

Approved 1-26-89
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m./p.m. on January 24, 1989 in room 123-S of the Capitol.

All members were present except:
Senator Jack Steineger

Committee staff present:
Bill Edds, Revisor Of Statutes' Office
Lynne Holt, Kans Leg Research Dept
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:
Larry Montgomery, Executive Director, Kansas Lottery
Michael O'Keefe, Director of the Budget

The meeting was called to order at 8:00 a.m. by the Chairman,
Senator Dave Kerr.

Larry Montgomery, Kansas Lottery, briefed the Committee on revenue projections for lottery funds, and how those projections were determined. (Attachment 1) Mr. Montgomery also explained Kansas . . . on the Move, a program that was a culmination of efforts by economic development partners at the state and federal level to take an economic development conference out to small communities around the state of Kansas.

Senator Kerr asked what was the probability of the lottery reaching the \$70 million projection for FY89? He was advised that sales for the first half of the year were \$3 million ahead of projection and January sales indicate that the trend will continue.

The next conferee was Michael O'Keefe, Director of the Budget. Mr. O'Keefe briefed the Committee on the Governor's recommendations for FY90 and on the expenditures from the Economic Development Initiatives Fund (EDIF). He stated that the Budget Office has revised the lottery estimate for the current fiscal year to \$69 million, with \$12.4 million for EDIF. With actions contained in SB30, Emergency Supplemental Appropriations, the EDIF will be available for all remaining projects approved by the Legislature last year.

Senator Winter asked for clarification of the Recreational Access Program. Mr. O'Keefe advised that it is start-up money. Rural land will be leased for use for hunting and other such purposes. This is viewed as a one-time expenditure.

Senator Karr questioned what the shortfall was in the Partnership Fund. Mr. O'Keefe advised that the shortfall was roughly \$2.7 million, largely replaced by taking the Partnership Fund down by \$2.7 million and substituting \$1.7 million from the General Fund, so that the Partnership Fund, as the Governor recommends, is \$1 million less than was approved last year.

Minutes of the January 18 and 19, 1989, meetings were reviewed. It was moved by Senator Vidricksen and seconded by Senator Olen that the minutes be approved. Minutes approved.

There being no further business, the meeting was adjourned at 9:00 a.m.

testimony taken from
Luz B. (W) 1-24-89

San Eco - News
1-24-89
Attachment 1

PRE- LAUNCH FORECAST

Extensive research was conducted by the Kansas Lottery budget analyst along with a staff of three other employees. The research took a full two months, April and May prior to the start of the Lottery in 1987.

Five existing lottery states were identified which had counties with similar populations and demographics as counties located in the State of Kansas; Arizona, Colorado, Iowa, Missouri, and Oregon. Eventually, counties in Kansas were matched with "Sister" counties in Oregon and Iowa using the following variables:

- 1 . **Population**, number of residents in the county
- 2 . **Per Capita Income**, similar incomes.
- 3 . **Interstate Highway Systems**, running through the county.
- 4 . **Border County or Interior County**, if it was a border county, did it border a lottery or non-lottery state.

Once all of the variables were analyzed, The Oregon and Iowa counties were paired with all 105 Kansas counties to become the "Sister" counties. The average of the per capita sales of the sister counties in Iowa or Oregon was multiplied by the population of the Kansas county to arrive at the year one sales projection for that county.

Oregon or Iowa "Sister" county per capita sales X

Population of Kansas county =

County Sales

The Kansas Lottery
 Pre-Start-up Projections vs. Actual Sales for first Calendar Year
 November 1987 - November 1988 REVISION

