

Approved February 9, 1988
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

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

12:40 ~~am~~/p.m. on February 3, 1988 in room 254-E of the Capitol.

All members were present except:
Senator Paul Burke - Excused

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Mary Allen, Secretary to the Committee

Conferees appearing before the committee:

Jerry Lonergan, Kansas Inc.
Dr. Anthony Redwood, Institute for Public Policy and Business Research, University
of Kansas

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

Paul West, Kansas Legislative Research Department, presented the Committee with a comparison of the budgets and the Governor's budget recommendations for the Kansas Department of Commerce, Kansas Inc. and Kansas Technology Enterprise Corporation (KTEC). (See Attachment I)

Jerry Lonergan, Manager of Research for Kansas Inc., outlined how Kansas Inc. developed the gaming fund proposal. He noted that the process used has resulted in an objective and realistic set of recommendations that can significantly benefit the state in its pursuit of a quality of life that is conducive to positive economic growth. Mr. Lonergan requested that as Committee members review these recommendations they note that within each recommendation is a set of criteria which are important to meeting the intent of the initiatives. He observed that the criteria were developed as part of an overall package of recommendations. He stated that he hopes that these criteria will be given as serious consideration as the Kansas Inc. recommendations. (See Attachment II for his statement.)

Dr. Anthony Redwood, Executive Director of the Institute for Public Policy and Business Research at the University of Kansas, spoke to the Committee in support of Kansas Inc.'s FY 89 budget recommendations for gaming revenues resulting from the sale of lottery tickets. He noted that the Kansas Inc. proposals are well founded and should be adopted. He expressed concern over the Governor's budget proposal to use newly available Economic Development Initiatives Fund (EDIF) monies to substitute for previously appropriated General Fund monies. He observed that the proposed Water Plan expenditures constitute twenty-five percent of the EDIF proposed expenditures and noted that they should be funded from other sources. He pointed out that the proposed funding levels for some initiatives are pathetically low and he cited tourism, the arts, seed capital, Centers of Excellence, research equipment, customized training, training equipment to post secondary institutions, and incubators as examples.

Dr. Redwood said that the EDIF is the primary vehicle for Kansas to materially improve its competitive position by encouraging the birth, expansion, retention and recruitment of business. He stated that he supports current law which allocates sixty percent of gaming revenues to the EDIF in FY 89, and ninety percent in FY 90 and thereafter. He observed that a change downward in this allocation will seriously dissipate the state's long-term effort to promote economic development.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 254-E, Statehouse, at 12:40 ~~am~~/p.m. on February 3, 1988.

He recommended that the funds expected to be available in the EDIF be committed fully to the program of initiatives proposed by Kansas Inc. (See Attachment III for Dr. Redwood's statement.)

Senator Langworthy moved that the minutes of the January 27, 1988, and January 28, 1988, meetings of the Committee be approved. Senator Fred Kerr seconded the motion. The motion carried.

The meeting was adjourned at 1:35 p.m. by the Chairman.

GUEST LIST

<u>NAME</u>	<u>REPRESENTING</u>
JERRY LOVERGAN	KANSAS INC.
Debbie Zabel	IPPBR, Univ. of Kansas
Terry Denker	KDOC
TONY RED WOOD	KU
Jon Josseland	Univ. of Kansas
D. WAYNE ZIMMERMAN	KDOC
Harland E. Riddell	KDOC
Dorothy L. Allgen	Kansas Arts Commission
Wayne J. Price	Lawrence Journal World
Jon Bravo	Life at the Best
Archie Hurst	Ks. Bd of Agri
Bill BRUNDAGE	KTEC

PLAN FOR FINANCING
 KANSAS TECHNOLOGY ENTERPRISE CORPORATION
 KANSAS, INC.
 DEPARTMENT OF COMMERCE
 FY 1987 - FY 1989

*Paul West
2-3-88*

*Attachment I
Senate Eco Div
2-3-88*

	Actual FY 1987		Governor's Rec. FY 1988			Agency Request FY 1989 (level C)			Governor's Rec. FY 1989		
	SGF	Other	SGF	EDIF	Other	SGF	EDIF	Other	SGF	EDIF	Other
<u>Kansas Technology Enterprise Corporation (KTEC)</u>											
Salaries	\$ 140,059	\$ --	\$ 163,639	\$ --	\$ --	\$ 414,597	\$ --	\$ --	\$ --	\$ 173,737	\$ --
Other Operations	<u>171,383</u>	--	<u>52,694</u>	--	--	<u>434,592</u>	--	--	--	<u>30,382</u>	--
Subtotal -- State Oper.	\$ <u>311,442</u>	\$ --	\$ <u>216,333</u>	\$ --	\$ --	\$ <u>849,189</u>	\$ --	\$ --	\$ --	\$ <u>204,119</u>	\$ --
Research Matching Grants ^a	619,045	--	1,100,401	505,000	--	2,000,000	--	--	--	610,000	--
SBIR Grants	--	--	229,612	--	--	500,000	--	--	--	150,000	--
Research Equipment Grants	--	--	--	295,000	--	--	3,000,000	--	--	295,000	--
Centers of Excellence	--	--	--	600,000	--	--	1,250,000	--	--	600,000	--
Seed Capital	--	--	--	500,000	--	--	1,500,000	--	--	500,000	--
Innovation Centers	--	--	--	125,000	--	--	500,000	--	--	125,000	--
Special Projects	--	--	--	125,000	--	--	--	--	--	--	--
Subtotal -- By Fund	\$ <u>930,487</u>	\$ --	\$ <u>1,546,346</u>	\$ <u>2,150,000</u>	\$ --	\$ <u>3,349,189</u>	\$ <u>6,250,000</u>	\$ --	\$ --	\$ <u>2,484,119</u>	\$ --
TOTAL AGENCY EXPEND.	\$ <u>930,487</u>	--	\$ <u>1,546,346</u>	\$ <u>3,696,346</u>	--	\$ <u>3,349,189</u>	\$ <u>9,599,189</u>	--	\$ --	\$ <u>2,484,119</u>	--
Employees	3		4			11			4		
<u>Kansas, Inc.</u>											
Salaries	\$ 35,566	\$ --	\$ 122,810	\$ --	\$ 61,424	\$ 188,456	\$ --	\$ --	\$ 132,275	\$ --	\$ 66,158
Other Operations	<u>120,238</u>	--	<u>168,910</u>	--	<u>84,481</u>	<u>115,712</u>	--	<u>152,084</u>	<u>159,495</u>	--	<u>79,772</u>
Subtotal -- by Fund	\$ <u>155,804</u>	\$ --	\$ <u>291,720</u>	\$ --	\$ <u>145,905</u>	\$ <u>304,168</u>	\$ --	\$ <u>152,084</u>	\$ <u>291,770</u>	\$ --	\$ <u>145,930</u>
TOTAL AGENCY EXPEND.	\$ <u>155,804</u>	--	\$ <u>291,720</u>	\$ <u>437,625</u>	--	\$ <u>304,168</u>	\$ <u>456,252</u>	--	\$ <u>291,770</u>	\$ <u>145,930</u>	\$ <u>437,700</u>
Employees	4		4			4			4		

	Actual FY 1987		Governor's Rec. FY 1988			Agency Request FY 1989 (level C)			Governor's Rec. FY 1989		
	SGF	Other	SGF	EDIF	Other	SGF	EDIF	Other	SGF	EDIF	Other
<u>Department of Commerce</u>											
Salaries	\$ 1,833,081	\$ 320,425	\$ 2,379,677	\$ --	\$ 450,067	\$ 2,857,025	\$ 232,782	\$ 438,060	\$ 2,668,856	\$ 25,892	\$ 487,550
Industrial Training (KIT)	848,485	--	225,000 ^b	500,000	--	500,000	500,000	--	--	500,000	--
Amtrak Study	--	--	--	25,000	--	--	--	--	--	--	--
Bloomington's Project	--	--	--	68,300	--	--	--	--	--	--	--
Natl. Main Street Contract	40,000	21,630	53,000	--	--	72,000	--	5,000	48,000	24,000	5,000
Tourism Operations ^c	416,283	329,451	384,272	--	387,897	1,308,199	--	449,120	363,160	100,000	409,120
Film Services	51,263	45	49,899	31,000	--	80,899	31,000	--	49,899	31,000	--
State Loan Program Operations	--	--	--	--	--	--	20,499	--	--	--	--
Computer System ^d	--	--	--	--	--	--	86,351	--	17,200	33,654	--
Video Equipment	--	--	--	--	--	--	44,899	--	--	44,899	--
Productivity Study	--	--	--	--	--	150,000	--	--	--	--	--
SSC Project	50,000	--	250,000 ^b	--	--	--	--	--	--	--	--
All Other State Ops.	1,728,220	124,163	1,950,938	--	196,500	2,254,667	7,550	162,382	2,003,431	14,438	162,382
Subtotal -- OEE	\$ 3,134,251	\$ 475,289	\$ 2,913,109	\$ 624,300	\$ 584,397	\$ 4,365,765	\$ 690,299	\$ 616,502	\$ 2,481,690	\$ 747,991	\$ 576,502
Subtotal -- State Oper.	\$ 4,967,332	\$ 795,714	\$ 5,292,786	\$ 624,300	\$ 1,034,464	\$ 7,222,790	\$ 923,081	\$ 1,054,562	\$ 5,150,546	\$ 773,883	\$ 1,064,052
Infrastructure Loans	--	--	--	--	--	--	10,000,000	--	--	5,500,000	--
Economic Development Loans	--	--	--	--	--	--	4,867,505	--	--	--	--
Main Street Assistance	--	--	--	--	--	--	--	--	--	51,000	--
CDBG Program	--	14,576,959	--	--	14,733,000	--	--	14,733,000	--	--	14,733,000
Subtotal -- Local Aid	\$ --	\$ 14,576,959	\$ --	\$ --	\$ 14,733,000	\$ --	\$ 14,867,550	\$ 14,733,000	\$ --	\$ 5,551,000	\$ 14,733,000
CDC Grants	346,318	--	388,000	--	--	325,000	75,000	--	325,000	75,000	--
SBDC Grants	245,568	--	175,000	75,000	--	175,000	75,000	--	175,000	75,000	--
Education Awards	--	--	--	--	--	--	--	--	--	50,000	--
Incubator Grants	12,837	--	--	--	--	--	280,000	--	--	80,000	--
Other	--	7,386	--	--	--	--	--	--	--	--	--
Subtotal -- Assistance	\$ 604,723	\$ 7,386	\$ 563,000	\$ 75,000	\$ --	\$ 500,000	\$ 430,000	\$ --	\$ 500,000	\$ 280,000	\$ --
Subtotal -- by Fund	\$ 5,572,055	\$ 15,380,059	\$ 5,855,786	\$ 699,300	\$ 15,767,464	\$ 7,722,790	\$ 16,220,586	\$ 15,787,938	\$ 5,650,546	\$ 6,604,883	\$ 15,797,052
TOTAL AGENCY EXPEND.		\$ 20,952,114		\$ 22,322,550			\$ 39,730,938			\$ 28,052,481	
FTE Positions		92.0			96.5			119.5			98.5
GRAND TOTAL -- by Fund	\$ 6,658,346	\$ 15,380,059	\$ 7,693,855	\$ 2,849,300	\$ 15,613,369	\$ 11,376,147	\$ 25,819,775	\$ 15,940,022	\$ 5,942,316	\$ 9,088,952	\$ 15,943,032

Notes

- a. FY 1988 figures include a State General Fund reappropriation of \$795,401.
- b. To be repaid from the EDIF at the end of FY 1988.
- c. The agency requested \$840,000 from the State General Fund in FY 1989 for four new programs. The Governor recommends \$90,000 from the EDIF in FY 1989 for the requested programs. The following table summarizes the agency's request and the Governor's Recommendation.

	<u>Tourism Grants</u>	<u>Marketing Study</u>	<u>Out-of-State Marketing</u>	<u>NTA Convention</u>
<u>Agency Request</u>	\$ 250,000	\$ 250,000	\$ 250,000	\$ 90,000
<u>Governor's Rec.</u>	10,000	15,000	55,000	10,000

The balance of the Governor's recommendation for EDIF expenditures in the Tourism Division is associated with brochure printing. The Governor recommends \$10,000 from the EDIF and \$3,000 from the State General Fund for brochures. The agency's request is \$78,000 from the State General Fund.

- d. The agency's request includes \$53,929 for several items of computer equipment. Subsequent to the submission of the agency's budget, the Department developed a revised listing of equipment needs totaling \$117,490. The Governor recommends that the equipment be purchased on a five year contract and includes \$27,432 for payments on the equipment in the FY 1989 budget recommendation.

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	\$3.308
1b. Infrastructure Grant Program	\$1.703
2. Customized Training	\$1.000
3. Research Matching Grants	\$1.000
4. Seed Capital	\$.750
5. Arts	\$.350
6. Capacity (Database System)	\$.131
7. Small Business Innovation Research Grants	\$.300
8. SBDC/CDC	\$.150
9. Training Equipment Grants	\$.500
10. Research Equipment Grants	\$.700
11. Evaluation/Export	\$.150
12. Incubators	\$.300
13. Industry Extension	\$.400
14. Education Awards Pilot	\$.050

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	\$ 8.790
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. Capacity (Database System)	\$.131
7. Small Business Innovation Research Grants	\$.300
8. SBDC/CDC	\$.150
9. Training Equipment Grants	\$.750
10. Research Equipment Grants	\$ 1.250
11. Evaluation/Export	\$.150
12. Incubators	\$.300
13. Industry Extension	\$.400
14. Education Awards Pilot	\$.050

KANSAS, INC.

