

Approved February 4, 1988  
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR MERRILL WERTS, VICE CHAIRMAN at  
Chairperson

11:00 a.m./~~p.m.~~ on February 2, 1988 in room 123-S of the Capitol.

All members were present except:

Senators Bogina, Johnston, and Harder were excused.

Committee staff present:

Research Department: Scott Rothe, Russ Mills

Revisor's Office: Norman Furse

Committee Staff: Judy Bromich, Nedra Spingler, Secretary Pro Tem

Conferees appearing before the committee:

Mike O'Keefe, Director of Budget

The Vice Chairman introduced the Director of Budget, Mike O'Keefe, who gave an overview and comparison with the Governor's budget recommendations of present funding projections regarding the Lottery, the Gaming Revenues Fund, Oil Overcharge Fund, and the Governor's natural resources program (Attachment No.1).

In additional remarks, Mr. O'Keefe said the Lottery Executive Director is authorized to transfer, at his discretion and in any amount he considers proper, Lottery funds to the Gaming Revenues Fund (page 1, paragraph 2 of the attachment), and the agency did not have to pay back to the General Fund any start-up money until \$8.5 million has been transferred to the Gaming Revenues Fund. He stated the agency is on track with transfers to be used for the Economic Development Initiative Fund (EDIF). He noted that an increase in expenditure limitations for the Lottery (page 2, paragraph 2) will be in the supplemental appropriations bill.

There was discussion concerning appropriations made in the 1987 session omnibus bill regarding Public TV (KOD) (page 4, No.3). It was questioned if appropriations could be made out of the EDIF for two fiscal years. Mr. O'Keefe said he would furnish the section of the omnibus bill relating to these appropriations. On page 4, paragraph 3, Mr. O'Keefe clarified that the figure in line 3 of "\$50,000" should be "\$850,000".

The Governor's recommendation to extend the formula for distribution of Lottery funds to be used for reappraisal (page 5, paragraph 1) was discussed. In regard to page 5, paragraph 2 and capital improvements for correctional institutions, there was discussion regarding the shortage of funds available from the State Institutions Building Fund for maintenance on these buildings. It was noted that the State Building Construction Joint Committee and the executive branch recognize this problem and will probably address it. Mr. O'Keefe stated the Governor's recommendation is that 20% of the Gaming Revenues Fund be permanently dedicated to the Correctional Institutions Building Fund.

There was discussion regarding page 6, paragraph 2, and the statutory requirement that funds allocated to each Congressional district for environmental cleanup projects with concern being expressed that some districts could have difficulty in identifying and locating sufficient areas for cleanup.

In regard to Oil Overcharge funds (page 10), the question was raised if the State was required to spend all of these funds or might only the interest be used. Mr. O'Keefe said he was told by KCC personnel that not only interest from these funds might be spent, but the principal must eventually be spent down also. This means that the funds could not be held in perpetuity, but there are no precise guidelines as to how long they can be held. Mr. O'Keefe said the Governor believed using these funds for a program for five or ten years would be acceptable.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,  
room 123-S, Statehouse, at 11:00 a.m./~~a.m.~~<sup>p.m.</sup> on February 2, 1988

There was discussion regarding attachments to the Governor's recommendations in pages 4-7. It was pointed out that, in appropriations for EDIF, there are major philosophical differences in the use and replacement of these funds among K-TECH, Kansas, Inc., and the Governor's recommendations. The policy differences regarding the Kansas, Inc.'s recommendations, the action of the 1987 Legislature, and the Governor's recommendations were noted.

The meeting was adjourned at 12"00 noon.



STATE OF KANSAS  
DEPARTMENT OF ADMINISTRATION  
MIKE HAYDEN, Governor  
MICHAEL F. O'KEEFE, Director of the Budget  
Room 152-E, Capitol Building  
(913) 296-2436

MEMORANDUM

TO: Senate Ways and Means  
FROM: Michael F. O'Keefe, Director of the Budget  
DATE: February 1, 1988  
SUBJECT: Testimony

I appear before you today at your invitation to discuss the Governor's budget recommendations concerning the Lottery, the Gaming Revenue Funds, the Oil Overcharge funds and the Governor's natural resource program. I invite your attention to pages 4-1 to 4-11 in Volume I of the Governor's budget report. We attempted, in those pages, to treat these issues which cut across a number of state agencies and a number of programs. I will attempt to keep my remarks brief to allow ample time for your questions.

The Lottery - Gaming Revenues

One year ago, the Legislature and the Governor used Lottery sales estimates of \$85 million for fiscal year 1988 and \$100 million for fiscal year 1989. By law, Lottery receipts are deposited in the Lottery Operating Fund. The Executive Director makes transfers from the Lottery Operating Fund to the Lottery Prize Payment Fund for payment of prizes, and in FY 1988, to the Gaming Revenues Fund at his discretion. Gaming revenue funds

ATTACHMENT 1  
SWAM 2-2-88

are distributed to three funds in the proportions of 60 percent to the Economic Development Initiatives Fund, 30 percent to the County Reappraisal Fund to pay the state share of local reappraisal costs, and 10 percent to the Correctional Institutions Building Fund. The 1987 Legislature made commitments against those three funds on the basis of estimated Lottery receipts.

