

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS

The meeting was called to order by Chairman Miller at
Chairperson

1:30 a.m./p.m. on January 21, 1986 in room 526S of the Capitol.

All members were present except:

Rep. Peterson -E

Committee staff present:

Lynda Hutfles, Secretary
Russ Mills, Research
Mary Torrence, Revisor of Statutes

Conferees appearing before the committee:

Senator Stieneger
Harley Duncan, Department of Revenue
Jamie Swartz, Kansas Department of Economic Development
Pat Hurley, Kansas Alliance for Lottery
Ed Bruske, Kansas Chamber of Commerce & Industry
Frank Becker, Kansas Cavalry
Carol Wiebe, Hillsboro Economic Development
Larry Danielson, Wichita Economic Development
John Carey, Kansas Arts Commission
Charles Belt, Wichita Area Chamber of Commerce
Wendy Shiappa, Manhattan Chamber of Commerce
Gary Toebben, Lawrence Chamber of Commerce
Dennis Shockley, City of Kansas City
Representative Jarchow

The meeting was called to order by Chairman Miller.

Representative Walker made a motion, seconded by Representative Goosen, to approve the minutes of the January 16 meeting. The motion carried.

SCR1609 - Authorizing state-owned and operated lottery

Senator Stieneger, a sponsor of the resolution gave testimony in support of the legislation and urged prompt consideration by the committee. He stated that proceeds from lottery should go to some form of ad valorem tax. He said he preferred that the resolution not be amended.

Harley Duncan, Secretary of Revenue, gave testimony in support of the resolution in an amended form. They recommended that the proceeds of a lottery be dedicated in the Constitution to the general area of economic development with the specific uses to be determined by the normal legislative appropriations process. See attachment A.

Jamie Swartz, Secretary, Kansas Department of Economic Development, gave testimony in support of SCR1609 and explained their reasons why proceeds from a lottery should be targeted for economic development. See attachment B.

Pat Hurley, Kansas Alliance for Lottery, gave testimony in support of the adoption of a lottery resolution for approval by the voters in the November general election and the passage of enabling legislation earmarking the lottery proceeds for economic development. He answered some commonly asked questions concerning lottery. See attachment C.

Ed Bruske, President of the Kansas Chamber of Commerce & Industry, gave testimony in support of the resolution allowing the people of Kansas an opportunity to vote on a state operated lottery in Kansas. In examining the deteriorating economic situation, the KCCI Board concluded the funds generated by a state operated lottery would make an excellent source to dedicate to the economic development activities of our state. See attachment D.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS,
room 526S Statehouse, at 1:30 a.m./p.m. on January 21, 19 86

Frank Becker, Kansas Cavalry, gave testimony in support of SCR 1609. He estimated that in the last 12-13 years the private sector has spend 15 million dollars to enhance the development of Kansas. With the three primary private sectors being agriculture, the aircraft industry and the petroleum industry, he felt proceeds from the lottery should go toward economic development.

Carol Wiebe, Hillsboro Economic Development and Kansas Industrial Development Association, gave her support of all previous testimony 100%. She said if Kansas is going to "Go For It", they are going to have to "Pay For It".

Larry Danielson, Vice-President of Economic Development in Wichita, stated that the competitive nature of economic development has never been more keen. Many new programs have been developed and Kansas must stay abreast and must move forward. The lottery is a viable revenue for Kansas.

John Carey, Kansas Arts Commission, gave testimony in support of SCR1609 stating that the arts are an important part of the economic development of Kansas. See attachment E.

Charles Belt, Wichita Area Chamber of Commerce, gave testimony in support of SCR1609. She stated that the economic recession of recent years has affected Kansas' traditional revenue sources; consequently, new sources of revenue are needed to off-set the trend in declining state balances. The Wichita Chamber believes that a state-owned and operated lottery is a possible and proper source of revenue for the state of Kansas. See attachment F.

Wendy Shiappa, Manhattan Chamber of Commerce, gave testimony in support of SCR1609. She stated that the need for economic development funding in this state is dire. The people of Kansas need to vote on the lottery issue and the receipts from this lottery need to be earmarked for economic development.

Gary Toebben, Lawrence Chamber of Commerce, supports SCR1609 and believes that economic development is of the highest priority. This is a golden opportunity for the people of Kansas to make an investment in Kansas that will last forever.

Dennis Shockley, City of Kansas City, gave the cities' unanomous support of a state operated lottery. Being a border city they are concerned about the money that will be going into Missouri out of Kansas. The first winner of the Missouri lottery was a Kansas resident. See attachment G.

Representative Jarchow gave testimony in support of the lottery and asked the committee not to lock anything into the constitution. Running a lottery is a dynamic situation. Representative Jarchow opposed SCR1609 in its present form. The receipts should go into the general fund. See attachment H.

Hearings for proponents for SCR1609 were concluded.

A

MEMORANDUM

TO: The Honorable Robert H. Miller, Chairman
House Federal and State Affairs Committee

FROM: Harley T. Duncan, Secretary
Kansas Department of Revenue



RE: Senate Concurrent Resolution 1609

DATE: January 21, 1986

Thank you for the opportunity to appear before you on SCR 1609, a proposed amendment to the Kansas Constitution authorizing a state-operated lottery. I appear on behalf of the Administration to encourage your approval of SCR 1609 in an amended form.

Administration Recommendation

The Governor recommends that SCR 1609 be amended and approved by the Legislature so that it may be presented to the voters for ratification at the November 1986 election. The resolution currently provides that net lottery revenues are to be divided among the taxing jurisdictions of the state and used for reductions in ad valorem property tax levies (lines 50-53.) The Governor recommends that the proceeds of a lottery be dedicated in the Constitution to the general area of economic development with the specific uses to be determined by the normal legislative appropriations process.

ATTACHMENT A
H. F&SA
1/21/86

Why Economic Development?

You will hear from other conferees on the need for continued investment in economic development activities and the nature of those investments. It is the Governor's intention that lottery proceeds be used to finance those recommendations contained in the recent Kansas Economic Development Study that could not be financed within the investment budget he presented to the Legislature. Such programs would increase the availability of capital to new and expanding businesses, expand the Centers for Excellence, enhance community development efforts, and increase sponsorship of research and development activities in technology and related fields. Programs such as these are necessary if we are to enjoy an expanding economic base in the future and control our own destiny.

Why a State Lottery?

There are several reasons why it is appropriate for the State to operate a lottery to generate revenues for such economic development programs.

Public Acceptance. State lotteries are one of the most rapid growing areas of state activity in recent years. Twenty-two states now operate lotteries, with three states beginning operation in 1985 and two in 1986 alone. The total amount wagered has risen from less than \$5.0 billion in 1983 to nearly \$10 billion in 1985.