County Name	Population	Total Pop. Percent	Projected Sales	Actual Sales	Actual Percent of Projection	Dollar Difference
Allen	14,774	0.64	501,241	\$545,368	108.80	44,127
Anderson	7,858	0.34	285,130	225,312	79.02	(59,818)
Atchison	16,363	0.71	343,288	613,438	178.69	270,150
Barber	6,163	0.27	233,043	422,503	181.30	189,460
Barton	30,329	1.32	972,887	1,847,277	189.88	874,390
Bourbon	14,725	0.64	297,981	416,186	139.67	118,205
Brown	11,366	0.50	427,152	499,350	116.90	72,198
Butler	47,670	2.08	1,747,394	1,450,729	83.02	(296,665)
Chase	3,060	0.13	107,840	118,851	110.21	11,011
Chautauqua	4,420	0.19	108,647	161,560	148.70	52,913
Cherokee	21,497	0.94	680,272	540,297	79.42	(139,975)
Cheyenne	3,369	0.15	131,415	94,740	72.09	(36,675)
Clark	2,565	0.11	73,578	173,601	235.94	100,023
Clay	9,102	0.40	279,357	603,734	216.12	324,377
Cloud	11,111	0.48	407,179	420,029	103.16	12,850
Coffey	8,212	0.36	305,369	321,327	105.23	15,958
Comanche	2,361	0.10	72,304	75,655	104.63	3,351
Cowley	34,643	1.51	1,143,017	1,660,114	145.24	517,097
Crawford	33,505	1.46	961,550	1,020,964	106.18	59,414
Decatur	4,205	0.18	160,475	114,333	71.25	(46,142)
Dickinson	18,830	0.82	646,004	905,050	140.10	259,046
Donophan	8,360	0.36	172,941	212,059	122.62	39,118
Douglas	59,441	2.59	1,987,940	1,307,260	65.76	(680,680)
Edwards	3,981	0.17	139,192	179,095	128.67	39,903
Elk	3,406	0.15	104,493	81,978	78.45	(22,515)
Ellis	24,436	1.07	1,011,297	1,236,174	122.24	224,877
Ellsworth	6,276	0.27	216,398	198,186	91.58	(18,212)
Finney	29,349	1.28	889,387	1,481,657	166.59	592,270
Ford	24,878	1.09	907,679	1,452,010	159.97	544,331
Franklin	21,378	0.93	698,453	735,815	105.35	37,362
Geary	18,015	0.79	1,156,765	1,948,086	168.41	791,321
Gove	3,468	0.15	105,930	154,110	145.48	48,180
Graham	3,745	0.16	130,197	69,944	53.72	(60,253)
Grant	7,025	0.31	227,381	277,220	121.92	49,839
Gray	5,378	0.23	176,182	161,868	91.88	(14,314)
Greeley	1,791	0.08	34,428	130,333	378.57	95,905
Greenwood	7,841	0.34	285,619	377,646	132.22	92,027
Hamilton	2,467	0.11	89,825	59,731	66.50	(30,094)
Harper	7,241	0.32	277,908	298,882	107.55	20,974
Harvey	29,728	1.30	865,554	623,862	72.08	(241,692)
Haskell	3,754	0.16	108,432	124,516	114.83	16,084
Hodgeman	2,258	0.10	81,071	75,556	93.20	(5,515)
Jackson	11,543	0.50	310,545	466,918	150.35	156,373
Jefferson	15,611	0.68	589,271	353,456	59.98	(235,815)
Jewell	4,496	0.20	148,949	111,481	74.85	(37,468)
Johnson	328,597	14.34	7,170,236	6,174,024	86.11	(996,212)
Kearney	4,131	0.18	111,946	138,572	123.78	26,626
Kingman	8,495	0.37	292,006	320,884	109.89	28,878
Kiowa	3,754	0.16	115,028	65,283	56.75	(49,745)
Labette	23,658	1.03	797,169	724,090	90.83	(73,079)
Lane	2,548	0.11	88,325	90,491	102.45	2,166
Leavenworth	43,630	1.90	1,725,387	1,598,692	92.66	(126,695)
Lincoln	3,785	0.17	135,086	256,330	189.75	121,244
Linn	8,201	0.36	153,646	345,860	225.10	192,214
Logan	3,171	0.14	113,348	98,063	86.51	(15,285)

Lyon	31,145	1.36	1,089,753	1,050,106	96.36	(39,647)
Marion	12,584	0.55	385,377	337,907	87.68	(47,470)
Marshall	12,017	0.52	454,486	310,435	68.30	(144,051)
McPherson	26,546	1.16	761,339	753,067	98.91	(8,272)
Meade	4,419	0.19	135,549	185,257	136.67	49,708
Miami	22,366	0.98	659,349	561,648	85.18	(97,701)
Mitchell	7,343	0.32	264,533	402,951	152.33	138,418
Montgomery	38,660	1.69	1,312,403	1,582,018	120.54	269,615
Morris	5,982	0.26	229,351	362,569	158.08	133,218
Morton	3,286	0.14	64,452	170,818	265.03	106,366
Nemaha	10,873	0.47	400,569	494,258	123.39	93,689
Neosho	17,166	0.75	607,323	862,220	141.97	254,897
Ness	4,376	0.19	146,590	782,574	533.85	635,984
Norton	5,946	0.26	238,998	146,029	61.10	(92,969)
Osage	15,014	0.66	490,514	579,084	118.06	88,570
Osborne	5,176	0.23	169,414	187,795	110.85	18,381
Ottawa	6,040	0.26	194,595	187,221	96.21	(7,374)
Pawnee	7,299	0.32	262,839	358,620	136.44	95,781
Phillips	6,877	0.30	210,701	177,175	84.09	(33,526)
Pottawatomie	15,731	0.69	481,745	1,143,713	237.41	661,968
Pratt	9,900	0.43	352,330	605,295	171.80	252,965
Rawlins	3,663	0.16	143,456	120,692	84.13	(22,764)
Reno	60,424	2.64	1,909,851	2,800,668	146.64	890,817
Republic	6,926	0.30	270,440	405,754	150.03	135,314
Rice	10,562	0.46	387,821	434,624	112.07	46,803
Riley	34,336	1.50	1,891,814	1,392,253	73.59	(499,561)
Rooks	6,265	0.27	228,326	229,865	100.67	1,539
Rush	4,051	0.18	154,854	208,484	134.63	53,630
Russell	8,308	0.36	304,084	602,737	198.21	298,653
Saline	47,434	2.07	1,908,273	2,581,111	135.26	672,838
Scott	5,571	0.24	198,265	261,661	131.98	63,396
Sedgwick	367,813	16.05	11,721,120	16,976,862	144.84	5,255,742
Seward	17,484	0.76	511,276	1,416,684	277.09	905,408
Shawnee	153,052	6.68	4,946,468	8,685,118	175.58	3,738,650
Sheridan	3,243	0.14	115,499	147,854	128.01	32,355
Sherman	7,090	0.31	277,229	785,696	283.41	508,467
Smith	5,380	0.23	169,192	118,333	69.94	(50,859)
Stafford	5,655	0.25	161,880	162,476	100.37	596
Stanton	2,226	0.10	43,646	77,088	176.62	33,442
Stevens	4,535	0.20	134,076	246,609	183.93	112,533
Sumner	24,823	1.08	887,935	1,332,037	150.02	444,102
Thomas	8,013	0.35	275,418	378,175	137.31	102,757
Trego	3,900	0.17	135,738	183,011	134.83	47,273
Wabaunsee	6,700	0.29	223,795	261,315	116.77	37,520
Wallace	1,933	0.08	38,160	165,411	433.47	127,251
Washington	7,499	0.33	185,041	218,214	117.93	33,173
Wichita	2,741	0.12	104,276	94,062	90.20	(10,214)
Wilson	10,865	0.47	395,251	407,509	103.10	12,258
Woodson	3,990	0.17	149,914	100,237	66.86	(49,677)
Wyandotte	156,588	6.83	4,572,047	5,665,358	123.91	1,093,311
TOTAL	2,291,780	100.00	72,660,492	91,861,206	126.43	19,200,714

FY 89 FORECAST

The "Sister" county forecast method county by county indicated the Kansas Lottery would reach approximately 72 million dollars in sales for it's first year of operation.

