

Approved 2-19-86
Date

MINUTES OF THE House COMMITTEE ON Ways and Means

The meeting was called to order by Bill Bunten at
Chairperson

1 30 a.m./~~p.m.~~ on Thursday, February 13, 1986 in room 514-S of the Capitol.

All members were present except: Representatives Rolfs and Fuller (both excused)

Committee staff present: Gloria Timmer, Legislative Research
Laura Howard, Legislative Research
Sharon Schwartz, Administrative Aide
Nadine Young, Committee Secretary

Conferees appearing before the committee:

House Speaker Mike Hayden
John Myers, Governor's Office
Jamie Schwartz, Secretary of Department of Economic
Development
Patrick J. Hurley, Kansas Alliance for Lottery
Reverend Richard Taylor, Kansans for Life at its Best
Larry Danielson, Vice-President of Economic Development
for Wichita area Chamber of Commerce
Orville Huss, Kansas Cavalry and President of Great Bend
Chamber of Commerce
John Carey, Kansas Arts Council
Bill Murphy, Citizen and Businessman from Atchinson
Bob Partridge, Wichita Chamber of Commerce
Leroy Lyon, Great Bend Economic Development Director
Howard Woodward, Hutchinson Chamber of Commerce
Bob Mayer, Kansas City, Kansas Chamber of Commerce
Clyde Townsend, Wyandotte County Commissioner
Mary Birch, Overland Park Chamber of Commerce
Kim Dewey, Sedgwick County Chamber of Commerce
Merle Blair, President of Greater Topeka Chamber of Commerce
Carol Wiebe, Hillsboro Industrial Development
Attachment A

Chairman Bunten called the meeting to order at 1:30 p.m.

HB 2789 -- establishes the state gaming revenues fund and provides for the use and expenditure of moneys credited thereto.

Chair recognized House Speaker Mike Hayden who addressed the committee in support of the bill, as amended by the balloon (Attachment B).

It sets up three basic uses for the receipts of this fund as follows:

- 10% to the state correctional institutions building fund
- 30% for property tax relief over a 3-year period to off-set part of the cost of reappraisal.
- 60% to Economic Development

If the lottery passes and HB 2789 passes, August 1, 1987 would be the date it would go into effect.

There was discussion about the cost for administration of the bill. Speaker Hayden said that next session is when we would deal with the implementation, overhead cost and the mechanism.

John Myers, representing the Governor's office, testified in support of the bill and explained the proposed amendments. It was pointed out that the amendment would remove the words "gaming revenues" from the title of the bill, and insert the words "progressive initiatives". (attachment C)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Ways and Means,
room 514-S, Statehouse, at 1:30 ~~xxx~~ p.m. on Thursday, February 13, 1986

Jamie Schwartz, Secretary of Department of Economic Development appeared before the committee in support of the bill (Attachment D).

Patrick J. Hurley, representing Kansas Alliance for Lottery, addressed the committee in support of the bill (Attachment E).

Edward G. Bruske, President of KCCI, appeared in support of the bill. KCCI went on record in September 1985 to support a state-operated lottery for Kansas and it was a unanimous decision by the 85-member board. (Attachment F)

Reverend Richard Taylor, representing Kansans for Life at its Best, was the only opponent to HB 2789. (Attachment G) Those who are profiting now from past economic development should gladly pay for future economic development. He believes that it would be bad for the poor and underprivileged.

Larry Danielson, Vice-President of Economic Development for Wichita Area Chamber of Commerce appeared in support of the bill. He said that most companies that he contacts regarding locating in Kansas simply refuse to do so because of the depressed economic situation.

Orville Huss, President of Great Bend Chamber of Commerce, appeared in support of the bill. He also spoke on behalf of the Kansas Calvary who is a group of citizens devoting their time to economic development.

John Carey urged the committee's support of the bill on behalf of the Kansas Arts Commission. He said that economic development is important to the arts, and the arts is important to economic development. (Attachment H)

Bill Murphy, a businessman from Atchinson testified in support of the bill. He owns a convenience store that is steadily losing business because people now are crossing the river to Missouri to purchase gasoline, cigarettes and lottery tickets.

Bob Partridge, V-P Government Relations for Wichita Area Chamber of Commerce appeared in support of HB 2789 (Attachment I)

Leroy Lyon, Great Bend Economic Development Director, also appeared in support of the bill.

Howard Woodward, Director of Economic Development for Hutchinson, also testified in support of the bill. "I believe that the implementation of a state-operated lottery as a means to provide additional funding for economic development is one of the most important issues before the legislature during the current session". (p. 2 of 3)

Bob Mayer, Kansas City, Kansas Chamber of Commerce appeared briefly and made the statement "We wish to go on record as supporting HB 2789."

Clyde A. Townsend, Wyandotte County Commissioner, addressed the committee in support of the bill. He also said that he supports an increase in state sales tax.

Mary Birch, representing the Chamber of Commerce from Overland Park, also stated her support of the bill. She said that Johnson County has been fortunate to have experienced major inroads in the area of economic development. As a result, City of Overland Park has created approximately 2,000 new jobs.

Kim Dewey appeared on behalf of the Board of Counties. He wholeheartedly supports the segment of reimbursement to counties concerning the reappraisal project.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Ways and Means,
room 514-S, Statehouse, at 1:30 ~~xxm.~~/p.m. on Thursday, February 13, 19 86

Merle Blair, President of the Topeka Greater Chamber of Commerce, appeared briefly and stated that "our board of 28 is very much in favor of this bill".

Carol Wiebe, representing Industrial Development for Hillsboro testified in support of the bill. She sees this as being a real asset for small communities.

Chairman Buntten announced that Committee would take final action on HB 2789 very soon, possibly as early as next week.

Committee continued with consideration of subcommittee reports on HB 2717, Fee Fund Agencies.

DEPARTMENT OF CREDIT UNIONS, HB 2717 (Attachment K)
Representative Hoy presented the subcommittee report, which concurs with the Governor's recommendations with a slight adjustment.

Representative Chronister moved to amend the report by adding \$32,044 to the budget for partitions relating to the move into the Santa Fe building. Seconded by Representative Louis. Motion carried.

Representative Hoy moved that the subcommittee report, as amended, be adopted. Seconded by Representative Lowther. Motion carried.

REAL ESTATE COMMISSION, HB 2717, Section 17 (Attachment L)
Representative Francisco presented the subcommittee report. Subcommittee recommends addition of \$7,541 for reclassifications of employees. Chairman Buntten raised the question of the fairness in allowing this. He feels that perhaps it should be accomplished within budget, otherwise they should wait for a state general increase in pay. Representative Turnquist explained the reason for allowing the reclassification. This agency went on computers, and these employees are now data entry operators.

After further discussion, Representative Turnquist moved that the subcommittee report be adopted. It was seconded by Representative Lowther. Motion carried.

ABSTRACTERS' BOARD OF EXAMINERS, HB 2717, Section 2 (Attachment M)
Representative Wagon presented the report. Subcommittee added \$497 to the budget for salary increase for the Executive Secretary. Representative Chronister moved that the report be adopted. Representative Turnquist seconded. Motion carried.

BOARD OF EXAMINERS IN OPTOMETRY, HB 2717, Section 15 (Attachment N)
Representative Wagon presented the subcommittee report. \$7,000 was added to the budget for investigation of complaints. Representative Shriver moved that the subcommittee report be adopted. Seconded by Representative Teagarden. Motion carried.

BOARD OF ACCOUNTANCY (Attachment O)
Representative O'Neal presented the report. Subcommittee concurs with Governor's recommendations with slight adjustments.

Representative Lowther moved for adoption of the report. Seconded by Representative Chronister. Motion carried.

