

Approved 3-24-87  
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Wint Winter, Jr. at  
Chairperson

12:40 ~~a.m.~~/p.m. on March 18, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Arden Ensley, Revisor of Statutes  
Lynne Holt, Legislative Research Department  
Paul West, Legislative Research Department  
Mary Allen, Secretary to the Committee

Conferees appearing before the committee:

Gary Stotts, Division of Budget  
Dr. Charles Krider, Institute for Public Policy and Business Research  
Shirley Sicilian, Institute for Public Policy and Business Research

The meeting was called to order at 12:40 p.m. by the Chairman, Senator Wint Winter, Jr..

Chairman Winter said that the Committee will begin a review of the progress of the financial implementation of the recommendations made by the Joint Commission on Economic Development. He reminded the Committee that the Legislature passed and the Governor signed a bill to create something called a Gaming Fund, sixty percent of which is to be used for economic development activities. He called on Gary Stotts, Division of Budget, to brief the Committee on the status of the lottery and what money might be available from it for economic development for FY 88 and future years.

Mr. Stotts discussed the basis upon which the Governor's budget recommendations were prepared concerning estimated lottery revenues. (Attachment I) He observed that the Governor approached his expenditure recommendations in this area from a very conservative posture. He said that the Governor's first priority on the revenue is the proper operation of the lottery. He stated that the General Fund must be paid back the money advanced by it to start the lottery. Whatever projected revenue is left can go into the other three areas designated by the Legislature, reappraisal, correctional institutions and economic development, in the amounts dictated by the Gaming Revenues Distribution Formula.

Dr. Charles Krider, Institute for Public Policy and Business Research, discussed expenditures for economic development concerning the Gaming Revenue Fund. (Attachment II) He compared the Governor's FY 88 budget recommendations to the expenditure recommendations of the Economic Development Commission. (Attachment III) Dr. Krider pointed out that a number of bills are in progress and are going through the Legislature which designate the Lottery Fund as a source of funding without considering the whole amount that is available, the \$2.9 million and how it is going to be divided.

Shirley Sicilian, Institute for Public Policy and Business Research, passed out and explained a Gaming Revenue Fund Flow Chart which shows the money going into the fund and how the money comes out of the fund for economic development. (Attachment IV)

The meeting was adjourned by the Chairman at 1:30 p.m..

GUEST LIST

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NAME

REPRESENTING

*Keshi N. Hammond*

*Rep. Hassler (Antenna)*

*Shirley Scialiano*

*IPPBR - KU*

*GARY STOTTS*

*BUDGET*

*Dr. Charles Knicker*

*IPPBR*

LOTTERY  
(millions)

	FY 1988	FY 1989
Estimated Revenue	\$ 80.0	\$100.0
Less-Prizes	(36.0)	(45.0)
Less-Commissions	(4.0)	(5.0)
	\$ 40.0	\$ 50.0
Less-Operating Exp.	(16.0)	(16.5)
	24.0	33.5
Less-Startup Pay Back	--	(2.8)
	\$ 24.0	\$ 30.7
Less-Collections FY 1988 not transferred until FY 1989	(8.5)	
	15.5	
Less-Reserve for SGF Pay Back in FY 1989	(2.8)	
Balance for Transfer	\$ 12.7	

	Gov. Rec.	Bal. to FY 1989	Total Est Avail
Transfer			
30% Reappraisal	\$ 3.8	\$ --	\$ 3.8
60% Economic Dev.	7.6	2.9	18.4
10% Corrections	1.3	.5	3.1
	\$ 12.7	\$ 3.4	\$ 9.3
			\$ 30.7
			\$ 40.0

*Senate Committee on Economic  
Development*

*3-18-87*

*Attachment I*

### **Insurance Department**

- An additional clerical position is proposed for the Workers' Compensation program to expedite the processing of compensation claims.