The Division of the Budget has worked closely with the Lottery to develop what we consider to be reasonable estimates of Lottery sales for both FY 1988 and FY 1989. We estimate receipts from sales of \$61.2 million for FY 1988 and \$84.0 million for FY 1989. The Governor recommends that the Director of the Lottery transfer \$8.5 million from the Lottery operating fund in FY 1988 to the Gaming Revenues Fund and that he transfer \$3,024,517 to the State General Fund to repay the State General Fund for the start-up costs for the Lottery. We estimate, based upon the Governor's recommended FY 1988 expenditures from the Lottery Operating Fund which include a recommendation to increase the expenditure limitation on the fund by \$898,792 that the ending balance of the Lottery Operating Fund in FY 1988 after all transfers are made would be \$2,721,237.

The Governor has recommended to the Director of the Kansas Lottery that the first transfers from the Lottery Operating Fund be made to the Gaming Revenues Fund and that the transfer to pay back the State General Fund for initial start-up costs, not be made until \$8.5 million has been transferred to the Gaming Revenues Fund. The reason for this recommendation lies in the configuration of the appropriations from the Economic Development Initiatives Fund for FY 1988 as follows:

1. Contingent Projects. No expenditure can be made for any of the projects listed here until the amount necessary for all projects has been transferred to the Economic Development Initiatives Fund. Since the Economic Development Initiatives Fund receives 30 percent of the Gaming Revenues Fund, there must be an amount of \$2,781,000 transferred to the Economic Development Initiatives Fund in order to get these projects started. The Lottery transferred \$2.5 million to the Economic Development Initiatives Fund in December and transferred \$2,135,000 yesterday. Had the Lottery repaid the State General Fund first, the contingent projects would be delayed at least one additional month and possibly longer.

Research and Development Account -- KTEC Grant	\$2,150,000
Kansas Industrial Training Program	500,000
Small Business Development Center	75,000
Kansas Film Commission	31,000
Amtrak Feasibility Study	<u>25,000</u>
	\$2,781,000

2. General Funded Projects. The following projects were funded from the State General Fund with the repayment to the State General Fund from the Economic Development Initiatives Fund on June 30. There is no delay on these projects.

Kansas Industrial Training Program (GM Plant)	\$225,000
Superconducting Super Collider	<u>250,000</u>
	\$475,000

3. Public Television. The final amount appropriated from the Economic Development Initiatives Fund is \$100,000 in FY 1988 for Public Television Station KOOD at Bunker Hill. There were a number of provisos placed upon the expenditure of that amount which delayed the project much more so than the lack of transfer into the Economic Development Initiatives Fund. I might note that the Legislature also appropriated \$300,000 in FY 1989 for this project from the Economic Development Initiatives Fund.
  
4. The Governor recommends supplemental Economic Development Initiative Fund expenditure of \$65,400 by the Board of Agriculture and \$68,300 by the Department of Commerce for the Bloomingdale project.

Based upon transfer of \$8.5 million to the Economic Development Initiatives Fund, \$2,500,000 will be transferred to County Reappraisal Fund and ~~\$50,000~~ to the Correctional Institutions Building Fund. The 1987 Legislature approved expenditures from the County Reappraisal Fund of \$9,400,000 for FY 1988 of which \$1,970,300 were to be from the Economic Development Initiatives Fund and the remaining \$7,429,700 from the State General Fund. The Governor recommends balances forward of \$1,610,300 for the Economic Development Initiatives Fund and \$579,700 for the County Reappraisal Fund. <sup>into FY 1989.</sup> The Lottery proceeds and the Correctional Institutions Building Fund are estimated to be \$400,000 less than the amount shown last year in the Governor's Report on the budget and no carry forward is anticipated. The result of that action is the need to continue the use of the portion of the mill levy for the Correctional Institutions Building Fund.

5850,000

FY 1989

Based upon estimated FY 1989 Lottery sales, the County Reappraisal Fund would receive 30 percent of the \$25.2 million transferred to the Gaming Revenues Fund or \$7,560,000. This amount, when combined with the carry balance forward would provide \$8,139,700 for county reappraisal. The Governor's FY 1989 recommended expenditures for reimbursement to the counties for the state share of reappraisal are \$15.0 million; of which \$7.0 million would be financed from the State General Fund. The Governor recommends extension of the existing formula for the distribution of Gaming Revenue Funds through FY 1990 in order to capture the portion of the state general funds expended for county reappraisal. We estimate that the state, under existing law, will have spent \$22.5 million in state general funds on reappraisal and \$9.9 million in Lottery funds. With the Governor's recommended change to the formula, State General Fund expenditures would be reduced to approximately \$15 million.

The Governor's recommended capital improvements for FY 1989 from the Correctional Institutions Building Fund incorporate the estimated \$2.520 million to be transferred from the Gaming Revenues Fund to the Correctional Institutions Building Fund. Even with the influx of receipts from the Gaming Revenues Fund to the Correctional Institutions Building Fund, the Governor felt that he still had to recommend the use of one-half of the State Institutions Building Fund mill levy for capital improvements at correctional institutions. The pressures on the Correctional Institutions Building Fund remain intense, as they do for the State Institutions Building Fund as a result of the transfer to the Correctional Institutions Building



Fund in fiscal years 1987 and 1988. Indeed, the Governor's revenue estimates to the building funds for the near future include the estimated effect from the statewide property reappraisal. In order to relieve the pressures on both funds and to provide necessary repairs and maintenance for the state institutions and the capacity increases for correctional institutions, the Governor proposes that in FY 1991 that 20 percent of Gaming Revenues be dedicated to the Correctional Institutions Building Fund.

