

Approved February 11, 1988  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Phil Kline at  
Chairperson

3:40 ~~xxx~~/p.m. on Thursday, January 21, 1988 in room 423-S of the Capitol.

All members were present except: Representatives Barkis, Alyward, Chronister, Teagarden, Mainey and Heinemann. (All Excused)

Committee staff present:  
Jim Wilson, Revisor  
Lynn Holt, Research  
Elaine Johnson, Secretary

Conferees appearing before the committee:  
Michael O'Keefe, Director of the Budget  
Dr. Anthony Redwood, Executive Director, Institute for Public Policy and Business Research, University of Kansas  
Dr. Bill Brundage, President, Kansas Technology Enterprise Corporation  
Bernie Koch, Wichita Chamber of Commerce  
Gary Toeppen, President, Lawrence Chamber of Commerce  
Jerry Lonergan, Kansas Inc.  
Joe Harkins, Kansas Water Office  
Bud Grant, Kansas Chamber of Commerce and Industry

Chairman Phil Kline called the meeting to order and asked Lynn Holt to brief the committee on H.C.R. 5033 on the Expenditure of Gaming Fund Revenues.

Ms. Holt said that the Joint Committee on Economic Development reviewed a proposal by Kansas, Inc. for Expenditure of Gaming Fund Revenues. The committee's interim report endorsed three recommendations made by Kansas Inc.; 1) that EDIF expenditures not be used to finance the salaries of permanent positions; 2) that EDIF monies not replace the State General Fund as a source of financing established economic development programs, but may be used for state economic development enhancements; and 3) that expenditures from the EDIF be applied only to those programs and policies which clearly identify with a pillar of the economic development strategy of the state. See (Attachment 1).

Michael O'Keefe, Director of the Budget gave an overview of what the Governor recommended from the EDIF. See (Attachment 2). Mr. O'Keefe said the way the statute read is that the transfer from the lottery of Gaming Revenue Funds for FY88 is at the discretion of the Executive Director of the Lottery. The Governor recommended that 8.5 million dollars for FY88 be transferred from the lottery fund to the Gaming Revenue Fund. The first transfer is to go to EDIF and the 2nd transfer to go to the General Fund. The Governor has recommended that in FY89 20% permanently be allocated to Natural Resource Fund for the protection of existing supplies of water. The Governor's position is that we have to do something about the quantity and quality of water in Kansas. The General Fund continues to fund water but is not even making a dent on the Kansas water plan.

Discussion followed.

The first conferee was Dr. Anthony Redwood who testified in support of Kansas, Inc.'s FY 1989 budget recommendations for gaming revenues resulting from the sale of lottery tickets. (See Attachment 3). Dr. Redwood states that the Kansas Inc. proposals are well founded and should be adopted. Concern was expressed about the budget proposals. First the proposal to use newly available Initiatives Fund monies to substitute for previously legislated General Fund monies; second, a number of initiatives that have been included that were not recommended by Kansas Inc., or anybody else

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,

room 423-S, Statehouse, at 3:40 ~~am~~ p.m. on Thursday, January 21, 1988

and third, the proposed funding levels for some initiatives being pathetically low. Total support is given to the Kansas Inc. principles. 1) Expenditures from the Economic Development Initiatives Fund should not be used for salaries; 2) The Economic Development Initiatives Fund should not replace the State General Fund as a source of financing ongoing economic development programs; and 3) Expenditures from the Economic Development Initiatives Fund should be applied to only those programs which clearly relate to economic development strategy. Kansas Inc. made no recommendations for funding the water plan from the lottery fund. The concern of spending one-fourth of the lottery fund on these purposes is that a number of other budget recommendations are substantially reduced. The funding for the arts and tourism and for KTEC should be brought to the level where they can make a significant impact.

Dr. Bill Brundage testified that the Kansas Technology Enterprise Corporation concurs with Kansas Inc. in its recommendation that "expenditures from the state economic development initiative fund (EDIF) should not be used for salaries or permanent personnel." Dr. Brundage proceeded to list the KTEC programs that EDIF monies are appropriate for. (See Attachment 4).

Mr. Bernie Kock of the Wichita Area Chamber of Commerce testified that the Wichita Chamber Legislative Committee endorsed the Kansas Inc. recommendations. (See Attachment 5).

