue from the biosciences, which requires an educated workforce with advanced technical skills;
- the universities, colleges, nonprofit institutions and private enterprises in Kansas would be able to further educate and train scientists, health care professionals and technicians to provide a supportive environment for bioscience research, development, testing and product commercialization activities through increased targeted investments;
- manufacturing, licensing and commercialization of products derived from the biosciences would benefit the state's economy and facilitate the development of the bioscience industry and associated educational institutions in the state of Kansas;
- Kansas needs a mechanism to make the state the most desirable state in which to conduct, facilitate, support, fund and perform bioscience research, development and commercialization; to make Kansas a national leader in bioscience, to create new jobs, foster economic growth, advance scientific knowledge; and to improve the quality of life for the citizens of the state of Kansas; and
- the needs of the citizens of Kansas and the public and private entities engaged in the biosciences would be best served by an independent public authority charged with the mission of facilitating, supporting, funding and performing bioscience projects for the benefit of its citizens to promote the state's research, development and commercialization objectives.

Consequently, Kansas enacted Chapter 112 of 2004 to establish a Bioscience Authority. The purpose of the Authority is to:

- work with state universities to identify and recruit eminent and rising bioscience scholars;
- jointly employ personnel to assist or complement eminent and bioscience scholars; determine types of facilities and research;
- facilitate integrated bioscience research; and
- provide matching funds for federal grants.

The Bioscience Authority will be headquartered in the county with the highest number of bioscience employees associated with bioscience companies. The Authority will continue so long as the Authority has bonds outstanding unless adequate provisions are made for the payment or retirement of the Authority's debts or obligations.

The powers of the Authority include:

- overseeing the commercialization of bioscience intellectual property created by eminent and rising star scholars;
- owning and possessing patents, proprietary technology, and entering into contracts for commercialization of the research, and
- incurring indebtedness and entering into contracts with state development finance authority for bonding to construct state-of-the-art facilities owned by the Authority.

The secretary of revenue, the Authority, and the state board of regents will establish the number of bioscience employees associated with state universities and report annually and determine the taxation base annually for the following 15 years from 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 would go into the Fund. The baseline amount of state taxes would go to the State General Fund each year. A Bioscience Development Investment Fund would be used to fund programs and repay bonds.

A Bioscience Development Financing section creates a tax increment financing district for bioscience development. One or more bioscience development projects could occur within an established bioscience development district. The process for establishing the district would follow the tax increment financing statutes. However, no bioscience development district can be established without the approval of the Authority. The Act allows counties to establish bioscience development districts in unincorporated areas. The Act enables issuing special obligation bonds to finance bioscience development projects. The bonds are paid with ad valorem tax increments, private sources, contributions, or other financial assistance from the state and federal government.

In addition, this law creates a Bioscience Development Bond Fund that will be managed by the Authority and not be part of the state treasury. A separate account will be created for each bioscience development district (BDD) and distributions will pay for the bioscience development project costs in a BDD.

The Bioscience Tax Investment Incentive section makes additional cash resources available to start-up companies. The bill creates a Net Operating Loss (NOL) Transfer Program. The Program allows the Bioscience Authority to pay up to 50 percent of a bioscience company's state NOL during the claimed taxable year. The Program would be managed by the state department of revenue and would be capped at \$1.0 million for any one fiscal year. Bioscience R & D Voucher Program Act would establish the Bioscience R & D Fund in the state treasury. The Fund could receive state appropriations, gifts, grants, federal funds, revolving funds, and any other public or private funds. The state treasurer would disperse funds with the consent of the Bioscience Authority Chairperson. The Program requires an existing bioscience company apply to the Authority for a research voucher. After receiving a voucher, the company would then locate a researcher at a state university or college to conduct a directed research project. At least 51 percent of voucher award funds would be expended with the university in the state under contract and could not exceed 50 percent of the research cost.

The maximum voucher funds awarded could not exceed \$1.0 million, each year for two years, and not to exceed 50 percent of the research costs. The company would be required to provide a one-to-one dollar match of the project award for each year of the project. A Bioscience Research and Development Voucher Federal Fund would be established to receive any federal funding.

The Bioscience Research Matching Funds section establishes the Bioscience Research Matching Fund to be administered by the Authority. Recipients must be a university in the state and universities are encouraged to jointly apply for funds. The funds would be used to promote bioscience research and to recruit, employ, fund, and endow bioscience faculty, research positions and scientists at universities in the state. Application for the matching funds would be made to the Authority.

Under this law:

“Bioscience” means the use of compositions, methods and organisms in cellular and molecular research, development and manufacturing processes for such diverse areas as pharmaceuticals, medical therapeutics, medical diagnostics, medical devices, medical instruments, biochemistry, microbiology, veterinary medicine, plant biology, agriculture, industrial, environmental, and homeland security applications of bioscience and future developments in the biosciences. Bioscience includes biotechnology and life sciences.

“Biotechnology” means those fields focusing on technological developments in such areas as molecular biology, genetic engineering, genomics, proteomics, physiomics,

nanotechnology, biodefense, biocomputing and bioinformatics and future developments associated with biotechnology.

“Bioscience company” or “bioscience companies” means a corporation, limited liability company, S corporation, partnership, registered limited liability partnership, foundation, association, nonprofit entity, sole proprietorship, business trust, person, group or other entity that is engaged in the business of bioscience in the state and has business operations in the state, including, without limitation, research, development or production directed towards developing or providing bioscience products or processes for specific commercial or public purposes and are identified by the following NAICS codes: 325411, 325412, 325413, 325414, 325193, 325199, 325311, 32532, 334516, 339111, 339112, 339113, 334510, 334517, 339115, 621511, 621512, 54171, 54138, 54194.

“Bioscience research” means any original investigation for the advancement of scientific or technological knowledge of bioscience and any activity that seeks to utilize, synthesize, or apply existing knowledge, information or resources to the resolution of a specific problem, question or issue of bioscience.

“Eminent scholar” means world-class, distinguished and established investigators recognized nationally for their research, achievements and ability to garner significant federal funding on an annual basis. Eminent scholars are recognized for their scientific knowledge and entrepreneurial spirit to enhance the innovative research that leads to economic gains. Eminent scholars are either members of or likely candidates for the National Academy of Sciences or other prominent national academic science organizations.

“Life sciences” means, without limitation, the areas of medical sciences, pharmaceutical sciences, biological sciences, zoology, botany, horticulture, ecology, toxicology, organic chemistry, physical chemistry and physiology and any future advances associated with the life sciences.

“NAICS” means the North American Industry Classification System.

“Rising star scholar” means up-and-coming distinguished investigators growing in their national reputations in their fields, who are active and demonstrate leadership in their associated professional societies, and who attract significant federal research grant support. Rising star scholars would be likely candidates for the National Academy of Sciences or other prominent national academic science organizations in the future.

Submitted as:

Kansas

Chapter 112 of 2004

Status: Enacted into law in 2004.