The Governor's recommended expenditures for the Economic Development Initiatives Fund are shown on the attached tables. The overall status of the Economic Development Initiatives Fund as shown in the table below taken from pages 4-6 to 4-7 of Volume I on the Governor's Report on the Budget. As you can see, in FY 1989, the Governor estimates resources available of \$15.1 million, expenditure of \$13.9 million, and an unallocated reserve of \$2.8 million. Current law mandates that 50 percent of the expenditures or \$6.9 million be allocated by congressional district. That would mean that each congressional district, under the Governor's budget recommendations, would have \$1.4 million expended within it. The reverse side of the attached table shows the expenditures recommended by the Governor by congressional district. Projects recommended by the Governor constitute 70 percent of the overall requirement. The Governor's recommendations to the Secretary of Commerce and the Kansas Technology Enterprise Corporation is to ensure that the remaining 30 percent of the required 50 percent be distributed to ensure that all districts meet their target.

I would point out to the Committee that the Governor's recommended expenditures from the Economic Development Initiatives Fund constitute but one portion of his total of economic development initiatives.

1. The Governor recommends change to the sales tax law to exempt the purchase of new manufacturing equipment and machinery. This exemption is for the purchase of production machinery equipment used directly in the manufacturing and distribution processes and primary job creation industries. The annualized impact is \$16 million with a FY 1989 impact for five and one-half months of approximately \$7.3 million.

This exemption is estimated to directly reduce the cost of capital investment and productive assets in Kansas and improve our competitive posture with other states most of which already provide such an exemption. The primary benefits of the exemption will flow to existing firms and to businesses who are engaged in normal replacement investment for expansion of productive capacity, because a very high proportion of all jobs are traditionally by existing firms.

2. The Governor also recommends nearly \$5.7 million from the State General Fund for the Department of Commerce. *low costs investment in econ dev*
3. The Governor recommends a State General Fund ending balance that sends a clear message to companies seeking to invest in Kansas that we are on a path to restoring adequate balances to the State General Fund to guard against both the necessity of tax increases resulting from economic downturn and interruption or cut back in government services resulting from rescissions.

The Governor's recommendation for expenditures from the Economic Development Initiatives Fund are based upon the recommendations of Kansas, Inc. and his own assessment of Kansas needs compared with fiscal possibilities. One departure from the recommendations from Kansas, Inc. is the recommendation of expenditure of \$4 million for natural resources. The Governor's budget recommendations reflect the view that provision for adequate supplies of water, flood control, uncontaminated water supplies, and regional recreational opportunities are an absolutely essential ingredient for economic success for Kansas in the coming decades. The Governor's recommended \$4 million is in addition to his recommended expenditures of \$770,000 for the State General Fund for watershed dam construction, \$1,360,000 from the State General Fund for the Water Resources Cost-Share Program, \$230,000 for the High Priority Cost-Share Program, \$170,000 for fiscal year 1989 for the first year of a recommended \$570,000 from Oil Overcharge Funds for the Dakota Aquifer Study, and \$300,000 from the State General Fund to the Department of Health and Environment to continue the cleanup of contaminated sites.

The Governor's Natural Resource Initiatives is described in greater detail on the attached pages from Volume I of the Governor's Budget Report. *attached*

The Governor's commitment to the development of Kansas natural resources is a vital component for economic development and is the basis for his recommendation that beginning in FY 1991, 20 percent of Gaming Revenues should be dedicated to a natural resources fund to continue the preservation of our natural resources so that economic progress not be stifled by the lack of adequate and clean water and the lack of outdoor recreational facilities.

The goals of the Governor's several economic development initiatives are to assist in developing an overall framework within Kansas that: encourage the Kansas private sector to develop new products and companies; encourage outside companies to locate facilities in Kansas; allows local communities to compete with communities in other states for new business ventures resulting in jobs; as well as to make Kansas a safer and more enjoyable place to live and work.

The Governor recommends that 39 percent of his recommended expenditures be included as programs of the Department of Commerce to assist businesses and entrepreneurs to expand job opportunities in Kansas. The largest program recommended is a low interest loan program to assist local communities to gain infrastructure improvements thereby resulting in new or expanded businesses. The Governor's recommendation includes funding to upgrade the department's computer and video equipment to make it possible to quickly match the interests of a company with the resources of a specific community. The second major area of business assistance is recommended expenditures of approximately 15 percent by the Kansas Technology Enterprise Corporation.

#### Oil Overcharge

The Governor recommends FY 1989 expenditures of approximately \$9 million from Oil Overcharge Funds for the first year of a five-year multi-year expenditure plan. That plan totals \$42.8 million for fiscal years FY 1989 through FY 1993, and \$48.1 million when FY 1988 is included. It is based upon revenue estimates of \$35.3 million in actual overcharge fund balances as of June 30, 1987, receipt of an additional \$5 million over the next four

years for stripper oil settlement, and interest payments on all Overcharge Funds of approximately \$7.9 million. *with (c) 920 (b) included in 5 yr plan* The funds available to Kansas fall into two categories commonly known as Warner and Non-Warner Funds. The funds are distributed to Kansas as a result of several individual lawsuits filed by the U.S. Department of Energy against the oil companies charged with pricing violations between 1973 and 1981. The funds have been distributed to the states because direct restitution to all homeowners or motorists was not deemed practical. Warner Funds, which include Kansas' share of the settlement must be used by the state within five existing federal conservation programs. Non-Warner Funds, the stripper well monies, may be used for broader purposes. All funds are placed in interest bearing accounts and the interest accrued on each type of Oil Overcharge Fund must be spent in accordance with restrictions governing the principal.

