

Approved 2-5-85
Date

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources

The meeting was called to order by Senator Merrill Werts at
Chairperson

8:00 a.m. ~~XXX~~ on January 31, 1985 in room 123-S of the Capitol.

All members were present except:
Senator Ben Vidricksen - Excused

Committee staff present:
Ramon Powers - Research Department
Don Hayward - Revisor's Office
Nancy Jones - Committee Secretary

Conferees appearing before the committee:

Chairman Werts called the meeting to order. He requested Ramon Powers to review for the Committee members the Interim Report No. 21 - Kansas Park and Resources policies and programs. (Attachment "A"). Following this review, Mr. Powers accepted questions from Committee members.

Chairman Werts called upon Senator Kerr, as a member of the special committee for comments. Senator Kerr stated that the committee did take the Hillsdale situation seriously and Representative Fox chaired a sub committee which visited Hillsdale. A lot of interest was shown as to what should be done with that park and it needs to be addressed this session with a decision made either to go about developing the area or get some alternative going. On resort development, the general feeling among interim committee members that there is a need in Kansas was favorable, probably at Clinton or Eldorado. Anything the legislature can do to promote or remove restrictions to resort development should be done. It is a shortcoming of our state that we do not have such a facility. Possibly there would be some interest in the state helping with some of the facilities such as roads and utilities, but as to actual development, it appeared unlikely there would be any support for us getting involved in the financing. Senator Kerr said there are also good summaries available from other states who have faced this issue.

Senator Gordon said his observation from the interim committee was that a developer from Spring Hill should be allowed to develop Hillsdale as suggested in the report. He would like to see a study made of the feasibility for a second site at Clinton or Eldorado so that at such time as state finances would allow it, one could be built at either site.

Senator Kerr added that there is an urgent need to get something going at Hillsdale as there are hardly any park facilities there at the present time. Clinton and Eldorado seem to be the prime candidates for resort development if and when it is feasible in Kansas.

Senator Daniels inquired if brochures were available for the parks. Lynn Burris, Director, Kansas Park Authority, responded that various parks and recreational facilities in the state do put out information pamphlets through his office and also through use of volunteers.

Chairman Werts directed the attention of the committee to SCR 1602, its essence being, that the legislature would encourage the Corps of Engineers to include resort development in the master plans for the operation of federal reservoirs. In discussion, Mr. Burris stated the Park Authority feels it is very appropriate and encouraged adoption of the resolution. In answer to an inquiry by Senator Daniels as to whether a master plan is available for other sites to be developed, Mr. Burris said the State Park Plan has always had a list of sites to consider and they recommend resort sites to the corps only where the state will not assume responsibility.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources,
room 123-S, Statehouse, at 8:00 ~~a.m.~~^{p.m.} on January 31, 1985

A motion was made by Senator Feleciano that SCR 1602 be recommended favorably for adoption and it was seconded by Senator Martin. The motion carried.

The meeting adjourned at 8:55 a.m. The next meeting will be February 4, 1985.

1-31-05

GUEST LIST

Kevin Robertson	Topoka	KPL/GSC
Tom Stiles	Topoka	KWO
Kenny Wedel	Topoka	KWO
Dvo Grant	"	KCC
Harriet Lang	"	Ko Asan Broadcast
Lynn [unclear]	Topoka	Ks. Patc Auth.
Beth Welker	"	Auth. [unclear]
John Proden	UPI	

COMMITTEE REPORT

TO: Legislative Coordinating Council
FROM: Special Committee on Energy and Natural Resources
RE: PROPOSAL NO. 21 — KANSAS PARK AND
RESOURCES PROGRAMS*

The Special Committee was directed to review the policies and programs of the Kansas Park and Resources Authority.

Park and Resources Authority
Programs

The Kansas Park and Resources Authority was established by the Kansas Legislature in 1955 (K.S.A. 74-4501 et seq., as amended) "For the purpose of conservation and planning the development of the natural resources of the state, and of providing for their use and enjoyment. . . ." The State Park Operations Program was established within the framework of the Authority's enactment in 1955. Individual state parks (subprograms) were incorporated into the system by legislative action as follows:

* S.C.R. 1602 accompanies this report.

