

**Week Ending January 27, 2012**

## IN THIS ISSUE

- **Kansas Bioscience Authority**
- **Immigration Bill Introduced**
- **Kansas Business Tax Climate Index**
- **Reseller Product Liability Bill to be Introduced**
- **Young Professionals of Wichita Visit State Capitol**

## KANSAS BIOSCIENCE AUTHORITY

A legislative session that promises to last at least twelve weeks saw its third week dominated mostly by the release of an audit into the operations of the Kansas Bioscience Authority. You may recall that last year Wichita Senator Susan Wagle, Chair of the Senate Commerce Committee, began holding hearings to look into the practices and finances of the KBA. Arguably, the genesis of that investigation was the KBA's failure to meet their promise of funding CIBOR at WSU in the amount of \$20M. The KBA and their now former CEO, Tom Thorton, claimed to have never made that promise. Wichita legislators, past and present, knew better because they too had received those same assurances over a two year period.

Wagle was widely criticized last year by Senate leadership and the media. However, with the now completed audit performed by BKD, Senator Wagle and Johnson County D.A. Steve Howe, who launched his own criminal investigation into the KBA, appear justified. As last year's session was concluding, Governor Sam Brownback called for the audit and KBA CEO Thorton promptly resigned to take a job at the Cleveland Clinic in Ohio. Auditors found that despite Thorton's annual salary of \$250K plus a \$100K bonus – in addition to the \$50K he received for sitting on the board of a KBA funded company – he still bilked the KBA as he was walking out the door. He charged his \$4,500 interview trip to Cleveland directly to the KBA.

Perhaps most troubling is that after resigning, being notified of the audit and having been informed by the Johnson County DA that he was under investigation, Thorton refused for over a week to return his KBA supplied laptop. Once returned, auditors and investigators found the hard drive had been scrubbed. So too, had mainframe files at the KBA offices.

What was in the files? Auditors say, despite spending a great deal of money and employing state of the art technology to recover the files, they simply couldn't and will never know for sure just exactly what Thorton was trying to hide. The \$960K audit is 300 pages with an additional 600 pages of evidentiary documents. The audit did uncover several violations where money was spent that either didn't conform to rules

and regs within the KBA or where ethical issues were overlooked. There is plenty in the audit about unsavory personal activities taking place in the KBA offices, questionable personal expenses, and nepotism; Thorton married his lobbyist who was also a full time employee of the KBA.

Reaction to the audit is mixed. Remarkably, there are some legislators who seem to be taking the approach of “there’s nothing to see here, everyone just move along” to others calling for Thorton to be charged with obstruction of justice and a total overhaul of the KBA. Governor Sam Brownback has called on the KBA to hold off entering into any other ventures or not offering funding until the legislature can take action. For his part, the Governor has blocked the last two rounds of funding distributions to the KBA.

The Kansas Bioscience Authority is a good and much needed economic development tool in Kansas. It has grown the bioscience sector in Kansas and was instrumental in helping the state to land the National Bio and Agro-Defense Facility to be built in Manhattan. However, large sums of taxpayer money are funneled to the KBA on an annual basis. The Governor, legislature and the KBA board have a fiduciary responsibility to all Kansans to ensure taxpayer dollars are protected, as well that KBA investments maximize opportunities for businesses located within Kansas borders.

## IMMIGRATION BILL INTRODUCED

A bill has been introduced on behalf of the Business Coalition on Immigration (BCI). The bill, the Kansas Business, Workforce, and Community Partnership Act, authorizes the Governor to enter into an agreement with the federal government on behalf of Kansas to create a guest worker program for industries who can demonstrate the need for workers.

The sponsors of the bill call it a proactive approach billed as a positive alternative to the harmful law enforcement bills which have passed in states like Arizona, Alabama and Georgia. The bill is supported by several trade and industry groups, including the Kansas Chamber of Commerce. The bill proposes to do the following --

1. Manage undocumented persons whom the Federal Government will not deport anyway.
2. Allow eligible participants to enter a work program through partnership with sponsoring businesses.
3. Fund the program with fees paid by participating businesses.
4. Utilize community and faith-based groups to assist undocumented workers in local communities.
5. Meet the workforce needs of Kansas business and industry and spark economic growth.

6. Protect taxpayers and Kansas businesses from costly and unnecessary enforcement mandates.

The shorthand on this proposal is, according to BCI, there is a “class” of immigrants, that while here illegally, are not going to be deported, because the federal government does not have the resources and these folks are not a threat priority to the United States. So once this “class” of immigrants – and the bill does well define “classes” of illegal immigrants – are either arrested, turn themselves in or otherwise become known to authorities, there is an opportunity to employ them instead of having them sit in county jail until the sheriff realizes Immigrations and Customs Enforcement (ICE) is not coming for them and just lets them go. The Wichita Chamber Government Relations Committee did review and consider the bill. At this point the Wichita Chamber has not taken an official position. We are, however, closely watching this bill and all other immigration related matters.

## KANSAS BUSINESS TAX CLIMATE INDEX

The non-profit Tax Foundation on Wednesday released its 2012 State Business Tax Climate Tax Index. This [link](#) will take you to the US map with each state’s ranking and tax score highlighted on the map. Kansas scored right the middle with the rank of 25th.

## RESELLER PRODUCT LIABILITY BILL TO BE INTRODUCED

The purpose of this bill is to address a Kansas Supreme Court decision from this summer which stated that resellers, or sellers of used products, are subject to strict liability in the case where the used product causes an injury. This decision impacts all sales of used products in the state and does away with the “as-is” condition exemption from liability. Essentially, this bill would return the “as is” exemption and would protect Kansas businesses that sell used equipment from liability.

## YOUNG PROFESSIONALS WICHITA (YPW) VISIT STATE CAPITOL

The Chamber’s YPWs visited the State Capitol on Tuesday of this week. Twenty-one members and two staffers made the trip to Topeka. The YPs had the opportunity to meet and ask questions of Governor Sam Brownback before having a group photo taken. The group was also recognized during the House session. A lunch was also held where State Representatives Jim Ward and Brenda Landwehr, both of Wichita, along with State Senator Garrett Love of Montezuma conducted a question and answer panel that lasted well over an hour. It was a wide-ranging discussion, covering state

and local issues, the importance of civic involvement, how the legislature really works and how to lay the groundwork for YPs who may want to serve in the legislature themselves someday. Just in case you are wondering why a Senator from Montezuma was on the panel...Senator Love is 23 years old and was first elected at age 22; proving that young people can and do make a contribution to public service in the state of Kansas. It was an enjoyable day for our YPs as well as for the policymakers.