### **Department of Revenue**

- The Governor recommends a transfer of \$10.8 million from the State General Fund to the County Reappraisal Fund, with the funds to be disbursed to counties in quarterly payments in FY 1988. The State General Fund is to be repaid beginning in FY 1989 by lottery receipts designated for reappraisal expenses.
- A net increase of seven positions is recommended for the department, including the addition of 13 new positions and the deletion of six existing positions. Of the new positions, five are use value specialists, three are programmer trainees for the Motor Vehicle Division, four are field representatives to assist in enforcement of the Vehicle Dealers and Manufacturers' Licensing Act and one is to assist in the transition to liquor-by-the-drink. Five of the positions to be deleted are income tax processing positions in the Taxation Division.
- The Governor recommends incorporation of the transient guest tax and retail sales tax into the Kansas Business Integrated Tax System (K-BITS) in FY 1987.
- The recommendation assumes that the Vehicle Information Processing System (VIPS) will be operational in early FY 1988 in a county prototype configuration and that during the last half of the fiscal year, one half of the state's counties will begin processing vehicle transactions through the VIPS system via remote terminals.
- Funding in the amount of \$220,000 is recommended to renovate the existing weigh station at Olathe.
- The recommendation terminates the five percent inheritance tax distribution to the counties.

### **Kansas Racing Commission**

- The Governor recommends State General Fund transfers in FY 1987 for start-up operations of the Kansas Racing Commission. The Governor recommends that the receipts from the parimutuel wagering tax, admissions tax, application fees, license fees, and other fees collected by the commission be deposited into the State Racing Fund to pay for the operating expenses of the commission. Remaining balances are proposed to be transferred to the state Gaming Revenues Fund. Repayment to the State General Fund for financing start-up costs will begin in FY 1989.

### **Kansas Lottery**

- The Governor's recommendation is predicated on early passage of enabling legislation to permit lottery ticket sales beginning in September 1987. The Governor recommends State General Fund transfers of \$650,000 in FY 1987 and \$2.1 million in FY 1988 for initial operating costs. Beginning in FY 1989, transfer amounts will be repaid to the State General Fund with receipts generated from lottery ticket sales. Revenues are projected to be available for transfer to the Gaming Revenues Fund during the second half of FY 1988. The Governor's recommendation provides for 119 positions.

### **State Treasurer**

- For distributions made after January 1988, the Governor recommends Local Ad Valorem and City and County Revenue Sharing aid transfers based on a three percent, rather than a four percent, sales and use tax. This recommendation, which requires a revision of existing law, will reduce the base used to calculate the distributions by 25 percent.
- The recommendation deletes one clerical position in the Bond Registration program.

#### **Consumer Credit Commissioner**

- Funds are provided to upgrade the electronic licensing and registration functions of the agency.

#### **Corporation Commission**

- Recommendations for FY 1988 grant expenditures from the Petroleum Violation Escrow Fund ("oil overcharge funds") are deferred pending further review.
- Construction funds are recommended for the reclamation of four abandoned mine projects: Frontenac, Arcadia-Sheffield, Red Onion, and Indian Creek. The FY 1988 recommendation also includes funds to initiate reclamation of the Franklin site.

#### **Credit Union Department**

- A new examiner position is proposed for the analysis and review of financial condition reports forwarded by field examiners.

#### **Department of Commerce**

- The recommendation provides funding for continued operation of the field office network in the Existing Industry Development Division.
- \$100,000 is recommended for international representation in China to complement the representation currently authorized in Japan and Europe.
- Two international marketing positions and associated operating expenditures are transferred from the Board of Agriculture, reflecting assignment of lead responsibility for state international marketing efforts to the Department of Commerce.
- The recommendation increases funding for the Kansas Industrial Training (KIT) program from \$500,000 to \$1,000,000 with the increase provided from the State Economic Development Initiatives Fund.

**Expenditures recommended from the State Economic Development Initiatives Fund**, which is financed with receipts from the State Gaming Revenues Fund, total \$2.9 million and include: \$1.55 million for K-TEC research and development projects; \$250,000 to establish a Trade Export Loan Guarantee program; \$500,000 for business training equipment grants to community colleges and area vocational technical schools; \$100,000 for incubator feasibility studies; and \$500,000 for KIT.