The Kansas Lottery kicked-off the first instant game Up and Away on November 12, 1987. Sales skyrocketed, estimates indicate almost 7 million tickets were sold in the first 10 days of the new state lottery. In about December of 1987 after only 1 month of operation, the staff of the Kansas Lottery was requested to make fiscal year 1989 sales projections. This timeline presented an extremely difficult challenge as the Lottery had only been in operation for 1 month and one fact remained constant for all state lottery start-ups,

"THE ONLY THING PREDICTABLE ABOUT NEW LOTTERY STATE'S SALES ARE THAT THEY ARE UNPREDICTABLE"

The reception the residents of the State of Kansas along with the length of time sales had continued strong lead management of the Kansas Lottery to believe the FY 89 sales figures would be on track to surpass 80 million dollars. This figure was arrived at using weekly sales figures and also figuring in variables which had occurred in ALL other new state lottery first year sales, they were;

- 1 . Instant ticket sales begin at record levels and drop off to a more representative level in a very short period of time (usually within 3 to 6 months)
- 2 . Once the Lotto (on-line) game starts, the instant game further erodes but usually is offset by the increased Lotto revenue
- 3 . Lotto (on-line) games grow with time rather than shrink like the instant game

AVERAGE SECOND YEAR SALES DECREASES COMPARABLE WESTERN STATES

Arizona - population 3.2 million

1st year - \$151.6 million \$47.38 per capita

2nd year - \$67.2 million \$21.00 per capita

Decrease (\$26.38 per capita)

Colorado - population 3.3 million

1st year - \$136.9 million \$41.48 per capita

2nd year - \$117.6 million \$35.64 per capita

Decrease (\$5.84 per capita)

Missouri - population 5.1 million

1st year - \$207 million \$40.59 per capita

2nd year - \$174 million \$34.12 per capita

Decrease (\$4.86 per capita)

Oregon - population 2.7 million

1st year - \$104 million \$38.85 per capita

2nd year - \$98.8 million \$36.59 per capita

Decrease (\$2.26 per capita)

Average second year per capita decrease (\$9.84)

Average second year per capita decrease (\$9.84)

Kansas - population 2.3 million

Initial projections (July, 1987)

1st year - \$72 million \$31.30 per capita

2nd year - \$49.4 million \$21.46 per capita

Decrease (\$9.84 per capita)

Revised projections (November, 1988)

1st year (actual) - \$91.9 million \$39.96 per capita

2nd year (projected) - \$69.3 million \$30.12 per capita

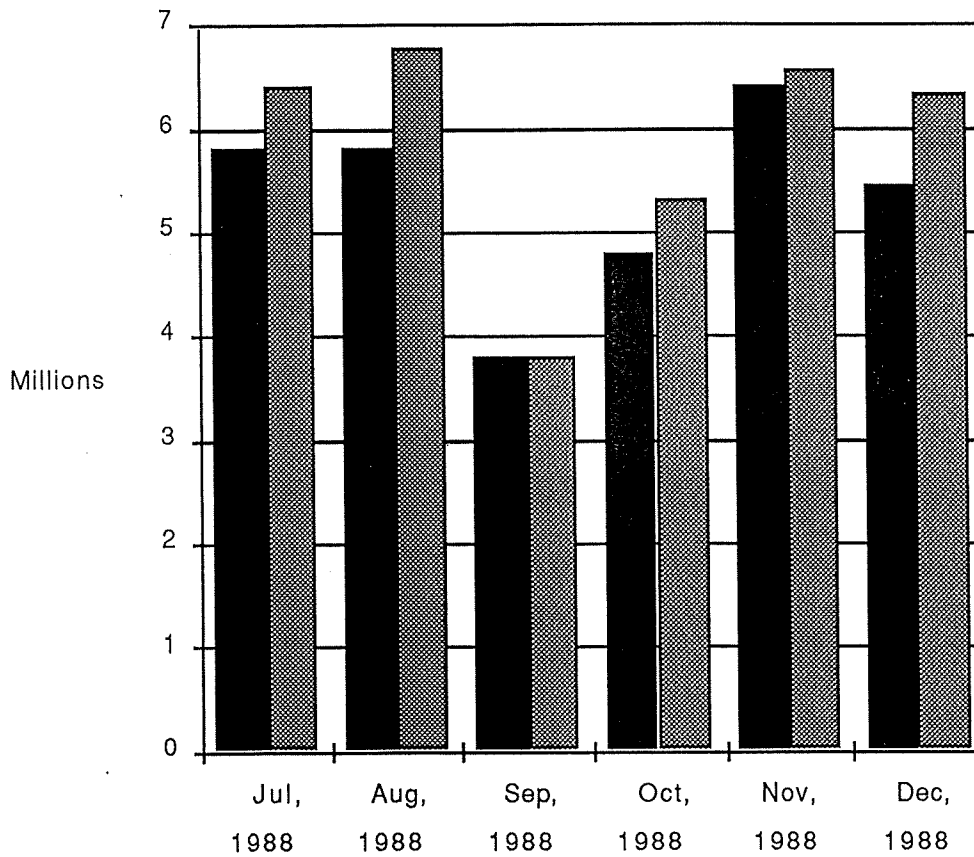
Decrease (\$9.84 per capita)