The Governor's five-year plan maximizes the utilization of Oil Overcharge Funds and the interest generated from these funds through precise planning of project expenditures from year-to-year. Federal guidelines were carefully considered in the proportion of Warner and Non-Warner Funds recommended for the overall plan. The attached table shows the recommended expenditures by agency, by program, and by category of expenditure.

Expenditures for the Board of Agriculture include those for the Agriculture Energy Conservation Program, and a program for Noxious Weed Control. Agriculture benefits from other programs as well as these two that are administered by the Board.

The Governor recommends expenditures of \$12,460,000 by the Department of Transportation for bridge and shoulder projects. This program is designed to provide restitution to motorists for overcharges on fuel prices between 1973 and 1981.

Recommended expenditures of \$15 million for the Department of Social and Rehabilitation Services under the five-year plan and \$17.6 million overall are for the Low Income Energy Assistance Program and the Weatherization Programs. In making his recommendations for these programs, the Governor calls for increasing emphasis in weatherization and decreasing emphasis in the LIEAP program to permanently reduce consumer dependency on the LIEAP program while increasing the efficient utilization of energy. The changeover goes from 81 percent LIEAP and 19 percent weatherization in fiscal year 1991 to 40 percent LIEAP and 60 percent weatherization in FY 1993.

In general, all the Warner Funds are spent on the Social Rehabilitation Services programs and Corporation Commission programs. Non-Warner funds are used for the programs shown for the Board of Agriculture, Department of Transportation, Geological Survey, and portions of the Corporation Commission programs.

Mr. Chairman, this concludes my prepared testimony. I would be pleased to answer your questions.

ECONOMIC DEVELOPMENT INITIATIVES FUND

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

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

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



State Economic Development Initiatives Fund  
Expenditure Summary

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

Research Matching Grants:

Request:	\$ 2,000,000	State General Funds
Recommendation:	610,000	EDIF
Kansas Inc.:	1,000,000	EDIF

The \$610,000 figure recommended by the Governor is the same total amount appropriated by the 1987 Legislature. The 1987 Legislature provided this amount through an even split between state general funds and EDIF monies at \$305,000 each.

The current year expenditure estimate amount of \$505,000 EDIF is derived from a request by the agency to shift \$200,000 (EDIF) to the Research Matching Grants program. The \$200,000 plus the \$305,000 makes a current year total of \$505,000 from the EDIF.

Business Innovative Research Grants:

Request:	\$ 500,000	State General Funds
Recommendation:	150,000	EDIF
Kansas, Inc.:	300,000	EDIF

The \$150,000 figure recommended by the Governor is the same total amount appropriated by the 1987 Legislature (appropriated from the State General Fund). It is also the same amount appropriated for this purpose by the 1986 Legislature for the Advanced Technology Commission from the State General Fund (the predecessor of this agency).

The agency did not spend any of the funds appropriated for this purpose in FY 1987 and has recently indicated that it will not spend funds for this purpose in FY 1988.

Training Equipment Grants:

Request:	\$ 0	EDIF
Recommendation:	0	EDIF
Kansas, Inc.:	500,000	EDIF

Research Equipment Grants (includes vocational training equipment:

Request:	\$3,000,000	EDIF
Recommendation:	295,000	EDIF
Kansas, Inc.:	700,000	EDIF

The \$295,000 figure recommended by the Governor is the same total amount appropriated by the 1987 Legislature.

## Centers of Excellence:

Request:	\$1,250,000	EDIF
Recommendation:	600,000	EDIF
Kansas, Inc.:	0	EDIF

The \$600,000 figure recommended by the Governor is the same total amount anticipated for expenditure by the KTEC Board in FY 1988. This amount would provide for four centers of excellence with an average grant of \$150,000.

## Seed Capital:

Request:	\$1,500,000	EDIF
Recommendation:	500,000	EDIF
Kansas, Inc.:	750,000	EDIF

The \$500,000 figure recommended by the Governor is the same amount anticipated by the KTEC Board for expenditure in the current fiscal year. This amount is estimated by the Board to provide for five awards averaging \$100,000 each.

## Incubators:

Request:	\$ 500,000	EDIF
Recommendation:	125,000	EDIF
Kansas, Inc.:	150,000	EDIF

The \$125,000 figure recommended by the Governor is the same amount anticipated by the KTEC Board for expenditure in the current fiscal year from the KTEC setaside program.

## Operations:

Request:	\$ 414,000	State General Funds
Recommendation:	204,119	EDIF
Kansas, Inc.:	204,119	State General Funds

The \$204,119 figure recommended by the Governor is financed from the EDIF. This agency was created to spearhead the state's effort in encouraging high technology enterprises utilizing a portion of the funds available from the gaming revenues. Thus, the success of this agency is dependent upon the funds available within the EDIF.

DEPARTMENT OF COMMERCE

## Small Business Development Centers:

Request:	\$ 75,000	EDIF
Recommendation:	75,000	EDIF
Kansas, Inc.:	75,000	EDIF

The \$75,000 figure recommended by the Governor is agreed upon by both the agency and Kansas, Inc. This amount continues the appropriated amount of the 1987 Legislature.