- Funding is recommended to allow the Travel and Tourism Development Division to host two national travel conventions scheduled for the fall of 1988.
- Funding is continued for the National Main Street Center contract to allow additional communities to provide models of excellence in downtown revitalization.
- The recommendation continues departmental administration of the Community Development Block Grant (CDBG), with a majority of the \$14 million in funds to be spent on economic development grants.
- The recommendation transfers the Community Resource Grant program from the department to Kansas State University.

#### **Board of Indigents' Defense**

- The recommendation funds the assigned counsel program at a level above that recommended for FY 1987 to meet costs associated with rising numbers of vouchers submitted by private counsel and other experts representing indigent defendants.

**SCHEDULE 7 — EXPENDITURES FROM THE CORRECTIONAL INSTITUTIONS BUILDING FUND**

	FY 1986 ACTUAL	FY 1987 ESTIMATE	FY 1988 RECOMMENDED	FY 1989 RECOMMENDED
<b>Summary of Expenditures</b>				
Kansas Correctional Institution at Lansing .....	—	—	\$1,950,000	\$1,187,428 <sup>1</sup>
State Industrial Reformatory .....	—	—	294,808	—
Kansas State Penitentiary .....	—	2,000,000	980,000	1,466,973 <sup>1</sup>
State Reception and Diagnostic Center .....	—	39,000	495,675	—
<b>TOTAL .....</b>	<b>\$—</b>	<b>\$2,039,000</b>	<b>\$3,720,483</b>	<b>\$2,654,401</b>

**Resources Available to Finance Expenditures**

**Fiscal Year 1987**

Unencumbered Cash Balance - June 30, 1986 .....	\$39,412
ADD: Prior Year Ad Valorem Taxes Due .....	—
ADD: First Payment of 1986 Tax Levy .....	1,769,341
ADD: Motor Vehicle Taxes .....	397,750
Estimated Resources Available for Expenditures .....	\$2,206,503
LESS: Estimated Expenditures .....	2,039,000

**Fiscal Year 1988**

Unencumbered Cash Balance - June 30, 1987 .....	\$167,503
ADD: Second Payment of 1986 Tax Levy .....	952,722
ADD: First Payment of 1987 Tax Levy .....	1,733,875 <sup>2</sup>
ADD: Motor Vehicle Taxes .....	421,500 <sup>3</sup>
ADD: Gaming Revenues .....	1,250,000
Estimated Resources Available for Expenditures .....	\$4,525,600
LESS: Estimated Expenditures .....	3,720,483

**Fiscal Year 1989**

Unencumbered Cash Balance - June 30, 1988 .....	\$805,117
ADD: Second Payment of 1987 Tax Levy .....	933,625 <sup>2</sup>
ADD: First Payment of 1988 Tax Levy .....	—
ADD: Motor Vehicle Taxes .....	—
ADD: Gaming Revenues .....	3,350,000
Estimated Resources Available for Expenditures .....	\$5,088,742
LESS: Recommended Appropriations .....	2,654,401
Unencumbered Cash Balance - June 30, 1989 .....	\$2,434,341

1 Recommended for appropriation by the 1987 Legislature.

2 Reflects receipts from proposed .25 mill levy to be assessed against tangible property for tax year 1987.

3 Reflects 1/6 of receipts from personal property taxes on motor vehicles remitted to the state during fiscal year 1988.

**Gaming Revenue Fund  
Expenditures for Economic Development**

I. Gaming Revenue Fund

A. County Reappraisal	30%/after June 89, 0%
B. Correctional Institutions Building Fund	10%
C. State Economic Development Initiatives Fund	60%/after June 89, 90%
	Limit \$2,900,000
1. Kansas Capital Formation Acct.	Limit \$ 250,000
a. Export Loan Guarantee Program	Limit \$ 250,000
2. Kansas Economic Development R&D Acct.	Limit \$1,550,000
a. K-TEC Setaside Program	Limit \$1,550,000
1) Research Matching Grants	Unspecified
2) Equipment Matching Grants Fund	Unspecified
3) Centers of Excellence	Unspecified
4) Seed Capital Pool	Unspecified
5) Industry Liaisons	Unspecified
6) SBIR Matching Grants	Unspecified
3. Kansas Economic Development Endowment Acct.	Limit \$1,100,000
a. Kansas Industrial Training Program	Limit \$ 500,000
b. Incubator Feasibilities Study	Limit \$ 100,000
c. Business Training Equipment Grants	Limit \$ 500,000