In the four states having a referendum on the lottery in November 1984, they were approved by over 65 percent in three states and 58 percent in the other. Moreover, public opinion polls indicate that similar proportions of Kansans support a lottery.

Interstate Factors. Kansas is bordered on two sides with lotteries. Thus, it is probable that some portion of revenues that would accrue to a Kansas lottery will be spent on lottery activities even if the Legislature does not approve one. An article in the Saturday (January 18, 1986) Kansas City Times indicated that fully 20 percent of the lottery outlets in the Kansas City, Mo. area were purposely placed within 2 miles of the State Line. It is not unreasonable that Kansas should capture those revenues.

Voluntary Taxation. All revenue obtained from the lottery is voluntary in nature in that no compulsion exists to play the game. Thus, to the extent that the revenues are used for programs that would otherwise be supported by compulsory tax revenues, the tax burden for all people has been reduced by those desiring to play the game.

Security. Technology and lottery procedures are sufficiently well developed that the public and elected officials can be assured that the lottery will be administered with the highest degree of security and integrity. Since 1964 only one lottery has had to suspend operations and only a limited number of instances where the integrity of the game was jeopardized have been uncovered.

Revenue Need. Obviously, the most important reason for approving a lottery is that a need exists for the revenues it would generate. The Governor's entire budget is designed to demonstrate two facts: (1) Kansas must invest in programs that will enhance its economic future if it is to survive and prosper; and (2) current revenues are grossly insufficient to make the required investments. The programs the Governor intends to finance with lottery proceeds are the type which are critical if Kansas is to be in a position to control its economic future.

In short, a need for additional revenue exists, and a state lottery is a publicly accepted, voluntary and appropriate means of raising those revenues.

Arguments Against a Lottery

During your deliberations, you will hear two primary arguments against a state-operated lottery. First, it is improper for the state to be involved in the operation of a lottery because it only leads the public into believing that everyone will win significant amounts of money on a small wager. Second, you will hear that a lottery disproportionately affects low income persons.

With respect to the former argument, it is inconceivable that the public does not understand that playing a lottery involves odds that are against winning large amounts. These odds are not difficult to obtain and should be made available by the lottery.

With respect to the latter argument, the evidence is not at all clear that lower income persons play or lose in the lottery in disproportionate amounts. In fact, the available data indicate the opposite is true. That is, it tends to be middle and upper middle income persons who are predominant among lottery players. This was the conclusion of a recent (January 1985) study by the Congressional Research Service. Similarly, a profile of lottery players in the State of Washington found that the groups that played the lottery in proportions that were larger than in the population as a whole were male, over the age of 40, with a high school education, and an income of \$10-15,000 or \$25-50,000. The data developed in this latter study are presented at the end of this testimony.

State Lottery Revenues

As I indicated the other day before this committee, we estimate that a state lottery could generate net revenues of approximately \$30-35 million annually. The estimate is based largely on the experience of Colorado and estimates in Iowa and represents primarily the playing of an instant game. It represents a per capita play of \$40-50 with net revenues amounting to 30-35 percent of the gross.

Concern has been expressed that we should expect our revenues to decline over time. This need not be the case, particularly if the State is prepared to begin an on-line game within 9-18 months after it begins the playing of the instant game.

The three states--Colorado, Washington and Arizona-- for which data were presented the other day represent an extreme case in that each of them played the instant game entirely or almost entirely over the period measured. In fact, from 1982-1985, lottery revenues declined in one or more years in only four states--the three mentioned above and New Hampshire. In all other states, lottery revenues increased from year to year with the average for the three-year period exceeding 20 percent annually. Both Washington and Arizona have begun to play an on-line game and have seen their revenues rise for the period in which it has been played.

Data on lottery revenues from 1982-1985 and data on per capita revenues in FY 1985 are presented in the appendix to this testimony.

Thank you for the opportunity to appear. I would be glad to attempt to answer any questions.

WASHINGTON STATE LOTTERY PLAYER PROFILE

1984

CHARACTERISTIC	WASHINGTON POPULATION	LOTTERY PLAYERS	INDEX TO POPULATION
SEX: MALE	49.4%	52.4%	106.1%
FEMALE	50.6%	47.6%	94.0%
AGE: < 20	7.8%	1.8%	22.9%
21-29	23.0%	12.5%	54.3%
30-39	21.0%	20.2%	96.1%
40-49	13.7%	19.4%	141.6%
50-64	19.4%	29.1%	149.8%
> 65	14.4%	17.2%	119.3%
EDUCATION:			
0-8	10.2%	6.2%	61.3%
9-11	12.0%	13.1%	109.6%
12	39.0%	43.6%	111.8%
13-15	22.1%	26.0%	117.6%
> 16	16.4%	11.0%	67.0%
INCOME:			
< \$10,000	25.9%	22.1%	85.4%
\$10-14,999	14.5%	16.4%	113.4%
\$15-24,999	27.2%	24.8%	91.3%
\$25-34,999	17.6%	20.1%	114.5%
\$35-49,999	9.8%	11.5%	117.9%
> \$50,000	4.7%	4.9%	104.0%
RESIDENT		92.0%	
NONRESIDENT		8.0%	

SOURCE: The Lottery Journal, Vol. 1, No. 3, June 1985, p. 24.

GROSS LOTTERY REVENUES

FY 1982-1985
\$ MILLIONS

STATE	FY 1982	FY 1983	FY 1984	FY 1985
ARIZONA	\$136.9	\$75.0	\$60.0	\$72.0
COLORADO	--	\$208.0	\$120.0	\$105.2
CONNECTICUT	\$170.0	\$188.0	\$254.4	\$344.5
DELAWARE	\$25.7	\$29.8	\$33.0	\$38.5
D.C.	--	\$54.1	\$68.2	\$113.0
ILLINOIS	\$334.8	\$467.0	\$911.9	\$1,198.6
MAINE	\$9.7	\$13.7	\$16.0	\$16.0
MARYLAND	\$457.4	\$462.8	\$485.8	\$681.0
MASSACHUSETTS	\$279.8	\$352.0	\$506.1	\$725.0
MICHIGAN	\$544.9	\$557.6	\$620.0	\$790.4
NEW HAMPSHIRE	\$13.6	\$13.6	\$18.7	\$13.7
NEW JERSEY	\$523.3	\$690.1	\$847.8	\$924.6
NEW YORK	\$431.8	\$646.9	\$888.7	\$1,276.0
OHIO	\$363.9	\$397.7	\$603.0	\$858.0
PENNSYLVANIA	\$562.3	\$885.4	\$1,236.0	\$1,295.0
RHODE ISLAND	\$38.7	\$44.0	\$52.9	\$52.3
VERMONT	\$4.1	\$4.6	\$5.1	\$5.2
WASHINGTON	--	\$225.0	\$164.6	\$149.5
TOTAL	\$3,896.9	\$5,315.3	\$6,892.2	\$8,658.5
AVERAGE	\$259.8	\$295.3	\$382.9	\$481.0

SOURCE: Various publications and telephone survey.