Certified Development Companies:

Request:	\$ 75,000	EDIF
Recommendation:	75,000	EDIF
Kansas, Inc.:	75,000	EDIF

The \$75,000 figure recommended by the Governor is agreed upon by both the agency and Kansas, Inc. This amount expands funding for these Companies over the appropriated amount for FY 1988.

Development Company/Center Support:

Request:	\$ 7,550	EDIF
Recommendation:	7,550	EDIF
Kansas, Inc.:	0	EDIF

The \$7,550 figure recommended by the Governor represents the amount identified by the agency as the amount needed in state operational support for the Small Business Development Centers and the Certified Development Companies.

Kansas Industrial Training:

Request:	\$1,000,000	\$500,000 EDIF/\$500,000 SGF
Recommendation:	500,000	EDIF
Kansas, Inc.:	1,000,000	EDIF

The \$500,000 figure recommended by the Governor represents the amount appropriated from the EDIF for FY 1988 by the 1987 Legislature.

Film Commission:

Request:	\$ 31,000	EDIF
Recommended:	31,000	EDIF
Kansas, Inc.:	0	

The \$31,000 figure recommended by the Governor represents the amount appropriated from the EDIF for FY 1988 by the 1987 Legislature.

Computerization:

Request:	\$ 85,000	EDIF
Recommendation:	66,434	EDIF
Kansas, Inc.:	85,000	EDIF

The \$66,434 figure recommended by the Governor represents the revised figures provided by the agency subsequent to the submission of their budget. This figure represents the purchase of significantly more equipment, using a five-year lease purchase arrangement, than the original request for one-time funding of \$85,000.

Video Equipment:

Request:	\$ 44,899	EDIF
Recommendation:	44,899	EDIF
Kansas, Inc.:	46,000	EDIF

The \$44,899 figure recommended by the Governor represents the requested amount of the agency.

## Infrastructure Loan Program:

Request:	\$10,000,000	EDIF
Recommendation:	5,500,000	EDIF
Kansas, Inc.A:	2,708,000	EDIF
Kansas, Inc.B:	8,540,000	EDIF

The \$5,500,000 figure recommended by the Governor is higher than the amount targeted by Kansas, Inc. at the low revenue estimate level (A) and lower than the amount targeted by Kansas, Inc. at their higher revenue estimate level (B).

## Economic Development Grant Program:

Request:	\$4,867,505	EDIF
Recommendation:	0	
Kansas, Inc.A:	1,703,000	EDIF
Kansas, Inc.B:	4,029,000	EDIF

The requested amount was originally intended to replace federal funding cutbacks in the HUD CDBG Small Cities program and the HUD CDBG Entitlement program. However, the Department of Commerce amended their request in December, 1987 and presented this program as a loan program exclusively rather than a grant program.

The Governor's recommendation reflects the pressing need for infrastructure improvements in local communities.

## Main Street Program Expansion:

Request:	\$ 128,112	State General Funds
Recommendation:	75,000	EDIF
Kansas, Inc.:	0	

The \$75,000 figure recommended by the Governor includes \$24,000 to expand the contract with the National Main Street Center and \$51,000 to provide grants to local communities to assist them in acquiring the expertise necessary to successfully complete the program.

## Educational Awards Pilot:

Request:	\$ 0	
Recommendation:	50,000	EDIF
Kansas, Inc.:	50,000	EDIF

The \$50,000 figure recommended by the Governor provides for two awards of \$5,000 in each congressional district, as recommended by Kansas, Inc.

## Tourism:

Request:	\$ 0	EDIF
Recommendation:	100,000	EDIF
Kansas, Inc.:	250,000	EDIF

Although the Department of Commerce didn't request any funds from the EDIF for tourism expenditures, their C level budget requested additional expenditures of \$1,107,817. With the exception of \$40,000 of additional expenditures proposed from the agency's publication fund, the additional expenditures were requested from the State General Fund.

## Small Business Incubators:

Request:	\$ 280,000	EDIF
Recommendation:	80,000	EDIF
Kansas, Inc.:	150,000	EDIF

The Department of Commerce requested \$200,000 as grants for facilities to house incubators. An additional \$80,000 was requested as grants to assist incubators in meeting their operating expenses. The \$80,000 figure recommended by the Governor provides for grants to assist incubators with operational expenses.

PUBLIC BROADCASTING COMMISSION

## Remote Broadcast Site-KOOD:

Request:	\$ 300,000	EDIF
Recommendation:	300,000	EDIF
Kansas, Inc.	0	

The \$300,000 figure recommended by the Governor represents funds appropriated by the 1987 Legislature. This expenditure was not reflected in the proposal by Kansas, Inc. even it was previously passed into law.

STATE BOARD OF AGRICULTURE

## Arkansas River Study:

Request:	\$ 25,000	
Recommendation:	25,000	EDIF
Kansas, Inc.	0	

The \$25,000 figure recommended by the Governor represents a continuation of the study initiated in FY 1988.

## Marketing Program Expansion:

Request:	\$ 182,696	\$178,696 SGF/\$4,000 Other
Recommendation:	182,696	\$178,696 EDIF/\$4,000 Other
Kansas, Inc.	0	

The \$178,696 figure recommended by the Governor from the EDIF reflects an anticipated benefit to the State of Kansas from additional expenditures in marketing of Kansas agricultural products through the Board of Agriculture. Kansas, Inc. did not address the agricultural sector in any of their recommendations.

