

Approved Thomas F. Walker 9-88
Date

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Thomas F. Walker at
Chairperson

9:00 a.m. ~~XXXX~~ on Friday, February 5, 1988 in room 522-S of the Capitol.

All members were present except:

Representative Peterson

Committee staff present:

- Avis Swartzman - Revisor
 - Carolyn Rampey - Legislative Research Department
 - Mary Galligan - Legislative Research Department
 - Paul West - Legislative Research Department
 - Jackie Breymeyer - Committee Secretary
- Conferees appearing before the committee:

Lewjene Schneider - Director, Division of Travel and Tourism

The meeting of the House Governmental Organization Committee was called to order by Representative Thomas F. Walker, Chairman. He stated the minutes would stand approved at the end of the meeting if there were no additions or corrections.

The Committee began with gaming revenues. Paul West, Legislative Research Department, distributed an attachment that dealt with the Kansas Lottery budget. (Attachment 1) He directed attention to page 4-1 where the Transfers to the State General Fund amount stated was \$3,024,517; Gaming Revenues Fund \$8,500,000. The Gaming Revenues Fund funds are to be distributed at 60% to the Economic Development Initiatives Fund; 30% for repayment to Kansas counties for the County Reappraisal Project; and 10% for capital improvements to correctional and juvenile detention facilities. The EDIF expenditures include \$133,700 for development of the Bloomingdale's project. Fiscal Year 1990, 90% of receipts to the Gaming Revenues Fund will be transferred to the Economic Development Initiatives Fund and 10% to the Correctional Institutions Building Fund.

Mr. West mentioned Kansas Technology Enterprise Corporation (KTEC) which will receive financial assistance in the area of encouraging high technology products and companies.

Chairman Walker thanked Mr. West and turned ^{the} subject of Tourism. He asked Representative Sprague, a member of the Travel and Tourism Council, to update the committee from his perspective of what is going on and how things are being accomplished. He mentioned several areas where accomplishment of goals is anticipated. The department is trying to acquaint Kansans with the aspect of tourism and conventions and help those organizations who are trying to get these; good market research on why people come to Kansas and the 'linger longer' program to catch those that are passing through the state; ways of strong regional interaction - to package the state as a whole; take a look at sources of funding; an opportunity to promote programs through signage and the media. The state has been in the position of not knowing what to do with the people coming to Kansas - it has been a bureaucratic problem and an attitude within the government. Representative Sprague has introduced HB 2803 and welcomes any and all amendments to lend strength to the bill.

Lewjene Schneider was an enthusiastic conferee for the department. She showed the committee a coupon book and told when it has three holes punched for the traveler they will get a Coleman jug delivered UPS to their home. Approximately 5,000 of these have gone out. Ms. Schneider also told of two conventions that will be looking at Kansas to see what it has to offer. The National Tours Association, tour bus operators, and The American Society of Travel Writers. These two groups are important from the viewpoint that one bus traveling through the state generates \$3200 in revenue and the travel writers could generate widespread attention to the state through their articles.

Ms. Schneider told the committee how the private and public sectors are working together for a better understanding and cooperation in getting more dollars for Kansas. She mentioned the same problem that Representative Sprague did with the Kansas Department of Transportation not letting signs be posted on the thoroughfares of the state. The Kansas Turnpike Authority permits the Department of Commerce to display its signs promoting tourism along the turnpike. It is hoped a solution for the promotion of tourism along Kansas routes can be worked out with the Kansas Department of Transportation. The Chairman thanked all who spoke and adjourned the meeting.



THE GOVERNOR'S REPORT ON

The

STATE OF KANSAS

Budget
FISCAL YEAR 1989

VOLUME 1

ATTACHMENT 1
G.O. COMMITTEE

2/5/88

Mike Hayden
MIKE HAYDEN, GOVERNOR

KANSAS LOTTERY

In November 1986, a constitutional amendment was approved by Kansas voters authorizing a State Lottery. During the 1987 legislative session, the Kansas Lottery Act was adopted (Chapter 292, 1987 Session Laws of Kansas).

The Lottery operates with funding from the sale of tickets, with plans to operate three types of games. On November 12, 1987, the Lottery initiated its first game of instant ticket sales. It anticipates beginning on-line and multi-state games in February 1988. The Lottery expects gross sales of lottery tickets of \$61.2 million in FY 1988 and \$84.0 million in FY 1989. The agency received start-up funding from the State General Fund of \$597,000 in FY 1987 and \$2.1 million in FY 1988, all of which must be repaid on June 30, 1988.