<u>Expenditure Summary</u>	<u>Actual FY 87</u>	<u>Governor's Rec. FY 88</u>	<u>Agency Req. FY 89</u>	<u>Governor's Rec. FY 89</u>
All Funds	\$ 155,804	\$ 437,625	\$ 456,252	\$ 437,700
State General Fund	155,804	291,720	304,168	291,770
Percentage Change:				
All Funds	--	180.9%	4.3%	--
State General Fund	--	87.2	4.3	--

BUDGET SUMMARY

A. **FY 1988.** The FY 1988 budget estimate for Kansas, Inc., is \$437,625 including \$291,750 from the State General Fund, an amount unchanged from the budget approved by the 1987 Legislature. Kansas, Inc., reports that revisions in the estimated expenditures for several items have been made in order to more accurately reflect anticipated expenses in the current year. Major revisions include an increase in the cost of office rent (\$12,553) and decreases in contractual research (\$9,653), travel and subsistence (\$6,000), and printing expenses (\$5,500). Net other revisions increase total expenditures by \$8,600.

The Governor recommends an FY 1988 budget of \$437,625. Salary expenses are increased by \$2,984 to reflect revised fringe benefit and health insurance rates with an offsetting decrease in contractual research.

B. **FY 1989.** Kansas, Inc. requests an FY 1989 budget of \$456,252 including \$304,168 from the State General Fund, an increase of \$18,627 from the current year estimate. The corporation reports that one-third of the FY 1989 budget would be financed from nonstate sources as mandated by K.S.A. 1987 Supp. 74-8009. The Governor recommends an FY 1989 budget of \$437,700 including \$291,770 from the State General Fund, a slight increase from the current year recommendation.

STATE OPERATIONS

<u>Item</u>	<u>Governor's Recommendation</u>
<p>A. Salaries and Wages. Kansas, Inc. requests \$188,456 for salaries and wages in FY 1989, an increase of \$7,206 from the current year estimate of \$181,250. The request continues the current level of staffing with four employees and provides \$6,819 (including benefits) for a 4 percent salary increase for full-time employees and \$4,233 (including benefits) for seasonal and temporary employment. Actual FY 1987 salary and wage expenditures totaled \$35,566.</p>	<p>A. The Governor recommends \$198,433 for salaries and wages in FY 1989, an increase of \$14,199 from the current year recommendation of \$184,234. The FY 1989 recommendation includes \$10,350 (including benefits) for a pool to fund salary increases for the Corporation's employees and \$4,403 (including benefits) for seasonal and temporary employment. The FY 1988 recommendation is an increase of \$2,984 from the Corporation's estimate and reflects revised fringe benefit and health insurance rates.</p>

Item	Governor's Recommendation
<p>B. Contractual Research. Kansas, Inc. requests \$192,194 in FY 1989 to support contractual research designed to coordinate economic development efforts in the state. The Corporation reports that individual research projects are initiated by the requests of legislative committees, the Governor, the Corporation's Board of Directors, and the Corporation's staff. Examples of some of the contractual research performed in FY 1988 include a major review of the Kansas business tax structure and a study of the potential impact of corporate hog farming. The FY 1988 estimate of \$182,541 for contractual research is a decrease of \$9,653 from the amount included in the budget approved by the 1987 Legislature. The Corporation reports that the amount available for contractual research in FY 1988 was lowered in order to partially finance greater than anticipated office rents.</p>	<p>B. The Governor recommends \$163,665 to support contractual research in FY 1989, a decrease of \$15,892 from the current year recommendation of \$179,557. The current year recommendation is a decrease of \$2,984 from the Corporation's current year estimate.</p>
<p>C. Rents. The Corporation requests \$29,053 in FY 1989 for rental of office space at Capitol Tower, an amount unchanged from the current year estimate. The request provides funding for 1,709 square feet at a cost of \$17 per square foot. The current year estimate is an increase of \$12,553 from the amount included in the budget approved by the 1987 Legislature. The Corporation reports that the increase in rental costs is primarily associated with greater than anticipated renovation costs which were built into the rental rate.</p>	<p>C. The Governor concurs with the amounts requested for rents in both years.</p>
<p>D. Travel and Subsistence. The Corporation requests \$25,681 for travel and subsistence expenses in FY 1989, an amount unchanged from the current year estimate. The request includes \$5,808 for out-of-state travel for the Corporation's staff, \$1,835 for in-state staff travel, and \$18,038 associated with expenses for meetings of the Corporation's Board of Directors. The request for Board member compensation includes \$4,779 for per diem payments. The current year estimate of \$25,681 is a reduction of \$6,000 from the amount included in the budget approved by the 1987 Legislature. The Corporation's staff reports that the current year estimate was lowered based on fewer Board meetings and to partially finance greater than anticipated rental costs. Actual travel and subsistence expenses for FY 1987 totaled \$2,459.</p>	<p>D. The Governor concurs with the amounts requested for travel and subsistence in both years.</p>

Item

E. **Communications.** Kansas, Inc. requests \$6,280 for communication expenses in FY 1989, a slight increase from the current year estimate of \$6,100. The request includes \$4,575 for telephone service, including KANS-A-N charges, and \$1,608 for mailing expenses. The balance of the FY 1989 communications request (\$97) is reportedly a contingency factor added by the Corporation's staff due to a lack of historical data on communication expenses. The current year estimate is an increase of \$1,100 from the amount included in the budget approved by the 1987 Legislature. Actual communication expenses in FY 1987 totaled \$607.

F. **All Other Expenditures.** Kansas, Inc. requests \$14,588 for all other expenditures in FY 1989, an increase of \$1,588 from the current year estimate for the same items of \$13,000. The request includes \$3,400 for office supplies, \$3,150 for honorariums for economic development professionals, \$2,800 for printing expenses, and \$2,075 for capital outlay. All other expenditure items total \$3,161. Of the requested increase, \$900 is associated with additional office supplies and \$300 is for additional printing expenses.

Governor's Recommendation

E. The Governor concurs with the amounts requested for communications in both years.

F. The Governor concurs with the amounts requested for all other expenditures in both years.

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

<u>Expenditure Summary</u>	<u>Actual FY 87</u>	<u>Governor's Rec. FY 88</u>	<u>Agency Req. FY 89</u>	<u>Governor's Rec. FY 89</u>
All Funds				
State Operations	\$ 311,442	\$ 216,333	\$ 849,189	\$ 204,119
Other Assistance	<u>619,045</u>	<u>3,480,013</u>	<u>8,750,000</u>	<u>2,280,000</u>
TOTAL	<u>\$ 930,487</u>	<u>\$ 3,696,346</u>	<u>\$ 9,599,189</u>	<u>\$ 2,484,119</u>
State General Fund				
State Operations	\$ 311,442	\$ 216,333	\$ 849,189	\$ --
Other Assistance	<u>619,045</u>	<u>1,330,013</u>	<u>2,500,000</u>	<u>--</u>
TOTAL	<u>\$ 930,487</u>	<u>\$ 1,546,346</u>	<u>\$ 3,349,189</u>	<u>\$ --</u>
Percentage Change:				
All Funds	42.1%	297.3%	160.0%	32.8%
State General Fund	42.1	66.2	148.0	(100)

Note: FY 1987 includes expenditures for KTEC's predecessor, the Department of Economic Development's Office of Advanced Technology.

BUDGET SUMMARY

A. **FY 1988.** The Kansas Technology Enterprise Corporation (KTEC) estimates FY 1988 expenditures to be \$3,692,735 including \$1,542,735 from the State General Fund and \$2,150,000 from the Economic Development Initiatives Fund (EDIF). The Governor recommends an FY 1988 budget of \$3,696,346 including \$1,546,346 from the State General Fund and \$2,150,000 from the EDIF.

1. **State Operations.** The FY 1988 estimate for state operations of \$192,334 is unchanged from the amount approved by the 1987 Legislature. Internal shifts within the state operations budget include an increase of \$15,099 for the salary of an office assistant which is financed by reductions in several categories of contractual services. Subsequent to the receipt of the KTEC's budget, the Corporation submitted a request for a supplemental State General Fund appropriation of \$120,000. The request would provide \$20,388 to finance an anticipated shortfall in the current year operations, \$39,804 to relocate the Corporation's office and purchase computing equipment, and \$59,808 to finance the start-up costs associated with the Corporation's seed capital program and implementation of the industrial liaison, marketing, and technical referral activities. The Corporation proposes to finance the supplemental appropriation with an offsetting lapse of \$120,000 from the funds available for the Small Business Innovation Research (SBIR) Matching Grant program. The Governor recommends an FY 1988 state operations budget of \$216,333, an increase of \$23,999 from the Corporation's estimate. At the request of the Corporation, the Governor issued an executive directive which transferred \$20,388 from the funds available for the SBIR Matching Grant program to state operations in order to finance an anticipated shortfall in the current year operations. In addition, the Governor recommends a supplemental State General Fund appropriation of \$3,611 to fund increased health insurance costs and revised fringe benefits.

2. **Other Assistance.** The FY 1988 estimate for other assistance totals \$3,500,401 including \$1,350,401 from the State General Fund and \$2,150,000 from the EDIF. The State General Fund estimate reflects the reappropriation of \$795,401 for projects approved under the Research Matching Grant program, which are awaiting the required private sector match and \$100,000 associated with the SBIR Matching Grant program. Including reappropriations, the FY 1988 budget estimate provides

KTEC

\$1,100,401 from the State General Fund for the Research Matching Grant program and \$250,000 for the SBIR Matching Grant program. Additional funding for the Research Matching Grant program is provided through the EDIF in the current year. Subsequent to the submission of KTEC's budget, the Corporation proposed a lapse of \$120,000 from the SBIR Matching Grant program in order to finance a supplemental funding request for state operations. The Governor's recommendation for other assistance of \$3,480,013 reflects the transfer of \$20,388 from the SBIR Matching Grant program to state operations. The Governor otherwise concurs with the Corporation's current year estimate.

B. **FY 1989.** The Corporation requests an FY 1989 budget of \$9,599,189 including \$3,349,189 from the State General Fund and \$6,250,000 from the EDIF. The Governor recommends an FY 1989 budget of \$2,484,119. Effective in FY 1989, the Governor recommends that all funding for KTEC come from the EDIF.

1. **State Operations.** The state operations request of \$849,189 from the State General Fund includes \$256,528 for seven additional employees, \$230,000 for a major promotion effort advertising the Corporation's services and programs, and funding to move the Corporation's office from its current location within the Department of Commerce. The Governor recommends an FY 1989 state operations budget of \$204,119 from the EDIF, which continues KTEC at the current level of activity.

2. **Other Assistance.** The FY 1989 request of \$8,750,000 for other assistance provides for increased funding for several programs. The State General Fund request of \$2,500,000 would provide funding for two programs which started prior to FY 1988, the Research Matching Grant program (\$2,000,000) and the SBIR Matching Grant program (\$500,000). The \$6,250,000 requested from the EDIF would provide increased funding for programs scheduled to start in FY 1988 including \$1,250,000 for additional support for the Centers of Excellence, \$1,500,000 for the Seed Capital Investment Fund, \$500,000 to develop innovation centers, and \$3,000,000 for research equipment grants. The Governor recommends \$2,280,000 from the EDIF for other assistance in FY 1989.

STATE OPERATIONS

<u>Item</u>	<u>Governor's Recommendation</u>
A. Salaries and Wages. The Corporation requests \$414,597 for salaries and wages for 11 employees in FY 1989, an increase of \$254,569 from the current year estimate. The request includes \$164,383 (including benefits) for existing positions, \$256,528 (including benefits) for seven new positions and allows for \$6,314 or 1.5 percent in turnover savings. The current year estimate of \$160,028 is an increase of \$15,099 from the amount included in the budget approved by the 1987 Legislature. The increase is associated with a new office assistant who was hired in late FY 1987. Actual FY 1987 expenditures for salaries and wages totaled \$140,059.	A. The Governor recommends \$173,737 from the EDIF in FY 1989 for salaries, an increase of \$10,098 from the current year recommendation of \$163,639. The FY 1989 recommendation continues the current staff of four employees and provides \$9,238 (including benefits) for salary increases. The recommendations for both years reflect revised health insurance rates and fringe benefits.