RACING COMMISSION

## Operational Expenses:

Request:	\$ 330,000	State General Funds
Recommendation:	280,000	EDIF
Kansas, Inc.	0	

The \$280,000 figure recommended by the Governor from the EDIF reflects those expenditures by the Racing Commission for State Operations which exceed the anticipated revenues into the State Racing Fund. \$100,000 of this amount is maintained as a contingency and will be transferred from the EDIF only if needed.

UNIVERSITY LIAISONS

Request:	\$ 0	EDIF
Recommendation:	0	EDIF
Kansas, Inc.:	400,000	EDIF

The targeted amount set by Kansas, Inc. would fund an industry extension program at a state university to review new products, processes, and ideas in order to assess their commercial and patent potential.

ARTS

## Art Grants:

Request:	\$ 573,831	State General Fund
Recommendation:	88,081	\$50,000 EDIF/\$38,081 SGF
Kansas, Inc.:	700,000	EDIF

The \$50,000 figure recommended by the Governor would provide for an increase in state funding for the Arts.

SPECIAL STUDIES

Request:	\$ 0	
Recommendation:	0	
Kansas, Inc.:	150,000	EDIF

Kansas, Inc. recommended the expenditure of \$150,0000 to fund studies which would provide two models for infrastructure cost evaluation (\$90,000) and would define export feasibility for the State (\$60,000).

UNALLOCATED RESERVE

Recommendation:	\$2,807,602	EDIF
Kansas, Inc.A:	8,000	EDIF
Kansas, Inc.B:	0	EDIF

This reserve provides flexibility in priority setting, allowing the Legislature to participate in the allocation of resources.

## NATURAL RESOURCES

The Governor's FY 1989 budget includes major new investments in the state's natural resources. The Governor recommends expenditure of \$4 million from the Economic Development Initiatives Fund for 14 projects to enhance local water supply, provide for flood control, restore contaminated groundwater supplies, and develop regional recreational opportunities. The Governor also recommends expenditure of \$170,000 in oil overcharge funds to study the Dakota Aquifer as a major source of future water supply for Kansas. Specific recommendations are summarized in the table below, which details the projects, administering agencies and recommended funding levels.

### NATURAL RESOURCES

AGENCY/PROJECT	FUNDING
Department of Health and Environment	
Galena Superfund Site—State Match .....	\$500,000
Saltwater Contamination Cleanup	
Wilgus Water Well—Saline County .....	250,000
Brother's Lease—Rice County .....	100,000
Raymond Smith Well—Hodgeman County .....	125,000
Enoch Thompson Well—Pawnee County .....	50,000
Temple Oil—Montgomery County .....	150,000
Douglass—Greenwood County .....	200,000
Burrton—Reno County .....	300,000
Dinkle Well—Ellis County .....	75,000
Department of Wildlife and Parks	
Hillsdale Reservoir—Recreation Facilities .....	700,000
Cedar Bluff—Purchase of Storage .....	365,418
Purchase of Wetlands Habitat .....	27,100
State Conservation Commission	
Centralia Site 50 Multipurpose Lake .....	240,000
Wellington Multipurpose Lake .....	917,482
Kansas Geological Survey	
Dakota Aquifer Investigation .....	170,000
<b>TOTAL .....</b>	<b>\$4,170,000</b>

The projects to be administered by the Department of Health and Environment include the Galena Superfund project and eight saltwater contamination cleanup projects. The \$500,000 recommended for Galena meets the ten percent match required by the federal government for cleanup of the Galena subsite of the Cherokee County site on the National Priority List of the federal Superfund program. Heavy metal contamination of ground and surface water at the site was caused by mining and smelting activities in the region. The eight saltwater contamination cleanup projects are drawn from the department's list of 332 statewide sites that have contaminated ground or surface water. The projects are ones that have been identified by the department as having a high priority for cleanup because of local water use requirements.

The Wildlife and Parks projects include \$700,000 for development of recreational facilities at Hillsdale Reservoir in Miami County, including boat ramps and adjacent parking lots, swimming beaches, breakwaters for protection of boat ramps and swimming beaches, and roads. Also recommended is \$365,418 for purchase of water storage in Cedar Bluff Reservoir in Trego County. The funding is necessary to implement the terms of an agreement with the U.S. Bureau of Reclamation whereby the state will gain control of reservoir storage to maximize the lake's fish, wildlife and recreation benefits. The recommendation for Wildlife and Parks includes \$27,100 for acquisition of land in the McPherson area to be protected as a wetlands wildlife refuge.

The recommendation for the State Conservation Commission includes state funding for two multipurpose small lakes projects. Funding of \$240,000 is recommended for land treatment at the Centralia Site 50 Multipurpose Small Lake, which is designed to provide flood control, water supply and recreation benefits to the residents of the area in Nemaha County near Centralia. The recommended amount completes the state's contribution to that project. Also recommended is \$917,482 for the Wellington Multipurpose Small Lake to be constructed by the City of Wellington. The project will provide water supply, flood control and recreation benefits to the city and surrounding area; state funds will be used for flood control, recreation and land treatment elements of the project. The total state share of project funding is \$1,083,000; the remaining \$165,518 would be funded in FY 1990.

The Governor's recommendation for the Kansas Geological Survey includes expenditure of \$170,000 in oil overcharge funds for continued investigation of the Dakota Aquifer. The Dakota represents a major water resource for Western Kansas but further study is required to assess both the water quality and quantity in the aquifer.