S. ENR 1/31/85
ATTACHMENT A

<u>Park</u>	<u>Year</u>
Kanopolis-Mushroom Park	1959
Fall River	1961
Toronto	1961
Tuttle Creek	1962
Cedar Bluff	1962
Pomona	1963
Crawford	1965
Cheney	1965
Webster	1965
Wilson	1966
Lovewell	1965
Meade	1965
Milford	1966
Prairie Dog	1965
Lake Scott	1966
Perry	1967
Elk City	1967
Glen Elder	1968
El Dorado	1971
Melvern	1973
Clinton	1973
Sand Hills	1974
Hillsdale	1981

The Legislature has provided for park development and operations from the State General Fund and in later years from the General Fees Fund (primarily park user permits) and from the Federal Land and Water Conservation Fund. The permit plan was formally adopted in 1964 and was placed into operation in FY 1965. A \$5.00 annual permit, valid at all state parks for an entire calendar year, was placed into law, with a \$3.00 three-day temporary permit also available. In 1965, the Legislature reconsidered the permit requirement, and the law was amended to change the temporary permit to a \$1.00 one-day permit.

In 1973, the Legislature took action to provide for a special permit or pass for sightseeing or emergency reasons. Also considered in 1973, and again in 1974 and 1975, were measures to provide free access to state parks for senior citizens, age 65 and older. In the 1976 Session, the Legislature increased the annual permit to \$10.00 and granted free access to senior citizens and handicapped persons. The 1980 Legisla-

ture raised the daily permit to \$1.50, while in 1981 the Legislature provided that fees be fixed by the Authority's rules and regulations. Presently, an annual permit is set at \$15.00 and a daily permit costs \$2.00.

The sources of revenue to the Authority include private concession operations (Cedar Bluff, Cheney, Crawford, Glen Elder, Kanopolis, Lovewell, Melvern, Milford, Perry, Pomona, Lake Scott, Tuttle Creek, and Wilson), private cabin lot rentals (Cedar Bluff, Lovewell, and Webster), sale of commodities (water sales to the Corps of Engineers at Perry State Park), agricultural leases (the sale of hay at all state parks with the exception of Crawford and Toronto), park user permits, late penalty charges, overnight camping fees, state administrative surcharges, and other miscellaneous revenue sources. In FY 1984, General Fee Fund receipts totaled \$1,649,873. General Fee Fund support for the Authority for FY 1984 represented approximately 43 percent of the agency's total FY 1984 operating expenditures. Furthermore, FY 1984 fee revenues increased 16.5 percent over actual FY 1983 receipts and were 8 percent above the agency's FY 1984 estimate of receipts. Of note, El Dorado State Park brought in over \$140,000 in fees while open to the public on a limited basis; thus accounting for the majority of the difference between the FY 1984 estimate and FY 1984 actual receipts.

other sources

important

Resort Development

Since its inception, the Kansas State Park and Resources Authority took the position that vacation-resort facilities should be a part of state park facilities at one or more selected park areas. While the first few years of agency operation saw the Authority directing its efforts primarily to establishment and development of a basic state park system, in the 1960s the Authority made a concerted effort to

establish a program of revenue bond financing for vacation-resort development within the state park system. Beginning in early 1961, the Authority, together with the fiscal advisors and the staff, made a continuing and extensive study of the ramifications — both financial and political — involved in the initiation of a revenue bond program to finance a pilot vacation-resort project.

Based on these continuing deliberations, the Park and Resources Authority adopted a policy position of initiating a revenue bond program which would provide for development of complete vacation-type facilities and that could operate on a sound financial basis. Even though the 1955 Legislature provided the statutory means to initiate this program, subsequent legislatures have taken the position that vacation-resort facilities should be developed by private capital.