Item	Governor's Recommendation
<p>1. New Employees. The Corporation requests \$256,528 (including benefits) for seven new employees in FY 1989. The request includes a Vice-President of Finance and a Vice-President of Investments (\$48,523 each, including benefits) who would complete business plans, review investment proposals from existing and start-up companies, and manage the Seed Capital Investment Fund. A Marketing Specialist (\$37,922 including benefits) would perform market analysis on seed capital proposals and promote the programs, services, and resources of the Corporation. A Recruitment Specialist (\$37,922 including benefits) would work in conjunction with the Marketing Specialist and the Industrial Development Division of the Department of Commerce in identifying and recruiting high tech firms for expansion or relocation in Kansas.</p>	<p>1. The Governor does not recommend funding for the requested new employees.</p>
<p>A Programmer-Analyst (\$28,996 including benefits) would computerize and operate a Kansas technology data base which could be used to network academic, corporate, inventor, and financial resources. In addition, the Programmer-Analyst would manage the state's participation in the NASA Industrial Affiliates Program which provides low cost access to over 1,000 commercial and federal data bases.</p>	
<p>An Accounting Clerk (\$27,321 including benefits) would provide accounting support to the Corporation including fiscal administration of the various grant programs. An Editor (\$27,321 including benefits) would be responsible for in-house production of a quarterly newsletter, brochures promoting the Corporation, and editing business plans completed under the Seed Capital program.</p>	
<p>B. Promotions. The Corporation requests \$230,000 for promotions and advertising in FY 1989. The current year estimate totals \$2,500. The request provides \$10,000 for printing and distributing a quarterly newsletter, the annual report, and brochures describing the programs and services offered by the Corporation, \$10,000 for advertising the annual Kansas Technology Exposition, \$30,000 to develop a video tape promoting the state's high tech resources, \$30,000 to conduct a targeted industry recruitment campaign in conjunction with the Industrial</p>	<p>B. The Governor recommends \$1,327 for promotions in FY 1989 and concurs with the current year estimate of \$2,500.</p>

Item	Governor's Recommendation
<p>Development Division of the Department of Commerce, and \$150,000 for general advertising. The Corporation reports that the general advertising funds would be used to promote KTEC's programs and services, primarily the Seed Capital program, in financial and technical publications. The Corporation indicates that attracting investment firms to provide matching seed capital will require that KTEC be identified as having a viable seed capital program. Actual FY 1987 expenditures for promotions and advertising totaled \$14,914.</p>	
<p>C. Professional Services. The Corporation requests \$45,000 for professional fees in FY 1989. The current year estimate totals \$3,000. The request includes \$5,000 for association memberships, \$5,000 for an annual financial audit, \$15,000 for consulting services and external peer review, and \$20,000 for legal fees. Actual expenditures in FY 1987 totaled \$34,346 including \$25,000 for development of the Corporation's business plan.</p>	<p>C. The Governor recommends no funding for professional fees in FY 1989 and concurs with the current year estimate of \$3,000.</p>
<p>D. Rents. The Corporation requests \$30,900 for rental costs in FY 1989. The current year estimate includes \$10,600 for office space the Corporation sublets from the Department of Commerce. The FY 1989 request would provide funding for 2,700 square feet of office space at \$11 a square foot (\$29,700) to accommodate expansion of the Corporation and allow for possible future expansion of three to four additional employees. Corporate staff have indicated that possible sites for office relocation are currently under review. The balance of the FY 1989 request (\$1,200) would provide for a leased copy machine. Actual FY 1987 expenditures totaled \$1,573 for copy machine rental.</p>	<p>D. The Governor recommends \$12,284 for rents in FY 1989 and concurs with the current year estimate of \$10,600. The Governor does not recommend funds for the Corporation to relocate its offices in FY 1989.</p>
<p>E. Travel and Subsistence. The Corporation requests \$27,062 for travel and subsistence expenses in FY 1989, an increase of \$19,956 from the current year estimate of \$7,106. The request provides \$7,780 for out-of-state travel, \$12,282 for in-state travel for the Corporation's staff, and \$7,000 for the Board of Directors' expenses. Actual FY 1987 expenses totaled \$7,502.</p>	<p>E. The Governor recommends \$7,600 for travel and subsistence expenses in FY 1989 and concurs with the current year estimate of \$7,106.</p>

Item	Governor's Recommendation
<p>F. Conferences and Seminars. The Corporation requests \$25,000 to support conferences and seminars, an increase of \$19,500 from the current year estimate of \$5,500. The request includes \$5,000 to sponsor monthly technical seminars involving Kansas industry, the Centers of Excellence, and other state academic programs; \$10,000 for booth space to allow KTEC to represent the state at major high tech trade shows, and \$10,000 to support the annual Kansas Technology Exposition. Actual expenditures in FY 1987 totaled \$9,511.</p>	<p>F. The Governor recommends \$4,000 in FY 1989 to support the annual Kansas Technology Exposition and concurs with the current year estimate of \$5,500.</p>
<p>G. Communications. The Corporation requests \$24,000 for communication expenses in FY 1989, an increase of \$21,800 from the current year estimate of \$3,200. The request includes \$8,000 for postage and telephone expenses. Actual FY 1987 expenditures totaled \$1,906.</p>	<p>G. The Governor recommends \$4,771 for communication expenses in FY 1989 and concurs with the current year estimate of \$3,200.</p>
<p>H. Office Supplies. The Corporation requests \$5,000 for stationery and office supplies in FY 1989. The current year estimate is \$400. Actual FY 1987 expenses totaled \$5,542.</p>	<p>H. The Governor recommends \$400 for office supplies for both years.</p>
<p>I. Capital Outlay. The Corporation requests \$47,630 for several items of furniture and equipment associated with the requested new positions, expanded programs, and the relocation of the Corporation's office. The request includes \$9,225 for office furniture, \$19,925 for computer equipment and software, \$14,000 for a desktop publishing system with laser printer, \$2,280 for a FAX machine, \$1,200 for display booth materials, and \$1,000 for installation of a telephone system. The FY 1988 estimate includes no funding for capital outlay. FY 1987 actual expenditures totaled \$11,051.</p>	<p>I. The Governor does not recommend funding for capital outlay in FY 1989.</p>

OTHER ASSISTANCE

<p>A. Research Matching Grants. KTEC requests \$2,000,000 in FY 1989 from the State General Fund to continue the Advanced Technology Research Matching Grant program which started in FY 1984. This program provides grants to finance up to 40 percent of the cost of applied technology research at the state's educational institutions. Funds for research projects which</p>	<p>A. The Governor recommends \$610,000 from the EDIF for research matching grants and concurs with the current year estimate of \$1,605,401.</p>
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Item

have been approved remain in a restricted account until the required private sector match is received. The FY 1988 estimated expenditures for the program of \$1,605,401 includes \$795,401 reappropriated from FY 1987 for approved projects awaiting the receipt of matching funds. The balance of the funds available for FY 1988 are financed by \$305,000 from the State General Fund and \$505,000 from the EDIF. Actual FY 1987 expenditures for the program totaled \$619,045.

B. Small Business Innovation Research Grants. The Corporation requests \$500,000 from the State General Fund in FY 1989 to provide matching grants of up to \$50,000 each to Phase I awardees of the federal Small Business Innovation Research Program. The current year budget estimate provides \$250,000 from the State General Fund for this program, including \$100,000 reappropriated from FY 1987. Subsequent to the submission of KTEC's FY 1989 budget request, the Corporation submitted a request for supplemental FY 1988 funding for state operations of \$120,000. To finance this request, the Corporation proposes to lapse \$120,000 from this program. There were no expenditures for this program in FY 1987.

C. Centers of Excellence. The Corporation requests \$1,250,000 from the EDIF in FY 1989 to provide additional support to the state's Centers of Excellence. Basic support for the Centers is provided through the budget of the Regents' institution where the Center is located. The FY 1989 request is designed to provide \$1,000,000 for existing Centers and \$250,000 to establish a new Center of Excellence. The Corporation reports that all support provided by KTEC would be awarded based on a competitive review and would require matching funds from nonstate sources. The FY 1988 budget estimate provides \$600,000 from the EDIF for support of the Centers at Kansas State University, University of Kansas, and Wichita State University (\$150,000 each), as well as \$150,000 to establish a Center of Excellence in Technology Transfer at Pittsburg State University.

Governor's Recommendation

B. The Governor recommends \$150,000 from the EDIF in FY 1989 for the Small Business Innovation Research Grants program. The FY 1988 recommendation of \$229,612 reflects the transfer of \$20,388 to fund a shortfall in state operations expenditures.

C. The Governor recommends \$600,000 in both years from the EDIF for additional support for the Centers of Excellence.

Item	Governor's Recommendation
<p>D. Research Equipment Grants. The Corporation requests \$3,000,000 from the EDIF to provide grants to state educational institutions to purchase research equipment. Grants would be made available on a competitive basis and selected from proposals received from the institutions, with an emphasis on allowing institutions to remain competitive in key areas of research relative to Kansas industry. The FY 1988 budget estimate provides \$295,000 from the EDIF for research equipment grants.</p>	<p>D. The Governor recommends \$295,000 in both years from the EDIF for research equipment grants.</p>
<p>E. Seed Capital Investment Fund. The Corporation requests \$1,500,000 from the EDIF in FY 1989 to invest in the Seed Capital Fund. The fund, which was created by the 1986 Legislature, is designed to provide seed capital to start-up companies in Kansas which would not qualify for traditional financing methods. Investments from the fund are controlled by the Board of Directors under the provisions of K.S.A. 1987 Supp. 74-8109. The Corporation's staff reports that KTEC intends to leverage the funds available with private capital through the development of a formal venture capital network. The Corporation's investments would be handled by a professional fund manager employed by KTEC. The Corporation's staff also reports that some of the start-up companies receiving seed capital funds may be firms created to exploit technology developed under the Research Matching Grant program and also may be targeted for innovation centers developed by the Corporation. The Corporation proposes to make the first investment in the fund utilizing \$500,000 of the \$2,150,000 from the EDIF which is available to KTEC in FY 1988.</p>	<p>E. The Governor recommends \$500,000 in both years from the EDIF for the Seed Capital Investment Fund.</p>
<p>F. Innovation Centers. The Corporation requests \$500,000 from the EDIF in FY 1989 to provide financial support in developing innovation centers. Innovation centers are technology based business incubators. The Corporation's staff reports that KTEC plans to develop innovation centers associated with the state's academic and research centers. The innovation centers would primarily be used by start-up companies with an emphasis on high technology related firms and firms utilizing the developments from research at the state's universities.</p>	<p>F. The Governor recommends \$125,000 in both years from the EDIF for the support of innovation centers.</p>

DEPARTMENT OF COMMERCE

<u>Expenditure Summary</u>	<u>Actual FY 87</u>	<u>Governor's Rec. FY 88</u>	<u>Agency Req. FY 89</u>	<u>Governor's Rec. FY 89</u>
All Funds:				
State Operations	\$ 5,763,046	\$ 6,951,550	\$ 9,200,433	\$ 6,988,481
Local Aid	14,589,796	14,733,000	29,880,505	20,284,000
Other Assistance	<u>599,272</u>	<u>638,000</u>	<u>650,000</u>	<u>780,000</u>
Total	<u>\$ 20,952,114</u>	<u>\$ 22,322,550</u>	<u>\$ 39,730,938</u>	<u>\$ 28,052,481</u>
State General Fund:				
State Operations	\$ 4,967,332	\$ 5,292,786	\$ 7,222,790	\$ 5,150,546
Local Aid	12,837	--	--	--
Other Assistance	<u>591,886</u>	<u>563,000</u>	<u>500,000</u>	<u>500,000</u>
Total	<u>\$ 5,572,055</u>	<u>\$ 5,855,786</u>	<u>\$ 7,722,790</u>	<u>\$ 5,650,546</u>
Economic Development Initiatives Fund:				
State Operations	\$ --	\$ 624,300	\$ 923,081	\$ 773,883
Local Aid	--	--	15,147,505	5,551,000
Other Assistance	<u>--</u>	<u>75,000</u>	<u>150,000</u>	<u>280,000</u>
Total	<u>\$ --</u>	<u>\$ 699,300</u>	<u>\$ 16,220,586</u>	<u>\$ 6,604,883</u>
Percentage Change:				
All Funds	12.9%	6.5%	78.0%	25.7%
State General Fund	65.1	5.1	29.5	(3.5)
FTE Positions	82.0	96.5	119.5	98.5

Note: FY 1987 figures exclude expenditures for Kansas, Inc., the Office of Advanced Technology, and the Kansas Technology Enterprise Corporation (KTEC).

BUDGET SUMMARY

A. FY 1988.

1. **State Operations.** The Department of Commerce proposes an FY 1988 state operations budget for 95.5 FTE positions of \$6,950,411, including \$5,400,636 from the State General Fund, \$556,000 from the Economic Development Initiatives Fund (EDIF), and \$993,775 from other funding sources. The current year estimate reflects an increase of \$98,213, including \$4,373 from the State General Fund, and 1.5 FTE positions from the budget approved by the 1987 legislature. The Department requests several supplemental State General Fund appropriations totaling \$4,373 in order to implement the FY 1988 pay plan. Technical problems prevented the transfer of funds which would have financed pay plan adjustments for this agency.

Other revisions from the budget approved by the 1987 Legislature include expenditures from three new special revenue funds, the Linger Longer Fund (\$20,000), the NTA Motorcoach Picnic Campaign Fund (\$15,000), and the Low Income Housing Tax Credit Fund (\$7,092). The first two funds receive revenues from donations and participation in the Department's Linger Longer tourism campaign, while the last fund derives its revenues from an application fee charged for tax credits available to persons constructing low-income housing. The Department also received a \$40,000 grant from the Economic Development Administration, U.S. Department of Commerce for policy analysis and research activities

related to economic development. Salary expenditures are increased by \$135 from the Publications Fee Fund and \$4,381 from the Job Training Partnership Act federal fund.

The State Finance Council approved an expenditure limitation increase of \$39,130 from the Community Development Block Grant -- Administrative Match Fund and a position limitation increase of 1.5 FTE positions in order to fund the state operation expenses associated with the Department's administration of the federal Rental Rehabilitation program. The Department's current year estimate, however, reflects an increase of only \$7,232 from that fund. In addition, subsequent to the submission of the Department's budget, the State Finance Council approved another increase for the fund of \$26,189 and 1.0 FTE position in order to allow the Department to implement a new grant close-out and audit tracking system for the Small Cities Community Development Block Grant (CDBG) program.