FY 89 MONTHLY SALES PROJECTIONS

November 9, 1989

MONTH	INSTANT	ON-LINE	PULL TABS	TOTAL
July	3,600,000	2,200,000		5,800,000
August	3,600,000	2,200,000		5,800,000
September	1,400,000	2,400,000		3,800,000
October	2,200,000	2,500,000	100,000	4,800,000
November	3,250,000	2,800,000	350,000	6,400,000
December	2,250,000	2,500,000	675,000	5,425,000
January	3,000,000	2,500,000	800,000	6,300,000
February	2,750,000	2,300,000	725,000	5,775,000
March	2,750,000	2,500,000	875,000	6,125,000
April	2,750,000	2,800,000	650,000	6,200,000
May	2,750,000	3,100,000	850,000	6,700,000
June	<u>2,500,000</u>	<u>3,400,000</u>	<u>975,000</u>	<u>6,875,000</u>
Total	32,800,000	31,200,000	6,000,000	70,000,000

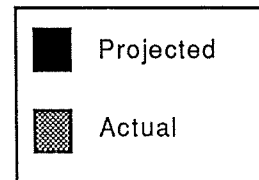
FISCAL YEAR 1989 PERFORMANCE BY MONTH



Projected: \$32,025,000

Actual: \$35,107,604

Difference: \$3,082,604



January 4, 1989 CB

	PROJECTED	ACTUAL	DIFFERENCE

JULY			
On Line	2,200,000	2,239,814	39,814
Instant	3,600,000	4,165,486	565,486
Full Tabs	0		0
TOTAL	5,800,000	6,405,300	605,300
AUGUST			
On Line	2,200,000	2,271,630	71,630
Instant	3,600,000	4,488,392	888,392
Full Tabs	0		0
TOTAL	5,800,000	6,760,022	960,022
SEPTEMBER			
On Line	2,400,000	2,485,533	85,533
Instant	1,400,000	1,298,589	(101,411)
Full Tabs	0		0
TOTAL	3,800,000	3,784,122	(15,878)
OCTOBER			
On Line	2,500,000	2,544,529	44,529
Instant	2,200,000	2,664,299	464,299
Full Tabs	100,000	113,652	13,652
TOTAL	4,800,000	5,322,480	522,480
NOVEMBER			
On Line	2,800,000	2,897,936	97,936
Instant	3,250,000	3,245,913	(4,087)
Full Tabs	350,000	399,012	49,012
TOTAL	6,400,000	6,542,861	142,861
DECEMBER			
On Line	2,500,000	2,828,058	328,058
Instant	2,250,000	3,178,472	928,472
Full Tabs	675,000	286,289	(388,711)
TOTAL	5,425,000	6,292,819	867,819
TOTAL TO DATE:			
On Line	14,600,000	15,267,499	667,499
Instant	16,300,000	19,041,152	2,741,152
Full Tabs	1,125,000	798,953	(326,047)
TOTAL	32,025,000	35,107,604	3,082,604
			3,082,604

JULY 1989

SALES PROJECTIONS FOR FY 90
A MATURING LOTTERY

SALES PROJECTIONS FOR FISCAL YEAR 1990 WILL BE THE FIRST OPPORTUNITY TO SET QUANTITATIVE SALES PROJECTIONS FOR THE KANSAS LOTTERY...THE FIRST SIGN OF A MATURING LOTTERY.

The only method of setting a realistic and true sales forecast for the Kansas Lottery is to use a base of information using only Kansas sales history. There must be a full 12 months of Kansas Lottery information to work from as the data base. The reasons for needing a full 12 months of history are numerous but include;

- 1 . Seasonality, Lottery tickets have seasonal highs and lows as most other consumer goods.
- 2 . Special Events, events such as the state fair in September skew average purchases.
- 3 . Adding or Losing Lottery Ticket Retailers, an inordinate addition or loss of retailers in short periods of time can also represent false highs and lows in forecast numbers.
- 4 . Introduction of New Products, such as the introduction of Cash Lotto dramatically impact sales results.

MOST IMPORTANTLY the first 6 months of lottery start-up (average, the time period varies) of sales cannot be used to judge long term forecasting.

Fiscal year 89 (July 1, 1988 to June 30, 1989) will provide actual sales figures which will allow the Kansas Lottery to forecast FY 90 sales using only Kansas Lottery information gathered over the 12 month period. This information will not be skewed by the "start up fever" experienced in the first 6 months and will include the variables mentioned above, seasonality, special events, new retailers etc.

The major variable will be funding availability for advertising.

FORECAST TRACKING

As we continue to build our data base we are starting to be able to generate reports such as the forecast tracking report on the next page.

Once we have twelve months of information to work from (not including the first 6 months of start-up sales), reports such as this one will provide us with not only sound information to forecast from, but also the ability to track progress for each retailer, region, sales representative and also statewide.