Mr. Gary Toeppen testified in support of H.C.R. 5033. He stated that from the comments heard during the committee hearings and committee meetings held in 1986, there was never any question but that the Kansas Legislature intended the lottery money to be used for the purposes and under the parameters spelled out by Kansas Inc. in their recommendations to Governor Hayden and the Legislature this fall. (See Attachment 6).

Mr. Jerry Lonergan, Manager of Research of Kansas Inc. brought a copy of "Proposal for Expenditure of Gaming Revenues" which is available through Kansas Inc., 400 S.W. 8th, Suite 113. Mr. Lonegran stated that their recommendations were made and supported by the Kansas Inc. Board of Directors. All of the budgets were reviewed before being recommended. Kansas Inc. met with university people and people knowledgeable about economic development of the state before coming up with their recommendations. The most important and necessary thing that needs to be funded is the infrastructure programs.

Discussion followed.

Joe Harkins testified that he would hate to see the issue of economic development deteriorate over an argument over which bureaucracy will get the money. For economic development it takes a balanced and complete system. It takes roads, good people, competent people, water, the ability to treat waste water, and power. In Kansas we have power. Mr. Harkins feels the Governor's budget is a balanced one. He urged the committee to consider not which one is the most important but to consider if we have adequate strength in all areas to be fulfilled. In that sense the argument should not be whether water is part of economic development or not, it clearly is. No economic development occurs without it.

Bud Grant informed the committee that their board at its December 4th meeting in Topeka voted unanimously to support the recommendations of Kansas Inc. as contained in the resolution before you today and hopes for favorable passage.

Representative Gjerstad requested that a representative from the Governor's Office be called in to explain the rationale, because of the mixed signals the committee has received on EDIF. Representative Kline said he would see what he could arrange.

The meeting adjourned at 4:50 p.m. The next meeting is scheduled for Tuesday, January 26, at 3:30 p.m.

*Paul Kline*



Date: 1/21/88

GUEST REGISTER

HOUSE

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
TONY REDWOOD	IPPRB, Univ. of Kansas.	
Debbie Zabel	IPPRB, University of Ks.	
Bernie Koch	Wichita Chamber	Wichita
Tom Whitaker	Ks Motor Carrier Assn.	Topeka
DVD CORNANT	KCC	"
Allen Bell	Ks DEV FIN AUTHORITY	Topeka
Steve Commons	City of Emporia	Emporia
Marg E. Turkinorton	Ks. Motor Carriers Assn.	Topeka
Margaret Ahrens	Sierra Club KsChap	Topeka
Michael O'Keefe	Division of Budget	Topeka
Branda M. Marks	SEIC TOURISM REGION	Yates Center
Jack Bouchamp	State Rep	Ottawa, Ks 66106 10/21/88
Joe Harkins	Ks Water Office	Topeka
Kevin Robertson	Travel Industry Assn of Ks	Topeka
Beth Tatauko	Kansas Inc	Topeka
Jersey Louwage	Kansas Inc.	Topeka
Shawn McGrath	KWO	"
Gary Toebben	Lawrence Chamber of Commerce	Lawrence

Date: 1/21/88

GUEST REGISTER

H O U S E

Committee on Economic Development

NAME

ORGANIZATION

ADDRESS

*John Strickler*

*Governor's Office*

*Topeka*

Committee Conclusions and Recommendations

The Committee recommends the introduction of a strongly worded concurrent resolution that endorses the three recommendations of Kansas, Inc., governing expenditures from the EDIF. The Committee shares the position adopted by Kansas, Inc., that EDIF expenditures should not be used to finance salaries of permanent positions and replace commitments from the State General Fund to ongoing programs; expenditures from gaming revenues may be used, however, to augment existing economic development programs and to fund new economic development programs. The Committee also concurs with the position taken by Kansas, Inc. that EDIF expenditures be applied to only those programs and projects identified with the economic development strategy, as proposed by Kansas, Inc.

The Committee notes that although it did not review in any depth the funding allocations recommended by Kansas, Inc. for the identified economic development initiatives and is, therefore, disinclined at this time to propose any adjustments to them, it is, in general, favorably predisposed to the funding priorities contained in the proposal. However, the Committee submits that one concern expressed by several of its members is that no expenditures from the EDIF were recommended by Kansas, Inc. for Centers of Excellence and other KTEC operations. Nonetheless, the Committee recommends that the funding priorities and allocations recommended by Kansas, Inc. serve as the basis for further deliberation and consideration by the Senate Committee on Ways and Means and the House Appropriations Committee during the 1988 Session and that these priorities and allocations also be considered very seriously by the standing Economic Development Committees. The Committee notes that it might even be advisable for the standing committees to meet jointly with the budget subcommittees in reviewing this issue.