*Senate Committee on Economic Development*

*3-18-87*

*Attachment II*

Governor's FY 88 Recommendation

Item	FY 87 General Fund	State			Commission Recommendation
		General Fund	Economic Development Initiatives Fund		
1. Centers of Excellence					
KU	\$173,128	\$177,540	+	*	} \$2,250,000
KSU	172,778	174,271	+	*	
WSU	172,114	176,532	+	*	
PSU(new)					250,000
4 new centers			-	-	<u>1,500,000</u>
TOTAL	<u>\$518,020</u>	<u>\$528,343</u>	+	*	\$4,000,000
2. Research Matching Grants	\$610,000	\$610,000	+	*	\$1,000,000
3. Equipment Matching					
KU	\$205,918	\$217,300	+	* [217,300 limit]	} \$3,000,000
WSU	25,000	25,500	+	* [25,500 limit]	
CC & AVTS			-	<u>\$500,000</u>	<u>\$2,000,000</u>
TOTAL	<u>\$230,918</u>	<u>\$242,800</u>	+	\$742,800	\$5,000,000
4. Technology Transfer Industry Liaison Offices				*	\$ 400,000
Industrial Extension Service			-	-	<u>\$ 400,000</u>
TOTAL			+	*	\$ 800,000
5. State Databases					\$ 100,000
Technological					
Economic/Social					
Statistics			-	-	<u>75,000</u>
TOTAL					\$ 175,000
6. Research Profs					\$ 500,000
7. Incubators				\$100,000 (feasibility studies)	\$ 300,000
8. Management/Entrepreneurship Development					\$ 700,000
9. Seed Capital				*	\$1,000,000
10. SBIR Match Grants	\$150,000	\$150,000	+	*	\$ 300,000
11. KTEC Operations	\$139,000	\$192,334			\$ 300,000
12. CDC's	\$400,000	\$290,000			

*Senate Committee on Economic  
Development  
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Attachment III*