OFFICE OF SECURITIES (Attachment P)
Representative Chronister presented the report and moved that the report be amended by adding \$13,661 for partitions in the move to the Santa Fe building. Seconded by Representative Louis. Motion carried.

Representative Chronister moved that the subcommittee report, as amended, be adopted. Seconded by Representative Louis. Motion carried.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Ways and Means,
room 514-S, Statehouse, at 1:30 ~~am~~ p.m. on Thursday, February 13, 1986

BOARD OF EXAMINERS FOR HEARING AIDS, HB 2717, Section 12 (Attachment Q)
Representative Duncan presented the subcommittee report, which concurs with Governor's recommendations. He then made a motion for adoption of the report. Seconded by Representative Dyck. Motion carried.

Representative Shriver moved that committee reconsider the action just taken to add \$13,661 for partitions to Office of Securities subcommittee report. Seconded by Representative Louis. Motion carried. This action was rescinded because it reduces the transfer to the general fund.

Representative Chronister then moved that the subcommittee report for Office of Securities be adopted. Seconded by Representative Louis. Motion carried.

On a motion by Representative Chronister, it was recommended that HB 2717, as amended, be reported favorable for passage. Seconded by Representative Lowther. Motion carried.

Meeting was adjourned at 3:55 p.m.

Date 2-13-86

Name	Address	Representing
BUD GRANT	TOPEKA	KCCI
Wendy J. Schiappa	Manhattan	Chamber
Carol Wilkie	Hillsboro	Pres. Ks Indus. Assoc.
HOWARD WOODWARD	Hutchinson	Chamber of Commerce
John Carey	Lake Quivira	Ks Arts Commission
Gene Brooks	Emporia	Senate
ED BRUSKE	TOPEKA	KCCF
Emily Ogle	Phillipsburg	Chamber/PCDT
Oliver	GREAT BEND	Chamber
Dale Stinson	Emporia	Chamber + KIDA
Maxine Patman	Hoxie	Farm Bureau
Bill Patman	Hoxie	Farm Bureau
Robin Jennison	Healy	Farm Bureau
Glenda Sheeran	Topeka	Ks Board of Accountancy
Mary Birch	Overland Park	O.P. Chamber
Robert Collins	Way	Way Chamber
Stacy D. Gans	Wakeeney	Trego Co. Econ. Dev.
Leroy Lyons	Great Bend	G.B. Econ. Dev. Comm.
Don Leiker	Wakeeney	Chamber of Comm.
Patrick Hurley	Topeka	Kallicious For Liberty
Larry Danielson	Wichita	Ks Two Day Assn.
Merle Blair	Topeka	Greater Topeka Chamber
Larry Ross	Platte	Johnson Co. Comm.
CHARLES BEET	WICHITA	CHAMBER OF COMMERCE
BOB PATRIDGE	"	" " "

"A"

PROPOSED AMENDMENTS

HOUSE BILL No. 2789

For Consideration by House Ways and Means Comm.

By Committee on Ways and Means

1-30

0017 AN ACT establishing the state ~~gaming revenues~~ fund and pro-
0018 viding for the use and expenditure of moneys credited thereto.

progressive initiatives

0019 Be it enacted by the Legislature of the State of Kansas:

0020 Section 1. ~~(a)~~ There is hereby created the state ~~gaming rev-~~
0021 ~~enues fund~~. All moneys credited to such fund shall be expended

progressive initiatives fund in the state treasury

0022 or transferred only for the purposes and in the manner provided
0023 by this act and all expenditures from the state ~~gaming revenues~~

progressive initiatives

0024 fund shall be made in accordance with appropriation acts. All
0025 moneys credited to such fund shall be allocated and credited

0026 monthly to the funds and in the amounts specified by this act
0027 except that the total of the amounts credited to such funds in any

0028 one fiscal year pursuant to this act shall not exceed \$50,000,000.
0029 All amounts credited to such fund in any one fiscal year which

0030 are in excess of \$50,000,000 shall be transferred and credited to
0031 the state general fund on July 15 following such fiscal year.

Sec. 2.

0032 ~~(b)~~ An amount equal to 30% of all moneys credited to the
0033 state ~~gaming revenues~~ fund shall be transferred to the county

progressive initiatives

0034 reappraisal fund, which is hereby created, for the purpose of
0035 paying a portion of the costs incurred by counties in carrying out

in the state treasury

0036 the program of statewide reappraisal of real property as autho-
0037 rized and provided by K.S.A. 1985 Supp. 79-1478. No such

and amendments thereto

0038 transfer shall be made after June 30, 1989.

Sec. 3.

0039 ~~(c)~~ An amount equal to 10% of all moneys credited to the
0040 state ~~gaming revenues~~ fund shall be transferred and credited to

progressive initiatives

0041 the correctional institutions building fund created pursuant to
0042 K.S.A. 76-6b09, and amendments thereto, to be appropriated by

use and benefit of

0043 the legislature for the ~~construction, reconstruction, equipment~~
0044 ~~and repair of buildings at~~ state correctional institutions.

as provided in K.S.A. 76-6b09 and amendments thereto

0045 ~~(d)~~ An amount equal to 60% of all moneys credited to the

Sec. 4. (a)

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50 M

H. H. H. M.
2/13/86
"B"

0046 state ~~gaming revenues~~ fund shall be transferred and credited to
 0047 the state economic development initiatives fund, which is
 0048 hereby created. Expenditures from ~~such~~ fund shall be made in
 0049 accordance with appropriation acts for the financing of such
 0050 programs supporting and enhancing the existing economic
 0051 foundation of the state and fostering growth through the expan-
 0052 sion of current and the establishment and attraction of new
 0053 commercial and industrial enterprises as may be authorized by
 0054 law. From and after July 1, 1989, an amount equal to 90% of all
 0055 moneys credited to the state ~~gaming revenues~~ fund shall be
 0056 transferred and credited to the state economic development
 0057 initiatives fund created ~~pursuant to this subsection~~.
 0058 Sec. ~~2~~. This act shall take effect and be in force from and
 0059 after its publication in the statute book.

progressive initiatives

in the state treasury

the state economic development initiatives

as provided by this section and

progressive initiatives

by this section. All moneys credited to the state economic development initiatives fund shall be credited within the fund, as provided by law, to an account or accounts of the fund which are created by this section

(SEE ATTACHED SECTION 4 INSERT)

5.

\$ 15 m 30% Property Tax Relief
 \$ 5 m 10% Corrections
 \$ 30 m 60% Economic Dev.

Section 4 Insert

(b) There is hereby created the Kansas capital formation account in the state economic development initiatives fund. All moneys credited to the Kansas capital formation account shall be used to provide, encourage and implement capital development and formation in Kansas.

(c) There is hereby created the Kansas economic development research and development account in the state economic development initiatives fund. All moneys credited to the Kansas economic development research and development account shall be used to promote, encourage and implement research and development programs and activities in Kansas and technical assistance funded through state educational institutions under the supervision and control of the state board of regents or other Kansas colleges and universities.

(d) There is hereby created the Kansas economic development endowment account in the state economic development initiatives fund. All moneys credited to the Kansas economic development endowment account shall be accumulated and invested as provided in this section to provide an ongoing source of funds which shall be used for economic development activities in Kansas, including but not limited to continuing appropriations or demand transfers for programs and projects which shall include but are not limited to specific community infrastructure projects in Kansas that stimulate economic growth.