OIL OVERCHARGE FUNDS MULTIYEAR EXPENDITURE PLAN

EXPENDITURES BY AGENCY	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Board of Agriculture . . .	\$—	\$40,000	\$40,000	\$130,000	\$90,000	\$—
Corporation Commis- sion . . . . .	2,775,657	2,947,282	2,872,038	2,872,038	2,872,038	2,872,038
Department of Transpor- tation . . . . .	—	1,500,000	1,500,000	2,500,000	3,500,000	3,460,000
Social and Rehabilita- tion Services . . . . .	2,578,255	4,355,528	3,855,528	2,269,330	2,269,329	2,269,331
University of Kansas Geological Survey . .	—	170,000	200,000	200,000	—	—
<b>TOTAL . . . . .</b>	<b>\$5,353,912</b>	<b>\$9,012,810</b>	<b>\$8,467,566</b>	<b>\$7,971,368</b>	<b>\$8,731,367</b>	<b>\$8,601,369</b>

EXPENDITURES BY PROGRAM	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Agricultural Energy Con- servation . . . . .	\$—	\$—	\$—	\$90,000	\$90,000	\$—
Dakota Aquifer . . . . .	—	170,000	200,000	200,000	—	—
Energy Extension Service (EES) . . . . .	10,832	76,357	76,357	76,357	76,357	76,357
Highway and Bridge Maintenance Proj- ects . . . . .	—	1,500,000	1,500,000	2,500,000	3,500,000	3,460,000
Institutional Conserva- tion Program (ICP) . .	1,526,894	1,679,583	1,679,583	1,679,583	1,679,583	1,679,583
Kansas Conservation Bank . . . . .	585,000	643,500	660,000	660,000	660,000	660,000
Low Income Energy Con- sultation . . . . .	102,022	106,022	106,022	106,022	106,022	106,022
Low Income Energy As- sistance (LIEAP) . . .	2,231,397	3,708,670	3,508,670	1,815,465	1,361,599	907,732
Noxious Weed Control Rehabilitation Weatheri- zation Demo . . . . .	—	40,000	40,000	40,000	—	—
146,300	106,300	—	—	—	—	
Residential/Commercial Technical Assistance	131,671	141,758	141,758	141,758	141,758	141,758
Rideshare . . . . .	114,081	120,982	120,982	120,982	120,982	120,982
State Energy Conserva- tion Program Manage- ment . . . . .	71,571	72,780	87,336	87,336	87,336	87,336
Topeka Mass Transit . .	87,286	—	—	—	—	—
Weatherization . . . . .	346,858	646,858	346,858	453,865	907,730	1,361,599
<b>TOTAL . . . . .</b>	<b>\$5,353,912</b>	<b>\$9,012,810</b>	<b>\$8,467,566</b>	<b>\$7,971,368</b>	<b>\$8,731,367</b>	<b>\$8,601,369</b>

EXPENDITURES BY CATEGORY	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
State Operations . . . . .	\$316,383	\$268,188	\$298,188	\$388,188	\$188,188	\$98,188
Aid to Local Units of Government . . . . .	—	40,000	40,000	40,000	—	—
Other Assistance, Grants, and Benefits	5,037,529	7,204,622	6,629,378	5,043,180	5,043,179	5,043,181
Capital Improvements .	—	1,500,000	1,500,000	2,500,000	3,500,000	3,460,000
<b>TOTAL . . . . .</b>	<b>\$5,353,912</b>	<b>\$9,012,810</b>	<b>\$8,467,566</b>	<b>\$7,971,368</b>	<b>\$8,731,367</b>	<b>\$8,601,369</b>

## Governor's Multi-Year Plan for Oil Overcharge

### Description of Projects Recommended

#### Board of Agriculture

1. Noxious Weed Control (\$40,000 in FY 1989, FY 1990 and FY 1991)  
The musk thistle has been identified by agricultural officials as one of the most serious noxious weeds in the State of Kansas. Chemical control exists, but expenses inherent in their use are substantial. The Noxious Weed Control program is aimed at the introduction of musk thistle biological control agents at selected sites within each infested county of the state. This is a three year program and is expected to show that through biological controls and the use of living organisms a long lasting method of reducing the thistle population to a relatively low level is possible. Through this test method a significant monetary and energy resource savings is expected.
2. Agricultural Conservation Program (\$90,000 in FY 1991 and FY 1992)  
The Department of Agriculture has proposed projects which include environmental conservation practices that reduce fuel and energy usage, irrigation water management, utilization of agricultural chemicals, cropping alternatives and energy generation from feedlot waste. The amount recommended by the Governor would fund several of these proposals over a two year period.

#### Department of Transportation

1. Highway Bridge Maintenance Projects (\$1.5 million in FY 1989 and FY 1990, \$2.5 million in FY 1991, \$3.5 million in FY 1992 and \$3.460 million in FY 1993)  
The Department of Transportation has proposed highway and bridge maintenance projects in each of the six KDOT districts. One is the relocation of the bridge and the straightening of the roadway over Cross Creek at Rossville. The Army Corp of Engineers and the City of Rossville are planning to build a dike along this flood prone area. This dike will require that the existing bridge be relocated 150 feet from its present location.

The other five districts are targeted for stabilizing and constructing bituminous shoulders along existing highways. These particular sections were chosen because of their heavy concentration of truck traffic. Adding stable shoulders will allow traffic to pull to the side in safety. KDOT estimates that the total proposal will cost \$14,514,000. The Governor's recommendation would fund the major portion of these projects at \$12,460,000.