STATE LOTTERY REVENUES

FISCAL YEAR 1985

	TOTAL REVENUES \$ MILLIONS		PER CAPITA REVENUES DOLLARS		POPULATION MILLIONS
	GROSS	NET	GROSS	NET	
ARIZONA	\$72.0	\$22.0	\$24.00	\$7.30	3.0
COLORADO	\$105.2	\$32.0	\$32.30	\$9.80	3.3
CONN.	\$344.5	\$148.8	\$107.60	\$46.50	3.2
DELAWARE	\$38.5	\$14.8	\$64.20	\$24.70	0.6
D.C.	\$113.0	\$34.0	\$161.40	\$48.60	0.7
ILLINOIS	\$1,198.6	\$510.0	\$106.00	\$45.10	11.3
MAINE	\$16.0	\$4.4	\$160.00	\$44.00	1.0
MARYLAND	\$681.0	\$250.0	\$162.14	\$59.52	4.2
MASS.	\$725.0	\$254.4	\$125.00	\$43.86	5.8
MICHIGAN	\$790.4	\$321.7	\$87.82	\$35.74	9.0
NEW HAMP.	\$13.7	\$4.3	\$137.00	\$43.00	1.0
NEW JERSEY	\$924.6	\$389.1	\$128.42	\$54.00	7.2
NEW YORK	\$1,276.0	\$615.0	\$73.33	\$35.34	17.4
OHIO	\$858.0	\$338.0	\$81.71	\$32.19	10.5
PENN.	\$1,295.0	\$565.0	\$107.92	\$47.00	12.0
RH. ISLAND	\$52.3	\$18.7	\$55.64	\$19.89	0.9
VERMONT	\$5.2	\$1.2	\$10.46	\$2.43	0.5
WASHINGT...	\$149.5	\$52.8	\$34.77	\$12.28	4.3
TOTAL	\$8,658.5	\$3,576.2	\$1,659.71	\$611.25	95.9
AVERAGE	\$481.0	\$198.7	\$92.21	\$33.96	5.3

SOURCE: Telephone survey conducted in September 1985.

B

TESTIMONY BEFORE THE
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

SCR 1609

JANUARY 21, 1986

CHARLES J. SCHWARTZ, SECRETARY

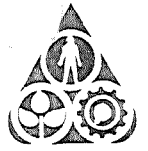
KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

ATTACHMENT B
H. F+SA
1/21/86

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

503 Kansas Avenue, Sixth Floor, Topeka, Kansas 66603

Phone (913) 296-3481



JOHN CARLIN
Governor

CHARLES J. "Jamie" SCHWARTZ
Secretary

Mr. Chairman and Members of the Committee,

I appreciate the opportunity to appear on behalf of the Administration in support of SCR 1609.

Kansas is not mounting a sufficiently competitive economic development effort. We are not currently competitive with our surrounding states and it appears that nationwide trends are toward increasing development activities rather than decreasing them.

The Institute for Public Policy and Business Research at the University of Kansas recently released an Interim Report on the Kansas Economic Development Study. The Report states, "The current weakness of the Kansas economy is not a temporary phenomenon. Unabated, a continuation of existing trends will result in a relative erosion of the state's economic base and its ability to provide quality services for Kansans." We, as a state, cannot afford to allow this deterioration to continue. We must act now to reverse this downward trend.

Many Kansans recognize the need for enhanced economic development activity. In the Interim report 700 Kansas business and governmental leaders were polled. They expressed overwhelming support for "bold, new initiatives" in economic development. The Report, funded by public and private sources, outlines a plan for achieving the level of activity Kansas needs to maintain a healthy economy for the 21st century.

The Governor has provided for the foundation for growth in his proposed investment budget utilizing revenues generated by an increase in the sales

tax. Those programs, (highway, water and KDED expansion) are essential for gearing-up the state to undertake the kind of new initiatives outlined in the Interim Report. Even with the sales tax revenue, the state will not be able to adequately fund our economic development efforts. Implementation of a state lottery offers the best mechanism for generating the needed resources.

Any economic development program must focus on maintaining comparable tax rates with other states. Kansas is currently competitive with surrounding states in income and property tax rates. The recommended sales tax increase will make our rate comparable to our competition but we cannot increase rates of our traditional sources any more if we are to maintain our competitive balance.

Two of our adjoining states (Colorado and Missouri), currently utilize lotteries as resource generation tools. Measures to implement state lotteries are pending in Oklahoma and Nebraska. Five new states have initiated lotteries in 1986. This brings the total number of lotteries operating in the United States to 23. These states have an advantage over Kansas because they have adopted use of this alternative to traditional sources of finance and have been able to fund operations without resorting to increasing rates of the traditional taxes.

The money raised by a lottery, an expected \$30-35 million the first year, although a substantial sum, if folded into the General Fund would see its potential impact minimized. By targeting the revenue for economic development, the state will receive the maximum benefit from these new dollars. Many states have seen the wisdom of dedicating the proceeds of this new source. Two states, Iowa and Oregon, have earmarked Lottery Receipts exclusively for economic development purposes.

The goal of our economic development efforts is summarized in the Report, "The state economy is in a state of transition. The objective of

Page 3

KDED report

economic development is to influence the direction of change towards a future economic structure more favorable to Kansans." The kind of commitment needed to make this positive influence is also best expressed by the authors of the Interim Report, "The erosion of the state's economic base will continue unless Kansas makes a large and sustained funding investment over the next decade to support a well designed package of economic development initiatives. This will require a significant investment of state financial resources."

It is the Administrations position that the report provides the plan and the lottery provides the source of investment for this enhanced economic development program. I urge your favorable consideration of SCR 1609.

NEWS

JOHN CARLIN
GOVERNOR OF KANSAS



Michael Swenson, Press Secretary The Statehouse, Topeka 66612 (913) 296-2716

FOR IMMEDIATE RELEASE: January 7, 1986

Governor John Carlin today unveiled his recommendations for new investment in the area of economic development. The Governor's proposals address both the immediate and long-range needs of the state. He recommends several enhancements for Fiscal year 1987 to be funded from his proposed one cent increase in the state sales tax. Governor Carlin will also endorse the passage of constitutional amendments to implement a lottery and pari-mutuel racing and recommends the revenues be dedicated to economic development programs beyond the next fiscal year such as those recommended in the Kansas Economic Development Study released yesterday.