*House Eco Devo  
Attachment 1  
1/21/88*

**TABLE 1**  
**Kansas Inc. Recommended Initiatives and Funding Levels**  
**Given \$10.8 Million in Gaming Fund Revenue**

Initiative	Level of Funding (in millions)
1a. Infrastructure Revolving Loan Program	\$ 2.708
1b. Infrastructure Grant Program	\$ 1.703
2. Customized Training	\$ 1.000
3. Research Matching Grants	\$ 1.000
4. Seed Capital	\$ .750
5. Arts	\$ .700
6. Database Development	\$ .131
7. Small Business Innovation Research Grants (SBIR)	\$ .300
8. SBDC/CDC	\$ .150
9. Training Equipment Grants	\$ .500
10. Research Equipment Grants	\$ .700
11. Evaluation/Studies	\$ .150
12. Incubators	\$ .300
13. Industry Extension	\$ .400
14. Tourism	\$ .250
15. Education Awards Pilot	\$ .050

FY 1989

**TABLE 2**  
**Kansas Inc. Recommended Initiatives and Funding Levels**  
**Given \$20 Million in Gaming Fund Revenue**

Initiative	Level of Funding (in millions)
1a. Infrastructure Revolving Loan Program	\$ 8.540
1b. Infrastructure Grant Program	\$ 4.029
2. Customized Training	\$ 1.000
3. Research Matching Grants	\$ 1.000
4. Seed Capital	\$ 1.000
5. Arts	\$ .700
6. Database Development	\$ .131
7. Small Business Innovation Research Grants (SBIR)	\$ .300
8. SBDC/CDC	\$ .150
9. Training Equipment Grants	\$ .750
10. Research Equipment Grants	\$ 1.250
11. Evaluation/Studies	\$ .150
12. Incubators	\$ .300
13. Industry Extension	\$ .400
14. Tourism	\$ .250
15. Education Awards Pilot	\$ .050

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1/21/88



ECONOMIC DEVELOPMENT INITIATIVES FUND

	FY 1988	FY 1989	Percent of Total Resources
<b>ANTICIPATED REVENUES</b> .....	<b>\$5,100,000</b>	<b>\$15,120,000</b>	
Carry Forward Balance .....	—	1,610,300	
Total Available Resources .....	<b>\$5,100,000</b>	<b>\$16,730,300</b>	
<b>RECOMMENDED EXPENDITURES</b>			
<b>Natural Resource Projects</b>			
Wellington Multipurpose Small Lake .....	\$—	\$917,482	
Cedar Bluff Reservoir .....	—	365,418	
Centralia Site 50 Multipurpose Small Lake .....	—	240,000	
Hillsdale Reservoir .....	—	700,000	
Saltwater Contamination Clean-up .....	—	1,250,000	
Wetlands Purchase .....	—	27,100	
Galena Clean-up Matching Funds .....	—	500,000	
Subtotal Natural Resources .....	<b>\$—</b>	<b>\$4,000,000</b>	<b>23.9%</b>
<b>Kansas Technology Enterprise Corporation</b>			
Research Matching Grants .....	\$505,000	\$610,000	
Business Innovative Research Grants .....	—	150,000	
Research Equipment Grants .....	295,000	295,000	
Centers of Excellence .....	600,000	600,000	
Special Projects .....	125,000	—	
Seed Capital .....	500,000	500,000	
Incubators .....	125,000	125,000	
Operations .....	—	204,119	
Subtotal Kansas Technology Enterprise Corporation .	<b>\$2,150,000</b>	<b>\$2,484,119</b>	<b>14.8%</b>
<b>Commerce</b>			
Small Business Development Centers .....	\$75,000	\$75,000	
Certified Development Companies .....	—	75,000	
Development Company/Center Support .....	—	7,550	
Kansas Industrial Training .....	500,000	500,000	
Film Commission .....	31,000	31,000	
Amtrak Study .....	25,000	—	
Bloomingdale's Project .....	68,300	—	
Computerization .....	—	66,434	
Video Equipment .....	—	44,899	
Infrastructure Loan Program .....	—	5,500,000	
Main Street Program Expansion .....	—	75,000	
Education Awards Pilot .....	—	50,000	
Tourism .....	—	100,000	
Small Business Incubators .....	—	80,000	
Subtotal Commerce .....	<b>\$699,300</b>	<b>\$6,604,883</b>	<b>39.5%</b>
<b>Public Broadcasting</b>			
KOOD Television—Lakin .....	\$100,000	\$300,000	1.8%
<b>Agriculture</b>			
Arkansas River Study .....	\$—	\$25,000	
Bloomingdale's Project .....	65,400	—	
Marketing Program Expansion .....	—	178,696	
Subtotal Agriculture .....	<b>\$65,400</b>	<b>\$203,696</b>	<b>1.2%</b>
Racing Commission Operations .....	\$—	\$280,000	1.7%
Arts .....	\$—	\$50,000	0.3%
<b>Total Expenditures</b> .....	<b>\$3,014,700</b>	<b>\$13,922,698</b>	
Year-End Transfers .....	\$475,000	\$—	
<b>Unallocated Reserve</b> .....	<b>\$1,610,300</b>	<b>\$2,807,602</b>	<b>16.8%</b>