The Governor recommends an FY 1988 state operations budget for 96.5 FTE positions of \$6,951,550 including \$5,292,786 from the State General Fund, \$624,300 from the EDIF, and \$1,034,464 from other funding sources. The Governor recommends several supplemental State General Fund appropriations totaling \$19,524 to finance revised fringe benefits and to hire a Public Information Officer for the agency. In addition, the Governor recommends a supplemental appropriation of \$68,300 from the EDIF to finance the promotion of Kansas products at Bloomingdale's, and an increase of \$14,500 from the sale of existing equipment for the first payments on a new computer system. The Governor's recommendation also reflects increased expenditures of \$26,723 associated with the addition of 1.0 FTE position to the CDBG program by the State Finance Council subsequent to the submission of the agency's budget. Net other revisions decrease total expenditures by \$127,374 from the State General Fund and \$264 from other funding sources.

2. **Local Aid.** The Department of Commerce estimates payments to local units of government of \$14,733,000 in FY 1988, an increase of \$733,000 from the amount approved by the 1987 Legislature. The increase is associated with the federal Rental Rehabilitation program, which the Department accepted from the U.S. Department of Housing and Urban Development (HUD), with the approval of the State Finance Council. The program provides grants to smaller cities for the purpose of encouraging rental housing rehabilitation and correction of substandard housing conditions. The balance of the current year estimate (\$14,000,000) reflects estimated payments under the Small Cities CDBG program, an amount unchanged from the budget approved by the 1987 Legislature. The Governor concurs in the current year estimate for aid to local units of government.

3. **Other Assistance.** The Department estimates other assistance payments of \$638,000 in FY 1988 for grants to Certified Development Companies (\$388,000) and Small Business Development Centers (\$225,000), an amount unchanged from the budget approved by the 1987 Legislature. The current year estimate is financed by \$563,000 from the State General Fund and \$75,000 from the EDIF. The Governor concurs in the current year estimate for other assistance.

B. FY 1989.

1. **State Operations.** The Department requests \$9,200,433 including \$7,222,790 from the State General Fund, \$923,081 from the EDIF and \$1,054,562 from other funding sources for state operations in FY 1989. The request represents an increase from the current year estimate of \$2,250,022 including \$1,822,154 from the State General Fund and reflects the addition of 24.0 positions. Major increases reflected in the Department's request include \$720,000 for tourism studies and promotions, an additional \$275,000 for the Kansas Industrial Training (KIT) program, \$250,000 for a tourism matching grant program, \$150,000 for a worker productivity study, and \$609,614 for the requested new positions.

Commerce

The Governor recommends an FY 1989 state operations budget of \$6,988,481 including \$5,150,546 from the State General Fund, \$773,883 from the EDIF, and \$1,064,052 from other funding sources. The Governor's recommendation includes \$82,249 for an additional 3.0 FTE positions and \$125,570 for salary increases. One existing position is abolished.

2. **Local Aid.** The Department requests \$29,880,505 for payments to local units of government in FY 1989. The request includes \$14,000,000 for grants under the Small Cities CDBG program and \$733,000 for grants under the Rental Rehabilitation program, amounts unchanged from the current year estimate. The request also includes \$14,867,505 from the EDIF for two new programs to provide loans to local units of government for infrastructure improvements and to private businesses for fixed asset acquisition or working capital. In addition, the request includes \$280,000 from the EDIF for a program to provide grants to nonprofit organizations to support the establishment of small business incubator facilities.

The Governor recommends \$20,284,000 for aid to local units of government in FY 1989. The Governor concurs with the estimated expenditures for the Small Cities CDBG and the Rental Rehabilitation programs. In addition, the Governor recommends \$5,500,000 from the EDIF to provide loans to local units of government for infrastructure improvements and \$51,000 from the EDIF to provide assistance to smaller cities enrolled in the Main Street program.

3. **Other Assistance.** The Department requests \$650,000 in FY 1989 to continue grants to the Certified Development Companies (\$400,000) and the Small Business Development Centers (\$250,000). The FY 1989 request would be financed by \$500,000 from the State General Fund and \$150,000 from the EDIF.

The Governor recommends \$780,000 for other assistance in FY 1989. The Governor concurs in the amounts requested for grants to the Certified Development Companies and the Small Business Development Centers. The Governor also recommends \$80,000 from the EDIF for operating grants for small business incubators and \$50,000 from the EDIF to provide awards to secondary schools which show the greatest improvement in national test scores.

Summary of Budget Changes
FY 1988-FY 1989

<u>Item</u>	<u>Agency Request</u>	<u>Governor's Recommendation</u>
New Positions	\$ 609,614	\$ 82,249
Reallocations	5,249	5,235
Other Salaries	66,466	265,070
SSC Project	(250,000)	(250,000)
Kansas Industrial Training Program	275,000	(225,000)
National Tourism Advertising Campaign	250,000	55,000
Tourism Marketing Study	250,000	15,000
Tourism Matching Grant Program	250,000	10,000
Worker Productivity Study	150,000	--
Tourism Convention Sponsorship	90,000	10,000
International Representation	100,500	49,500
State Loan Program	14,867,505	5,500,000
Small Business Incubator Grants	280,000	80,000
Other Tourism Promotions	140,000	10,000
Communications	67,398	28,011
Travel and Subsistence	78,588	32,005
Rents	48,860	45,860
Capital Outlay	71,211	(14,425)
Main Street Grants	--	51,000
Education Awards Program	--	50,000
Net Other Changes	<u>59,136</u>	<u>(69,574)</u>
Total	<u>\$17,409,527</u>	<u>\$ 5,729,931</u>

Financing

State General Fund	\$ 1,759,154	\$ (205,240)
Economic Development Initiatives Fund	15,589,586	5,935,583
Federal Funds	(44,089)	(25,728)
Other Funds	<u>104,876</u>	<u>25,316</u>
Total	<u>\$ 17,409,527</u>	<u>\$ 5,729,931</u>

STATE OPERATIONS

Item	Governor's Recommendation
A. Administration Division	
<p>1. Revisions to FY 1988. The Division's current year estimate of \$1,568,408, including \$1,490,908 from the State General Fund, is \$40,578 above the amount included in the budget approved by the 1987 Legislature. The estimate includes a request for a supplemental State General Fund appropriation of \$578 in order to finance the FY 1988 pay plan. In addition, the Division received a \$40,000 grant from the Economic Development Administration, U.S. Department of Commerce, for policy analysis and research activities related to economic development. The Division reports that the \$40,000 grant will be expended for temporary salaries (\$30,000), printing and communications (\$4,300), travel and subsistence (\$3,000), capital outlay (\$2,500), and office supplies (\$200).</p>	<p>1. The Governor recommends an FY 1988 budget of \$1,596,005, including \$1,504,005 from the State General Fund. The Governor recommends a supplemental State General Fund appropriation of \$13,675 in order to finance revised health insurance rates and to hire a Public Information Officer for the agency in the current year. In addition, capital outlay is increased by \$14,500 for the first payments on a new computer system for the agency. Funding for the FY 1988 payments would come from the proceeds of the sale of the existing computer.</p>
<p>2. Salaries and Wages. The Division requests \$588,055, including \$559,009 from the State General Fund, for salaries and wages for 18.0 FTE positions in FY 1989. The request represents increases of \$178,998 from the State General Fund, \$29,046 from the Publications Fee Fund, and 7.0 FTE positions from the current year estimate of \$410,011. Of the requested increase, \$72,944 (excluding benefits) is associated with the transfer of 3.0 FTE positions from the Industrial Development Division. The Department reports that the positions are being transferred to the Administration Division to reflect the agency-wide focus of work performed by those positions and provide additional support for agency research and data processing needs. In addition, the request includes \$91,649 (excluding benefits) for new positions, \$333,790 for the base salaries of existing positions, \$1,884 (excluding benefits) for equivalent step movement for existing unclassified positions, \$19,116 (excluding benefits) for temporary employment, \$77,627 for fringe benefits, and allows for turnover savings of \$8,955 or 1.5 percent. Actual FY 1987 expenditures totaled \$372,322 for 10.0 FTE positions.</p>	<p>2. The Governor recommends \$565,076, including \$508,896 from the State General Fund and \$25,892 from the EDIF, for salaries and wages for 16.0 FTE positions in FY 1989. The FY 1989 recommendation reflects increases of \$114,913 from the State General Fund, \$30,288 from the Publications Fee Fund, and \$25,892 from the EDIF from the FY 1988 recommendation of \$423,983. The FY 1988 recommendation reflects revised fringe benefit and health insurance rates and the addition of \$30,428 (including benefits) for a Public Information Officer position. Turnover savings in FY 1988 are increased from \$5,787 to \$27,914 or 6.2 percent. The FY 1989 recommendation includes \$26,808 for a new position, \$502,889 for existing positions, \$21,581 for temporary employment, \$12,513 for a 4 percent salary increase for classified employees, \$9,890 for a merit pool for salary increases for unclassified employees, and allows for turnover savings of \$8,605 or 1.5 percent. The Governor concurs with the transfer of 3.0 FTE positions from the Industrial Development Division to the Administration Division.</p>

Item	Governor's Recommendation
<p>3. New Positions. The Division requests \$104,661 (including benefits) from the State General Fund for 4.0 new FTE positions in FY 1989. The request includes \$25,690 for a Programmer II position to develop computer programs for the Department's economic analysis database. The agency reports that development of a database for economic analysis is the result of recommendations from the <u>Kansas Economic Development Study</u>. In addition, the request includes \$18,579 for a Secretary II position to support the Policy Analysis and Research Unit created in FY 1988. The request also includes funding for the unclassified positions of Chief Attorney (\$31,637) and Public Information Officer (\$27,866). The request also provides \$889 for equivalent step movement for the requested unclassified positions.</p>	<p>3. The Governor recommends \$26,808 in FY 1989 for a Programmer II position. The position would be a limited term classified position funded by the EDIF. The difference between the recommended salary and the recommended EDIF funding of \$25,892 is apparently attributable to turnover savings. The Governor recommends that the requested Public Information Officer position be implemented in the current year. The Governor does not recommend funding for the other requested new positions.</p>
<p>4. International Representation. The Division requests \$520,500 from the State General Fund for international representation of the state in FY 1989, an increase of \$100,500 from the current year estimate of \$420,000. The request provides funding to continue the existing representation in Europe and Japan with the possible establishment of additional contracts in the Far East and South America. The Department estimates that the fall of the U.S. dollar has resulted in a loss of purchasing value of approximately 33 percent since the start of FY 1988. Actual expenditures for international representation in FY 1987 totaled \$242,000.</p>	<p>4. The Governor recommends \$469,500 from the State General Fund for international representation in FY 1989 and concurs with the current year estimate of \$420,000.</p>
<p>5. Communications. The Division requests \$217,631 for postage and telecommunication expenses in FY 1989, an increase of \$44,728 or 25.9 percent from the current year estimate of \$172,903. The request provides funding for the communication expenses of all divisions of the agency, with the exception of telex charges, phone service for the Visitor Information Centers, communication charges associated with federally funded programs, and postage for special publications. The request includes \$109,717 for postage and \$107,914 for telecommunication expenses. Of the requested increase, \$40,132 is for postage (\$27,127) and telecommunication charges (\$13,005) for the new positions requested throughout the agency. Net other changes increase total expenditures by \$12,796. Actual FY 1987 expenditures totaled \$183,005.</p>	<p>5. The Governor recommends \$179,244 for communication expenses in FY 1989 and concurs with the current year estimate of \$172,903.</p>

Item

Governor's Recommendation

6. **Rents.** The Division requests \$208,190 for office and equipment rental in FY 1989, an increase of \$38,173 from the current year estimate of \$170,017. The request includes \$202,134 for office rent, \$5,036 for rental of a copier, \$600 for storage space, and \$420 for parking the agency car. Of the requested increase, \$38,537 is associated with increased rental rates for the agency's office in Capitol Tower and \$600 is for storage space. Copier rental expenses are decreased by \$964. Office rental for all divisions of the agency is budgeted under the Administration Division with the exception of office space for federally funded programs. Actual FY 1987 expenditures totaled \$138,653.

6. The Governor concurs with the amounts requested for rents in both years.

7. **Travel and Subsistence.** The Division requests \$34,717 for travel and subsistence expenses in FY 1989, an increase of \$4,439 from the current year estimate of \$30,278. The agency indicates that of the amount requested, \$10,500 is for three international trips, \$9,994 is for out-of-state travel, \$6,784 is for in-state travel, and \$7,439 is associated with travel for the new positions requested for the Division. Actual travel expenses in FY 1987 totaled \$46,447.

7. The Governor recommends \$28,278 for travel and subsistence expenses in FY 1989 and concurs with the current year estimate of \$30,278.

8. **Video Equipment.** The Division requests \$44,899 from the EDIF in FY 1989 for TV and video equipment to allow the Department to provide video footage for several of the agency's functions, including industrial site review, film location review, trade show presentations, and conferences.