Carlin said, "It's no secret that the future economic development of Kansas is our highest priority today. It is most fitting when you consider the dynamics which come together this year. 1986 is the 125th year of statehood, a time to celebrate our heritage and prepare for the future. It is also an election year, a time for candidates to describe their vision of tomorrow. And it is my final year as Governor, a year in which I see the potential for all Kansans to work together to set a course toward a brighter future.

"The course I believe we should take is represented by the proposals I have discussed these past few weeks. Each is contingent upon the willingness of the legislature to take a stand and invest in our future. New highways, better schools, and abundant, clean water are all necessary if we are serious about improving our economy. Just as important is to

continue our committment to build a strong Department of Economic Development, a task I have worked on throughout my tenure as Governor. These goals, when combined, enable us to reach the plateau we all are working toward, new jobs and a sound business climate.

"Rhetoric may be fine for candidates, but as Governor, I believe action is what Kansans want now. My economic development plan represents that kind of action. As in other areas, my recommendations within the basic budget don't even allow us to maintain our current efforts. That is unacceptable to me. On the other hand, my investment budget allows us to double our efforts within the Department of Economic Development and dramatically improve our ability to encourage business development in Kansas. If we do nothing else this year, my investment budget will put us in a stronger position to build in the years to come.

"However, I want to accomplish more than that in 1986. The report released yesterday by Dr. Redwood and Dr. Krider provides us with an economic development blueprint for tomorrow. I wholeheartedly endorse their findings and believe all should be given serious consideration. I have already addressed part of their plan within my investment budget. These proposals are critical to our effort to build a strong base from which we can build for the future. Other proposals are long-range and will require a steady source of funding down the road.

"In order to provide that funding, I am today announcing I will work for the passage of constitutional amendments to implement a lottery and pari-mutuel racing in Kansas. I propose that these revenues be dedicated directly to those economic development programs which we cannot afford to begin this year. By investing now through the sales tax, and then creating an ongoing source of funding for economic development, we can ensure our ability to foster growth and prosperity in the years to come."

EXECUTIVE SUMMARY

Basic Findings

The current weakness of the Kansas economy is not a temporary phenomenon. Unabated, a continuation of existing trends will result in a relative erosion of the state's economic base and its ability to provide quality services for Kansans. However, the state can influence these trends in a positive direction. This will involve providing support for adaptation and change and the application of science and technology to the existing economic base as well as building upon strengths to develop new industry.

Kansas has important strengths and sound economic fundamentals upon which to develop its future. At the same time, there are some barriers to the development of modern technology-based enterprises, to small business entrepreneurship, and to expeditious technology transfer to Kansas industry. The recommendations that follow are designed to remove the impediments and to build upon the strengths.

The basic strategy for development should emphasize a balanced approach of supporting the existing economic foundation, including the traditional sectors, as well as fostering growth through the expansion of current and the attraction of new industry. It should involve an integrated state-local community effort. The state should not adopt a strategy for development based on tax incentives, but rather have a tax structure which is consistent with that of competing states with respect to business tax burden.

The erosion of the state's economic base will continue unless Kansas makes a large and sustained funding investment over the next decade to support a well designed package of economic development initiatives. This will require a significant investment of state financial resources. Our survey of 700 Kansas business and governmental leaders show overwhelming support for "bold, new initiatives," and their input has considerably influenced the following recommendations.

Recommendations

Agriculture

1. Establish a Task Force on Agriculture Development and Marketing to develop a strategy on:

- a) the diversification of Kansas agriculture into new products;
- b) the application of science and technology to the value added processing of Kansas commodities within Kansas; and
- c) the provision of technical assistance for production, processing and market development.

Taxation

2. Allow a sales/use tax exemption on all machinery and equipment used in manufacturing and on computers for business use.
3. Allow a reduction in corporate income tax liability through a tax credit given for research and development expenditures.
4. Allow a reduction in income tax liability through a tax credit for investment in private state-approved venture capital funds and state chartered innovation corporations.
5. Allow local taxing jurisdictions to give property tax abatements for new and expanding manufacturing facilities, research and development facilities, equipment and machinery, and for a limited scope of non-manufacturing facilities having a potential for job creation. The authority to grant the abatement should be detached from the issuance of industrial revenue bonds.
6. Support the 1986 constitutional amendment that would phase out the property tax on inventories.

Education, Research, and Technology Transfer

7. Expand substantially the level of funding for the Centers of Excellence Program.
8. Expand substantially the level of funding for the Research Matching Grant Program.
9. Establish Institutes for Applied Science and Technology at the major research universities.
10. Provide resources to the state universities for the purpose of upgrading the quality and increasing the quantity of applied social and economic research.
11. Provide funding for the establishment of an industry liaison function at the main universities.

Finance, Capital Formation, and Innovation

12. Endorse strongly a continuation and expansion of the state's commitment to all levels of public education in Kansas. Public education in general and higher education in particular are crucial elements for the future progress of Kansas.
13. Establish a Kansas Corporation of Innovation Development (KCID).
14. Establish a Kansas Product Development Corporation.

15. Establish a state fund to match federal Small Business Innovation Research grants to Kansas small businesses.

16. Establish a Kansas Science and Technology Authority.

17. Sponsor or organize a financial symposium for Kansas companies.

18. Provide temporary state funding for Certified Development Companies.

19. Establish a secondary market for the SBA guaranteed portion of bank loans.

State Organization for Economic Development

20. The Legislature should establish a permanent joint House-Senate Committee on Economic Development or, alternatively, separate committees in each house.

21. The Small Business Division of the Kansas Department of Economic Development should be substantially expanded, and additional field offices established.

22. A new international trade division within KDED should be established within the Kansas Department of Economic Development.

23. Increased efforts should be made to attract foreign firms to locate in Kansas.

24. An existing industry program should be initiated in Kansas Department of Economic Development.

25. Kansas Department of Economic Development should implement a marketing program aimed at targeted industries.

26. Kansas should initiate a national promotion campaign aimed at improving the image of Kansas among business leaders with responsibility to make business location decisions.

27. Review the constitutional prohibition on internal improvement to determine if it should be modified or repealed.

Community Development and Small Business

28. Provide low or no-interest matching loans to local governments and nonprofit organizations to facilitate establishment of the incubators.

29. A general loan pool for infrastructure development should be available for use by communities to promote economic development.

30. Substantially expand technical assistance to local communities on how to promote economic development.

31. Federal Community Development Block Grants should be used to the fullest extent possible for economic development projects.

32. A state community development block grant program should be established, targeted to economic development.

33. Expand the "Certified Cities" program.

34. Provide state funding for the small business development center (SBDC) network to expand technical assistance to small businesses through consulting and training sessions.

c

Testimony of the
KANSAS ALLIANCE FOR LOTTERY

Presented by
Patrick J. Hurley
to the House Federal and State Affairs Committee
January 21, 1986

ATTACHMENT C

H. FLSA

1/21/86

Mr. Chairman and Members of the Committee:

I am Patrick J. Hurley and I represent the Kansas Alliance for Lottery. This is an alliance of a number of major Kansas organizations who believe that a state lottery would be good for Kansas.