The following numbers represent the number on the forecast tracking report and an explanation of the information;

1. STATE SALES GOAL, This line allows us to enter a total ticket sales number for a given period of time ie; for the month, game, year etc. The sample report goal is for a two month period (December and January).
2. BASE SALES PERIOD, Total sales over a given period of time. The sample report uses six months for the base period.
3. QUOTA SALES PERIOD, Any time period is entered to extract information. The information on the sample report analyzes actual sales for the months of December and January.
4. BASE TICKET SALES, This figure is the retailers total ticket sales during the base sales period. The market share column calculates the retailers market share of all ticket sales for the entire state.
5. QUOTA FOR PERIOD, in order for the lottery to meet the state sales goal the market share of the retailer is calculated into the state goal to list the actual ticket sales for the period the particular retailer will have to sell.
6. SALES IN QUOTA PERIOD, The actual ticket sales for the retailer in the quota period, December and January is the quota period on the sample report.
7. ACHIEVEMENT PERCENTAGE, The percentage of needed sales to reach the state sales goal the retailer has achieved in the quota period. The first retail outlet has achieved 96% of his forecast for December and January.

The ability to generate and analyze these types of reports will greatly enhance the Kansas Lottery's efforts to accurately forecast and monitor progress towards the total sales goals.

-----SELECTION CRITERIA----->

Sample

- ① STATE SALES GOAL 5,250,000
- ② BASE SALES PERIOD 07/01/88 TO 12/31/88
- ③ QUOTA SALES PERIOD 12/01/88 TO 01/31/89

CHAIN NUMBER	RETAILER NUMBER	NAME	BASE TICKET SALES	MARKET SHARE	QUOTA FOR PERIOD	SALES IN QUOTA PERIOD	ACHIEVEMENT PERCENTAGE
		00008922 CASEY'S GENERAL STORE	- ④ 5,217	.0002664531	⑤ 1,398	⑥ 1,347	⑦ 96
		00008923 CASEY'S GENERAL STORE	- ④ 487	.0000000000	⑤ 0	⑥ 1,142	⑦ 100
		00008924 CASEY'S GENERAL STORE	2,582	.0001318731	692	600	86
		00008925 CASEY'S GENERAL STORE	3,268	.0001669098	876	2,100	239
		00008926 CASEY'S GENERAL STORE	3,060	.0001562864	820	2,064	251
		00008927 CASEY'S GENERAL STORE	1,761	.0000899413	472	300	63
		00008928 CASEY'S GENERAL STORE	5,638	.0002879553	1,511	2,700	178
		00008929 CASEY'S GENERAL STORE	5,815	.0002969954	1,559	2,100	134
		00008930 CASEY'S GENERAL STORE	4,742	.0002421929	1,271	2,286	179
		00008931 CASEY'S GENERAL STORE	3,892	.0001987800	1,043	1,816	174
		00008932 CASEY'S GENERAL STORE	- 834	.0000000000	0	1,800	100
		00008933 CASEY'S GENERAL STORE	4,888	.0002496497	1,310	186	14
		00008934 CASEY'S GENERAL STORE	7,534	.0003847916	2,020	989	48
		00008935 CASEY'S GENERAL STORE	2,400	.0001225776	643	2,100	326
		00008936 CASEY'S GENERAL STORE	4,265	.0002178306	1,143	892	78
		00008937 CASEY'S GENERAL STORE	1,248	.0000637403	334	900	269
		00008938 CASEY'S GENERAL STORE	5,100	.0002604774	1,367	1,500	109
		00008939 CASEY'S GENERAL STORE	10,312	.0005266752	2,765	3,300	119
		00008940 CASEY'S GENERAL STORE	2,213	.0001130268	593	900	151
		00008941 CASEY'S GENERAL STORE	2,585	.0001320263	693	1,401	202
		00008942 CASEY'S GENERAL STORE	1,878	.0000959170	503	662	131
		00008943 CASEY'S GENERAL STORE	2,754	.0001406578	738	1,140	154
		00008944 CASEY'S GENERAL STORE	2,220	.0001133843	595	114	19
		00008945 CASEY'S GENERAL STORE	3,510	.0001792698	941	1,500	159
		00008946 CASEY'S GENERAL STORE	2,891	.0001476549	775	1,378	177
		00008947 CASEY'S GENERAL STORE	3,487	.0001780950	934	1,500	160
		00008948 CASEY'S GENERAL STORE, #1405	2,861	.0001461227	767	448	58
		00008949 CASEY'S GENERAL STORE, #1406	2,106	.0001075618	564	441	78
		00008950 CASEY'S GENERAL STORE, #1404	1,795	.0000916778	481	1,200	249
		00008951 CASEY'S GENERAL STORES, #1386	185	.0000094486	49	600	1224
		00008952 CASEY'S GENERAL STORES	2,368	.0001209432	634	680	107
		00008953 CASEY'S GENERAL STORES	4,946	.0002526120	1,326	446	33
		00008954 CASEY'S GENERAL STORES	2,521	.0001287575	675	1,406	208
		00008955 CASEY'S GENERAL STORES	2,675	.0001366229	717	413	57
		00008956 CASEY'S GENERAL STORES INC.	2,391	.0001221179	641	900	140
		00008957 CASEY'S GENERAL STORE	2,428	.0001240077	651	167	25
		00008958 CASEY'S GENERAL STORE	3,483	.0001778908	933	788	84
		00008959 CASEY'S GENERAL STORE	2,547	.0001300855	682	1,200	175
		00008960 CASEY'S GENERAL STORE	2,400	.0001225776	643	600	93
		00008961 CASEY'S GENERAL STORE	1,200	.0000612888	321	900	280
		00008962 CASEY'S GENERAL STORE	1,200	.0000612888	321	300	93
		00008964 CASEY'S GENERAL STORE	900	.0000459666	241	600	248
		CHAIN TOTAL	202,125	.0105385584	55,299	75,820	137
		NUMBER OF RETAILERS FOR CHAIN	63				

CONCLUSION

Projecting sales in any new business is not a simple task. We must remember the Kansas Lottery is not only a new business in the State of Kansas but also a business which is only 24 years old in the entire nation. Each new lottery has a completely new set of unknowns and new challenges to face whether it is forecasting sales or simply trying to stay ahead of the day to day business in a business where the majority of employees and players alike are new.