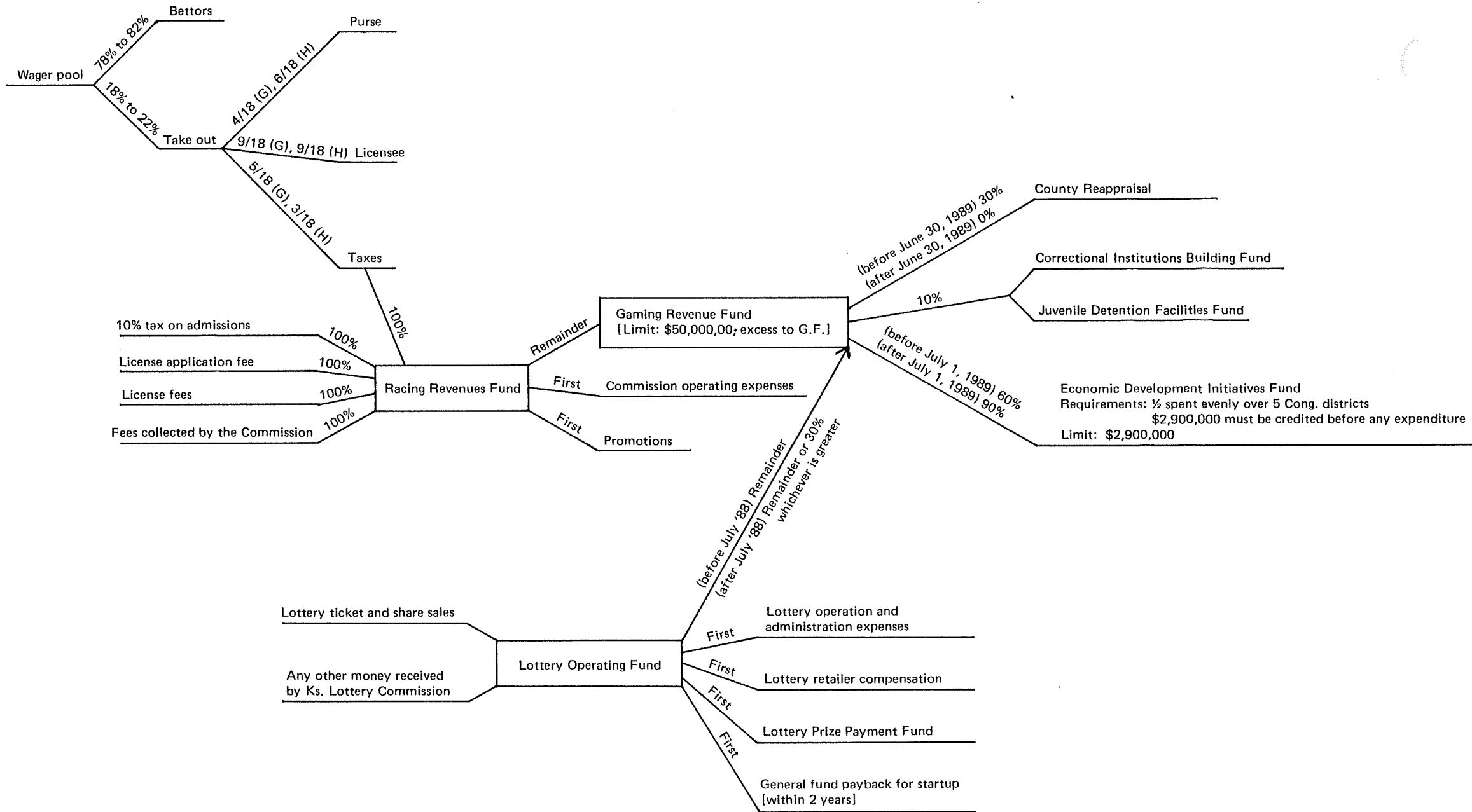
Governor's FY 88 Recommendation

Item	FY 87 General Fund	Governor's FY 88 Recommendation		Commission Recommendation
		General Fund	State Economic Development Initiatives Fund	
13. Customized Training KIT	\$500,000	\$500,000	\$500,000	*
14. Small Business Development Centers	\$250,000	\$175,000		\$ 350,000
15. Export Loan Guarantee Program			\$250,000	*
16. Kansas, Inc.		\$291,750		
17. Agriculture Study Food Processing				\$ 22,000
18. Study-Establishment Food Processing Center				\$ 22,000
19. Research- Diversification of agriculture value- added production, market development				\$1,000,000
20. Market Development Program Modification				\$ 80,000
21. Establishment-Rural Initiatives Program				\$ 430,000
22. Vocational and Technical Training Awards				
a) Placement of Handicapped/ Disadvantaged				\$ 150,000
b) Creation of Upgrading of Jobs in Rural Areas				\$ 150,000
23. Increase in Multiple funding of Community College Vocational Programs (except Pratt and Cowley)				\$ 590,000
24. State Pool Instructional Equipment Program				\$ 250,000