8. The Governor recommends \$44,899 from the EDIF in FY 1989 for video equipment acquisition.

9. **DataBase Development.** The Division requests \$86,351 from the EDIF in FY 1989 for the initial phase of development of an economic development research and analysis database. The agency reports that creation of research and analysis capabilities were recommended by the Kansas Economic Development Study and the FY 1989 request would allow for the development of several databases of use to all divisions of the agency, other state agencies, and local units of government. The agency indicates that public and local governmental units access to the information included in the databases would be achieved through use of a modem or downloading onto PC diskettes. The FY 1989 request includes

9. The Governor recommends \$50,854 including \$17,200 from the State General Fund and \$33,654 from the EDIF for computerization of the Department and database development in FY 1989. The recommendation includes \$17,200 from the State General Fund for fees paid to DISC, \$3,222 for computer supplies, \$3,000 for contractual database development, and \$27,432 for payments on several items of computer equipment. Subsequent to the submission of the Department's budget, the agency submitted a revised list of computer equipment needs totaling \$117,490. The Governor recommends that the equipment be purchased on a 60-month contract at a 9.5 percent interest rate. The

Item	Governor's Recommendation
<p>\$53,929 for several items of computer equipment and related software, \$17,200 for fees paid to DISC, \$9,000 for maintenance contracts for the requested computer equipment, \$3,222 for various computer supplies, and \$3,000 for contractual database development.</p>	<p>Governor further recommends that the equipment be acquired in late FY 1988, with the current year expenses being financed by the proceeds from the sale of existing equipment.</p>
<p>10. Manufacturers Directory. The Division requests \$44,957 from the Publications Fee Fund in FY 1989 for other operating expenses associated with the publication of the <u>Directory of Kansas Manufacturers</u>. The agency reports that expenditures for this publication are to be transferred from the Industrial Development Division in order to reflect the agency-wide use of the publication. The FY 1989 request, which is unchanged from the current year estimate, provides \$25,957 for printing expenses, \$10,800 for contractual production costs, and \$8,200 for postage. Actual FY 1987 expenditures totaled \$15,045.</p>	<p>10. The Governor concurs with the requested funding for publication of the <u>Directory of Kansas Manufacturers</u> for both years.</p>
<p>11. Office Supplies. The Division requests \$24,831 for stationery and office supplies in FY 1989, an increase of \$8,456 from the current year estimate of \$16,375. The agency indicates that the requested amount would provide office supplies for all divisions of the agency with the exception of federally funded programs and specialized supplies unique to a division. The agency states the FY 1989 request reflects a more accurate projection of the cost of office supplies in light of actual FY 1987 and FY 1986 expenditures of \$20,703 and \$17,261, respectively.</p>	<p>11. The Governor concurs with the amounts requested for office supplies in both years.</p>
<p>12. Coal Commission Research. The Division requests \$12,500 from donated funds to continue studies associated with the Kansas Coal Commission created by the 1987 Legislature. The current year estimate provides \$25,000 for Coal Commission studies. (<u>Staff Note:</u> The request may be understated. Analysis of the plan for financing indicates that \$25,000 would be spent on Coal Commission studies in FY 1989, including \$12,500 from the State General Fund.)</p>	<p>12. The Governor recommends \$25,000 in FY 1989 for studies associated with the Kansas Coal Commission and concurs with the current year estimate. The recommendations for both years are financed by \$12,500 from the State General Fund and \$12,500 from donations.</p>
<p>13. All Other Expenditures. The Division requests \$44,323 for the remainder of the FY 1989 request. The current year estimate provides \$48,824 for the same items of expenditure for a decrease of \$4,501. The FY 1989 request provides \$22,489 for official hospitality,</p>	<p>13. The Governor recommends \$42,012 for all other expenditures for the Administration Division in FY 1989. The recommendation reflects decreases of \$318 for tuition expenses, \$204 for membership, and \$1,789 for official hospitality from the agency's request. The</p>

Item	Governor's Recommendation
<p>\$7,982 for memberships and subscriptions, \$5,900 for expenses associated with the agency's KIPPS terminal, \$5,850 for printing expenses, \$1,625 for maintenance contracts, and \$477 for tuition and training expenses for the requested new positions. Major revisions from FY 1988 include an increase of \$12,489 for official hospitality, and decreases of \$10,200 associated with discontinuance of the Washington liaison contract, \$4,300 for printing, and \$2,500 associated with capital outlay in the current year. Net other changes total \$10. Actual FY 1987 expenditures for the same items totaled \$51,261.</p>	<p>current year recommendation of \$62,499 reflects a decrease of \$875 for maintenance contracts and an increase of \$14,500 for acquisition of computer equipment.</p>

B. Community Development Division

1. **Revisions to FY 1988.** The Division's current year state operations estimate of \$855,612 (including \$526,650 from the State General Fund) represents an increase of \$49,697 from the budget approved by the 1987 Legislature. State General Fund revisions reflect the shift of \$27,938 associated with additional turnover savings and revised fringe benefit rates from salaries and wages to other operating expenditures. Of the increase in the current year estimate, \$35,373 is associated with the shift of a federally-funded position from the Existing Industry Development Division and \$7,092 is associated with expenditures from a new fee fund associated with the federal Low Income Housing Tax Credit program.

The balance of the increase (\$7,232) is associated with increased expenditures for the Small Cities Community Development Block Grant program. The State Finance Council approved limitation increases of \$39,130 and 1.5 FTE positions in order to administer the federal Rental Rehabilitation program. This program provides grants to smaller cities to encourage the rehabilitation of rental housing for low to moderate income families. The Division's current year estimate, however, only reflects an increase of \$7,232 and may be understated. In addition, subsequent to the submission of the agency's budget, the State Finance Council approved additional increases of \$26,189 and 1.0 FTE position to allow the Department to implement a new grant close-out and audit tracking system for the CDBG program.

1. The Governor recommends an FY 1988 budget of \$881,805, including \$526,654 from the State General Fund. Salaries are increased by \$20,742 and reflect revised health insurance rates and the addition of 1.0 FTE position by the State Finance Council for the CDBG program's new grant closeout and audit tracking system. Other operating expenses are increased by \$5,451 due to the action of the State Finance Council subsequent to the submission of the agency's budget. In order to partially finance the revised health insurance rates, the Governor recommends a supplemental State General Fund appropriation of \$4.

Item	Governor's Recommendation
<p>2. Salaries and Wages. The Division requests \$1,007,428, including \$473,075 from the State General Fund and \$232,782 from the EDIF, for salaries and wages for 33.5 FTE positions in FY 1989. The request represents increases of \$85,203 from the State General Fund, \$232,728 from the EDIF, \$48,593 from other funding sources, and 13.0 FTE positions from the current year estimate of \$640,850 for 20.5 FTE positions. The FY 1989 request provides \$313,807 (including benefits) for 12.0 new positions, \$708,963 (including benefits) for existing positions, and allows for turnover savings of \$15,342 or 1.5 percent. The request for existing positions includes \$26,486 to finance an Economic Development Representative (EDR) I position which will be transferred from the Trade Development Division effective in FY 1989. Actual FY 1987 expenditures totaled \$538,638 for 18.0 FTE positions.</p>	<p>2. The Governor recommends \$735,852, including \$389,781 from the State General Fund, for salaries and wages for 21.5 FTE positions in FY 1989. The request represents increases of \$1,905 from the State General Fund and \$72,355 from other funding sources from the current year recommendation of \$661,592. The FY 1989 recommendation includes \$719,217 for existing positions, \$22,843 for a 4 percent increase in the salaries of classified employees, \$4,998 for salary increases for unclassified employees, and allows for turnover savings of \$11,206 or 1.5 percent. The Governor recommends that the EDR I position which would be transferred from the Trade Development Division instead be abolished. The Governor's recommendation for both years reflects funding for the position added by the State Finance Council in FY 1988 and revised fringe benefits and health insurance rates.</p>
<p>3. New Positions. The Division requests \$313,807 (including benefits) for 12.0 new FTE positions in FY 1989. The request includes \$103,702 for an EDR III (\$31,582), two EDR II (\$27,430 each), and a Secretary I (\$17,260) to provide technical assistance to local units of government in financial packaging and administration of loans made through the proposed State Loan program. An equal amount (\$103,702) is requested for 4.0 FTE positions to implement the proposed Rural Initiatives program. The request also includes \$31,582 for an EDR III position to implement the proposed Small Business Incubator program. In addition, the request includes \$74,821 for an Architect I (\$30,131), an EDR II (\$27,430), and a Secretary I (\$17,260) to implement an expanded Main Street program.</p>	<p>3. The Governor does not recommend funding for the requested new positions.</p>
<p>4. Community Assistance Expansion. The Division requests \$73,638 from the State General Fund in FY 1989 for other operating expenditures associated with the addition of a Rural Initiatives program, a Small Business Incubator program, and an expanded Kansas Main Street program. Major expenditure items in the FY 1989 request include \$36,191 for travel and subsistence, \$26,102 for office furniture and equipment, and \$7,750 for printing promotional materials and informational data. All other expenditures total \$3,595.</p>	<p>4. The Governor does not recommend funding for the requested Rural Initiatives program. While no state operations funding is recommended for the Small Business Incubator program, the Governor does recommend \$80,000 for operating grants for incubators. Additional funding for the Main Street program is recommended under the National Main Street contract and other assistance.</p>

Item	Governor's Recommendation
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The proposed Rural Initiatives program is designed to promote rural economic conservation and development by establishing a coordinated service delivery system. The responsibilities of the personnel under this section would include development of a cross-referenced compilation of services and information currently available to rural communities and businesses, provision of a single point of contact for communities or businesses seeking assistance, coordination of the development of assistance packages and assistance referrals, and evaluation of service delivery in order to determine if the correct referral has been made and if gaps in the service delivery system exist. The agency indicates that \$30,000 of the requested increase is associated with the Rural Initiatives program.

The Small Business Incubator program would provide matching grants and technical assistance to nonprofit organizations for the development of small business incubators. The person assigned to this program would provide grant administration, review and process grant applications, and work with local communities and small business entrepreneurs in the development of incubator facility proposals. The agency states that \$12,000 of the requested increase is associated with the Small Business Incubator program. In addition, the agency states that \$18,000 of the requested increase is for an expansion of the Main Street program.

5. National Main Street Contract. The Division requests \$77,000 in FY 1989 to contract with the National Main Street Center as a part of the Kansas Main Street program. The request represents an increase of \$24,000 from the current year estimate of \$53,000 and would be financed by \$72,000 from the State General Fund and \$5,000 from donations. The Division reports that the additional funding requested would allow more cities to participate in the program with the possible expansion of the program to cities in the 1,000 to 5,000 population range. The Main Street program provides technical assistance to cities in the area of downtown revitalization. The current year estimate is an increase of \$5,000 from the State General Fund from the amount approved by the 1987 Legislature. Actual FY 1987 expenditures for the National Main Street contract totaled \$61,630 including \$40,000 from the State General Fund.

5. The Governor recommends \$77,000 for the National Main Street contract in FY 1989 and concurs with the current year estimate of \$53,000. The FY 1989 recommendation would be financed by \$48,000 from the State General Fund, \$24,000 from the EDIF, and \$5,000 from donations.

Item	Governor's Recommendation
<p>6. Community Assistance Program. The Division requests \$54,594 (including \$42,946 from the State General Fund) in FY 1989 for other operating expenditures associated with the existing Community Assistance program. The Community Assistance program provides technical assistance to local units of government upon request, administers the federal Low Income Housing Tax Credit program and the state Enterprise Zone program, and operates the Kansas Main Street program, as well as several other programs designed to promote community economic development. The FY 1989 request represents a slight decrease from the current year estimate of \$56,225 (including \$49,133 from the State General Fund). Major expenditure items in the FY 1989 request include \$33,669 for travel expenses and \$9,000 to print promotional brochures and technical assistance reports. All other expenditures total \$11,925. Major revisions from the current year estimate include a decrease of \$10,500 for equipment acquisition and an increase of \$4,669 for travel expenses. Net other changes increase total expenditures by \$4,200. Actual FY 1987 expenditures totaled \$75,906 including \$72,928 from the State General Fund.</p>	<p>6. The Governor concurs with the amounts requested for other operating expenditures for the Community Assistance program for both years.</p>
<p>7. State Loan Program. The Division requests \$24,353 from the EDIF in FY 1989 for other operating expenditures associated with administration of the proposed State Loan program. The proposed program would provide loans to local units of government for infrastructure improvement and to private businesses for fixed asset acquisition and working capital. Major expenditure items included in the request are \$12,498 for office furniture and equipment and \$7,200 for travel expenses. All other expenditures total \$4,655.</p>	<p>7. The Governor does not recommend funding for state operations expenditures for the State Loan program. The Governor does, however, recommend \$5,500,000 for loans under aid to local units of government.</p>
<p>8. Community Development Block Grant Program. The Division requests \$101,970 including \$18,068 from the State General Fund for other operating expenditures associated with the administration of the federal Small Cities Community Development Block Grant (CDBG) program and the federal Rental Rehabilitation program in FY 1989. The request represents a decrease of \$3,567 in all funds and \$18,577 from the State General Fund from the current year estimate of \$105,537 which includes \$36,645 from</p>	<p>8. The Governor concurs with the FY 1989 request for the CDBG program and recommends \$110,988 for FY 1988. The increased FY 1988 expenditures are associated with the position added by the State Finance Council subsequent to the submission of the agency's budget.</p>

Item

Governor's Recommendation

the State General Fund. Major revisions from the current year estimate include an increase of \$7,691 in the cost of office rent and decreases of \$5,691 for travel and subsistence and \$4,487 for equipment acquisition. Net other changes decrease total expenditures by \$1,080. Actual FY 1987 expenditures totaled \$71,659 including \$7,040 from the State General Fund.