The 1969 Legislature in House Concurrent Resolution 1056, directed the Legislative Council to study the possibility of private investment "in the development of top-quality attractions and complete vacation-type facilities to be located in selected park sites." However, the door was kept open to a possible revenue bond program by also directing the Council to study "the advisability of the state undertaking total development of a park complex as a pilot or a demonstration project, should there be insufficient interest in the investment of private capital in such development."

In its Report to the 1970 Legislature the Legislative Council reported on the study as conducted in 1969 by the Public Health and Welfare Committee. In this report it was noted that at the request of the Council, the Kansas Park and Resources Authority prepared a study of the potential for vacation resort development at six selected state parks. The study, while not a detailed feasibility study or market survey, examined various factors affecting the potential for vacation

facility development at Cedar Bluff, Norton, Cheney, Milford, Perry and the proposed El Dorado Reservoirs and concluded that Perry and Milford had potential for extensive vacation-facility development. The study was sent to selected hotel and motel developers and other individuals at the request of the Council Committee. Recipients of the preliminary study were asked to indicate their interest in investing in vacation facilities at the park sites.

Subsequent to the 1970 Legislative Session, the Council reviewed the replies received by the Park and Resources Authority. None of the developers contacted indicated a strong interest in investing in park facilities. The general conclusion drawn from the questionnaire replies was that any extensive private development of facilities was unlikely until such time as the economic feasibility of such investment had been demonstrated.

Having determined that there was very limited interest on the part of private investors in facility development at state parks, the Council concluded that until such time as a pilot project was undertaken to demonstrate the feasibility and economics of such facilities, private investors would be reluctant to undertake such development. The Council accepted a report prepared by the Kansas Park and Resources Authority proposing development of complete recreational facilities and accommodations at the Perry Reservoir on the basis of a pilot project. The report contemplated a combination of revenue bond, general revenue, and Land and Water Conservation Fund financing. In addition, implementation of the proposal would require several statutory changes relating to revenue bond financing. The Council incorporated the Park and Resources Authority study as a part of its report on Proposal No. 18 published in the Legislative Council's Journal and Recommendations to the 1971 Legislature.

The 1972 Legislature enacted H.B. 1599 which authorized the Authority to issue revenue bonds in an amount not to exceed \$10,000,000 to be used, with other available funds, "to construct and equip a building or buildings, restaurants, lodges, pavilions, tennis courts, golf courses, parking lots, drives, access roads, light aircraft landing strip, beaches, bathhouses, boat docks and all related equipment and facilities to comprise a vacation resort." The bonds would be payable solely from revenues derived from charges, rentals, and fees collected for use of the facilities or from park user fees or park motor vehicle fee permits.

The Authority was authorized to select a site for a resort adjacent to an existing or proposed federal reservoir that is determined most feasible from evidence gathered by the Authority in support of the sale of the bonds. Selection of a site by the Authority would not become final, nor could the Authority issue revenue bonds, until the site selected and the amount of bonds to be issued had been approved by the Legislature.

H.B. 1599 was vetoed by Governor Robert Docking; however, the Legislature subsequently voted to override the veto and H.B. 1599 became law. In 1973, the Kansas Park and Resources Authority commissioned a feasibility study of a proposed vacation resort complex at Milford. The study concluded that solely private financing for such a facility is not adequate therefore some public funding would be required. Based on the study, the Authority did not pursue the issuance of bonds for providing the public funds because projected income from the facilities would not provide for repayment of the bonds.

Hillsdale Lake*

Located in Miami County, about ten miles south of Olathe, Hillsdale Lake and its adjacent properties have been part of the state park system since 1981. The Reservoir, constructed by the Corps of Engineers, was completed in 1982 at a cost of approximately \$61 million. Since that date there has been little development at the Lake.

The federal Water Project Recreation Act of 1965 allows the federal agency, i.e., the Corps of Engineers or Bureau of Reclamation, depending on which agency constructed the reservoir, to make 50 percent cost share funds available to the state or any other nonfederal governmental unit for the development of public-use recreational facilities around the lakes. The parties execute a contract, and the federal agency supplies 50 percent of the funding and does the actual construction. The other party agrees to pay its half of the project's cost and to assume responsibility for maintaining and operating the developed areas for the life of the project.