(e) Except as provided in subsection (f), the pooled money investment board may invest and reinvest moneys credited to the state economic development initiatives fund in obligations of the United States of America or obligations the principal and interest of which are guaranteed by the United States of America or in interest bearing time deposits in any commercial bank or trust company located in Kansas, or, if the board determines that it is impossible to deposit such moneys in such time deposits, in repurchase agreements of less than 30 days' duration with a

Kansas bank for direct obligations of, or obligations that are insured as to principal and interest by the United States government or any agency thereof. All moneys received as interest earned by the investment of the moneys credited to the state economic development initiatives fund shall be deposited in the state treasury and credited to the Kansas economic development endowment account of such fund.

(f) Moneys credited to the Kansas economic development endowment account of the state economic development initiatives fund may be invested in government guaranteed loans and debentures as provided by law in addition to the investments authorized by subsection (e) or in lieu of such investments. All moneys received as interest earned by the investment under this subsection of the moneys credited to the Kansas economic development endowment account shall be deposited in the state treasury and credited to the Kansas economic development endowment account of the state economic development initiatives fund.

STATE OF KANSAS



OFFICE OF THE GOVERNOR

State Capitol
Topeka 66612-1590

John Carlin Governor

Testimony to the House Ways and Means Committee

HB 2789

Executive Assistant to the Governor

John Myers

February 13, 1986

I appear today representing Governor Carlin in support of HB 2789. Through funds deposited in the State Progressive Initiatives Fund programs to stimulate business activity, reinforce our communities economic base and better match the research capability of our Universities with the needs of our industries, can be financed.

Typically, because of our relatively stable employment rate, we have considered the Kansas economy recession proof. Unfortunately, that is no longer the case. The Kansas economy is in serious trouble. During the recession of the early 80's the Kansas economy fell further, started recovery later, and grew more slowly than the national economy.

If I may quote from the Interim Study on the State Economic Development Plan prepared by the University of Kansas Institute for Public Policy and Business Research, the need for a significant enhancement in our economic development will be demonstrated.

From the Redwood Report I quote, "The state economic problem can therefore be summarized as follows. The state economy is highly dependent today on a set of industries that have served us well in the past. While these sectors will remain important in an absolute sense, their future outlook has limits, so that continued reliance on them alone will reinforce the negative trends and erosion now evident in our economic base.

The state economy is in a state of transition. The objective of economic development is to influence the direction of change towards a future economic structure more favorable to Kansans."

House Bill 2789 establishes three accounts within the economic development initiative fund that provide financing for most of the 34 recommendations endorsed in the Redwood Report.

J. Myers
2/13/86

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One unique aspect of the Redwood Report is that it recognizes the need to balance our activity between retaining the industry we have, encouraging its further development and attracting new businesses. Another unique feature of the Report is its comprehensiveness. It outlines a program of unparalleled magnitude. It represents a plan for our future that we have been unable to fund in the past and if we do not act to utilize the resources generated by the lottery and parimutuel, we will be unable to fund in the future.

Although the revenue generating potential of these proposals is significant, if they are not earmarked for a special purpose, they will be rapidly subsumed in the State General Fund. We must take this opportunity to link resources with needs and fund an aggressive new economic development effort.

The three accounts established within the economic development initiatives fund will benefit activities throughout the State. The Kansas Capital Formation Account will be used for programs that provide for financing of innovative technology based, new businesses and will provide a pool of money to encourage and leverage greatly needed private investment capital.

The Kansas Research and Development Account will provide dollars for research activities at our colleges and universities. This money will allow us to maintain quality research programs at our higher educational facilities and will provide a mechanism for the state to encourage the matching of our university expertise with the product development and research needs of our businesses.

The third account, the Kansas Economic Development Endowment Account, could provide a pool of money to fund specific community infrastructure enhancements that would assist communities in attracting new and expanding businesses. It could also be used to fund purchase of secondary SBA bonds and debentures to assure better capital availability for businesses. The Endowment fund could also be used to offset general fund depletions from tax exemptions passed to encourage capital availability and economic activity. Coupled with general fund enhancements to support the Department of Economic Development, this new programs will bring Kansas in the mainstream of states who are actively pursuing a bright and vibrant economic future.

If you have specific questions about the use of the funds, my staff and I will be happy to address them following Secretary Schwartz' testimony. For the economic viability of our state, Governor Carlin urges passage of HB 2789.

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:

You, the members of the 1986 Kansas Legislature, have a rare opportunity before you. You can cut through the rhetoric which has surrounded the economic development issue for so many years and adopt and fund a responsible, rational and realistic economic development effort of which all Kansans can be proud and HB 2789 represents one of the most important components of the entire effort.

We have had a history in this state of short-changing our economic development efforts. We have reacted instead of leading, we've been content with modest efforts instead of investing for the future. As a result we now find ourselves as an aging, rural enclave in a highly competitive world environment.

That's a gloomy statement but it need not be a permanent reality. It does require an active, aggressive policy to reverse the trends. Such a plan is now before you. The Interim Report on the Kansas Economic Development Study, the "Redwood Report", has identified a series of actions which can reverse the course upon which our economy appears to be headed and which can be built upon in future years to provide the basis for a competitive economy in world markets.

There have been many studies done in Kansas during the past twenty years. One major factor in the rather remarkable favorable reaction which has greeted this document is its timeliness. It is saying the things that many people believe and it's saying them at the right time. People across Kansas, not just members of the legislature, not just the executive branch, but many, many Kansans believe that we need to change the direction the state is headed. There exists in 1986 a willingness to accept and a desire to respond to bold new initiatives in economic development.

J. J. M
2/13/84

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There exists the plan. There exists the will. What is needed is the way. That also exists in the form of HCR 5024, the lottery resolution, which is before the House and in the form of HB 2789 before you today.

All the fine economic development studies and recommendations over the past twenty years have ultimately come to naught because of the lack of a specific dedicated revenue source. Everyone agrees on the importance of economic development, but projects which do not hold out the promise of substantial returns by the next election, do not fare well in the general fund dollar competition. We must break that cycle. We cannot spend ourselves into prosperity, but we can and must make our economic development efforts competitive. We can and must provide a business climate that is nurturing and supportive of those Kansas companies that provide livelihoods for our citizens. We can and must provide our work force with the education and the skills that will make them productive and demanded by industry. If we fail to meet these demands, if we refuse to rise to the challenges that are presented to us, then we are resigning ourselves to an uncompetitive position, in a fast changing and very competitive world. This may also be one of the last times that we will be able to realistically respond to this challenge. The rest of the world won't wait while we debate.

Revenues from a state run and operated lottery are a clean and logical choice to fund economic development efforts. They are not enough to provide a replacement for any of the traditional sources of state revenue, but what better source to build our economic development efforts upon than a highly popular, voluntary tax. Our surrounding states are noting and taking advantage of this trend.

Economic development is not a partisan issue. It is not the property of one part of the state, class of people, or political party. It is a subject that is of interest to most people and in which you all have a vital stake because you represent the people of Kansas and their communities and their futures. The Redwood report has been endorsed by a wide cross section of Kansas business and professional interests. Groups as diverse as the Kansas Bankers Association, the Kansas Farm Bureau, and the Kansas Arts Commission have publically stated their support and endorsement of the report. The Speaker of the House and the Governor are appearing before you today in total agreement. This is an idea whose time has come. This is a way to responsibly and wisely invest in the future. This is a concept and a method which deserves and demands your support.

The three accounts that make up the Economic Development Initiative Fund provide the means for funding most of the recommendations contained in the Redwood Report. The accounts are: Kansas Capital Formation account, the Kansas Research and Development account and the Kansas Economic Development Endowment account.