As the Kansas Lottery continues to mature, each step and ability to further professionalize the operation is very exciting indeed. We are moving close to the time when we can analyze and project sales solidly and with confidence that the information is as accurate as sound as it possibly can be.

Over the past 15 months, higher than expected revenues have been generated. July, 1989 will present the first real opportunity to estimate sales:

- * A full 12 months of non start-up sales for the Kansas Lottery will be available for analysis; and
- * The amount of dollars available for advertising in FY 90 will be known.
- * Within reason, The third year of operation, \$1 of advertising will represent \$20 in sales.

The combination of these two factors will enable the Kansas Lottery's first justifiable sales projection.

ECONOMIC DEVELOPMENT

Economic Development Initiatives Fund

In FY 1990, the Economic Development Initiatives Fund (EDIF) will receive 60 percent of the receipts deposited into the Gaming Revenues Fund, or \$15,411,264. Total available resources, which include an estimated carry-forward balance of \$.7 million and interest earnings of \$41,914, are estimated at \$16,140,454. Half of the expenditures must be evenly divided by congressional district. Estimated EDIF resources and the Governor's FY 1990 recommendations for expenditures from the fund are summarized in the table below.

ECONOMIC DEVELOPMENT INITIATIVES FUND

Resources Estimate

FY 1989 Carry-Forward	\$ 687,276
FY 1990 Gaming Revenues Fund Distribution	15,411,264
FY 1990 Interest Earnings	41,914
Total Available	\$16,140,454

Expenditure Estimate

Amount Distributed by Congressional District in

Governor's Recommendation	\$12,280,219
Balance of Expenditures to be Distributed	3,211,672
Total Expenditures	\$15,491,891

50 Percent required to be Distributed by Congressional Districts\$ 7,745,946

Unallocated Reserve\$ 648,563

The Governor recommends several economic development initiatives in FY 1989 and FY 1990 to assist in developing an overall framework within Kansas that encourages the Kansas private sector to develop new products and companies; encourages outside companies to locate facilities in Kansas; allows local communities to compete with communities in other states for new business ventures and resulting jobs; and makes Kansas a safer and more enjoyable place to live and work.

The Governor recommends that 33.8 percent of the available funds be included as programs of the Department of Commerce to assist businesses and entrepreneurs to expand job opportunities in Kansas. The largest program recommended for Commerce is a new low-interest loan program entitled the "Kansas Partnership Program." The program will assist communities to gain infrastructure improvements that will result in new or expanding business. First recommended in FY 1989 and approved by the 1988 Legislature, this program is anticipated to be underway during the current year and fully staffed and operational in FY 1990. Also recommended for the Department of Commerce is funding to expand available funds under the Kansas Industrial Training (KIT) program and to maintain the higher FY 1989 level of expenditures for the Main Street Program, tourism activities, Film Commission efforts, and grants to Small Business Development Centers and Certified Development Companies.

The Governor recommends that 33.4 percent of the available funds be included in programs of the Kansas Technology Enterprise Corporation (KTEC). A significant step toward the development of new high-technology products and companies in Kansas is anticipated through financing of these programs. Funds are provided for Research Matching Grants, Business Innovative Research Grants, Training Equipment Grants, Research Equipment Grants, Industry Liaison activities, support of Centers of Excellence, seed capital formation, and administrative expenses. Research grants and center support allow institutions of higher education to assist private companies in the development of products or improvements to products. Seed capital is also proposed to allow KTEC to assist entrepreneurs in developing product prototypes which have significant market potential.

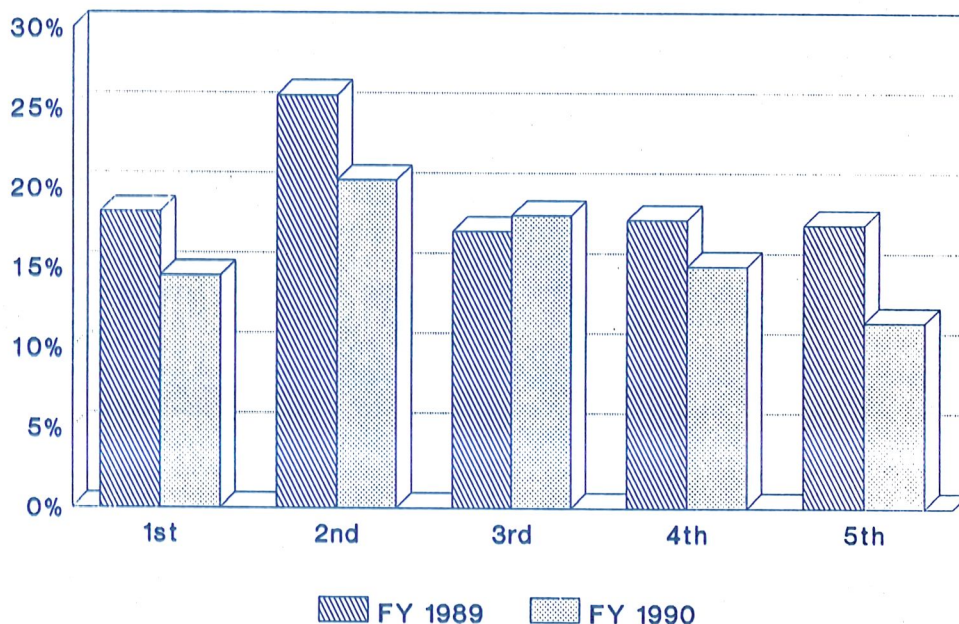
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Attachment 4-23

The Governor also recommends expenditures from the Economic Development Initiatives Fund to provide a better working and living environment for businesses and workers. Approximately 26.3 percent of the available funds is set aside for natural resource investments. These include continued development of recreation facilities at Hillsdale Reservoir, a multipurpose small lake project at Jetmore, continued clean-up of salt water contamination, and a program for increasing public access to private land for recreational purposes. A state matching contribution is included for clean-up under the federal Superfund program.