In the late 1970s, the federal government changed its requirements for cost share funds. Previous requirements permitted a reimbursement over 50 years. ^{of 50% of the money} The nonfederal sponsor is now required to commit all cost share funds at the beginning of the project. Corps officials state that, with up-front financing, the federal government would try to complete a park area within two to three years. Hillsdale Reservoir is the first Kansas reservoir to be affected by this change in federal policy.

* Information on this section has been taken from the Legislative Post Audit performance audit: "Developing Recreational Facilities at Hillsdale Reservoir," (September, 1984).

In 1981, the Kansas Legislature created Hillsdale State Park. The legislation placing the Park under the control of the Park and Resources Authority did not specify the boundaries of the Authority's jurisdiction. In effect, the law gave the state an option on all the recreational lands surrounding the Reservoir, and allowed the Authority to begin detailed negotiations with the Corps of Engineers.

In 1984, legislation was signed into law which specified the boundaries of Hillsdale State Park. The Park presently comprises three areas: the Jayhawker area, the North Tecumseh area, and South Tecumseh area.

Beginning in 1982, the Park and Resources Authority requested \$500,000 for the development of recreational facilities at Hillsdale. This request was not funded by the Legislature, at least partly because of the state's fiscal situation that year. Similar development funding requests have been denied in each succeeding year. Due to this lack of funds, the Authority has not contracted with the Corps of Engineers to develop recreational facilities at Hillsdale.

The Corps of Engineers, as owner of the lake property, has put in minimal facilities to provide for public health and safety. Hillsdale Reservoir currently has two single-lane boat ramps and five outhouse-type toilets. According to Corps officials, these are the only installations they are authorized to make without matching funds from a nonfederal governmental unit.

The Corps' master plan for the Hillsdale Reservoir details the facilities the Corps believes would be of value to park users. The Corps estimates that constructing all the facilities set out in the master plan for the Tecumseh and Jayhawker areas would cost approximately \$6.4 million, with half that total to be provided by the nonfederal governmental

party. Park and Resources Authority officials estimate that the state would have to provide a total of approximately \$1.5 million in cost share funds to develop minimal facilities for a state park at Hillsdale Lake.

If the Legislature does not fund the construction of recreational facilities at Hillsdale State Park, there is currently an option for developing those facilities without state funds. A developer from Spring Hill has proposed to invest at least \$3.0 million for the development of public-use recreational facilities at Hillsdale Reservoir.

The developer indicated he is prepared to commit an estimated \$1.5 million for development of public-use facilities in the Jayhawker and Tecumseh areas. This money would be matched by an equal amount from the Corps of Engineers. The Corps would provide for construction of the basic recreational facilities that could be built with \$3.0 million. These facilities include roads, utilities, toilets, a swimming beach, camping areas, boat ramps, and parking areas.

The developer has stated that he would also commit another \$1.5 million for development of revenue-producing facilities such as a marina, two restaurants, and a private club. The developer expects that, over a period of time, these facilities would generate enough revenue to offset the investment. At a later stage, the developer would consider adding other resort facilities such as a small lodge, tennis courts, and an ice-skating rink. The construction of these facilities, and the fees to be charged to the public for using them, would have to be approved by the Corps of Engineers.

The developer proposed to work with the city of Spring Hill which would be the legally constituted body — state, county, or city government — that is authorized under federal

statutes to contract with the Corps to cost share for development of the project.

Committee Activities

The Special Committee was briefed on this proposal by staff and a Park and Resources Authority official at the June and July meetings. Hearings were conducted at the July and September meetings.

Appearing before the Committee were representatives of the following organizations, agencies, and governmental units: the Kansas Park and Resources Authority and its staff; the Kansas Fish and Game Commission; the Kansas Trails Council; Kansas Campers Association; the El Dorado Chamber of Commerce; the Lawrence Chamber of Commerce; the Secretary of the Miami County Parks and Recreation Authority; the Kansas Bar Association; the Kansas Chamber of Commerce and Industry; the Kansas Department of Economic Development; Spring Hill, Kansas; Kansas City District of the Corps of Engineers; the Governor's Office; the Department of Corrections; and an individual from the Hutchinson and the private investor from Spring Hill also appeared to present testimony to the Committee.