The purpose of the State Lottery is to provide revenue for various state projects as specified by law. For FY 1988, the law requires lottery proceeds to be credited to the Lottery Operating Fund. From this fund, the Executive Director of the Kansas Lottery authorizes transfers to the Gaming Revenues Fund, and to the Lottery Prize Payment Fund. The Kansas Lottery Act requires that 30 percent of all proceeds from the sale of lottery tickets automatically be transferred to the Gaming Revenues Fund in FY 1989 and thereafter. The Governor recommends the transfer of \$8.5 million in FY 1988. Estimated Lottery Operating Fund receipts, transfers and expenditures under the Governor's recommendations for FY 1988 and FY 1989 are summarized in the table below.

LOTTERY OPERATING FUND

	FY 1988 RECOMMENDED	FY 1989 RECOMMENDED
Beginning Balance	\$7,447	\$2,721,237
Receipts		
Gross Sales	✓ 61,232,000	✓ 84,000,000
Retailer Application Fee	230,000	75,000
Travel Rebate	1,000	800
State General Fund Transfer	2,100,000	
Subtotal Receipts	\$63,563,000	\$84,075,800
TOTAL AVAILABLE	\$63,570,447	\$86,797,037
LESS: Demands		
Transfers to State General Fund	3,024,517	—
Lottery Prize Payment Fund	10,864,000	✓ 16,040,000
Gaming Revenues Fund	✓ 8,500,000	25,200,000
Subtotal—Transfers	\$22,388,517	\$41,240,000
Nonreportable Expenditures		
Retailer Paid Prizes	18,305,600	21,760,000
Retailer Commissions	3,600,000	4,200,000
Subtotal—Nonreportable Expenditures	\$21,905,600	\$25,960,000
Reportable Expenditures	\$16,555,093	\$15,646,716
TOTAL DEMANDS	\$60,849,210	\$82,846,716
BALANCE FORWARD	\$2,721,237	\$3,950,321

FY 1988

The law provides that the funds in the Gaming Revenues Fund be distributed as follows in FY 1988 and FY 1989: 60 percent to the Economic Development Initiatives Fund; 30 percent for repayment to Kansas counties for the County Reappraisal Project; and 10 percent for capital improvements to correctional and juvenile detention facilities.

The \$8.5 million transfer recommended by the Governor for FY 1988, and the approved and recommended commitments against those funds are shown below. The Economic Development expenditures include \$133,700 for development of the Bloomingdale's project.

GAMING REVENUES FUND — FY 1988

	DISTRIBUTION	COMMITMENT	DIFFERENCE
Economic Development Initiatives Fund . . .	✓ \$5,100,000	\$3,489,700	✓ \$1,610,300
County Reappraisal	2,550,000	1,970,300	579,700
Correctional Institutions Building Fund . . .	850,000	1,250,000	(400,000)
Total	\$8,500,000	\$6,710,000	\$1,790,000

The shortfall in funds for the Correctional Institutions Building Fund will not delay existing projects. Reappraisal funds of \$579,700 will be carried forward to FY 1989 to offset payments in excess of estimated revenues for that year.

The FY 1988 appropriation language for the Economic Development Initiatives Fund specified that expenditures from the fund for the projects listed below not be expended until the total of \$2,781,000 has been credited to the Economic Development Initiatives Fund.

Research and Development Account—KTEC Grant	\$2,150,000
Kansas Economic Endowment Account—Kansas Industrial Training Program	500,000
Small Business Development Center	75,000
Kansas-Film Commission	31,000
Amtrak Feasibility Study	25,000
TOTAL	\$2,781,000

Money the Legislature appropriated last year

The act also appropriated \$575,000 from the fund for the projects listed below which can be expended as funds become available. The \$475,000 for the Kansas Industrial Training program and the Superconducting Super Collider is appropriated from the State General Fund, which is to be reimbursed from the Economic Development Initiatives Fund on June 30, 1988.