C. Existing Industry Development Division

1. **Revisions to FY 1988.** The Division's current year state operations budget estimate of \$715,359 (including \$648,007 from the State General Fund) represents a decrease of \$32,851 from the budget approved by the 1987 Legislature. The Division requests a supplemental State General Fund appropriation of \$2,522 in order to finance salary revisions included in the FY 1988 pay plan. Other salary expenditures are decreased by \$29,373 due to the transfer of the CDBG funded EDR III position back to the Community Development Division. Other operating expenditures are decreased by \$6,000 for travel expenses associated with the transferred position.

2. **Salaries and Wages.** The Division requests \$628,838 for the salaries of 20.0 FTE positions in FY 1989, an increase of \$55,801 and 2.0 FTE positions from the current year estimate of \$573,037. The FY 1989 request would be financed by \$605,218 from the State General Fund and \$23,620 from federal funds. The current year estimate is financed by \$538,793 from the State General Fund and \$34,244 from federal funds. The FY 1989 request includes \$75,938 for 2.0 additional FTE positions, \$3,856 (including benefits) to reclassify an Industrial Development Representative (IDR) I position to IDR II, \$557,238 (including benefits) for existing positions, \$1,384 (including benefits) for equivalent step movement and salary adjustments for unclassified positions, and allows for turnover savings of \$9,578 or 1.5 percent. Actual FY 1987 expenditures totaled \$290,829 for 13.0 FTE positions.

3. **New Positions.** The Division requests \$75,938 (including benefits) for 2.0 additional FTE positions in FY 1989. The request includes \$39,998 for an IDR II position to serve as an Assistant Director for Field Operations. The requested position would supervise the operations

1. The Governor recommends an FY 1988 state operations budget of \$703,395, including \$636,043 from the State General Fund. Salaries are decreased by \$2,273 to reflect lower than anticipated salaries and higher health insurance rates. In addition, the Governor recommends decreases in travel expenses (\$6,916) and other operating expenses (\$2,775) based on current year expenditures to date.

2. The Governor recommends \$657,947 for 19.0 FTE positions in FY 1989, an increase of \$87,183 and 1.0 FTE position from the current year recommendation of \$570,764. The FY 1989 recommendation is financed by \$634,261 from the State General Fund and \$23,686 from federal funds. The current year recommendation is financed by \$536,520 from the State General Fund and \$34,244 from federal funds. The FY 1989 recommendation includes \$3,846 for the requested reclassification, \$40,096 for 1.0 additional FTE position, \$21,689 for a 4 percent salary increase for classified employees, \$4,753 for a merit pool for unclassified employees, \$597,582 for existing positions, and allows for turnover savings of \$10,019 or 1.5 percent.

3. The Governor recommends \$40,096 for the requested IDR II position. The Governor recommends that the Minority Business program manager remain a special project position and includes \$33,040 for that position in FY 1989.

Item	Governor's Recommendation
<p>of the six field offices operated by the Department throughout the state. The request also provides \$35,940 for a Program Manager for the Minority Business program. The Minority Business program manager is currently maintained as a special project position. The current year estimate provides \$33,972 (including benefits) for the special project position, resulting in a net cost of converting the position to full-time classified of \$1,968.</p>	
<p>4. Travel and Subsistence. The Division requests \$85,410 for travel and subsistence expenses in FY 1989, an increase of \$3,494 from the current year estimate. The FY 1989 request includes \$47,420 for in-state travel and \$39,990 for out-of-state travel. Actual FY 1987 expenditures totaled \$39,899.</p>	<p>4. The Governor concurs with the FY 1989 request for travel expenses and recommends \$75,000 for the current year.</p>
<p>5. Small Business Operations. The Division requests \$7,200 from the State General Fund for other operating expenditures associated with the Small Business program. The Small Business program provides technical assistance for local units of government and business, operates a business retention and expansion campaign, encourages the formation of risk capital, and monitors grants made by the Department to the Small Business Development Centers and the Certified Development Companies. The FY 1989 request is an increase of \$3,247 from the current year estimate of \$3,953. Expenditure items requested for FY 1989 include \$5,000 for printing "A Guide to Starting a Business in Kansas" and various promotional items, \$2,000 for office supplies, and \$200 for subscriptions. Revisions from the current year estimate include increases of \$2,177 for printing expenses, \$1,000 for office supplies, and \$200 for subscriptions. Actual FY 1987 expenditures totaled \$135,002, including \$73,926 for capital outlay.</p>	<p>5. The Governor concurs with the amounts requested for the Small Business program for both years.</p>
<p>6. Field Office Operations. The Division requests \$32,700 from the State General Fund in FY 1989 for other operating expenditures associated with the six field offices maintained by the Department. The field offices (located in Hill City, Garden City, Salina, Wichita, Overland Park, and Pittsburg) serve as contact points for all of the Department's programs. Expenditure items in the FY 1989 request include \$16,000 for contractual clerical assistance, \$13,800 for</p>	<p>6. The Governor concurs with the amounts requested for Field Office operations for both years.</p>

<u>Item</u>	<u>Governor's Recommendation</u>
<p>telecommunication and postage expenses, \$1,500 for printing, \$1,200 for office supplies, and \$200 for subscriptions. The FY 1989 request reflects increases of \$9,800 for communication expenses and \$200 for subscriptions and a decrease of \$1,300 in office supplies from the current year estimate of \$24,000. Actual FY 1987 expenditures totaled \$4,664.</p>	
<p>7. Minority Business. The Division requests \$27,600 for other operating expenditures associated with the Minority Business program in FY 1989, a decrease of \$4,983 from the current year estimate of \$32,583. Major expenditure items in the FY 1989 request include \$10,800 for printing and mailing 1,500 copies of the <u>Kansas Minority Business Directory</u> and 4,000 minority business brochures, \$7,900 for office and copier rent, and \$2,500 for conference speakers. All other expenditures total \$6,400. Major revisions from the current year estimate include an increase of \$1,235 for printing expenses and a decrease of \$3,748 associated with acquisition of a microcomputer in the current year. Net other changes decrease total expenditures by \$2,470. Actual FY 1987 expenditures totaled \$32,190.</p>	<p>7. The Governor concurs with the FY 1989 request for the Minority Business program and recommends \$29,808 for the current year. The current year recommendation reflects a decrease of \$2,775 in fees for other services.</p>
<p>D. Industrial Development Division.</p>	
<p>1. Revisions to FY 1988. The Division's current year budget estimate of \$1,965,266 (including \$1,362,053 from the State General Fund) represents an increase of \$5,564 for salaries and wages from the budget approved by the 1987 Legislature. The Division requests a supplemental State General Fund appropriation of \$1,135 in order to finance salary revisions included in the FY 1988 pay plan. The balance of the increased salary and wage estimate (\$4,429) is associated with increased expenditures from the no limit Publications Fee Fund (\$48), and the no limit Job Training Partnership Act Fund (\$4,381). In addition, \$10,000 is shifted from domestic advertising to mailing list acquisition.</p>	<p>1. The Governor recommends an FY 1988 budget of \$1,922,810, including \$1,319,597 from the State General Fund. Salaries are decreased by \$39,876 from the agency's estimate, a net of increased health insurance rates and the elimination of a vacant Industrial Development Representative I position. In addition, funding for memberships and trade show registrations is decreased by \$2,580.</p>
<p>2. Salaries and Wages. The Industrial Development Division requests \$466,845 for salaries and wages for 14.0 FTE positions in FY 1989, a decrease of \$64,739 from the current year estimate of \$531,584. The Department proposes</p>	<p>2. The Governor recommends \$436,752, including \$403,253 from the State General Fund, in FY 1989 for salaries and wages for 12.0 FTE positions. The FY 1989 recommendation reflects a decrease of \$54,956 from the current year</p>

Item	Governor's Recommendation
<p>to transfer 3.0 FTE positions to the Administration Division and 1.0 new FTE position is requested for the Industrial Development Division. The FY 1989 request is financed by \$434,697 from the State General Fund and \$32,148 from other funding sources, a decrease of \$38,361 from the State General Fund and \$26,108 from other funding sources. The request includes \$14,127 (including benefits) for the requested new position, \$739 (including benefits) for equivalent step movement for unclassified positions, \$459,088 (including benefits) for existing positions, and allows for turnover savings of \$7,109 or 1.5 percent. Actual FY 1987 expenditures totaled \$508,443.</p>	<p>recommendation of \$491,708. The Governor concurs with the transfer of 3.0 FTE positions to the Administration Division. The Governor's FY 1989 recommendation includes \$15,032 for a 4 percent salary increase for classified employees, \$2,850 for a merit pool for unclassified positions, \$425,524 for existing positions, and allows for turnover savings of \$6,651 or 1.5 percent.</p>
<p>3. New Position. The Division requests \$14,127 (including benefits) for a new Office Assistant I position in FY 1989. The Division states that the requested position is required to process an increasing volume of correspondence to industrial prospects.</p>	<p>3. The Governor does not recommend funding for the requested new position.</p>
<p>4. Kansas Industrial Training Program. The Division requests \$1,000,000 (\$500,000 from the State General Fund and \$500,000 from the EDIF) for the Kansas Industrial Training (KIT) program in FY 1989, an increase of \$275,000 from the current year estimate of \$725,000. The current year estimate is financed by \$225,000 from the State General Fund and \$500,000 from the EDIF. The KIT program provides pre-employment training for future employees of new and expanding businesses. Actual FY 1987 expenditures for the KIT program totaled \$848,485.</p>	<p>4. The Governor recommends \$500,000 from the EDIF for the KIT program in FY 1989 and concurs with the current year estimate of \$725,000.</p>
<p>5. Domestic Advertising. The Division requests \$422,233 from the State General Fund in FY 1989 for a national advertising and direct mail campaign to identify companies looking for new locations and sell them on the advantages of Kansas. The request is a slight decrease from the current year estimate of \$423,025. Actual FY 1987 expenditures totaled \$393,000.</p>	<p>5. The Governor recommends \$415,537 for domestic advertising in FY 1989 and concurs with the current year estimate of \$422,233.</p>
<p>6. Worker Productivity Study. The Division requests \$150,000 from the State General Fund in FY 1989 for a study on the productivity of Kansas labor. The Division states that while the productivity of the Kansas workforce is a major advantage in promoting the state as a good location for business, no central body of</p>	<p>6. The Governor does not recommend funding for the requested study.</p>

Item

Governor's Recommendation

knowledge exists which quantifies and substantiates the relative advantage Kansas has in this area. The study would be contracted out to a private consultant and would be completed in approximately six months.

7. **Domestic Development Services.** The Division requests \$148,080 from the State General Fund in FY 1989 for other operating expenses associated with the Domestic Development program. The FY 1989 request reflects the shift of \$44,957 in expenditures from the Publications Fee Fund to the Administration Division and a net increase in State General Fund expenditures of \$17,025 from the current year estimate of \$176,012. Major expenditure items in the FY 1989 request include \$52,822 for out-of-state travel, \$23,595 for in-state travel, \$25,000 for the acquisition of mailing lists to target companies, \$24,043 for printing promotional materials, \$11,120 for the purchase of reference materials and sales leads, and \$10,000 for trade show registration fees. All other expenditures total \$1,500. Revisions in State General Fund expenditures from the current year estimate include increases for travel expenses (\$17,972) and trade show registration fees (\$10,000) with a decrease of \$10,947 associated with equipment acquisition in the current year. Actual FY 1987 expenditures totaled \$237,782.

7. The Governor recommends \$138,080 from the State General Fund in FY 1989 for domestic development and concurs with the current year estimate. The Governor's FY 1989 recommendation reflects a decrease of \$10,000 from the amount requested for travel expenses.

8. **International Development Services.** The Division requests \$92,927 from the State General Fund in FY 1989 for other operating expenses associated with recruiting international business prospects. The request represents a decrease of \$8,128 from the current year estimate of \$101,055. The change between the current year estimate and the FY 1989 request is associated with lower travel expenses. Major expenditures requested for FY 1989 include \$28,000 for eight international trips, \$2,549 for out-of-state travel, \$2,878 for in-state travel, \$25,000 for international advertising, \$19,000 for printing promotional materials to encourage international investment in Kansas, and \$9,000 for support services such as translations and interpreters. All other expenditures total \$6,500. Actual FY 1987 expenditures totaled \$46,905.