They urge that the legislature take two steps:

First -- Adopt a lottery resolution for approval by the voters in the November general election;

Second - Pass enabling legislation earmarking the lottery proceeds for economic development.

Various representatives of the Kansas Alliance for Lottery will address you individually here today expressing their support for these two goals.

I would like to direct my comments briefly to information about the lottery itself.

I have attached to this testimony factual answers to ten questions which are frequently asked about a state lottery.

In the few minutes which I have I would like to elaborate on a few of those.

The first question of interest to you is how much revenue will a state lottery actually produce for the state of Kansas? The Department of Revenue has estimated first year net revenues to the state would approximate \$30-35 million. There are a number of projections published which estimate the annual net revenues which Kansas might expect after its lottery would reach maturity in four to five years.

For example, the State Policy Research Report using a net per capita weighted average projects net revenues to Kansas of \$71 million per year.

A published report in Gaming and Wagering magazine using a different formula based on mean figures for sales as a percentage of personal income projects net revenue to Kansas in the amount of \$74.4 million per year.

A report published in the Lottery Journal based on per capita gross and net income from lottery states for 1984 applied to Kansas projects net annual revenues of \$69.5 million.

Finally, a report from congressional hearings conducted in October, 1984 using a weighted average from 1983 net figures for lottery states to project a Kansas net of \$60.1 million.

Therefore, if Kansas did as well as just the average state playing the lottery today, it could expect after reaching maturity to net in the range of \$60-80 million per year.

Another important consideration is how many states have lotteries today? Today, 22 states plus the District of Columbia have lotteries. However, it is important to realize that in 1985 all but seven of the remaining states considered legislation to enact lotteries. In the 1986 sessions, it is expected that lotteries will be considered in virtually every state not having them.

It is further important to make a comparison with our neighboring states in terms of both lottery and pari-mutuel racing activities. Today, Colorado allows both pari-mutuel racing and lottery, Missouri allows both, Iowa allows both, Nebraska and Oklahoma allow

pari-mutuel and will likely be considering lotteries this year. Today, Kansas allows neither.

Therefore, literally millions and millions of Kansas dollars will be going out of Kansas into the treasuries of these surrounding states, further aggravating the problem of our declining economic base.

Another common question is a lottery popular in Kansas. The answer is a resounding yes. In states having lotteries, surveys show that approximately 75 percent of the residents strongly favor the lottery programs. In recent surveys in Kansas, a consistently favorable response is received. In a KCCI survey of its members, 75 percent favored a lottery. In statewide surveys conducted by Emporia State University and Kansas University, 70 percent and 63 percent respectively favored the lottery. In the most recent poll conducted statewide by a network of television stations in the three days preceeding the beginning of this legislative session, 83 percent of Kansans surveyed said they favored the lottery. There can be no question that it would be overwhelmingly approved by the voters in Kansas if placed on the ballot.

Another important questions is whether any lottery in modern times has ever totally failed or failed to show a profit. The answer is absolutely no. In fact, sales among the 17 states operating lotteries through 1985 continue to soar. As an example, gross lottery

revenues in those 17 states went from \$4 billion in 1982 to \$6 billion in 1983 to \$8 billion in 1984 to \$10 billion in 1985.

Of the 17 states operating lotteries, figures available for the year's 1981 through 1984 show that 13 have experienced phenomenal growth in revenues.

Of the other four states playing lotteries during that time, only New Hampshire, Colorado, Arizona and Washington experienced a decline in revenues after reaching a peak.

New Hampshire's problem was attributed to its size. It resolved the problem by forming a tri-state lottery with Maine and Vermont and all three state's revenues have begun to increase. Colorado, Arizona and Washington each attributed their decline in revenues to the fact that they continued to play instant games after more than the first year. Arizona and Washington have now gone to on-line games and their revenues are skyrocketing. For example, after going to on-line games, Washington's first quarter 1985 on-line revenues exceeded the entire 1984 instant game revenues. Arizona revenues from on-line games are running at anywhere from 200 to 300 percent more than under instant games.

Only Colorado has remained with instant games because of their state law requiring it and their revenues continue to remain flat. This exemplifies the worst mistake a state can make that is going to run a lottery. Colorado will attempt to change their law in this session of the legislature.

The final important question is what economic benefits can a state expect from a lottery? The answer is reflected in the recent trend among states to earmark lottery profits to the direct benefit

of specific programs. In 1985 for example, Oregon and Iowa totally dedicated their lottery revenues to economic development programs. In the first six months of playing, Oregon has raised \$25 million for economic development programs. In the first three weeks of playing, Iowa generated \$3.6 million for economic development programs. At that rate both Oregon and Iowa would produce at least \$50 million for economic development programs in their first year of operation.

However, we do clearly believe that it is the answer to the need to strengthen the state's economic base for the future. Let me conclude my comments by reiterating the opening remarks from the Redwood report. The Redwood study very clearly places both the need for and the benefits from a lottery into their strongest perspective.

The study reaches this ominous conclusion:

"The current weakness of the Kansas economy is not a temporary phenomenon. Unabated . . . (it) will result in an . . . erosion of the state economic base and its ability to provide quality services for Kansans."

"The erosion of the state's economic base will continue unless Kansas makes a large and substantial funding investment over the next decade to support a well designed package of economic development initiatives. This will require a significant investment of state financial resources." (emphasis supplied)

The Kansas Alliance for Lottery believes that the legislature should accept that finding and act upon it immediately.

The "significant investment of state financial resources" will never come to economic development programs by competing for a bigger piece of the general fund. The state lottery is the perfect source for such needed revenue.

The Kansas Alliance for Lottery urges you to adopt the lottery resolution and to enact legislation earmarking the proceeds for economic development.

Don't take a chance on the future of Kansas by failing to act.

Thank you.

10 GOOD REASONS TO SUPPORT A

STATE LOTTERY FOR KANSAS

Question 1: How much revenue will a state lottery produce?

Answer:

If Kansas had a state lottery, first year net revenues to the state are estimated to range from a low of \$40 million to as high as \$70-80 million. This amount would go to the state after all prize money and administrative cost were paid.

Question 2: How many states have a lottery?

Answer:

Today 22 states plus the District of Columbia have state lotteries. Five of these states - California, Iowa, Missouri, Oregon and West Virginia joined the fold since November of 1984.

Question 3: Are lotteries popular?

Answer:

Yes. In present lottery states, surveys show that 75 percent of the residents favor the lottery programs. Recent surveys in Kansas reflect as high as 75 percent of the Kansas respondents favor a state lottery (surveys by KCCI and the State Department of Education).