These three accounts provide the mechanism for funding the following programs:

State Capital Formation Account:

1. The creation of a Science and Technology Authority.
This authority would provide direct assistance to start up companies and business expansions through development and matching programs for venture capital formation. (Rec. 16 Redwood Report)
2. The establishment of a Kansas Product Development Corporation.
This quasi-private corporation would invest in product ideas of Kansas companies and individuals. This corporation could receive equity, interest or royalties as a return on its investment. Enhanced product development creates jobs and stimulates business activity throughout the state. (Rec. 14)
3. The establishment of a Kansas Corporation of Innovative Development (KCID).
This quasi-private corporation will provide "seed" capital for new businesses, provide financing for established firms and SBIC's to finance innovative initiatives. One of the major purposes of this corporation is to attract private investors to Kansas to assist our businesses. (Rec. 13)

State Research and Development Account:

1. Establishment of a Task Force on Agriculture Development and Marketing.
This Task Force will focus on diversification of agriculture into new products, the application of science and technology to the value added processing and the provision of technical assistance for production, processing and marketing development. (Rec. 1)
2. Substantial expansion of funding levels for Centers of Excellence.
Approximately 20 states provide substantially higher funding for similar centers. It is not unusual for state funding to exceed \$5 million for starting centers. (Rec. 7)
3. Establishment of Institutes for Applied Science and Technology at major research universities.
These institutes would help channel research toward benefit for Kansas industry. These institutes could attract additional federal research dollars and nationally recognized faculty and distinguished graduate students. (Rec. 9)

The Kansas Economic Development Endowment Account:

1. Establishment of a general loan pool for community infrastructure development

A state general loan pool for local infrastructure development as a form of support of economic development projects would enable cost sharing by the state for economic growth. The benefit of this growth accrues to the state generally, not just the specific locality. Low or no interest loans would have the effect of small issue bond pooling for smaller communities. It would enable activities which expand the local tax base without furthering stress to local bonded indebtedness limitations.

With the gradual demise of such federal funding programs as UDAG, EDA public work, EDA sewer system grants and general revenue sharing, creative efforts must be found to provide initial investment in essential roads, sewer and water lines, and other improvements in order to allow for new economic activity to develop in areas where other competitive advantages are present such as proximity to raw materials and appropriately skilled labor pools. (Rec. 29)

2. Establishment of secondary markets for SBA guaranteed portion of loans.

The SBA 7a program will guarantee up to 90% of a bank loan to a qualifying small business. The guaranteed portion of the loan has the full faith and credit of the U.S. government behind it and, as such, is a secure investment that can be sold to investors. Such a transaction allows a bank to "free up" its capital to loan again. (Rec. 19)

Testimony of the
KANSAS ALLIANCE FOR LOTTERY

Presented by
Patrick J. Hurley
to the House Ways and Means Committee
February 13, 1986

Z. H + M
2/13/86

"E"

MEMORANDUM

TO: All Kansas Legislators

FROM: Kansas Alliance for Lottery, Patrick J. Hurley, Coordinator

In 1985, the legislature approved the expenditure of \$80,000 for the preparation of the Kansas Economic Development Study. That study has now been completed and its basic findings present an ominous warning to the Kansas Legislature.

I. The Study concludes:

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

II. The Study warns:

This erosion of the state's economic base will continue unless Kansas makes a substantial investment over the next decade in a well designed package of economic development initiatives.

III. The Report recommends:

The implementation of some thirty four (34) economic development initiatives.

IV. The funding source:

The Report leaves to the legislature the decision as to the source of the "substantial state financial resources" needed to implement these programs.

V. The recommendation of the Kansas Alliance for Lottery:

The members of the Alliance believe that the state is at a critical juncture in its economic development. The members of the Alliance therefore recommend and seek legislative support for two goals:

First, the approval of a state lottery resolution to provide these "substantial new revenues" to the state;

Second, the dedication of these new revenues to the economic development programs outlined in the Kansas Economic Development Study.

The current members of our Alliance include the Kansas Chamber of Commerce and Industry, the Kansas State Department of Economic Development, the Kansas Calvary, the Kansas Industrial Developers Association, the Kansas Association of Certified Development Companies, the Kansas Arts Council, and numerous individual chambers of commerce and economic development organizations in cities throughout the state.

We have invited all economic development groups in the state to join our Alliance and we are adding new members almost daily.

You will hear from several representatives of members of the Alliance here today.

Let me conclude my remarks by identifying the common bond between all of the members of our Alliance.

They are the people from your own communities and from communities across the state who are fighting an uphill economic battle.

They are the people who spend countless months and years and even careers trying to improve the economic base of your communities and of this state.

They work daily trying to add jobs, to expand businesses, and to attract new industries to their cities and towns. But as your own study indicates, they are fighting a difficult, if not a losing battle. They cannot any longer do it alone. They need your help.

They need the new type of economic programs which the study recommends, and which HB 2789 would make available to them.

They need the substantial financial investment which the study calls for and which a state lottery would provide.

They're asking your support for both of these measures.

If the legislature does not follow the recommendations of this report to implement and fund these new economic initiatives, how can these people hope to succeed?

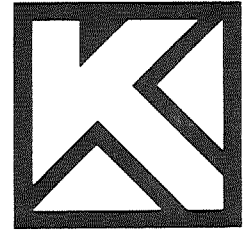
If the legislature fails to act on the recommendations of its report, how will the state avoid the report's ominous conclusion:

"The current weakness of the Kansas economy is not a temporary phenomenon. Unabated it will result in a further erosion of the state's economic base and in the state's ability to provide quality services to its citizens."

The members of the Alliance urge you to act immediately and fully on the recommendations of this study for the good of the state of Kansas.

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

HB 2789

February 13, 1986

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Ways and Means 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 today in support of HB 2789. I am fully aware that this bill becomes academic if this legislature sees fit not to let the Kansas voter have the opportunity to vote on lottery.

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.

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

*U. H. J. M.
2/13/86*

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 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. All of these categories are obviously depressed and are casting their effects on subcontractors, retailers, etc.

Economic development programs in Kansas over the past 25-30 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.

In September of this year KCCI 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.

House Bill 2789 does not particularly go into great detail on every specific economic development project that is needed. However, it does set up the basic categories necessary for the allocation of funds. I think the most important section of House Bill 2789 is that section which allocates funds to local communities interested in specific projects directly related to economic development.

One of the reasons KCCI endorsed the lottery was to utilize lottery funds to fuel a massive economic development effort to create the types of programs that business throughout the entire state could utilize, and, at the same time, offer all the communities of Kansas direct financial assistance through loan and matching grant programs. It was never the intention of KCCI that all lottery funds would be channelled to the Kansas Department of Economic Development; but, that individual economic development programs could be created to assist local communities directly in their economic development efforts. It is also the opinion of KCCI that at some time in the future, lottery funds could be throttled back as it relates to economic development efforts, and redirected to other uses requiring immediate attention.

However, at this time I think we all agree that if economic development is to become a reality in Kansas, and not a "buzz word," it needs more than lip service. . . it needs financial resources. House Bill 2789 is the mechanism to start the process.

Hearing on HB 2789, February 13, 1986, 1:30 p.m.
House Ways and Means Committee

Richard Taylor
KANSANS FOR LIFE AT ITS BEST!

Can the legislature pass HB 2789, a legal law creating a "state gaming revenues fund" for an activity that is currently illegal?

Organized crime has been raising revenue for years through its gambling operations, without benefit of advertising. How sad it is that our Governor now wants to out do organized crime by raising revenue with a gambling operation that will spend millions of dollars in the media to convince poor people to pay this "voluntary" tax. If lottery is a "voluntary" tax, advertising is not needed and should not be permitted.

If additional revenue is needed for economic development, who should pay?

In other states, lottery outlets are concentrated in poor neighborhoods and in grocery stores. Is Kansas so desperate for economic development revenue that we want dollars that should be spent for food? In other states, persons sell their food stamps to buy lottery tickets.