Public Broadcasting—KODD PBS	\$100,000
Kansas Industrial Training Program (General Motors Plant)	225,000
Superconducting Super Collider	250,000
Subtotal	\$575,000
Bloomingdale Project	133,700 ✓
TOTAL	\$708,700

*minimum
45% of profits
lottery proceeds*

*EC
Dev
Initiatives
Fund*

FY 1989

The transfer to the Gaming Revenues Fund from the Lottery Operating Fund is automatically 30 percent of the gross ticket sales. Based upon estimated sales of \$84,000,000, the Gaming Revenues Fund would receive \$25,200,000 in FY 1989. Distribution under current law is as follows:

GAMING REVENUES FUND — FY 1989

	DISTRIBUTION	CARRY FORWARD	TOTAL AVAILABLE
Economic Development Initiatives Fund . . .	\$15,120,000	\$1,610,300	\$16,730,300
County Reappraisal	7,560,000	579,700	8,139,700
Correctional Institutions Building Fund . . .	2,520,000	—	2,520,000
Total	\$25,200,000	\$2,190,000	\$27,390,000

Current law provides that in FY 1990, 90 percent of receipts to the Gaming Revenues Fund will be transferred to the Economic Development Initiatives Fund and 10 percent to the Correctional Institutions Building Fund. The Governor recommends that the Legislature extend the current formula for distribution of gaming funds through FY 1990. This would provide that 30 percent of the gaming revenues funds would be available to pay for the cost of reappraisal in FY 1990. The Governor recommends that this change be adopted to replenish the State General Fund for the amount required to supplement gaming revenues in order to pay the state's share of reappraisal costs. The Governor's recommended FY 1989 budget includes \$7.0 million from the State General Fund to make up the difference between the estimated \$15.0 million required and the \$8.0 million estimated from the Gaming Revenues Fund for reappraisal. State general funds of \$7.9 million in FY 1987 and \$7.5 million in FY 1988 were also expended for reappraisal.

The Governor further recommends that the formula be altered in FY 1991 and succeeding fiscal years to provide that 20 percent be distributed to the Correctional Institutions Building Fund. This would double the transfer from the Gaming Revenues Fund to the Correctional Institutions Building Fund. This action is recommended in light of the continuing demand for correctional institutions buildings funds and the growing need for maintenance expenditures to other state institutions. Another 20 percent of the Gaming Revenues Fund would be utilized for natural resource improvements beginning in FY 1991, and the remaining 60 percent of the gaming funds would continue to be dedicated to economic development initiatives.

DISTRIBUTION OF GAMING REVENUE FUNDS

	COUNTY REAPPRAISAL REIMBURSEMENT	ECONOMIC DEVELOPMENT INITIATIVES FUND	CORRECTIONAL INSTITUTIONS BUILDING FUND	NATURAL RESOURCES
Current Law				
FY 1989	30%	60%	10%	—
FY 1990	—	90%	10%	—
FY 1991+	—	90%	10%	—
Governor's Recommendation				
FY 1989	30%	60%	10%	—
FY 1990	30%	60%	10%	—
FY 1991+	—	60%	20%	20%

ECONOMIC DEVELOPMENT INITIATIVES FUND

In FY 1989, the Economic Development Initiatives Fund (EDIF) will receive 60 percent of the receipts deposited into the Gaming Revenues Fund or \$15.12 million. Total available resources, which include an estimated carry-forward balance of \$1.61 million, are estimated at \$16.73 million. Half of the expenditures must be evenly divided by congressional district. Estimated EDIF resources and the Governor's FY 1989 recommendations for expenditures from the fund are summarized in the table below.

ECONOMIC DEVELOPMENT INITIATIVES FUND

Resource Estimate	
FY 1988 Carry-Forward	\$1,610,300
FY 1989 Gaming Revenues Fund Distribution	15,120,000
Total Available	\$16,730,300
Expenditure Estimate	
50 Percent to be Distributed by Congressional Districts	\$6,961,349
Amount Distributed by Governor's Recommendation	4,859,119
Balance to be Distributed by the Department of Commerce and the Kansas Technology Enterprise Corporation	2,102,230
50 Percent Not Required to be Distributed by Congressional District	6,961,349
Total Expenditures	\$13,922,698
Unallocated Reserve	\$2,807,602

The Governor recommends several economic development initiatives in FY 1989 to assist in developing an overall framework within Kansas that: encourages the Kansas private sector to develop new products and companies; encourages outside companies to locate facilities in Kansas; allows local communities to compete with communities in other states for new business ventures and resulting jobs; and makes Kansas a safer and more enjoyable place to live and work.