The Governor also recommends expenditures from this fund for continuing the expanded marketing activities of the Board of Agriculture and for special grants from the Arts Commission. Also recommended is funding for two new projects. The amount of \$20,000 is recommended as the state portion of the Kansas McMaster's program and will be financed through the Department on Aging. The amount of \$50,000 is recommended to initiate a program of individual loans to assist selected participants in the KanWork program in order to develop the skills necessary to become self-employed. This innovative KanWork program will be financed through the Department of Social and Rehabilitation Services (SRS).

Half of the total distributed from the fund must be spent evenly by congressional district. The amount which is required to be spread by district is approximately \$6.6 million in FY 1989 and \$7.7 million in FY 1990. Divided evenly by district, approximately \$1.33 million must be spent in each district in FY 1989 and \$1.55 million in each district in FY 1990. The graph below shows that each district has received over one-fifth of the portion to be distributed by district in both FY 1989 and FY 1990. Detailed data are shown in Appendix E.

Economic Development Initiatives Fund by Congressional District



ECONOMIC DEVELOPMENT INITIATIVES FUND
REVISED DISTRIBUTION ESTIMATE BY CONGRESSIONAL DISTRICT—FY 1989

	FIRST DISTRICT	SECOND DISTRICT	THIRD DISTRICT	FOURTH DISTRICT	FIFTH DISTRICT	UNDISTRI- BUTED AMOUNTS	TOTAL FUNDING
Natural Resources Projects							
Hillsdale Reservoir	\$0	\$0	\$700,000	\$0	\$0	\$0	\$700,000
Cedar Bluff Reservoir.....	365,418	0	0	0	0	0	365,418
Saltwater Contamination Clean-up.....	600,000	0	0	300,000	350,000	0	1,250,000
Wetlands.....	27,094	0	0	0	0	0	27,094
Galena Clean-up.....	0	0	0	0	500,000	0	500,000
Subtotal Natural Resources Projects...	992,512	0	700,000	300,000	850,000	0	2,842,512
Kansas Technology Enterprise Corporation (KTEC) *							
Research Matching Grants.....	375,000	400,000	453,000	450,000	350,000	2,000	2,030,000
Business Innovative Research Grants...	60,000	60,000	60,000	60,000	60,000	0	300,000
Research Equipment Grants	20,000	550,000	0	350,000	75,000	0	995,000
Training Equipment Grants.....	50,000	50,000	50,000	50,000	50,000	0	250,000
Industry Liaison	20,000	70,000	20,000	20,000	20,000	0	150,000
Centers	0	715,000	0	400,000	200,000	10,000	1,325,000
Agricultural Value-Added Center.....	15,000	154,000	2,000	2,000	2,000	0	175,000
Data Base Development Project.....	8,000	50,000	8,000	9,000	12,000	0	87,000
Seed Capital	290,000	400,000	290,000	290,000	290,000	0	1,560,000
Special Projects	30,000	90,000	50,000	50,000	37,732	10,000	267,732
Operations	6,500	175,000	6,500	19,500	19,500	12,819	239,819
Subtotal KTEC.....	874,500	2,714,000	939,500	1,700,500	1,116,232	34,819	7,379,551
Agriculture	37,510	69,446	35,740	11,000	9,000	41,000	203,696
Arts Commission—Art Grants.....	61,068	6,000	38,000	5,000	1,200	338,732	450,000
Racing Commission—Operations.....	0	280,000	0	0	0	0	280,000
Water Supply EPA Match	0	0	0	0	100,000	0	100,000
Public Broadcasting Commission.....	300,000	0	0	0	0	0	300,000
Kansas, Inc.—Research Studies	0	75,000	0	0	0	0	75,000
Commerce							
Small Business Development Centers ...	19,400	28,000	15,100	16,400	21,100	0	100,000
Certified Development Companies	37,925	9,447	14,791	18,001	19,338	498	100,000
Kansas Industrial Training.....	124,000	197,000	478,000	213,000	188,000	0	1,200,000
Film Commission.....	0	45,091	0	31,000	0	0	76,091
Kansas Partnership Program.....	360,000	360,000	360,000	360,000	360,000	0	1,800,000
Main Street Program.....	18,500	40,250	0	0	16,250	0	75,000
Travel and Tourism.....	0	20,000	60,000	90,000	15,000	0	185,000
Computing Resources.....	0	93,245	0	0	619,680	0	93,245
Subtotal Commerce.....	559,825	793,033	927,891	728,401	619,688	498	3,629,336
Estimated Totals by District.....	\$2,825,415	\$3,937,479	\$2,641,131	\$2,744,901	\$2,696,120	\$415,049	\$15,260,095

* Amounts reflected for KTEC include reappropriated amounts from FY 1988.