House Eco Devs  
Attachment 2  
1/21/88



ECONOMIC DEVELOPMENT INITIATIVES FUND  
INITIAL DISTRIBUTION SUMMARY BY CONGRESSIONAL DISTRICT—FY 1989

	FIRST DISTRICT	SECOND DISTRICT	THIRD DISTRICT	FOURTH DISTRICT	FIFTH DISTRICT	UNDISTRI- BUTED AMOUNTS
<b>Natural Resource Projects</b>						
Wellington Multipurpose Small Lake . . .	\$—	\$—	\$—	\$917,482	\$—	\$—
Cedar Bluff Reservoir . . . . .	365,418	—	—	—	—	—
Centralia Site 50 Multipurpose Small Lake . . . . .	—	240,000	—	—	—	—
Hillsdale Reservoir . . . . .	—	—	700,000	—	—	—
Saltwater Contamination Clean-Up . . .	600,000	—	—	300,000	350,000	—
Wetlands Purchase . . . . .	27,100	—	—	—	—	—
Galena Clean-up Matching Funds . . . .	—	—	—	—	500,000	—
<b>Kansas Technology Enterprise Corporation</b>						
Research Matching Grants . . . . .	—	—	—	—	—	610,000
Business Innovative Research Grants . .	—	—	—	—	—	150,000
Research Equipment Grants . . . . .	—	—	—	—	—	295,000
Centers of Excellence . . . . .	—	—	—	—	—	600,000
Seed Capital . . . . .	—	—	—	—	—	500,000
Incubators . . . . .	—	—	—	—	—	125,000
Operations . . . . .	40,823	40,824	40,824	40,824	40,824	—
<b>Commerce</b>						
Small Business Development Center . . .	—	—	—	—	—	75,000
Certified Development Companies . . . .	—	—	—	—	—	75,000
Development Company/Center Support . .	—	—	—	—	—	7,550
Kansas Industrial Training . . . . .	—	—	—	—	—	500,000
Film Commission . . . . .	—	—	—	—	—	31,000
Computerization . . . . .	—	—	—	—	—	66,434
Video Equipment . . . . .	—	—	—	—	—	44,899
Infrastructure Loan Program . . . . .	—	—	—	—	—	5,500,000
Main Street Program Expansion . . . . .	—	—	—	—	—	75,000
Education Awards Pilot . . . . .	10,000	10,000	10,000	10,000	10,000	—
Tourism . . . . .	—	—	—	—	—	100,000
Small Business Incubators . . . . .	—	—	—	—	—	80,000
<b>Public Broadcasting</b>						
KOOD Television—Lakin . . . . .	300,000	—	—	—	—	—
<b>Agriculture</b>						
Arkansas River Study . . . . .	25,000	—	—	—	—	—
Marketing Program Expansion . . . . .	—	—	—	—	—	178,696
Racing Commission Operations . . . . .	56,000	56,000	56,000	56,000	56,000	—
Arts . . . . .	—	—	—	—	—	50,000
<b>TOTAL . . . . .</b>	<b>\$1,424,341</b>	<b>\$346,824</b>	<b>\$806,824</b>	<b>\$1,324,306</b>	<b>\$956,824</b>	<b>\$9,063,579</b>

TESTIMONY ON  
THE USE OF GAMING FUND REVENUES  
H.C.R. 5033

presented to the  
House Committee on Economic Development

presented by  
Dr. Anthony L. Redwood  
Professor, School of Business  
and  
Executive Director  
Institute for Public Policy and Business Research  
University of Kansas

January 21, 1988

*House Eco Devo  
Attachment 3  
1/21/88*

Mr. Chairman, I appreciate the opportunity to testify in support of Kansas, Inc.'s FY 1989 budget recommendations for gaming revenues resulting from the sale of lottery tickets.