The operations and funding of the Park and Resources Authority were described to the Committee. The Committee was told that at present the operations of the agency are funded by approximately 57 percent State General Funds and 43 percent user fees. In recent years the Legislature set the goal for the agency to fund its operations on a 50 percent State General Fund and 50 percent user fee basis. The capital improvements budget of the agency was also reviewed in detail for the Committee.

It was pointed out that in most states, the state parks are a subsidized operation. Kansas spends \$1.68 per capita per year for state parks and ranks 44th of the 50 states in public dollars spent for state parks, the Committee was told.

It was noted that the Authority is the conduit for federal Land and Water Conservation Fund moneys that go to local communities for recreational projects. The Authority selects the local projects to be awarded funds.

In the public hearings, conferees expressed support for the Park and Resources Authority programs. One conferee sought restoration of the State Trails Coordinator position in the agency, and another conferee was critical of the checkout time imposed on campers in addition to other concerns about maintenance at Kanopolis State Park. It was noted that each park has an advisory board, and the Authority should publish a brochure on each park listing names and addresses of advisory board members along with an easy means for registering complaints.

There was discussion of the need for more park staff to maintain the parks. It was suggested that the prison honor camp system be expanded; however, the Corrections Department told the Committee that there were not enough minimum security-type inmates to provide for any substantial expansion for the existing system.

The Director of the Kansas Park and Resources Authority described to the Committee various sources of revenue for financing park programs. Six potential sources of revenue were identified as follows: (1) revenue from a one-cent increase in the sales tax; (2) a throw-away tax on beverage containers; (3) a one-cent tax increase per pack on cigarettes; (4) a 1 percent increase in the tax on liquor sold in private

clubs; (5) donations of land for park purposes; and (6) a special "Own a Piece of the Park" program.

The Committee also heard testimony in support of resort development at Clinton Lake, El Dorado Lake, and Hillsdale Lake. Various organizations argued that Kansas needs quality lodge facilities to host major association meetings and help keep tourist dollars in the state. The Committee was presented with a copy of "Summary Market Feasibility Report, Proposed Vacation/Resort Complex, El Dorado State Lake, El Dorado, Kansas," by MARCOM, Marketing Communications Group in Wichita. The report concludes that "with access and orientation to a quality body of water, excellent ground and air transportation access and proximity to major population centers, it is our opinion that given the necessary governmental incentives, the potential for a Kansas lodge at El Dorado Lake deserves in-depth consideration."

The Lawrence Chamber of Commerce submitted to the Committee a proposal for a state park lakeside resort at Clinton Lake. The proposal would require state lease of land at no cost, state installation of utilities, and construction of streets and parking lots, state ownership and maintenance of a convention center, and state ownership and maintenance of outdoor recreational facilities. A motel, restaurant, swimming pool, and other amenities would be constructed and owned by a private developer. The Lawrence Chamber found that cooperative financing and multi-use arrangements between the state and a private developer, as they proposed, was essential before a private developer would become involved in such a resort development.

*State would
have to do more
work*

To allow resort development at any of the lakes in Kansas, the Committee was told that the master plan for the lake must provide for such development. If a master plan does not contain authorization for resort development, the Park and

Resources Authority can request a "land use" change in the master plan allowing for resort development. At the present time the master plan for Clinton Lake provides for resort development; however, that plan is under revision and the revised version deletes reference to resort development. The master plans for El Dorado Lake and Hillsdale Lake contain provisions for resort-lodge development.