8. The Governor concurs with the amounts requested for international recruitment in both years.

Item	Governor's Recommendation
<p>9. Memberships. The Division requests \$8,580 for memberships and registration fees in FY 1989, an amount unchanged from the current year estimate. Actual FY 1987 expenditures totaled \$2,815.</p>	<p>9. The Governor recommends \$6,000 for memberships and registration fees in both years.</p>
<p>E. Trade Development Division.</p>	
<p>1. Division Organization. The Trade Development Division, created by the 1986 Legislature effective in January, 1987, has been organized into three sections: Trade Services, International Trade, and Domestic Trade. The Trade Services section is responsible for researching, gathering, and distributing information for potential buyers and sellers of Kansas products. The International Trade section is involved with the international marketing of Kansas manufactured and processed agricultural products and services. The Domestic Trade section is responsible for assisting Kansas businesses in developing and maintaining market demand for Kansas products.</p>	<p>1. The Governor concurs with the organization of the Trade Development Division.</p>
<p>2. Revisions to FY 1988. The Division estimates current year expenditures will be \$588,435 from the State General Fund, an amount unchanged from the budget approved by the 1987 Legislature. Anticipated salary and wage expenditures are decreased by \$72,388 due to delays in hiring the Division's personnel. The anticipated salary savings have been shifted to purchase computer and telex equipment (\$27,376), printing of a Kansas artisans catalog (\$10,000), and a trade program to promote the sale of Kansas products through Bloomingdale's (\$45,000). Net other changes decrease total expenditures by \$9,988.</p>	<p>2. The Governor recommends an FY 1988 budget of \$584,497, including \$516,197 from the State General Fund. Salaries and wages are decreased by \$15,066 to reflect greater turnover savings. Reductions are also made in travel (\$24,772) and trade promotion support (\$32,400). In addition, the Governor recommends a supplemental appropriation of \$68,300 from the EDIF to support the promotion of Kansas products through Bloomingdale's.</p>
<p>3. Salaries and Wages. The Division requests \$330,924 from the State General Fund in FY 1989 for salaries and wages for 10.0 FTE positions, an increase of \$44,131 from the current year estimate of \$286,793, but a decrease of 1.0 FTE position. An EDR I position is transferred to the Community Development Division in FY 1989. The request includes \$335,224 for existing personnel, \$739 for equivalent step movement for the Division Director, and allows for turnover savings of \$5,039 or 1.5 percent. Actual FY 1987 expenditures totaled \$55,729.</p>	<p>3. The Governor recommends \$347,241 from the State General Fund for the salaries of 10.0 FTE positions in FY 1989, an increase of \$75,514 from the current year recommendation of \$271,514. The FY 1989 recommendation includes \$10,970 for a 4 percent salary increase for classified employees, \$2,978 for a merit pool for unclassified employees, \$338,581 for existing employees, and allows for turnover savings of \$5,288 or 1.5 percent. The Governor recommends that the EDR I position which the agency proposed to transfer to the Community Development Division instead be abolished.</p>

Item	Governor's Recommendation
<p>4. Travel and Subsistence. The Division requests \$77,214 for travel and subsistence expenditures for FY 1989, an increase of \$7,442 from the current year estimate of \$69,772. The request includes \$37,000 for international travel, \$22,544 for out-of-state travel, and \$23,815 for in-state travel. Actual FY 1987 expenditures totaled \$22,160.</p>	<p>4. The Governor recommends \$69,773 for travel and subsistence expenditures in FY 1989, an increase of \$24,773 from the current year recommendation of \$45,000.</p>
<p>5. Domestic Trade. The Division requests \$76,950 from the State General Fund in FY 1989 for other operating expenses associated with the Domestic Trade section. The request includes \$24,950 for direct support of trade promotions to market Kansas products, \$15,500 to develop and print a catalog of Kansas artisans and craftsmen and their work, \$19,000 to purchase a custom built exhibit display, \$12,500 for printing and mailing promotional materials and surveys, and \$5,000 for membership fees. The agency reports that the Kansas artisans catalog would be sold at cost with the proceeds used to defray future printing costs. The FY 1989 request is a decrease of \$2,625 from the current year estimate of \$79,575. Major revisions from the current year estimate include \$15,500 for the artisans catalog and a decrease of \$16,500 for trade promotion support. Net other changes decrease total expenditures by \$1,625. There were no expenditures for the Domestic Trade section in FY 1987.</p>	<p>5. The Governor recommends \$42,448 from the State General Fund in FY 1989 for the Domestic Trade Section. The Governor does not recommend funding for the requested exhibit display or the Kansas artisans catalog. The Governor recommends \$24,950 for trade show support, \$12,498 for printing and mailing promotional materials and surveys, and \$5,000 for membership fees. The Governor's FY 1988 changes from agency estimates are not detailed at the section level.</p>
<p>6. International Trade. The Division requests \$76,700 from the State General Fund in FY 1989 for other operating expenses associated with the International Trade section. The request includes \$31,450 for direct support of international trade promotions to market Kansas products, \$13,000 for typesetting and computer services for the <u>Kansas Export Directory</u> and how-to-export handbook, \$11,250 for postage and shipping expenses, \$9,000 for memberships, \$7,000 to develop a video featuring Kansas manufactured products, and \$5,000 for printing expenses. The FY 1989 request is a decrease of \$8,875 from the current year estimate of \$85,575. Revisions from the current year estimate include decreases for trade promotion support (\$10,550) and printing (\$5,500) and an increase of \$7,000 for the Kansas products video. Net other changes increase total expenditures by \$75. Actual FY 1987 expenditures totaled \$28,259.</p>	<p>6. The Governor recommends \$66,700 from the State General Fund in FY 1989. The Governor's FY 1989 recommendation reflects a decrease of \$10,000 from the agency's request for international trade promotion support. The Governor's FY 1988 changes from agency estimates are not detailed at the section level.</p>

Item	Governor's Recommendation
<p>7. Trade Services. The Division requests \$27,300 from the State General Fund in FY 1989 for other operating expenses associated with the Trade Services section. The request includes \$14,800 for printing and advertising services, \$6,000 for telex charges, \$3,500 for memberships, and \$3,000 for reference materials. The FY 1989 request is a decrease of \$39,420 from the current year estimate of \$66,720. Of the requested decrease, \$31,670 is associated with equipment acquisition in the current year. Other revisions from the current year estimate include a decrease in professional fees (\$10,000) and an increase in telex charges (\$2,250). There were no expenditures for the Trade Services section in FY 1987.</p>	<p>7. The Governor concurs with the FY 1989 request of \$27,300 for the Trade Services section. The Governor's FY 1988 changes from agency estimates are not detailed at the section level.</p>
<p>F. Travel and Tourism Development Division.</p>	
<p>1. Revisions to FY 1988. The Division of Travel and Tourism Development proposes a current year budget of \$1,257,331 including \$784,583 from the State General Fund. The current year estimate represents an increase of \$35,225 from the budget approved by the 1987 Legislature. Of the requested increase, \$225 is associated with the state pay plan including a supplemental funding request of \$138 from the State General Fund. The balance of the requested increase is associated with increased advertising expenditures associated with the Linger Longer campaign (\$20,000) and the National Tour Association (NTA) Motorcoach Picnic campaign (\$15,000). The NTA campaign is financed by donations and the Linger Longer campaign is financed by enrollment and validation fees from businesses participating in the program.</p>	<p>1. The Governor recommends an FY 1988 budget of \$1,263,038, including \$790,290 from the State General Fund. The Governor recommends a supplemental State General Fund appropriation of \$5,848 to finance increased salaries and higher health insurance costs. The Governor concurs with the other items in the current year estimate for the Travel and Tourism Development Division.</p>
<p>2. Salaries and Wages. The Division requests \$505,777, including \$454,102 from the State General Fund, for 24.0 FTE positions in FY 1989. The request represents an increase of \$101,514, including \$103,690 from the State General Fund and a decrease of \$2,176 from the Publications Fee Fund, and 5.0 FTE positions from the current year estimate of \$404,263, including \$350,412 from the State General Fund. The request provides \$410,216 (including benefits) for existing positions, \$101,131 (including benefits) for additional positions, \$1,393 (including benefits) to reclassify an Office Assistant I</p>	<p>2. The Governor recommends \$439,430, including \$385,424 from the State General Fund, for 20.0 FTE positions in FY 1989. The FY 1989 recommendation represents increases of \$29,305 from the State General Fund, \$155 from the Publications Fee Fund, and 1.0 FTE position from the current year recommendation of \$409,970. The FY 1989 recommendation provides \$412,334 for existing positions, \$15,345 for additional positions, \$1,389 for the requested reclassification, \$14,169 for a 4 percent salary increase for classified employees, \$2,885 for a merit pool for unclassified employees, and</p>

Item

Governor's Recommendation

position to Office Assistant II, \$739 (including benefits) for an increase in the Division Director's salary, and allows for turnover savings of \$7,702 or 1.5 percent. Actual FY 1987 salary and wage expenditures totaled \$387,545, including \$338,708 from the State General Fund.

allows for turnover savings of \$6,692 or 1.5 percent. The recommendations for both years reflect revised fringe benefit and health insurance rates.

3. **New Positions.** The Division requests \$101,131 (including benefits) from the State General Fund for 5.0 additional FTE positions in FY 1989. The request includes \$27,430 for an Economic Development Representative (EDR) II position and \$24,987 for an EDR I position to work with the Kansas Film Commission to provide scouting and liaison services for film production companies due to an increase in film activity in the state. In addition, a Secretary I position (\$17,260) is requested to accommodate the increased staffing for Film Services. The request also includes \$31,454 to increase five Tourist Counselor positions in the Visitor Information Center program from part-time to full-time and hire an additional .5 FTE Tourist Counselor I position for the South Haven center.

3. The Governor recommends \$15,345 (including benefits) from the State General Fund in FY 1989 to increase four .75 FTE Tourist Counselor positions from part-time to full-time.

4. **Kansas! Magazine.** The Division requests \$264,120 in FY 1989 from the Publications Fee Fund for other operating expenses associated with the publication of Kansas! and Kansas Too! magazines, an increase of \$21,223 from the current year estimate of \$242,897. Major expenditure items for the production of the magazines include \$142,000 for printing, \$61,000 for professional layouts and promotions, \$25,000 for postage, and \$17,044 for data processing and mailing services. All other operating expenditures total \$19,076. Actual FY 1987 expenditures totaled \$240,206.

4. The Governor concurs with the amounts requested for the operations of Kansas! magazine for both years.

5. **Film Services.** The Division requests \$111,899 in FY 1989 for other operating expenditures associated with the Film Services program. The request would be financed by \$80,899 from the State General Fund and \$31,000 from the EDIF, representing an increase of \$31,000 in State General Fund expenditures from the current year estimate of \$80,899. Major expenditure items include \$74,599 for the design and placement of advertisements promoting on-location filming in Kansas, \$23,216 for in-state travel, \$2,334 for out-of-state travel, and \$5,500

5. The Governor recommends \$80,899 in FY 1989 for other operating expenses of the Film Services program, an amount unchanged from the current year recommendation. The recommended budget for both years would be funded by \$49,899 from the State General Fund and \$31,000 from the EDIF.

Item	Governor's Recommendation
<p>for printing the <u>Kansas Film Directory</u>. All other operating expenditures total \$6,250. The requested increase from FY 1988 is associated with increased advertising (\$25,000), increased in-state travel (\$4,000), and production of a special color photo section for the film directory (\$2,000). Actual FY 1987 expenditures totaled \$51,308.</p>	
<p>6. Visitor Information Centers. The Division requests \$65,810 from the State General Fund in FY 1989 for other operating expenditures associated with the four state-owned and three state-subsidized visitor information centers. The request represents an increase of \$26,110 from the current year estimate of \$39,700. Major expenditure items in the FY 1989 request include \$15,700 for utility services at the state-owned centers, \$15,000 to continue state subsidies to three privately-owned centers, \$15,000 for contractual repairs at the Goodland and Kansas City centers, \$7,858 for janitorial and uniform cleaning services for the state-owned centers, and \$4,200 for in-state travel. All other operating expenditures total \$8,052. The requested increase from FY 1988 is associated with contractual repairs at the Goodland and Kansas City centers (\$15,000), an increase in the amount paid to the state-subsidized centers (\$4,200), additional utilities (\$3,910), and additional travel (\$3,000). The increased state subsidies would provide \$5,000 each for centers in Liberal, Fort Scott, and Concordia. Actual FY 1987 expenditures for the program totaled \$46,125.</p>	<p>6. The Governor recommends \$43,610 from the State General Fund in FY 1989 for other operating expenses associated with the state's visitor information center system. The FY 1989 recommendation represents an increase of \$3,910 for increased utility expenses from the current year recommendation of \$39,700.</p>
<p>7. Tourism Matching Grant Program. The Division requests \$250,000 from the State General Fund in FY 1989 to initiate a Tourism Matching Grant program. The requested program would provide financial assistance to the five tourism regions in Kansas in order to encourage regional growth and provide additional means for cooperative advertising and regional brochures. The agency reports that the grants would be provided to the tourism regions in accordance with criteria developed by the Division including a requirement for the regions to develop criteria on how the grant moneys would be spent.</p>	<p>7. The Governor recommends \$10,000 from the EDIF in FY 1989 to initiate a Tourism Matching Grant program.</p>