Question 4: Has any lottery in modern times ever failed or failed to show a profit?

Answer:

No lottery has ever failed . . . or failed to show a profit. In fact, sales are soaring. Gross lottery sales revenues have gone from \$4.2 billion in 1982 to \$6 billion in 1983, over \$8 billion in 1984, to a projected \$10 billion in 1985.

Question 5: What economic benefits can a state expect from a lottery?

Answer:

The recent trend is for states to earmark lottery profits to the direct benefit of specific programs such as, education, highways, aging and economic development. In addition, a state lottery is a substantial new industry creating a number of new jobs and providing additional income to all licensed agents. Agents typically include clerks at convenience stores, grocery stores and the like.

Question 6: Aren't lotteries supported primarily by the poor people?

Answer:

Definitely not. Extensive studies of state run lotteries indicate that an overwhelming majority of ticket purchasers are in the \$12,000 - \$28,000 income range. Although citizens in the low-income range buy lottery tickets, they buy fewer tickets proportionately than their percentage of the population.

Question 7: Aren't lotteries prime targets for crime?

Answer:

There is absolutely no evidence of any state lottery being infiltrated by "organized crime" or a criminal element. The reason state lotteries are crime free is that they are run by state governments and there are no avenues available for illegal operators to ply their trade.

Question 8: Do lotteries increase compulsive gambling?

Answer:

No. Studies have thus far shown that state lotteries do not provide the gratification needed by a compulsive gambler. Since lotteries involve no exercise of judgment or skill in the instant winner games and a waiting period for the outcome and collection of winnings for the on-line games, the compulsive gambler is disinterested in state lotteries.

Question 9: Are government lotteries a recent fad or a new idea?

Answer:

No. Lotteries were used as long ago as during the Roman Empire. Lotteries were also used in early American history to found Jamestown and build universities such as Harvard and Columbia. Over 112 countries around the world sponsor government lotteries today, including most of western Europe, Canada, Mexico, Central and South America. The modern lottery in the United States started 22 years ago in 1964 in New Hampshire.

Question 10: Is a lottery the answer to Kansas' economic problems?

Answer:

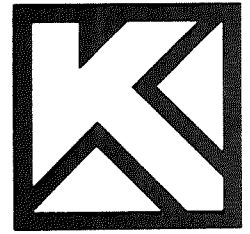
A state lottery is not a quick fix for the economic problems facing Kansas. If adopted, revenues would not come in until probably FY 1988. Also, a lottery will not generate enough net revenue to make up for recent revenue shortfalls.

However, a state lottery is the ideal answer for a long range economic development program similar to those being implemented in numerous other states such as Oregon and Iowa. Only with a major new revenue source such as a lottery can provide, can Kansas afford the kind of economic development program needed for the future of this state.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

January 21, 1986

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Federal and State Affairs Committee

by

Edward G. Bruske
President

Mr. Chairman, members of the committee. My name is Ed Bruske, President of the Kansas Chamber of Commerce and Industry. I am here to appear in support of a resolution allowing the people of Kansas an opportunity to vote on a state operated lottery in Kansas.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

ATTACHMENT D

H. F. SA
1/21/86

Early in 1985, the Kansas Chamber of Commerce and Industry began meeting regularly with the Kansas Bankers Association and the Kansas Farm Bureau relative to our mutual concerns about the economy of Kansas and the long range prospects for improving our economic situation. At the same time, we were participating with an ad hoc committee on the recently completed economic development study by the Institute for Public Policy and Business Research at the University of Kansas. It became very apparent to KCCI that there would need to be a pivotal economic development decision about the state's economic development programs.

The economic development study I just mentioned is prefaced by the fact that if we continue at the same level of economic activity and promotion that we are carrying on today, the economic situation will deteriorate at an even faster rate. This study outlined 34 major categories in which the State of Kansas should get involved as soon as possible.

For the past 25 years, Kansas has had a moderately successful economic development program. We have been able to dodge the economic recession bullet on a number of occasions primarily because our agricultural activities were sturdy at the time manufacturing was weak, plus the demands for our aircraft continued to stay strong. That's not the situation today. Both of these categories are obviously depressed and are casting their effects on subcontractors, retailers, etc.

Economic development programs in Kansas over the past 25 to 30 years have involved a partnership of the state and several hundred independent economic development groups across the state. Since the State of Kansas never saw fit, perhaps because of financial constraints, to dedicate the type of funds needed, many of our small communities across the state found themselves with the talent and the desire, but not the financial capabilities to carry on their programs at a high and efficient level.

KCCI in September of this year went on record supporting a state operated lottery for the State of Kansas. This unanimous decision by our 85-member board developed after careful consideration and expressed concern about the Kansas economy, but, more importantly, concern for our future. This decision by our board of directors was supported by 75 percent of our members who responded to a recent KCCI survey. This percentage is remarkably close to the recent statewide polls asking Kansans their opinion about the establishment of a state operated lottery.

In examining our deteriorating economic situation, we conclude the funds generated by a state operated lottery would make an excellent source to dedicate to the economic development activities of our state. Since 1964, 22 states have adopted the lottery. Those states use all or part of the proceeds from their lotteries for a variety of economic development projects.

At the end of this year, Kansas will find itself surrounded on three sides by states with lotteries all using the lottery receipts for economic development activities. It's disturbing to think Kansans will help finance the economic development activities of Missouri, Nebraska and Colorado; and possibly Oklahoma and Texas within the next two years. If we vote "yes" on lottery, we will see lottery funds hopefully being directed to all the areas of Kansas for those economic development projects that are so desperately needed at this time.

Had Kansas adopted a lottery in 1975, today that lottery would have generated more than \$500 million which could have been used for research, bricks and mortar, economic developments studies, prospecting, advertising, etc. I use 1975 because that was the year I started a new job as the Kansas Secretary of Economic Development. A good comparison to a potential lottery revenue pool is the millions of dollars Kansas received in the early and mid-70's from the now defunct Ozark Regional Commission

allocations. The Ozark Commission monies funded many local economic development projects, the types of projects that lottery funds could generate throughout the entire state.

There are a variety of estimates on the amount of money a lottery would raise in Kansas. These estimates range all the way from \$35 million net to \$80 million net. Arguing the exact amount is irrelevant at this stage. These are significant revenues. The low end figure of \$35 million would be \$33 million more than we are spending today.

The economic development umbrella can cover many areas. Consequently, we would hope that a clean lottery resolution could be placed on the ballot and the enabling legislation created separately. This would allow the legislature the flexibility to use lottery funds for a variety of uses that would eventually feed back to one common denominator - JOBS. I believe the magic word is "flexibility." The state should be able to take advantage of the various economic development trends that will occur over the next 25 years.