The Committee was told that incentives for resort development in Kansas, in addition to the revenue bond provisions described earlier, include two tax incentives available under existing law. The job expansion and investment credit act (K.S.A. 79-32,153 et seq.), provides an income tax credit for any person who establishes a new business facility. The credit becomes available for the taxable year in which commercial operations of the facility commence and for the nine succeeding taxable years. The credit is in an amount equal to \$100 for each new business facility employee plus \$100 for each \$100,000 in new business facility investment. The credit may not exceed 50 percent of the taxpayer's liability in any taxable year. The second available tax incentive results from the issuance of revenue bonds by a city or county pursuant to K.S.A. 12-1740 et seq. In such case, the property constructed from the proceeds of the bonds would enjoy a ten-year property tax exemption (K.S.A. 79-201a). Also, all sales of tangible personal property and services used in the construction of such property would be exempt from state and local sales taxes (K.S.A. 79-3606(d)). The income or interest earned upon such bonds is exempt from all state taxes except the inheritance tax (K.S.A. 12-1746).

The Committee also received testimony on the issue of how the state park at Hillsdale Lake should be developed. The private developer and an official from Spring Hill described the proposal for developing the park including provision for

private development of a marina, two restaurants, and a private club.

On September 10, 1984, a subcommittee of the Special Committee held a public meeting at the reservoir site about the recreation situation at Hillsdale. At that meeting, many potential park users said they thought that the state should undertake development at Hillsdale, but that development by any party was preferable to no development at all. Two considerations seemed to be uppermost in the minds of the conferees. First, there is a large potential group of users for the reservoir and the state park. Second, a safety hazard exists while the park remains undeveloped. Not only is there little patrol or security at the lake, but the two current boat ramp lanes are insufficient to get all boats out of the water quickly in the event of a storm.

While the Committee was studying this issue, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct a performance audit on "Developing Recreational Facilities at Hillsdale Reservoir." The audit was completed in September and presented to the Committee. The audit report contained the following recommendations:

1. The city of Spring Hill should prepare and submit to the Special Committee on Energy and Natural Resources a detailed written plan for funding the initial development of recreational facilities at Hillsdale Reservoir, and for future operation and maintenance of the recreational area. The plan should also specify the number of each type of recreational facility and the general locations to be developed.

2. The Park and Resources Authority should prepare and submit to the Special Committee on Energy and Natural Resources a written plan detailing the number of each kind of recreational facility and the general locations to be developed if the state were to finance recreational development at Hillsdale Reservoir. The Authority's plan should also include revenue and cost projections for the operation of Hillsdale State Park, assuming the state invested a total of \$1.5 million for recreational development.

Conclusions and Recommendations

In light of the testimony presented, the Committee recommends that Hillsdale State Park be developed within the next two years. Specifically, the Committee supports funding of state development of the park facilities at Hillsdale in the 1985 Session. If the Legislature fails to fund development of Hillsdale State Park in the 1985 Session, the Committee recommends that legislation be enacted to remove Hillsdale from the state park system so that possible private development can occur as soon as possible.

The Committee also encourages resort development in Kansas. To that end, we recommend that the State Park and Resources Authority make every effort to promote development of resorts at the state parks in Kansas. The Committee recommends S.C.R. 1602, which directs the Park and Resources Authority to furnish to the appropriate department of the Army Corps of Engineer's district the documentation necessary for the purpose of indicating the state's preference for the inclusion of resort development in the master plans of state parks at all federal reservoirs in Kansas. It is the

Committee's position, however, that before any resort is authorized for construction there must be an opportunity for the Legislature to disapprove any proposed resort.

To fund park and resources programs, the Committee recommends that the Legislature consider implementing a "Own a Piece of the Park" program. Through a highly-advertised campaign, the Park and Resources Authority would sell state-owned land in square foot parcels.

Respectfully submitted,

November 20, 1984

Sen. Fred Kerr, Chairperson
Special Committee on Energy
and Natural Resources

Rep. Ron Fox,
Vice-Chairperson
Sen. Bert Chaney
Sen. Paul Feleciano, Jr.
Sen. Francis Gordon
Sen. Ben Vidricksen

Rep. Ginger Barr
Rep. LeRoy Fry
Rep. Ken Grotewiel
Rep. Kent Ott