It was only two legislatures ago, in 1986, that you made the commitment to dedicate the bulk of the net lottery proceeds to economic development initiatives and it is satisfying to reach the stage where that will come to fruition. Of course on the other hand, it has been frustrating to wait this long before this level of financial commitment could be made, particularly as very little other state funding has been committed to economic development in the meantime.

In May 1987, Governor Hayden requested Kansas Inc., the state's economic development strategic planning group, to recommend priorities for the use of gaming funds for economic development initiatives. Kansas Inc. submitted their recommendations, including goals, criteria for allocation, specific initiatives, and proposed funding levels based on the availability of \$10.8 or \$20 million, in the document Proposal for Expenditure of Gaming Fund Revenues dated October 1, 1987.

The Kansas Inc. proposals are well founded and should be adopted. Hence it is pleasing to note that the Governor's budget has recommended funding for most of the initiatives proposed by Kansas Inc. I might add that these initiatives are consistent with those recommended earlier by the Legislative Commission on Economic Development. Furthermore, the proposed levels of funding for a number

of the initiatives are also pleasing (for example, the Infrastructure Loan Program).

On the other hand, the budget proposals give rise to serious concern in several areas. First, the magnitude of this long awaited economic development initiative has been critically weakened, by the proposal to use newly available Initiatives Fund monies to substitute for previously legislated General Fund monies. The funding for KTEC is the obvious case in point.

Second, and this is related to the first point, a number of initiatives have been included that were not recommended by Kansas Inc., or anybody else, because they do not represent hard core investment in the basic foundations or underpinnings for economic development. For example, the proposed Water Plan Expenditures constitute 25 percent of the Initiatives Fund proposed expenditures. If the proposals are important, and I do not dispute that they are, then they should be funded from other sources.

Third, the proposed funding levels for some initiatives are pathetically low. Examples include tourism, the arts, seed capital, Centers of Excellence, research equipment, customized training, training equipment to post secondary institutions, and incubators.

Two years ago we used to think that a solid meaningful effort by the state would involve expenditures in the range of M\$35-45. Kansas would not be a pacesetter at that level, but it would be enough to make a difference. By any stretch of the imagination, this proposal of a net addition of less than \$10 million can only be described as disappointing.



We at the Institute for Public Policy and Business Research are in total agreement with the three principles which Kansas, Inc. established to govern expenditures from the Economic Development Initiatives Fund. Briefly, these recommendations and their rationale are (page 3 & 4 of the Kansas Inc. document:

1. Expenditures from the Economic Development Initiatives Fund should not be used for salaries.

"The gaming fund should not be used to fund permanent personnel. Lottery dollars are not a stable source of revenue therefore it is unwise to fund permanent positions from a fluctuating source of revenue."

2. The Economic Development Initiatives Fund should not replace the State General Fund as a source of financing ongoing economic development programs.

"The intent of the gaming fund is to fund "new" economic development initiatives. This does not mean transferring costs from the state's general fund to the gaming fund. The fund is to enhance economic development in the state."

3. Expenditures from the Economic Development Initiatives Fund should be applied to only those programs which clearly relate to economic development strategy.

"Programs and policies should clearly identify with a pillar (listed below) of the Economic Development Strategy. The pillars are the foundation of a healthy economic strategy. Gaming Fund allocations should relate with at least one of the six following pillars: entrepreneurial environment, capital markets, human capital, infrastructure, capacity, and technology."

I strongly urge the Legislature to adopt these principles, as recommended by the interim Joint Committee on Economic Development (H.C.R. 5033).

The Economic Development Initiatives Fund is the primary vehicle for Kansas to materially improve our state's competitive position by

encouraging the birth, expansion, retention and recruitment of business. Thus monies flowing to the Economic Development Initiatives Fund provide the state the opportunity to make strategic investments in Kansas' future. Therefore, with this in mind, we support current law which allocates 60 percent of gaming revenues to the Economic Development Initiatives Fund in FY89, and 90 percent in FY90 and thereafter. The Governor has recommended in his recent budget report that the Legislature extend current allocation percentages through FY 1990. In other words, 60 percent rather than 90 percent would be available for economic development in future years. This fails to follow the recommendation made by Kansas, Inc. not to replace general fund dollars with lottery funds. This change, if adopted, will not allow adequate funding to targeted areas for economic development identified by Kansas, Inc. and Kansas Legislature Economic Development Committees and ourselves. It will seriously dissipate our long-term effort to promote economic development.