Why should Kansas do penance, or, feel like it has to, for the rest of the country? As I mentioned at the beginning of my testimony, this is a pivotal year for Kansas. The hardships we are going through now may be a blessing in disguise. It has awakened all of us to the fact that we cannot depend on our location or our federal government to take care of us. If we are going to regain our stature in the field of agriculture, then we must be prepared to expand the money for new crop diversification research, develop new techniques for value added product refinery, develop new marketing techniques and expand our own relationships with potential buyers around the world. We at KCCI, the bankers association, and Farm Bureau already have identified the needs I just mentioned and we intend to do more than "study" them on paper.

I sincerely hope that you see fit to allow the people of Kansas the opportunity to vote for a state operated lottery. Sources of income are limited and a lottery makes much more sense than creating new income taxes or corporate taxes or severance taxes or special interest taxes that will do nothing more than erode our economic base even faster.

NEWS RELEASE

FOR IMMEDIATE RELEASE

January 8, 1986

TOPEKA -- Three major statewide organizations jointly have endorsed the Kansas Economic Development Study prepared by the Institute for Public Policy and Business Research at the University of Kansas.

The state's largest business, financial, and agricultural organizations are urging the 1986 Kansas Legislature to make funding available to implement the recommendations in the new study.

Leaders of the Kansas Chamber of Commerce and Industry, Kansas Bankers Association, and Kansas Farm Bureau said today they are enthusiastic about Gov. John Carlin's call for a stepped-up economic development program and his accompanying directives to legislators. Carlin referred to the KU study Tuesday in announcing his economic development plan.

The study concludes the current weakness of the Kansas economy is not a temporary phenomenon. A summary states the erosion of the state's economic base will continue unless Kansas makes a large and sustained funding investment over the next decade to support a well-designed package of economic development initiatives.

KCCI President Ed Bruske said it's obvious the three statewide groups believe the time has arrived for Kansas to get serious about economic development and invest in the state's future.

"Because of the agricultural crisis in Kansas, many communities find themselves in a critical situation in providing jobs, the basic outgrowth of strong economic development," Bruske said. "We applaud the governor and our legislative leaders for taking the lead and recognizing economic development is not a 'buzz word', but the number one item for legislative action."

KBA President Deryl Schuster said his organization supports the recommendations outlined in the study and will support the Kansas Legislature's earliest possible implementation of them.

"The KBA's great interest in the state's economic well being has been reflected in the work of its own economic development task force and in several meetings with the Kansas Chamber and the Kansas Farm Bureau," said Schuster, a Liberal banker. "The three organizations, the governor, and the legislative leadership must work together to strengthen the Kansas economy."

(more)

KFB President Doyle Rahjes said his organization will encourage the Kansas Legislature to consider the study's major recommendations supporting economic development in Kansas.

"Kansas farmers and ranchers want an improved economy," Rahjes said. "A strong economic climate bodes well for agriculture, the basic industry of Kansas."

Leaders of the three groups have been meeting regularly since last spring to examine the major steps the state must take to address the problems affecting agriculture, the aircraft industry, and other Kansas manufacturing.

Although no specific legislation has been drafted, the group's talks have focused on proposed legislation and programs to:

- provide additional state funding for research to diversify the farm economy and research in value-added development such as processing that would consume Kansas commodities.
 - implement the results of this research to ensure that it results in new jobs and consumption of Kansas commodities.
 - organize a forum in 1986 on value-added opportunities designed to bring researchers, industry and farmers together to better understand the opportunities for new products and new product development.
 - review the marketing of Kansas farm commodities and other Kansas manufactured products for increased sales.
 - support changes in federal grain inspection techniques to benefit Kansas grain sales abroad.
 - support a national economic policy that brings the value of the dollar to a more realistic level. This includes addressing the federal deficit.
 - oppose trade embargoes of any kind.
 - oppose import restrictions in any form. Such restrictions, the three groups say, result in retaliatory moves against Kansas commodities and products.
 - review federal transportation tariffs believed to discriminate against the shipment of Kansas products.
- Discussions have not delved into specific funding sources for new economic development programs.

(more)

The 90-member KCCI board of directors in September went on record supporting a positive vote on a constitutional amendment to allow a state-operated lottery. Board members suggested lottery revenues be channeled to economic development programs.

Neither the KBA nor the KFB has a position on the lottery issue.

- 30 -

Gayle Giesecke
Public Relations Director
KCCI
500 First National Tower
Topeka, Kansas 66603
913/357-6321

A STATEMENT TO THE FEDERAL AND STATE AFFAIRS COMMITTEE

January 21, 1986

The arts are an important part of the economic development of Kansas. Here are some reasons for this.

First, the arts have a significant impact on the economy of Kansas. The impact differs from segment to segment of our economy, but in agriculture, for instance, the arts have a combined primary and secondary impact of over \$1,000,000. In manufacturing, the impact is even greater. The arts are a vital part of any plan to improve the health of the Kansas economy.

Secondly, the arts are an attraction to tourists, both from within and from outside our state. Both the visual and the performing arts cause overnight visits to many parts of our state.

Third, the arts are part of the quality of life that attracts new industry to Kansas. Members of the workforce in Kansas have a higher standard of living because of the thriving arts community here, and our foremost arts institutions are a drawing card to companies planning to move executives into the state.

The arts are an industry to which the infusion of state tax dollars is an investment, not a giveaway. Kansas Arts Commission grants are always a catalyst for other income in a community, not a subsidy. Because the arts are a labor intensive industry, this catalyst sets up a chain of positive action that creates dollars in taxes.

Because of the arts' positive impact on the economic development of our state, and because of the positive impact of tax dollars (in the form of grants) on our state's economy, the Kansas Arts Commission supports any revenue measure which will aid economic development. A well-run and properly managed lottery is such a measure. Speaking as a private citizen of this state, I support this and all economic development measures.

Leah Ann Anderson, President
The Kansas Arts Commission and
County Clerk of McPherson County

ATTACHMENT E

H. F. JSA

1/26/86

F



WICHITA

AREA
CHAMBER
OF
COMMERCE

WICHITA AREA CHAMBER OF COMMERCE

Testimony Before the
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

by

Charles D. Belt
Vice-President, Government Relations

Mr. Chairman, members of the committee. My name is Charles Belt. I represent the Wichita Area Chamber of Commerce and we appreciate the opportunity to appear before you today on SCR 1609.

The economic recession of recent years has affected Kansas' traditional revenue sources -- agriculture, aviation and oil and gas. As you are well aware, none of those industries are projected to recover very quickly, if at all, to their pre-recession levels. Consequently, new sources of revenue are needed to off-set the trend in declining state balances.

We believe a state-owned and operated lottery is a possible -- and proper -- source of revenue for our state. Conservative estimates set the state revenue from a lottery at \$40 million plus.