Gambling promoters claim lottery is a way to help people get out of the getto. They do not tell you the winner does so at the expense of millions of others in the getto who are losers.

But the most cruel argument of all put forth by gambling promoters is that poor people are not paying their share of taxes and the lottery is one way to get them!

If additional funds are needed for economic development and other good causes, replace Section 1. (a) with SB 436 of the 1983 session. Then amend lines 32, 33, 39, 40, 45, 46, and 55 by striking "MONEYS CREDITED TO THE STATE GAMING REVENUES FUND" and insert the words "MONEY RAISED BY SECTION 1. (a)".

Legislative research indicates this would raise around \$45 million a year. That is more than the legal skimming operation called lottery will produce.

Those who are profiting now from past economic development should gladly pay for future economic development. If rich members of the Chamber of Commerce truly believe lottery is a "voluntary" tax, ticket outlets should be permitted only in country clubs and not concentrated in poor neighborhoods and grocery stores as in lottery states.

D. J. L. M.
2/13/86

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POSITION STATEMENT OF THE KANSAS ARTS COMMISSION

The arts play an important role in the economic development of Kansas.

Here are some reasons why:

* The arts already have a significant impact upon the Kansas economy.

The preliminary report of a study for the Kansas Arts Commission indicates the Kansas arts industry has a combined primary and secondary impact of more than \$14 million annually. This represents a high ratio of return upon the amount of state and federal funds invested.

While the extent of this impact differs between segments of the Kansas economy, the combined effect clearly demonstrates that the arts industry is a vital ingredient to any prescription to treat the state's economic ailments.

* The arts are an attraction to tourists, both from within and outside our state. Exhibitions of visual arts and productions of performing arts attract overnight visitors throughout the state.

* The arts are essential to the quality of life and thus enhance the state's efforts to entice new industry and investment. Members of the Kansas workforce enjoy a higher standard of living today because of the thriving art industry. The foremost art institutions in our communities are a drawing card for companies to play in winning over new executives to the state.

The arts are an industry to which the infusion of state tax dollars represents an investment for the many--not a give-away to a few. Kansas Arts Commission grants are a catalyst for new income--not a subsidy for old. Because art is a labor-intensive industry, this economic catalyst sets off a chain of positive reaction that ultimately leads to new tax revenue.

The Kansas Arts Commission thus supports legislative measures that will enhance the economic development of Kansas and bolster the positive impact of the arts upon the Kansas culture and economy.

D. H. L. M.
2/13/86

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TESTIMONY
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE
BY

ROBERT N. PARTRIDGE
VICE-CHAIRMAN, GOVERNMENT RELATIONS
WICHITA AREA CHAMBER OF COMMERCE
FEBRUARY 13, 1986

Mister Chairman and Committee Members. I'm Bob Partridge of Foulston, Siefkin, Powers & Eberhardt, and I serve as the Vice-Chairman of the Government Relations Division of the Wichita Area Chamber of Commerce. I am here today representing the Chamber Board of Directors. I appreciate the opportunity to appear before you in support of H.B. 2789 which would establish a state gaming revenues fund.

Our State today faces two major problems which threaten our current and future economic health.

First, major industries - agriculture, general aviation and oil and gas - are each in varying trends toward stagnation or depression which is causing severe personal and economic harm to our State and our citizens.

Second and most important, we have made no meaningful commitment to reverse these trends, take charge of our destiny and lead our State to long range economic health.

R. N. Partridge
2/13/86



The bill before you today could provide the commitment needed to make for a brighter future.

A roadmap to the future has recently been presented by Dr. Redwood and is a comprehensive plan that could be the catalyst for action. But without funding, it is useless.

The consequences of no action by our State, according to this study, will be a continued out-migration of people, a shrinking tax base, an aging population less able to pay for required services, fewer jobs, and the list goes on.

The need is obvious. The only question is how to finance this investment in our future. Because traditional sources of State revenues have not been adequate to fund the level of investment needed for economic development, new sources must be identified. Hence, the case of a lottery in Kansas. Today, 22 states and the District of Columbia have lotteries, including our neighboring states to the east and west.

Revenues from a lottery operated by the State are estimated to be between \$30 and \$80 million. These dollars could make a significant difference if used to underwrite the programs

required to ensure that Kansas continues to be competitive in the national and international markets.

Importantly, experience in other states has shown that up-front costs for implementation of a lottery system can be recovered in 12-15 months.

In a recent study conducted by the Wichita Area Chamber of Commerce, 82% of those members responding said they would vote "Yes" on a constitutional amendment authorizing a state-owned and operated lottery.

The Chamber believes it is essential that Kansas pursue every avenue possible to expand the revenue base and strongly endorses creation of a state-owned and operated lottery to help fund expanded economic development efforts!

To this end, we strongly urge your support for H.B. 2789 which calls for lottery revenues to be dedicated as such: 1) 30% to fund county reappraisal efforts which after June 30, 1989 would be transferred to economic development; 10% to fund the building of correctional facilities; and 2) 60% to fund economic development activities.

Thank you for the opportunity to appear before you today.
Charles Belt or I will be happy to answer any questions you
may have.

My name is Howard Woodward. I'm Director of Economic Development for the Greater Hutchinson Chamber of Commerce which has a contractual agreement to provide the Economic Development function for the Reno County Economic Development Commission. I'm here to testify on House Bill 2789.

As a professional in economic development, I believe that the implementation of a state-operated lottery as a means to provide additional funding for economic development is one of the most important issues before the legislature during the current session.

On page 12, paragraph 10, of the Interim Report of the Economic Development Study, which is being prepared by the Institute for Public Policy and Business Research at the University of Kansas, Dr. Anthony Redwood states ...

"To achieve a significant long term improvement in the economic base, the state will need to make a large and sustained funding investment over the next decade to support a well designed package of economic development initiatives."

This report goes on to list thirty-four specific recommendations, several of which would provide financial assistance to local governments, including aid in the establishment of incubators for small business; providing a source for loans for infrastructure development; and establishment of a state community development block grant program targeted to economic development.

In our community, we will be voting on additional sales taxes of 1/2 cent city and 1/2 cent county-wide on March 4. While much of the revenue generated from these taxes will be pledged to property tax relief, a portion of these funds will be set aside for economic development and the availability of financial assistance from these state economic development funds would significantly enhance our ability to make improvements in our local economic base.

The Board of Directors of the Greater Hutchinson Chamber of Commerce are keenly aware of the need for a substantially funded economic development effort and have identified as one of its priority projects, which by the way are all tied to economic development, to ...

support the implementation of a state-operated lottery as a means to provide additional funding for economic development and other state programs.

In conclusion, I urge you to support legislation which earmarks the majority of the funds generated by a state-operated lottery to economic development.

H. Woodward
2/13/86

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SUBCOMMITTEE REPORT

Agency: Dept. of Credit Unions

HB 2717

Bill Sec. NA

Analyst: Howard

Analysis Pg. No. 40

Budget Pg. No. 1-103

<u>Expenditure Summary</u>	<u>Agency Req. FY 86</u>	<u>Governor's Rec. FY 86</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 333,107	\$ 331,229	\$ (3,715)
F.T.E. Positions	9.0	9.0	--

House Subcommittee Recommendation

FY 1986 The Subcommittee concurs with the Governor's recommendations with the following exception:

1. Delete \$3,715 in salaries and wages to reflect anticipated savings due to the vacancy in the administrator's position due to the recent death of the former administrator. It is anticipated that the position will remain empty for at least six weeks.