The Governor recommends that 39 percent of the available funds be included as programs of the Department of Commerce to assist businesses and entrepreneurs to expand job opportunities in Kansas. The largest program recommended for Commerce is a new low-interest loan program to assist local communities to gain infrastructure improvements that will result in new or expanding business. Also recommended for the Department of Commerce is funding to upgrade the Department's computer and video equipment to make it possible to inform more companies of the opportunities that Kansas has to offer, and to match quickly the interests of a company with the resources of a specific community. Funds recommended for the Department also include financing for the Kansas Industrial Training program and Film Commission activities; an educational awards pilot project; expansion of the National Main Street program; expanded tourism efforts; and a program of grants for small business incubators.

The second major area of business assistance is the recommended expenditures for the Kansas Technology Enterprise Corporation (KTEC). With expenditures at 15 percent of the available funds, or \$2.5 million, a significant move forward is anticipated in encouraging the development of new high-technology products and companies. Funding is included to allow institutions of higher education to assist private companies to develop products or improvements to products. Seed capital is also proposed to allow KTEC to assist entrepreneurs in developing product prototypes which have significant market potential.

The Governor also recommends expenditures from the fund to provide a better working and living environment for businesses and workers. Approximately 24 percent, or \$4.0 million, of the available funds is set aside for natural resource investments. These include state contributions to multipurpose small lakes projects at Centralia and Wellington; the purchase of water storage at Cedar Bluff Reservoir; and the cleanup of saltwater contamination at eight sites around the state. Funding is recommended to develop recreation facilities at Hillsdale Reservoir and to purchase wetlands acreage in south central Kansas. A state matching contribution is included for cleanup of the Galena subsite under the federal Superfund program.

The Governor also recommends expenditures from this fund for expanded marketing activities by the Board of Agriculture, for additional expenditures in arts and public broadcasting, and for the operations of the Kansas Racing Commission. The following tables provide a summary of the Governor's recommended expenditures, as well as a distribution by congressional district. The Governor's recommendation provides that unallocated amounts needed by congressional district to meet statutory requirements will be met through grants from the Commerce Department and the Kansas Technology Enterprise Corporation.

In FY 1988, the Governor recommends the expenditure of \$133,700 from this fund to enable the State of Kansas to participate in promotional activities with Bloomingdale's of New York City. Bloomingdale's has invited Kansas to participate in this special activity and will match expenditures on a dollar-for-dollar basis. The Department of Commerce and the Board of Agriculture will coordinate this special promotion so that a wide range of Kansas products will be represented.

ECONOMIC DEVELOPMENT INITIATIVES FUND

	FY 1988	FY 1989	Percent of Total Resources
ANTICIPATED REVENUES			
Carry Forward Balance	\$5,100,000	\$15,120,000	
Total Available Resources	—	1,610,300	
	\$5,100,000	\$16,730,300	
RECOMMENDED EXPENDITURES			
Natural Resource Projects			
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	23.9%
Kansas Technology Enterprise Corporation			
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	\$2,150,000	\$2,484,119	14.8%
Commerce			
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	—	
Bloomington'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	\$699,300	\$6,604,883	39.5%
Public Broadcasting			
KOOD Television—Lakin	\$100,000	\$300,000	1.8%
Agriculture			
Arkansas River Study	\$—	\$25,000	
Bloomington's Project	65,400	—	
Marketing Program Expansion	—	178,696	
Subtotal Agriculture	\$65,400	\$203,696	1.2%
Racing Commission Operations	\$—	\$280,000	1.7%
Arts	\$—	\$50,000	0.3%
Total Expenditures	\$3,014,700	\$13,922,698	
Year-End Transfers	\$475,000	\$—	
Unallocated Reserve	\$1,610,300	\$2,807,602	16.8%

Cancelled CDBG program

1 position

Breakdown

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
Natural Resource Projects						
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	—
Kansas Technology Enterprise Corporation						
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	—
Commerce						
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
Public Broadcasting						
KOOD Television—Lakin	300,000	—	—	—	—	—
Agriculture						
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
TOTAL	\$1,424,341	\$346,824	\$806,824	\$1,324,306	\$956,824	\$9,063,579