I had been under the impression that we had all gained an understanding of the states long-term economic plight and of the challenge facing us in doing something about it. Maybe we need to remind ourselves of our dilemma. The bottom line is that state employment growth in the past 10 years has been half of that of US average. Furthermore our models predict that Kansas employment growth in 1988 will be .6 to .8 percentage points below expects US employment growth of 1.9 percent. (Indeed if one takes further farm displacement into account, the net gain in employment in Kansas will be close to zero.) Continued underperformance of this nature has awesome

implications for the state.

The proposed budget calls for \$4.0 million of lottery funds to go toward financing part of the state's water plan. Kansas Inc. made no recommendations for funding the water plan from the lottery fund. While water infrastructure is certainly needed for economic development, the concern is that by spending one-fourth of the lottery fund on this purpose, a number of other budget recommendations are substantially reduced. It is a question of priorities from the perspective of economic development. As was mentioned above, the amount available for economic development is already very small by any standard. While we recognize that a comparison with other states' spending on economic development is not enough to conclusively support such a statement, it is useful as a limited standard of comparison, particularly if focused on a particular component like the KTEC programs.

For example, the Colorado Advanced Technology Institute (CATI) expects to receive \$3.7 million for their programs versus Kansas, Inc.'s request for \$3.05 million and the budget recommendation of \$2.5 million for FY 1989. The Arkansas Science and Technology Authority has total appropriations of \$6.0 million for FY 1988 and the Indiana Corporation for Science and Technology will receive approximately \$10.0 million from the state compared to the Governor's budget recommendation of \$2.5 million. Michigan is spending \$16 million on Centers of Excellence alone at 3 state universities.

For further illustration, the Arkansas Science and Technology Authority has appropriations of \$1.8 million towards seed capital

(versus Kansas, Inc.'s recommended \$750,000 and the Governor's recommended \$500,000) and \$1.0 million toward incubators (versus \$300,000 from Kansas, Inc. and \$205,000 from the Governor). Ohio's Thomas Edison Program has appropriated a total of \$33.0 million for FY 1987-89 of which \$8.0 million will be targeted to seed capital and \$1.0 million to business incubators. Michigan committed \$12 million to its Seed Capital Program. Even closer to home, the Missouri Corporation for Science and Technology has been appropriated \$1.5 million for business incubators.

It is our recommendation that the funds expected to be available in the Initiatives Fund, around \$15 million, be committed fully to the program of initiatives proposed by Kansas Inc. On the basis of the Kansas Inc.'s recommendations for the two levels of \$10.8 and \$20 million respectively, the attached table provides an indication of what the funding levels might be for each initiative at the \$15 million level of expenditure. In virtually all instances these individual initiative amounts should be perceived as net additions to current funding levels for those activities.

You will also note the inclusion of several initiatives not recommended in the budget. First, the infrastructure grant program is important to small rural communities lacking the capacity to support a loan arrangement. Second, the industry extension program is vital--we must link up the technology knowledge in our universities and colleges with our struggling business sector. Third, the state needs to encourage vocational and skill training at our Community Colleges and technical schools responsive to rapidly changing industry needs



through support for training equipment acquisition.

Let me make just a few observations on the levels of funding for particular initiatives. The budget proposals for the arts and tourism verge on being an embarrassment to the state. If anything, the Kansas Inc. recommendations for tourism are themselves unduly low, but I presume there was an anticipation of increasing them in future years as the infrastructure loan fund reaches a viable level. Second let's get KTEC funding to a level where that organization can make a significant impact. The future lies in technology and innovation and it must be underpinned in a fiercely competitive world by research and development and adaptation to change.

The stakes are high here for Kansas. If we are serious about economic development, let's get on with it.