The fee fund analysis, based on the House Subcommittee's adjustments, is as follows:

<u>Resource Estimate</u>	<u>Actual FY 1985</u>	<u>Estimated FY 1986</u>
Beginning Balance	\$ 182,565	\$ 213,770
Net Receipts	344,656	316,966
Total Funds Available	\$ 527,221	\$ 530,736
Less: Expenditures	313,451	327,514
Ending Balance	<u>\$ 213,770</u>	<u>\$ 203,222</u>

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Representative Rex Hoy
Subcommittee Chairman

Denise Apt

Representative Denise Apt

*H. H. M
2/13/86*

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SUBCOMMITTEE REPORT

Agency: Dept. of Credit Unions Bill No. 2717 Bill Sec. 9
 Analyst: Howard Analysis Pg. No. 40 Budget Pg. No. 1-103

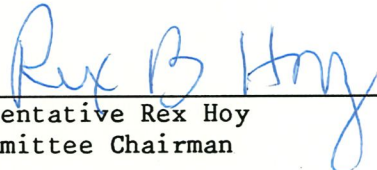
<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 343,066	\$ 334,618	\$ --
F.T.E. Positions	9.0	9.0	--

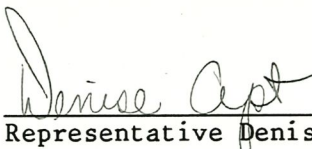
House Subcommittee Recommendation

FY 1987. The Subcommittee concurs with the Governor's recommendations.

Based upon recommendations by the Subcommittee in fiscal year 1986 and 1987, the fee fund analysis is as follows:

<u>Resource Estimate</u>	<u>Actual FY 1985</u>	<u>Estimated FY 1986</u>	<u>Estimated FY 1987</u>
Beginning Balance	\$ 182,565	\$ 213,770	\$ 203,222
Net Receipts	<u>344,656</u>	<u>316,966</u>	<u>316,000</u>
Total Funds Available	\$ 527,221	\$ 530,736	\$ 519,222
Less: Expenditures	<u>313,451</u>	<u>327,514</u>	<u>334,618</u>
Ending Balance	<u>\$ 213,770</u>	<u>\$ 203,222</u>	<u>\$ 184,604</u>


 Representative Rex Hoy
 Subcommittee Chairman


 Representative Denise Apt

SUBCOMMITTEE REPORT

Agency: Real Estate Commission

Bill No. 2717

Bill Sec. 17

Analyst: Hunn

Analysis Pg. No.

Budget Pg. No. 1-205

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 446,539	\$ 400,324	\$ 19,022
FTE Positions	13.0	12.0	--

Agency Request/Governor's Recommendation

The Commission requests expenditures of \$446,539 in FY 1987. Included in the request are two new positions -- a Special Investigator III to conduct specialized investigations of real estate transaction complaints and a Secretary II. The Commission also requests that four clerical and one administrative position be reclassified.

The Governor recommends expenditures of \$400,324 in FY 1987, a reduction of \$46,215 from the Commission's request. The Governor's recommendation includes funding for the Special Investigator position, but deletes the requested reclassifications and additional secretarial position. Reductions were also made in the areas of rents, travel, and professional services.

House Subcommittee Recommendation

FY 1986. The Subcommittee concurs with the Governor's recommendations.

FY 1987. The Subcommittee concurs with the Governor's recommendations with the following adjustments:

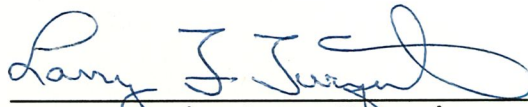
1. The Subcommittee recommends \$7,541 for reclassifications requested by the Commission. These reclassifications have already been approved by the Division of Personnel. The duties of the Commission's clerical staff have changed significantly as a result of a new computerized data system and the reclassifications are recommended to reflect those changes.
2. The Subcommittee recommends the addition of a Secretary II position as requested, and the deletion of a Clerk Steno II position that is currently vacant. The net addition for the Secretary II position is \$3,106.

D. Hunn
2/13/86

3. The Subcommittee recommends the addition of \$3,775 to upgrade the unclassified Director's salary to a level comparable to other fee agencies with similar-size budgets and responsibilities. The addition would upgrade the base salary from the current \$26,328 to \$29,700 and increase fringe benefit costs accordingly.

4. The Subcommittee recommends the addition of \$4,600 for travel. The Commission anticipates increased travel expenditures for investigations and travel expenditures for the first six months of FY 1986 indicate a higher level of travel than recommended by the Governor. The Subcommittee notes that the Commission's staff does significant amounts of traveling and recommends the Commission investigate the possibility of getting a motor pool vehicle assigned specifically to the Commission.

<u>Resource Estimate</u>	<u>Actual FY 85</u>	<u>Estimated FY 86</u>	<u>Estimated FY 87</u>
Beginning Balance	\$ 24,693	\$ 53,986	\$ 122,231
Net Receipts	288,855	429,088	400,700
Total Funds Available	\$ 313,548	\$ 483,074	\$ 522,931
Less: Expenditures	259,562	360,843	419,346
Ending Balance	<u>\$ 53,986</u>	<u>\$ 122,231</u>	<u>\$ 103,585</u>


 Representative Larry Turnquist
 Subcommittee Chairperson


 Representative Ken Francisco

SUBCOMMITTEE REPORT

Agency: Real Estate Commission

Bill No. 2717

Bill Sec. 17

Analyst: Hunn

Analysis Pg. No.

Budget Pg. No. 1-205

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 446,539	\$ 400,324	\$ 19,022
FTE Positions	13.0	12.0	--

Agency Request/Governor's Recommendation

The Commission requests expenditures of \$446,539 in FY 1987. Included in the request are two new positions -- a Special Investigator III to conduct specialized investigations of real estate transaction complaints and a Secretary II. The Commission also requests that four clerical and one administrative position be reclassified.

The Governor recommends expenditures of \$400,324 in FY 1987, a reduction of \$46,215 from the Commission's request. The Governor's recommendation includes funding for the Special Investigator position, but deletes the requested reclassifications and additional secretarial position. Reductions were also made in the areas of rents, travel, and professional services.

House Subcommittee Recommendation

FY 1986. The Subcommittee concurs with the Governor's recommendations.

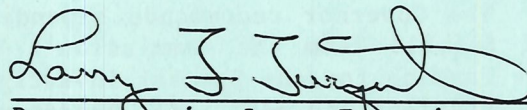
FY 1987. The Subcommittee concurs with the Governor's recommendations with the following adjustments:

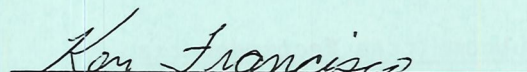
1. The Subcommittee recommends \$7,541 for reclassifications requested by the Commission. These reclassifications have already been approved by the Division of Personnel. The duties of the Commission's clerical staff have changed significantly as a result of a new computerized data system and the reclassifications are recommended to reflect those changes.
2. The Subcommittee recommends the addition of a Secretary II position as requested, and the deletion of a Clerk Steno II position that is currently vacant. The net addition for the Secretary II position is \$3,106.

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3. The Subcommittee recommends the addition of \$3,775 to upgrade the unclassified Director's salary to a level comparable to other fee agencies with similar-size budgets and responsibilities. The addition would upgrade the base salary from the current \$26,328 to \$29,700 and increase fringe benefit costs accordingly.
4. The Subcommittee recommends the addition of \$4,600 for travel. The Commission anticipates increased travel expenditures for investigations and travel expenditures for the first six months of FY 1986 indicate a higher level of travel than recommended by the Governor. The Subcommittee notes that the Commission's staff does significant amounts of traveling and recommends the Commission investigate the possibility of getting a motor pool vehicle assigned specifically to the Commission.