#### Kansas Corporation Commission

1. Institutional Conservation Program (\$1,526,894 in FY 1988, \$1,679,583 in FY 1989 through FY 1993) - Total \$9,924,809  
The Institutional Conservation Program assists public and non-profit schools and hospitals in conducting energy audits, in identifying and implementing energy conservation maintenance and operating procedures, and installing energy conservation measures.

Eligible applications are ranked in accordance with the Department of Energy ranking system, and an institution is not eligible for more than \$100,000 per funding cycle. Eligible institutions must provide a 50 percent match for improvements, although some school districts are eligible for a reduced matching requirement if they meet certain "hardship" criteria.

2. State Energy Conservation Program Management (SECP)

In the Governor's plan administrative costs are provided from FY 1988 through FY 1993 totaling \$493,695. Those programs managed by the Corporation Commission which fall under the management of the State Energy Conservation program area as follows:

- A. Kansas Conservation Bank - (\$585,000 in FY 1988, \$643,500 in FY 1989, \$660,000 in FY 1990 through FY 1993) The Kansas Conservation Bank is a program which provides interest buy downs on approved loans to low to moderate income families for the installation of eligible conservation measures to their homes. This program has been successful in the State of Kansas, saving each participating household approximately \$140 in energy costs per year.
- B. The Low Income Energy Consultation - (\$102,022 in FY 1988 through FY 1993) - Total - \$612,132  
This program offers workshops and individual consultations to low income persons interested in reducing their energy consumption by making conservation improvements to their homes.
- C. Rehabilitation Weatherization Demonstration - (\$146,300 in FY 1988 and \$106,300 recommended in FY 1989) - Total - \$252,600  
This project is a short-term program designed to assist residents in the Wichita area whose homes, due to dilapidated conditions, are not eligible for weatherization benefits within the traditional Weatherization Assistance Program (WAP). This project, which is to serve 150 clients over the two year period, is also intended to demonstrate the potential savings to be realized when both rehabilitation and weatherization services are coordinated.
- D. Residential/Commercial Technical Assistance Program - (\$131,671 in FY 1988, \$141,758 in FY 1989 through FY 1993) - Total \$840,461  
This project is aimed at reducing energy demand by providing individualized technical assistance. It is much like the Energy Existence Service Program which is also administered by the Corporation Commission.
- E. Ride Share - (\$114,081 in FY 1988 and \$120,982 in FY 1989 through FY 1993) - Total - \$718,991  
This program is mandated by the federal government, and is designed to promote public transportation and car pooling through the coordination of transit options and through the computerization of car pool matching services. The State of Kansas presently operates a Ride Share Program in Wichita and one in Kansas City.

4. Energy Extension Service (EES) (\$10,832 in FY 1988 and \$76,357 in FY 1989 through FY 1993) - Total - \$392,617  
This service was established by Congress to provide direct personalized information and assistance for small energy users both residential and commercial. This program, implemented by Kansas State University, provides technical consultation on energy conservation to individuals, organizations, and businesses so that they may make better informed energy decisions.
5. Topeka Mass Transit Project (\$87,286 has been committed for FY 1988)  
This is a special project funded for one year only and is intended to provide a comprehensive promotion of mass transit services in the City of Topeka, and to document the effect of such a promotion on ridership. Included within the promotional plan is one month of free bus service for Topeka citizens.

Department of Social and Rehabilitation Services

1. Low Income Energy Assistance Program (LIEAP)  
LIEAP assists eligible low income households in meeting home energy costs for winter heating and summer cooling for the elderly disabled individuals who are medically certified. Funding for this program is largely provided by federal block grants. In the Governor's proposal for expenditures for this program, it is recommended that \$3,708,670 be expended in FY 1989 and FY 1990 with that amount decreasing to \$1,815,465 in FY 1991 and decreasing further in FY 1992 and FY 1993. It is the Governor's intention to coordinate the usage of LIEAP funding with weatherization to lessen the dependence of low income persons on the LIEAP program while increasing their energy management awareness through benefits from weatherization. Total \$13,533,533, subject to change amount in FY 1988 with passage of the Senate Emergency Supplemental Bill.
2. Weatherization - (\$346,858 in FY 1989, \$646,858 in FY 1989, \$453,865 in FY 1991 with increases up to \$1,361,599 in FY 1993)  
This program, also administered by SRS provides for the installation of energy conservation measures to the homes of eligible low income recipients. Currently, there is a \$1,600 limit on the amount of labor and materials that can be applied to each residents. Measures include caulking, weather stripping, storm windows, and installation and furnace repair. The weatherization program is funded by grants from the U.S. Department of Energy and 15 percent of the block grant from the LIEAP program. The increase in funding for this program is provided in a effort to reach as many of the estimated 148,000 that are currently eligible for this service.

The Geological Survey of the University of Kansas

1. Dakota Aquifer Study  
This study was introduced and proposed by the Kansas Water Office and the Kansas Geological Survey. It is a study of the quality/quantity of the Aquifer, and is intended to develop the technical basis necessary for future water management and planning efforts.

This study has been arranged into a multifaceted, multi-agency effort, requiring a total of \$6.2 million during a 14 year period, 50 percent of which would be provided as a federal match. Due to the long time span for the project, a \$1.7 million allocation at this time, with a subsequent accrual of its interest, would meet Kansas's funding needs and would ensure the federal match. The Governor's recommendation includes funding totaling \$570,000 over a three year period from FY 1989 through FY 1991 in a hope that this would procure significant benefits.

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