**TESTIMONY BY DR. ANTHONY L. REDWOOD**  
**UNIVERSITY OF KANSAS**  
**January 21, 1988**

**ECONOMIC DEVELOPMENT INITIATIVES FUND**

	<u>FY1989</u>	<u>Kansas Inc., 10.8M</u>	<u>FY1989 20 M</u>	<u>Recommendations 15.00M</u>
<b>ANTICIPATED REVENUES.....</b>	\$15,120,000	\$10,800,000	\$20,000,000	\$15,120,000
Carry Forward Balance.....	1,610,300	---	---	1,610,300
Total Available Resources.....	\$16,730,000	\$10,800,000	\$20,000,000	\$16,730,000
 <b>RECOMMENDED EXPENDITURES</b>				
<b>Natural Resource Projects</b>				
Wellington Multipurpose Small Lake.....	\$ 917,482	---	---	---
Cedar Bluff Reservoir.....	365,418	---	---	---
Centralia Site 50 Multipurpose Small Lake	240,000	---	---	---
Hillsdale Reservoir.....	700,000	---	---	---
Saltwater Contamination Clean-up.....	1,250,000	---	---	---
Wetlands Purchase.....	27,100	---	---	---
Galena Clean-up Matching Funds.....	500,000	---	---	---
Subtotal Natural Resources.....	\$ 4,000,000	\$ -0-	\$ -0-	\$ -0-
 <b>Kansas Technology Enterprise Corporation</b>				
Research Matching Grants.....	\$ 610,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Business Innovative Research Grants.....	150,000	300,000	300,000	300,000
Research Equipment Grants.....	295,000	700,000	1,250,000	1,000,000
Centers of Excellence.....	600,000	---	---	500,000
Special Projects.....	---	---	---	---
Seed Capital.....	500,000	750,000	1,000,000	1,000,000
Incubators.....	125,000	300,000	300,000	150,000
Operations.....	204,119	---	---	---
Industry Extension.....	---	400,000	400,000	400,000
Subtotal Kansas Tech. Enterprise Corp.	\$ 2,484,119	\$ 3,300,000	\$ 4,100,000	\$ 4,350,000

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	<u>FY1989</u>	<u>Kansas Inc.,</u> <u>10.8M</u>	<u>FY1989</u> <u>20 M</u>	<u>Recommendations</u> <u>15.00M</u>
<b>Commerce</b>				
Small Business Development Centers.....	\$ 75,000 }			
Certified Development Companies.....	75,000 }	150,000	150,000	\$ 150,000
Development Company/Center Support.....	7,550	---	---	---
Kansas Industrial Training.....	500,000	1,000,000	1,000,000	1,000,000
Film Commission.....	31,000	---	---	---
Amtrak Study.....	---	---	---	---
Bloomington's Project.....	---	---	---	---
Computerization/Data Base Development...	66,434	131,000	131,000	131,000
Video Equipment.....	44,899	---	---	---
Infrastructure Loan Program.....	5,500,000	2,708,000	8,540,000	5,500,000
Infrastructure Grant Program.....	---	1,703,000	4,029,000	2,069,000
Main Street Program Expansion.....	75,000	---	---	---
Educational Awards Pilot.....	50,000	50,000	50,000	50,000
Tourism.....	100,000	250,000	250,000	250,000
Small business Incubators.....	80,000	150,000	150,000	150,000
Training Equipment Grants.....	---	500,000	750,000	500,000
Kansas Inc.:Evaluation/Studies	---	150,000	150,000	150,000
<b>Subtotal Commerce.....</b>	<b>\$ 6,604,883</b>	<b>\$ 6,792,000</b>	<b>\$15,200,000</b>	<b>\$ 9,950,000</b>
<b>Public Broadcasting</b>				
KOOD Television - Lakin.....	\$ 300,000	\$ ---	\$ ---	\$ ---
<b>Agriculture</b>				
Arkansas River Study.....	\$ 25,000	\$ ---	\$ ---	\$ ---
Bloomington's Project.....	---	---	---	---
Marketing Program Expansion.....	178,696	---	---	---
<b>Subtotal Agriculture.....</b>	<b>\$ 203,696</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>
<b>Racing Commission Operations.....</b>	<b>\$ 280,000</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>
<b>Arts.....</b>	<b>\$ 50,000</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>

9-3-10  
1/21/88

	<u>FY1989</u>	Kansas Inc., <u>10.8M</u>	FY1989 <u>20 M</u>	Recommendations <u>15.00M</u>
<b>Total Expenditures.....</b>	<b>\$ 13,922,698</b>	<b>\$10,792,000</b>	<b>\$20,000,000</b>	<b>\$ 15,000,000</b>
Year-End Transfers.....	\$ ---	\$ ---	\$ ---	---
<b>Unallocated Reserve.....</b>	<b>\$ 2,807,602</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 1,730,000</b>

Q-3-11  
1/21/88



Testimony to the House Economic Development Committee  
January 21, 1988  
Dr. Bill Brundage, President, KTEC

The Kansas Technology Enterprise Corporation (KTEC) concurs with Kansas Inc. in its recommendation that "expenditures from the state economic development initiatives fund (EDIF) should not be used for salaries or permanent personnel."