<u>Resource Estimate</u>	<u>Actual FY 85</u>	<u>Estimated FY 86</u>	<u>Estimated FY 87</u>
Beginning Balance	\$ 24,693	\$ 53,986	\$ 122,231
Net Receipts	<u>288,855</u>	<u>429,088</u>	<u>400,700</u>
Total Funds Available	\$ 313,548	\$ 483,074	\$ 522,931
Less: Expenditures	<u>259,562</u>	<u>360,843</u>	<u>419,346</u>
Ending Balance	<u>\$ 53,986</u>	<u>\$ 122,231</u>	<u>\$ 103,585</u>


 Representative Larry Turnquist
 Subcommittee Chairperson


 Representative Ken Francisco

SUBCOMMITTEE REPORT

Agency: Abstracters' Board of
Examiners

Bill No. 2717

Bill Sec. 2

Analyst: Holt

Analysis Pg. No. 15

Budget Pg. No. 1-181

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 14,001	\$ 13,013	\$ 497
State General Fund	--	--	--
F.T.E. Positions	--	--	--

House Subcommittee Recommendation

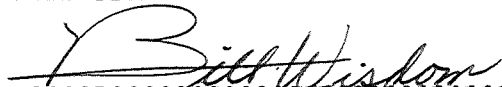
FY 1986. The Subcommittee concurs with the Governor's recommendations.

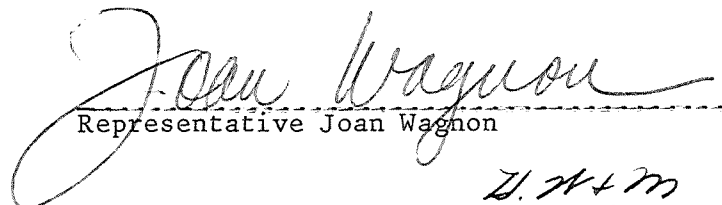
FY 1987. The Subcommittee concurs with the Governor's recommendations, with the following exception:

1. Addition of \$497 for the salary (\$460) and fringe benefits (\$37) of the Executive Secretary to increase total salary expenditures with fringe benefits to \$5,271. Although the Executive Secretary is responsible for administering the activities of the agency, the position is paid only slightly more than the temporary secretarial assistance.

The Subcommittee adjusts the Governor's fee fund analysis in FY 1987 as follows:

<u>Resource Estimate</u>	<u>Actual FY 1985</u>	<u>Estimated FY 1986</u>	<u>Estimated FY 1987</u>
Beginning Balance	\$ 12,429	\$ 14,030	\$ 14,697
Net Receipts	13,340	13,340	12,980
Total Funds Available	\$ 25,769	\$ 27,370	\$ 27,677
Less: Expenditures	11,739	12,673	13,510
Ending Balance	\$ 14,030	\$ 14,697	\$ 14,167


 Representative Bill Wisdom
 Subcommittee Chairman


 Representative Joan Wagnon

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 2/13/86

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SUBCOMMITTEE REPORT

Agency: Board of Examiners in Optometry **Bill No.** 2717 **Bill Sec.** 15
Analyst: Howard **Analysis Pg. No.** 56 **Budget Pg. No.** 1-201

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 20,751	\$ 20,437	--
FTE Positions	.3	.3	--

House Subcommittee Recommendations

FY 1986. The House Subcommittee concurs with the Governor's recommendations for FY 1986.

FY 1987. The House Subcommittee concurs with the Governor's recommendations with the following exceptions:

1. The Subcommittee has reviewed a report submitted by the Board concerning the number of complaints it has received in FY 1985 and FY 1986 (to date), the origin and the status. The Subcommittee wishes to note that although hearing fees have been low in the current fiscal year, the requested expenditure authority of \$7,000 should not be reduced because of the difficulty in predicting the number or expense of future complaints. We suggest that future subcommittees monitor these complaints to determine any change in the filing trend.

2. The Subcommittee notes that the agency's ending balance for FY 1985 totals \$47,919. The estimated ending balance for FY 1986 totals \$50,130 and for FY 1987 totals \$46,013. The Subcommittee believes these balances are unjustifiably high in light of estimated operating expenditures. The Governor's recommendation for FY 1987 reduces fees for and renewal of licenses from \$60 to \$50. However, the projected revenue for FY 1987 would still exceed expenditures if a large majority of the \$7,000 budgeted for hearing costs is not utilized. The balance would then actually show a net increase in FY 1987 notwithstanding the higher fees. This subcommittee recommends that the agency set its fees at a level designed to generate operating revenue at an amount equal to the estimated expenditures less any amounts budgeted for hearings. As a result the balance would begin to decline each year by an amount equal to the difference between the amount budgeted for hearing costs and the amount actually expended.


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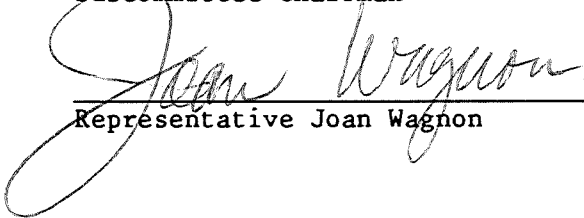
3. The Subcommittee wishes to note the reduction in communications costs in FY 1987, \$150 lower than FY 1986. The reduction reflects the recommendation by this subcommittee in 1985 that the agency mail rules and roster booklets only every other year to existing members upon the printing of the new booklet.

Based upon the recommendations of the subcommittee in FY 1986 and FY 1987 the fee fund analysis is as follows:

<u>Resource Estimate</u>	<u>Actual FY 1985</u>	<u>Estimated FY 1986</u>	<u>Estimated FY 1987</u>
Beginning Balance	\$ 36,306	\$ 47,919	\$ 50,130
Net Receipts	<u>24,180</u>	<u>23,692</u>	<u>16,320</u>
Total Funds Available	\$ 60,486	\$ 71,611	\$ 66,450
Less: Expenditures	<u>12,567</u>	<u>21,481</u>	<u>20,437</u>
Ending Balance	<u>\$ 47,919</u>	<u>\$ 50,130</u>	<u>\$ 46,013</u>



Representative Jack Shriver
Subcommittee Chairman



Representative Joan Wagnon

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SUBCOMMITTEE REPORT

Agency: Board of Accountancy

Bill No. —

Bill Sec. --

Analyst: Timmer

Analysis Pg. No. 17

Budget Pg. No. 1-183

<u>Expenditure Summary</u>	<u>Agency Req. FY 86</u>	<u>Governor's Rec. FY 86</u>	<u>Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 150,295	\$ 148,588	\$ 1,729
F.T.E. Positions	2.7	2.7	--

Agency Request/Governor's Recommendation

The agency estimates FY 1986 expenditures to be \$150,295 for FY 1986, a reduction of \$5,697 from the approved budget. The Governor recommends an expenditure of \$148,588, a further reduction of \$1,707.

House Subcommittee Recommendation

FY 1986. The House Subcommittee concurs with the Governor's FY 1986 recommendations with the following adjustments:

1. Addition of \$229 for the reclassification of a Clerk Typist II to a Secretary I. The Subcommittee understands that the Division of Personnel has approved the reclassification for the last six months of FY 1986.
2. The Subcommittee expresses concern that a microcomputer purchased by the Board in June, 1984 is not being used effectively and that much of the Board's data has not yet been entered into the computer. The Subcommittee notes that \$1,000 was added to the FY 1986 budget during the 1985 Session for the purpose of hiring temporary data entry help. The temporary staff was hired in the summer, however, much data entry still must be done. Therefore, the Subcommittee recommends the addition of \$1,500 for the purpose of hiring temporary data entry staff during FY 1986 to complete the data entry before the end of the fiscal year. The Subcommittee will not recommend any more funding for temporary data entry staff in FY 1987.