Importantly, studies have shown that up-front costs for implementation of a lottery system are recaptured in 12-15 months.

ATTACHMENT F
H. F. J. S. A.
1/21/86

Governor John Carlin has called for a renewed and greatly expanded effort in promoting economic development for our state. And we agree. Revenues from a lottery could underwrite the programs needed to insure Kansas is able to compete -- and even beat the competition -- in the national and international market place.

Twenty-two states, plus Washington D.C., now utilize lotteries as a source of revenue. Kansans are now lining up at our eastern border to buy lottery tickets and help Missouri increase its tax base -- and better compete against us. And Colorado to the west.

The time has come. It is imperative that we take every step possible -- be responsive to every opportunity -- that insures our states ability to grow and prosper.

We urge your support for, and quick, positive action on, SCR 1609.

I thank the committee again for the opportunity to present our views.

Questions?


 CITY OF KANSAS CITY, KANSAS
 City Hall-One Civic Plaza
 Kansas City, Kansas 66101

Phone (913)573-5017

Support leg... the State of Kansas to vote on a Constitutional Amendment to authorize a state operated lottery with some portion of the tax revenues being applied to property tax relief through city/county revenue sharing.

OVERVIEW:

As an alternative revenue source to increased taxes, many states have adopted a state lottery. The voters of Kansas deserve a chance to indicate their preference on how state government is funded, especially in light of current state financial difficulties. Ballot propositions to authorize or allow state lotteries were approved in November, 1984 in four states: Missouri, California, Oregon and West Virginia. Lotteries are now legal in 21 states; 46 states have some form of legalized gambling. The Missouri lottery will begin operation January 31, 1986. Missouri lottery officials hope that the lottery will generate nearly \$140 million in the first six months. In the first full budget year of operation from July 1, 1986 to June 30, 1987, it is hoped that nearly \$251 million will be generated. While a Kansas lottery would undoubtedly generate less revenue, the potential is encouraging.

The 1985 Iowa General Assembly launched a five year, \$200 million economic development plan funded by its new state lottery. The "Iowa Plan" (HF 225) provides \$50 million for community economic grants. It also funds small business incubators, main street storefront renovations, regional economic development offices, venture capital for new products, a program to encourage foreign trade by small and medium-sized Iowa firms, higher education matching grants and for research and development of new products. Lottery revenue will fund summer teacher training, forgivable teacher education loans and maximum grants of \$250,000 each to certain schools for purchase of equipment with potential for job creation or economic development. Lottery money will also go toward the state-owned portion of a world trade center and additions to two National Guard armories, as well as recreation facilities, tourism, a farm financial management program and a child day-care grant program.

During the 1985 Legislative Session, Senate Concurrent Resolution 1609 was introduced by our local Senate delegation. It received the necessary two-thirds vote in the Senate and was referred to the House Federal and State Affairs Committee. If adopted by two-thirds in the House, it would be presented to the voters in November, 1986.

COMMENTS:

Urge adoption of S 1609 or equivalent.
 See Appendix "F", Kansas City Kansan editorial, 9-13-85.

ATTACHMENT G

H. FLSA

1/21/86

Kansas City Kansan
9-13-85

Viewpoint

Our view

Lottery would be good for the state

The recent multi-million dollar winners of the New York lottery have increased interest in state lotteries. Some states are considering lotteries of their own. We believe Kansas should do so — and that a lottery would be good for the state.

A chief benefit, of course, would be increased money for Kansas. Some states use the added income from lotteries to aid education. This and many other worthwhile purposes could be considered in Kansas. The lottery income could help to reduce our taxes.

Another benefit would be simply the excitement the lottery would generate. Everybody would have a shot at being a millionaire. There has been an argument that the lottery should not be considered because it would take money from the poor. Yet it is the poor who are often in favor of the lottery. It represents a chance for them to get rich, or at least to dream of it. It provides everybody with conversation, entertainment and diversion for less than the price of a movie. It is good clean fun.

We see nothing dirty about it, though some opponents have said there is a serious moral issue involved. There is no shortage of people deploring the sins of others. But we don't believe Kansans are morally superior to Missourians or should be assigned to a higher place in Heaven over Missourians, who have approved a lottery. We don't believe New Yorkers are immoral or degenerate and our moral inferiors because they participate in a lottery. We wish them not retribution, but only the best. We would like to see Kansans join them in a lottery.

We don't think a lottery would be any harder on our pocketbooks than movies or soda pop. It could even make it easier on our tax payments. And it would be fun. That's something there is a shortage of.

STATE OF KANSAS

4.

HOMER E. JARCHOW
REPRESENTATIVE, NINETY-FIFTH DISTRICT
SEDGWICK COUNTY
2121 WEST DOUGLAS
WICHITA, KANSAS 67213



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER ASSESSMENT AND TAXATION
COMMERCIAL AND FINANCIAL
INSTITUTIONS

JANUARY 21, 1986

MR. CHAIRMAN -- MEMBERS OF THE COMMITTEE

I AM A PROPONENT OF A STATE-OWNED AND OPERATED LOTTERY AND HAD RESOLUTIONS DEVELOPED EACH OF THE LAST TWO SESSIONS. I DID NOT HAVE EITHER OF THEM INTRODUCED BECAUSE OF MORE PRESSING ISSUES SUCH AS CLASSIFICATION AND RE-APPRAISAL.

I AM OPPOSED TO RESOLUTION 1609, AS WRITTEN, BECAUSE THE REVENUE DOES NOT GO TO THE STATE GENERAL FUND BUT TO PROPERTY TAXES. IT APPEARS, AT THIS TIME, THAT THE STATE HAS THE GREATER NEED FOR REVENUES. IT WOULD ALSO APPEAR THAT LOCKING THE REVENUES TO A SPECIFIC PURPOSE WOULD CREATE ANOTHER DISTRIBUTION MONSTER. I WOULD SUGGEST AN AMENDMENT TO ACCOMPLISH THE GENERAL FUND METHOD.

I BELIEVE THE AUTHORS OF RESOLUTION 1609 WOULD AGREE TO THE CHANGE. ALSO, I BELIEVE THAT HOUSE MEMBERS WOULD BE MORE RECEPTIVE TO THE GENERAL FUND APPROACH.

I UNDERSTAND THAT BY NOT DELEGATING USAGE OF THE FUNDS FOR A SPECIFIC PURPOSE THAT THE FUNDS WOULD AUTOMATICALLY GO TO THE GENERAL FUND. I WOULD SUGGEST AN AMENDMENT TO ACCOMPLISH THIS.

THANK YOU,

A handwritten signature in dark ink that reads "Homer". The signature is written in a cursive, slightly slanted style.

HOMER E. JARCHOW

ATTACHMENT H

H.F. 15A
1/21/86