<u>Item</u>	<u>Governor's Recommendation</u>
<p>8. Tourism Marketing Study. The Division requests \$250,000 from the State General Fund in FY 1989 for the initial phase of an ongoing tourism marketing study. The agency reports that it lacks information on where visitors to the state come from and what travel routes are utilized by visitors. The requested study would be used to develop a marketing strategy for the requested tourism marketing program, including where to market out-of-state and what features of the state should be marketed.</p>	<p>8. The Governor recommends \$15,000 from the EDIF in FY 1989 for marketing research.</p>
<p>9. Tourism Marketing Program. The Division requests \$250,000 from the State General Fund in FY 1989 for the initial phase of an out-of-state tourism marketing campaign.</p>	<p>9. The Governor recommends \$55,000 from the EDIF in FY 1989 for out-of-state advertising.</p>
<p>10. National Convention Sponsorship. The Division requests \$90,000 from the State General Fund in FY 1989 to partially sponsor the National Tour Association's national convention to be held in Kansas City during FY 1989. The requested funds would be utilized to purchase lunch for over 3,000 convention registrants and presentation of a high-impact slide show featuring Kansas and the opportunities available as a destination state for motorcoach tours. In addition, entertainment would be provided during lunch.</p>	<p>10. The Governor recommends \$10,000 from the EDIF for sponsorship activities at the National Tourism Association's national convention in FY 1989.</p>
<p>11. Tourism Promotion Items. The Division requests \$150,000 from the Publications Fee Fund in FY 1989 for the purchase of state promotional items for resale, an increase of \$40,000 from the current year estimate of \$110,000. The Division indicates that the sales of these items are used to maintain the fund. Actual FY 1987 expenditures totaled \$43,880.</p>	<p>11. The Governor recommends \$110,000 for the purchase of state promotional items in FY 1989 and concurs with the current year estimate.</p>
<p>12. General Promotion Operations. The Division requests \$437,389 including \$402,389 from the State General Fund in FY 1989 for general tourism promotion operations, an increase of \$57,817 in State General Fund expenditures from the current year estimate of \$379,572. Major expenditure items in the FY 1989 request include \$289,528 to continue the current advertising campaigns, \$78,000 for printing tourism brochures, \$20,000 to continue the contract with the Kansas Broadcasters Association (KBA), \$12,171 for in-state travel, \$10,898 for out-of-state travel, \$3,042 for international travel, \$7,000 to</p>	<p>12. The Governor recommends \$364,550 including \$319,550 from the State General Fund and \$10,000 from the EDIF in FY 1989 for general tourism promotion operations. The FY 1989 recommendation reflects a decrease of \$25,022 from the State General Fund and an increase of \$10,000 from the EDIF from the current year recommendation of \$379,572. Major expenditure items in FY 1989 recommendation include \$289,528 to continue the current advertising campaigns, \$22,154 for travel expenses, \$20,000 to continue the KBA contract, \$13,000 for printing brochures and promotional</p>

Item	Governor's Recommendation
<p>rent booth space at regional and international travel shows, and \$6,100 for memberships and subscriptions. All other expenditures total \$10,650. Major revisions from the current year estimate include an increase of \$75,000 for printing brochures and a decrease of \$15,000 for contractual services associated with preparations for the NTA convention in the current year. Net other changes decrease total expenditures by \$2,183. Actual FY 1987 expenditures totaled \$415,521.</p>	<p>materials, \$6,100 for memberships and subscriptions, and \$4,000 for booth space rental. All other expenditures total \$9,768. The recommended funding from the EDIF would be used for printing tourism brochures.</p>

AID TO LOCAL UNITS

- | | |
|---|--|
| <p>A. Community Development Block Grant Program. The agency estimates expenditures of \$14,000,000 in federal funds for the FY 1989 Small Cities Community Development Block Grant program, an amount unchanged from the current year estimate. Actual grants awarded in FY 1987 totaled \$14,576,959.</p> | <p>A. The Governor concurs with the estimated expenditures for the Small Cities Community-Development Block Grant program in both years.</p> |
| <p>B. Rental Rehabilitation Program. The agency estimates expenditures of \$733,000 in federal funds for the FY 1989 Rental Rehabilitation program, an amount unchanged from the current year estimate. The program provides grants to smaller cities for the purpose of encouraging rehabilitation of rental housing for low to moderate income families. The Department accepted the responsibility for administering this program in late FY 1987 at the request of the U.S. Department of Housing and Urban Development.</p> | <p>B. The Governor concurs with the estimated expenditures for the Rental Rehabilitation program in both years.</p> |
| <p>C. Incubator Grant Program. The Department requests \$280,000 from the EDIF in FY 1989 to provide matching grants to nonprofit organizations for the establishment of small business incubators. The program is designed to provide matching grants of up to \$100,000 to develop incubator facilities and \$40,000 for working capital. The agency reports that grants for the development of incubator facilities would be returned to the state once the facility is sold by the nonprofit organization.</p> | <p>C. The Governor recommends \$80,000 from the EDIF for this item as other assistance.</p> |

Item	Governor's Recommendation
<p>D. Infrastructure Loan Program. The Department requests \$10,000,000 from the EDIF in FY 1989 to establish a revolving loan program to assist local units of government in financing public infrastructure improvements. The agency indicates that this program would fulfill a part of the unmet need faced by local units of government for funding infrastructure improvements. The loans under this program reportedly would be targeted for projects with specific economic development objectives.</p>	<p>D. The Governor recommends \$5,500,000 from the EDIF in FY 1989 for this program.</p>
<p>E. Economic Development Loan Program. The Department requests \$4,867,505 to establish a revolving loan program for fixed asset acquisition or working capital for private businesses. The agency indicates that low-interest loans would be made through local units of government for profit or nonprofit organizations. The program is designed to provide loans ranging from \$100,000 to \$500,000. The agency reports loans granted under this program would include a job creation requirement of at least one job created or retained per \$10,000 requested. The loans also could not exceed 50 percent of the total project financing.</p>	<p>E. The Governor does not recommend funding for an economic development loan program.</p>
<p>F. Main Street Grants. This item is not included in the agency's request.</p>	<p>F. The Governor recommends \$51,000 from the EDIF in FY 1989 to provide assistance to smaller cities in contracting for professional assistance to complete Main Street program activities.</p>

OTHER ASSISTANCE

<p>A. Grants for Certified Development Companies. The Department requests \$400,000 in FY 1989 to provide grants for eligible Certified Development Companies (CDCs), an increase of \$12,000 from the current year estimate of \$388,000. The FY 1989 request would be financed by \$325,000 from the State General Fund and \$75,000 from the EDIF. The current year estimate is financed entirely from the State General Fund. The agency reports that the method of grant distribution will be developed after consultation with the CDCs and approved by Kansas, Inc. Actual FY 1987 expenditures totaled \$346,318.</p>	<p>A. The Governor concurs with the amounts requested for grants to eligible CDCs in both years.</p>
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<u>Item</u>	<u>Governor's Recommendation</u>
<p>B. Grants for Small Business Development Centers. The agency requests \$250,000 in FY 1989 to provide grants for Small Business Development Centers (SBDCs), an amount unchanged from the current year estimate. The amounts requested for both years would be financed by \$175,000 from the State General Fund and \$75,000 from the EDIF. The agency reports that the method of grant distribution will be developed after consultation with the SBDCs and approved by Kansas, Inc. Actual FY 1987 expenditures totaled \$245,568.</p>	<p>B. The Governor concurs with the amounts requested for grants for SBDCs in both years.</p>
<p>C. Incubator Grants Program. The Department requested \$280,000 from the EDIF for this item as aid to local units of government.</p>	<p>C. The Governor recommends \$80,000 from the EDIF to provide operating grants to small business incubator facilities.</p>
<p>D. Education Awards Program. This item is not included in the agency's request.</p>	<p>D. The Governor recommends \$50,000 from the EDIF to provide awards to the secondary schools which show the greatest improvement in national test scores in each of the five Kansas Congressional districts.</p>

KANSAS INC.

Governor Mike Hayden, Co-Chairman
Frank J. Becker, Co-Chairman

Forest Tim Witsman, President

CAPITOL TOWER, SUITE 113 • 400 S.W. 8TH • TOPEKA, KANSAS 66603-3957 • TELEPHONE 913-296-1460

**PRESENTATION ON KANSAS INC.'S
RECOMMENDATIONS FOR EXPENDITURE OF
GAMING FUND REVENUES**

presented to the

Senate Committee on Economic Development

presented by

Jerry Lonergan
Manager of Research
Kansas Inc.

February 3, 1988

Attachment II
Senate Committee
2-3-88

Thank you Mr. Chairman, members of the Committee.

I also want to thank Professor Redwood for his very strong support of the Kansas Inc. recommendations for use of the Economic Development Initiative Fund. Because of his support and the quality of his presentation, I will limit my remarks to outlining how Kansas Inc. developed the gaming fund proposal. The breadth of our approach will, I hope, demonstrate how important we viewed the Governor's request for Kansas Inc. to propose gaming fund uses.

The process began with staff review of the written work that was instrumental in creating this awareness of the need to act quickly to avert economic crisis in Kansas and which presented the foundation for the current state programs. The review centered on three reports: the Redwood-Krider Report on the Kansas' Economy; Secretary Flentje's Kansas Policy Choices; and the Report of the Legislative Commission on Kansas Economic Development.

The next step was to review the list of economic development initiatives contained in the three reports and then determine the current status of each initiative. When the Status and Framework Report was completed, we had a list of actions/initiatives that we felt could serve as investments for the state's future economic growth.

In June, Kansas Inc. hosted a discussion of the initiatives among a group that included: economists; an agricultural economist; economic development professionals; state officials; and local development representatives. For additional objectivity, the group of eleven included two out-of-state professionals. Two days later, we felt we had the list of initiatives and potential recommendations down to a level that would invite public discussion.

Preliminary ideas were presented before the Kansas Inc. Board of Directors in July. The Board's meeting was followed by an afternoon discussion between the Kansas Inc. Board and the Joint Committee on Economic Development. Additionally, Tim Witsman met with a host of state associations and other state agencies.

In August, during the Department of Commerce's budget preparation period, several meetings were held with Commerce officials to work through preliminary ideas and assure the recommendations were coordinated with Commerce's budget request. This coordinated process allows Kansas Inc. to feel comfortable that our proposals will not require additional permanent staff in Commerce to meet expanded program efforts.

Kansas Inc.'s staff, with the benefit of having observed all discussions, began formulating recommendations. The in-house discussion was free and involved strong debate and compromise. Staff prepared a draft of recommendations, followed by again contacting participants in previous meetings, resulting in additional outside input and evaluation. The draft recommendations were presented to the Board of Directors at the October meeting. The Board provided additional comments and suggestions that were then incorporated into the final document. The individual recommendations span a broad range of programs from a more traditional proposal like the infrastructure programs to a fairly innovative proposal for an education awards pilot.

We feel this process has resulted in an objective and realistic set of recommendations that can significantly benefit the state in its pursuit of a quality of life that is conducive to positive economic growth.

One final request is that as you review the recommendations, please note that within each recommendation is a set of criteria that are important to meeting the intent of the initiatives. For example, the tourism recommendation strongly suggest the need for funding a marketing study that will result in a strategic plan coordinating tourism activity statewide. In our discussions with Secretary Priddle and tourism staff, the need for a basic plan centered on objective research surfaced as potentially very beneficial to the state's tourism program.

The criteria were developed as part of an overall package of recommendations and we hope they will be given as serious consideration as the Kansas Inc. recommendations.

Thank you.

TESTIMONY ON
PROPOSED EXPENDITURES FROM THE ECONOMIC DEVELOPMENT
INITIATIVES FUND

to the
Senate Committee on Economic Development

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

February 3, 1988

*Attachment III
Senate Eco Dev
2-3-88*

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, the Legislature 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, 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 appropriated 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 these proposals are important, and I do not dispute that they are, then they should be funded from other sources. The overall magnitude of funds in the Initiatives Fund for economic development is too small relative to need for its potential impact to be dissipated by 'dipping' for this need or for that one (public television, river study).

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 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, indeed its only 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 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 state's 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 expected 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, and yet it will continue unless we do something about it.

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, frankly more important economic development initiatives are substantially reduced. It is a question of priorities from the perspective of economic development. Indeed if the Initiatives Fund was double its likely level, a valid case might exist for the inclusion of water. However, the amount available for economic development is already very small by any standard.

Some comparisons might be helpful in this regard. 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 Iowa science and technology authority has total appropriations of \$20.2 million for FY 1988 and the Indiana

Corporation for Science and Technology will receive approximately \$11.5 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 \$900,000 towards seed capital (versus Kansas Inc.'s recommended \$750,000 and the budget's recommended \$500,000) and \$500,000 toward incubators (versus \$300,000 from Kansas Inc. and \$205,000 in the proposed budget). 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, while Iowa has appropriated \$600,000 and Arkansas \$500,000.

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. 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 re-inclusion of several initiatives of Kansas Inc. that were 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.

I would also comment that my exclusion of certain expenditure proposals from the Initiative Fund budget is not based on the premise that these items are not important. Rather my argument is that they were not given this level of priority by Kansas Inc. after extensive review. The Kansas Inc. recommendations would give Kansas its best return for that level of investment.

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 reached 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. If we are not, then we must live with the consequences.

**TESTIMONY BY DR. ANTHONY L. REDWOOD
UNIVERSITY OF KANSAS**

February 3, 1988

ECONOMIC DEVELOPMENT INITIATIVES FUND

	<u>FY1989</u>	<u>Kansas Inc., 10.8M</u>	<u>FY1989 20 M</u>	<u>Recommendations 15.00M</u>
ANTICIPATED REVENUES.....	\$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
 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	\$ -0-	\$ -0-	\$ -0-
 Kansas Technology Enterprise Corporation				
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	---	---	600,000
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	\$ 4,450,000

	<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>
Commerce				
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.....	---	---	---	---
Bloomingtondale'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	1,969,000
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
Subtotal Commerce.....	\$ 6,604,883	\$ 6,792,000	\$15,200,000	\$ 9,850,000
Public Broadcasting				
KOOD Television - Lakin.....	\$ 300,000	\$ ---	\$ ---	\$ ---
Agriculture				
Arkansas River Study.....	\$ 25,000	\$ ---	\$ ---	\$ ---
Bloomingtondale's Project.....	---	---	---	---
Marketing Program Expansion.....	178,696	---	---	---
Subtotal Agriculture.....	\$ 203,696	\$ ---	\$ ---	\$ ---
Racing Commission Operations.....	\$ 280,000	\$ ---	\$ ---	\$ ---
Arts.....	\$ 50,000	\$ 700,000	\$ 700,000	\$ 700,000

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