EDIF monies are appropriate for the following KTEC programs: 1) Applied Research Matching Grant Fund; 2) SBIR; 3) Special Projects Fund; 4) Technology Transfer and Technical Referral Services; 5) the incubator program; 6) the Seed Capital Fund; and 7) certain operating expenditures. The EDIF monies would not be appropriate for the University Centers nor KTEC staffing and most of its operating expenditures.

The University Centers rely on an adequate pool of highly trained scientists and engineers and supporting staff. To build and maintain a pre-eminence in a technical field requires a stable base of funding. There is little likelihood of attracting these human resources with a fluctuating, uncertain base of financial support.

KTEC will also require a stable base of funding. The Corporation's economic development approach provides a progression of programs that are applicable to the job creating process from concept to commercialization. This is a new and complex approach which requires a highly-trained and professional staff. As with the Centers, it would be most difficult to employ such a staff if the funding base was unpredictable.

The most important component in advanced technology economic development is people. The quality of the individuals involved in industry and academic joint research is the single most important success factor. Kansas has many excellent scientists and engineers. However, we are competing in a global economy and many of our competitors have a decided advantage in funding and in nationally-recognized scientists and engineers. For example:

1. Kansas ranks 38th nationally in terms of scientists per 100,000 persons;
2. Kansas ranks 36th nationally in terms of university research and development on a per capita basis;
3. Kansas ranks 33rd nationally in number of patents issued per 1,000 persons; and
4. Out of 16 states surveyed, Kansas ranked 15th in expenditures for advanced technology development on a per capita basis.

The above represents measurable criteria employed to assess a state's status and potential for advanced technology economic development. If KTEC is to foster innovation and create jobs, it needs a stable base of funding for staffing and operating expenses.

*House Econ Dev*  
*Attachment 4*  
*1/21/88*

# THE CHAMBER

January 21, 1988

Testimony on HCR 5033  
House Committee on Economic Development  
Bernie Koch  
Wichita Area Chamber of Commerce



Mr. Chairman, members of the Committee,

I'm Bernie Koch with the Wichita Area Chamber of Commerce, appearing in support of House Concurrent Resolution No. 5033.

Our Chamber Legislative Committee has endorsed the Kansas, Inc. recommendations for use of gaming revenues for economic development initiatives, including the basic concepts that are contained in this resolution.

Our Board of Directors takes up the matter next week. However, we expect them to endorse the Kansas, Inc. recommendations also.

Thank you.

Wichita Area Chamber of Commerce *House Ec. Dev*  
350 West Douglas Avenue  
Wichita, Kansas 67202-2970 *Attachment 5*  
316 265-7771 *1/21/88*

TESTIMONY ON HC 5033

JANUARY 21, 1988

My name is Gary Toebben. I am President of the Lawrence Chamber of commerce and the immediate Past President of the Kansas Industrial Developers Association. I am speaking here today representing both of these groups as a proponent of HCR 5033.

As you are well aware, the Kansas Legislature established Kansas, Inc. during the 1986 Legislative session. At that time you directed Kansas Inc. to:

"Oversee the formulation of economic development policy and short and long range strategic planning for the state; oversee the targeting of scarce state resources by size and sector of economic activity and by geographic location within the state in order to enhance the state's economic advantage."

During that same legislative session in 1986 you debated the pros and the cons of placing a state lottery before the voters of Kansas, and as a part of that debate, you spelled out for the voters in HB 2789 how the lottery funds would be used.

*House Eco Devo  
Attachment 6  
1/21/88*

From the comments I heard during the many committee hearings and committee meetings I observed in 1986, there was never any question but that the Kansas Legislature intended the lottery money to be used for the purposes and under the parameters spelled out by Kansas, Inc. in their recommendations to Governor Hayden and the Legislature this fall.

The recommendations of Kansas, Inc. comply with both the spirit of the debates in 1986 and the technical requirements of HB 2789.

This resolution is a confirmation of the legislature's confidence in the body it created, Kansas, Inc. It is also a reaffirmation of this body's intent when it passed HB 2789 establishing a state gaming revenues fund and submitted a state lottery to a vote of the people of Kansas.

I urge your support for HCR 5033.

A-6-2  
1/21/88