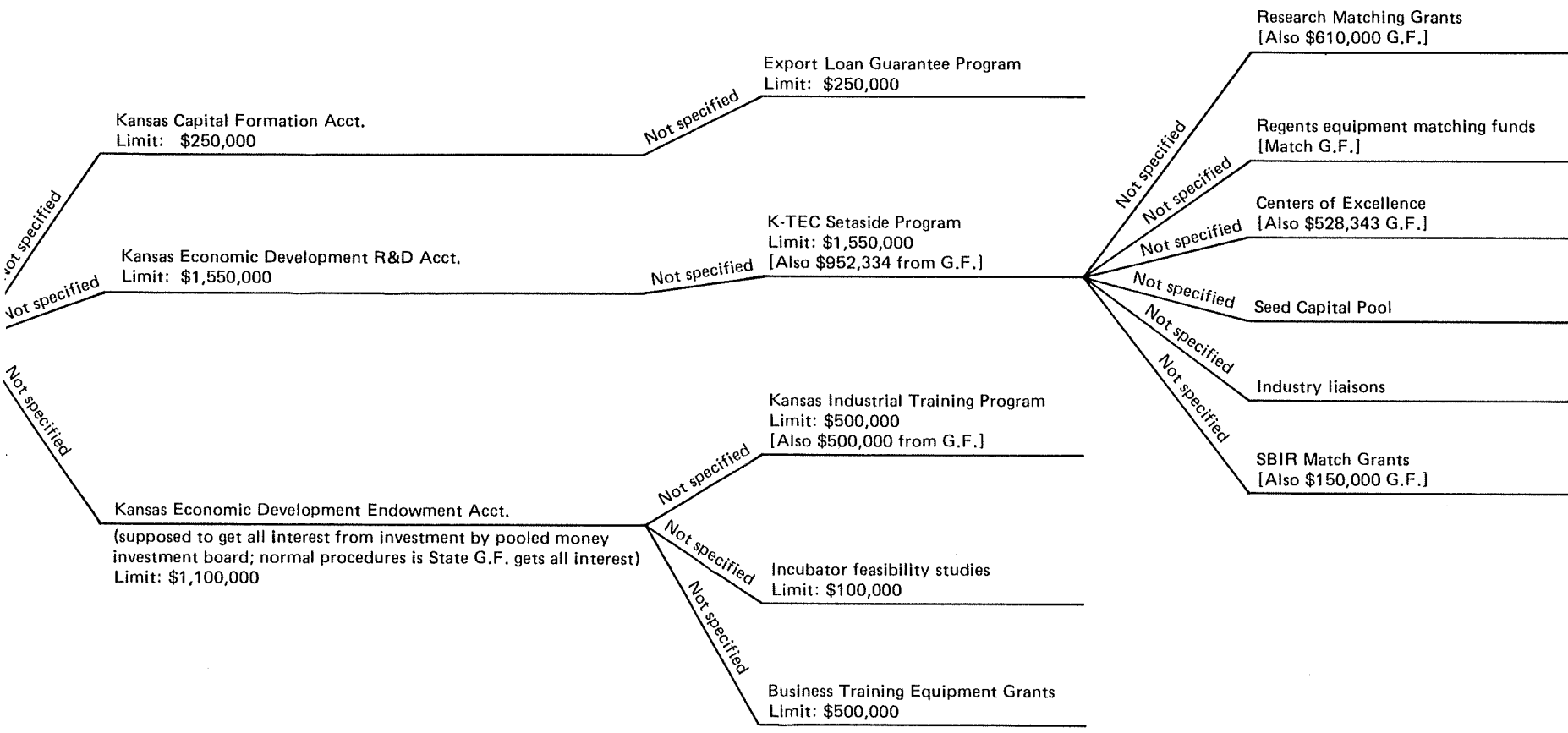
Governor's FY 88 Recommendation

Item	FY 87	State		Commission Recommendation
	General Fund	General Fund	Economic Development Initiatives Fund	
25. Kansas Training Information Program				\$ 14,500
26. In-House Venture Capital Network				\$ 20,000
27. Establishment- Interdisciplinary Team to Evaluate Future of Kansas Agriculture				
28. Multipurpose Statewide Bond Issuing Authority				*
29. Taskforce-Interstate Banking				*
30. State Bid-Bond Guarantee Program				*
31. Study-Business Location Decisions				*
32. Study-Workers' Compensation				*
33. Reorganization of Governance of Post- secondary Education				*
34. Modest Core Budget - Basic Research Centers				*
35. Sales and Use Tax Exemptions				\$4,250,000
36. Reduce Enterprise Zone Tax Credit (increase in revenue)				(\$ 250,000)
TOTALS:	<u>\$2,797,938</u>	<u>\$2,980,227</u>	<u>\$2,900,000</u>	<u>\$21,153,500</u>

\* amount unspecified



Attachment III



Inst. Gov. Pub. Pol. +  
 Bus. Res. - KU  
 3-18-87