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SUBCOMMITTEE REPORT

Agency: Board of Accountancy

Bill No. 2717

Bill Sec. 3

Analyst: Timmer

Analysis Pg. No. 17

Budget Pg. No. 1-183


<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Funds	\$ 161,603	\$ 150,592	\$ (165)
FTE Positions	2.7	2.7	--

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. Addition of \$351 for the reclassification of a Clerk Typist II to a Secretary I which was approved by the Division of Personnel and accomplished in FY 1986.
2. Reduction of \$1,016 from rents to accurately reflect the rent needed for seven months in the Santa Fe Building as well as five months in the Board's present location. The Governor's recommendation was based on more square feet of space in the Santa Fe Building than the Board will occupy.
3. Reduction of \$1,000 from temporary staff. The Subcommittee notes that funding of \$1,500 was added for FY 1986 for temporary data entry staff and that the data entry work should be computed in FY 1986.
4. Addition of \$1,500 to fund a Positive Enforcement program for the last half of FY 1987. The Subcommittee believes that the proposed program for peer review of CPA's and firms which do audit work is meritorious and that the Board should complete development of the program and be prepared to implement it in January 1987. The Subcommittee's recommendation would provide funding for approximately 30 reviews at an estimated cost of \$50 each.
5. The Subcommittee was informed that the Board proposes to increase the fee for a biennial permit to practice to \$80, an increase of \$10. The Subcommittee concurs with the proposed increase to become effective in FY 1987. The Subcommittee does not recommend that the increase should be implemented in the last half of FY 1986.

<u>Resource Estimate</u>	<u>Actual FY 1985</u>	<u>Estimated FY 1986</u>	<u>Estimated FY 1987</u>
Beginning Balance	\$ 47,502	\$ 44,978	\$ 32,781
Net Receipts	<u>127,509</u>	<u>138,120</u>	<u>140,748</u>
Total Funds Available	\$ 175,011	\$ 183,098	\$ 173,529
Less: Expenditures	<u>130,033</u>	<u>150,317</u>	<u>150,427</u>
Ending Balance	<u>\$ 44,978</u>	<u>\$ 32,781</u>	<u>\$ 23,102</u>



Representative Jim Lowther
Subcommittee Chairman



Representative Michael O'Neal

028.87

SUBCOMMITTEE REPORT

Agency: Office of Securities

Bill No. 2717

Bill Sec. 19

Analyst: Howard

Analysis Pg. No. 70

Budget Pg. No. 1-169

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 952,564	\$ 791,806	\$ --
F.T.E. Positions	22.0	19.0	--


House Subcommittee Recommendation

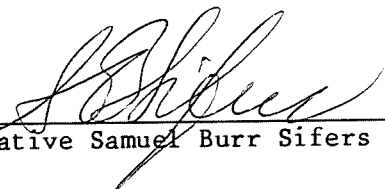
FY 1986. The Subcommittee concurs with the Governor's recommendation for FY 1986.

FY 1987. The Subcommittee concurs with the Governor's recommendation for FY 1987.

Based upon recommendations of the subcommittee in fiscal years 1986 and 1987, the fee fund analysis is as follows:

<u>Resource Estimate</u>	<u>Actual FY 1985</u>	<u>Estimated FY 1986</u>	<u>Estimated FY 1987</u>
Beginning Balance	\$ 500,993	\$ 500,000	\$ 500,000
Net Receipts	737,792	811,300	863,800
Total Funds Available	\$ 1,238,785	\$ 1,311,300	\$ 1,363,800
Less: Expenditures	691,864	769,267	791,806
Transfer to State General Fund	46,921	42,033	71,994
Ending Balance	\$ 500,000	\$ 500,000	\$ 500,000


 Representative David J. Heinemann
 Subcommittee Chairman


 Representative Samuel Burr Sifers

D. H. + M
 2/13/86

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SUBCOMMITTEE REPORT

Agency: Board of Examiners for
Hearing Aids

Bill No. 2717

Bill Sec. 12

Analyst: Rampey

Analysis Pg. No.

Budget Pg. No. 1-195

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 10,410	\$ 9,948	\$ --
FTE Positions	--	--	--


House Subcommittee Recommendation

FY 1986. The Subcommittee concurs with the agency estimate and Governor's recommendation of \$8,910, which is the amount approved by the 1985 Legislature.

FY 1987. The Subcommittee concurs with the Governor's recommendation of \$9,948.

An analysis of the agency's fee fund reflecting the Subcommittee's recommendation is shown below:

<u>Resource Estimate</u>	<u>Actual FY 1985</u>	<u>Estimated FY 1986</u>	<u>Estimated FY 1987</u>
Beginning Balance	\$ 30,904	\$ 29,580	\$ 24,970
Net Receipts	4,964	4,300	4,300
Total Funds Available	\$ 35,868	\$ 33,880	\$ 29,270
Less: Expenditures	6,288	8,910	9,948
Ending Balance	\$ 29,580	\$ 24,970	\$ 19,322



Representative Ed C. Rolfs
Subcommittee Chairman



Representative Burr Sifers

J. H. M.
2/13/86

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REPORTS OF STANDING COMMITTEES

MR. SPEAKER:

Your Committee on Ways and Means

Recommends that House Bill No. 2717

"AN ACT making and concerning appropriations for the fiscal year ending June 30, 1987, for the abstracters' board of examiners, board of accountancy, state bank commissioner, board of barber examiners, behavioral sciences regulatory board, state board of healing arts, Kansas state board of cosmetology, state department of credit unions, Kansas dental board, state board of mortuary arts, Kansas board of examiners in fitting and dispensing of hearing aids, consumer credit commissioner, board of nursing, board of examiners in optometry, state board of pharmacy, Kansas real estate commission, savings and loan department, office of the securities commissioner of Kansas, state board of technical professions and state board of veterinary examiners; authorizing certain transfers, imposing certain restrictions and limitations, and directing or authorizing certain receipts and disbursements and acts incidental to the foregoing."

Be amended:

On page 1, in line 48, by striking "\$13,013" and inserting in lieu thereof "\$13,510";

On page 2, in line 58, by striking "\$150,592" and inserting in lieu thereof "\$150,427"; in line 68, by striking "\$2,153,588" and inserting in lieu thereof "\$2,170,510"; in line 90, by striking "\$127,773" and inserting in lieu thereof "\$136,431";

On page 3, in line 100, by striking "\$679,098" and inserting in lieu thereof "\$693,262"; in line 110, by striking "\$253,819" and inserting in lieu thereof "\$260,430"; in line 120, by striking "\$334,618" and inserting in lieu thereof "\$337,862"; in line 130, by striking "\$109,556" and inserting in lieu thereof "\$104,723"; in line 140, by striking "\$98,945" and inserting in lieu thereof "\$97,889";

On page 4, in line 161, by striking "\$279,971" and inserting in lieu thereof "\$284,052"; in line 183, by striking "\$445,852" and inserting in lieu thereof "\$460,837";

On page 5, in line 203, by striking "\$260,330" and inserting in lieu thereof "\$265,433"; in line 213, by striking "\$400,324"

and inserting in lieu thereof "\$419,346"; in line 225, by striking "\$184,992" and inserting in lieu thereof "\$199,515"; in line 246, by striking "\$232,492" and inserting in lieu thereof "\$223,733";

On page 6, in line 256, by striking "\$47,531" and inserting in lieu thereof "\$49,531"; in line 274, by striking "67.0" and inserting in lieu thereof "68.0";

And the bill be passed as amended.

Chairperson