ECONOMIC DEVELOPMENT INITIATIVES FUND
INITIAL DISTRIBUTION ESTIMATE BY CONGRESSIONAL DISTRICT—FY 1990

	FIRST DISTRICT	SECOND DISTRICT	THIRD DISTRICT	FOURTH DISTRICT	FIFTH DISTRICT	UNDISTRI- BUTED AMOUNTS	TOTAL FUNDING
Natural Resources Projects							
Hillsdale Reservoir	0	0	1,000,000	0	0	0	1,000,000
Recreational Access Program	0	0	0	0	0	1,200,000	1,200,000
Jetmore—Multipurpose Small Lake ...	451,250	0	0	0	0	0	451,250
Salt Water Contamination Clean-up Superfund	0	0	0	0	0	1,500,000	1,500,000
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Subtotal	451,250	0	1,000,000	0	100,000	2,700,000	4,251,250
Kansas Technology Enterprise Corporation (KTEC)							
Research Matching Grants	228,000	250,000	280,000	275,000	215,000	2,000	1,250,000
Business Innovative Research Grants ...	300,000	0	0	0	0	0	300,000
Research Equipment Grants	15,000	375,000	0	250,000	60,000	0	700,000
Training Equipment Grants	50,000	50,000	50,000	50,000	50,000	0	250,000
Industry Liaison	20,000	70,000	20,000	20,000	20,000	0	150,000
Centers	15,000	800,000	2,000	365,000	183,000	10,000	1,375,000
Seed Capital	200,000	200,000	200,000	200,000	200,000	0	1,000,000
Special Projects	14,000	42,000	23,000	23,000	17,500	5,500	125,000
Operations	<u>0</u>	<u>276,778</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,276,778</u>
Subtotal KTEC	842,000	2,063,778	575,000	1,183,000	745,500	17,500	5,426,778
Agriculture	12,000	70,000	36,000	11,000	9,000	42,000	180,000
Arts Commission—Art Grants	36,000	3,500	22,500	3,000	1,000	34,000	100,000
New Programs							
KAN Work	0	0	0	0	0	50,000	50,000
McMasters Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Subtotal New Programs	0	0	0	0	0	70,000	70,000
Commerce							
Small Business Development Centers ...	19,400	28,000	15,100	16,400	21,100	0	100,000
Certified Development Companies	37,925	9,447	14,791	18,001	19,338	498	100,000
Kansas Industrial Training	124,000	197,000	478,000	213,000	188,000	225,000	1,425,000
Film Commission	0	47,863	0	31,000	0	0	78,863
Infrastructure Loan Program	700,000	700,000	700,000	700,000	700,000	0	3,500,000
Main Street Program	18,500	40,250	0	0	16,250	0	75,000
Travel and Tourism	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>165,000</u>	<u>0</u>	<u>0</u>	<u>185,000</u>
Subtotal Commerce	899,825	1,042,560	1,207,891	1,143,401	944,688	225,498	5,463,863
Estimated Totals by District	2,241,075	3,179,838	2,841,391	2,340,401	1,800,188	3,088,998	15,491,891

STATE ECONOMIC DEVELOPMENT INITIATIVES FUND
FY 1989

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year End Totals
AVAILABLE RESOURCES													
Carry-forward balance.....	\$1,388,074	\$72,577	\$832,356	\$1,627,573	\$1,237,566	\$838,639	\$1,975,617	\$960,542	\$1,375,934	\$1,919,388	\$55,395	\$703,141	\$1,388,074
Anticipated Revenues.....	0	1,065,399	1,062,516	706,550	946,680	1,190,645	1,134,710	1,107,000	1,030,500	976,500	1,143,000	2,056,500	12,420,000
Interest Income.....	0	0	0	0	101,096	13,333	6,482	8,393	12,953	362	4,745	4,489	151,853
Subtotal.....	1,388,074	1,137,976	1,894,872	2,334,123	2,285,341	2,042,617	3,116,810	2,075,934	2,419,388	2,896,249	1,203,141	2,764,130	13,959,927
TRANSFERS													
KTEC.....	689,851	0	0	0	1,379,702	0	1,107,518	0	0	1,107,518	0	1,107,518	5,392,107
Wildlife and Parks.....	50,000	0	0	27,094	0	0	365,418	0	0	650,000	0	0	1,092,512
Agriculture.....	59,565	0	0	144,131	0	0	0	0	0	0	0	0	203,696
Kansas Arts Commission	50,000	0	0	200,000	0	0	0	200,000	0	0	0	0	450,000
Kansas, Inc.....	0	0	0	75,000	0	0	0	0	0	0	0	0	75,000
Dept. of Admin. (K DFA)	0	0	0	0	0	0	0	0	0	0	0	0	0
Health and Environment.....	100,000	0	0	583,332	0	0	583,332	0	0	583,336	0	0	1,850,000
Public Broadcasting.....	0	300,000	0	0	0	0	0	0	0	0	0	0	300,000
Racing Commission.....	80,000	0	0	0	0	0	0	0	0	0	0	0	80,000
ANTICIPATED TRANSFERS.....	1,029,416	300,000	0	1,029,557	1,379,702	0	2,056,268	200,000	0	2,340,854	0	1,107,518	9,443,315
OPTIONAL TRANSFERS													
Racing Commission.....	0	0	200,000	0	0	0	0	0	0	0	0	0	200,000
EXPENDITURES													
Commerce.....	286,081	5,620	67,299	67,000	67,000	67,000	100,000	500,000	500,000	500,000	500,000	969,336	3,629,336
EDIF Balance.....	\$72,577	\$832,356	\$1,627,573	\$1,237,566	\$838,639	\$1,975,617	\$960,542	\$1,375,934	\$1,919,388	\$55,395	\$703,141	\$687,276	\$687,276

STATE ECONOMIC DEVELOPMENT INITIATIVES FUND
FY 1990

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year End Totals
AVAILABLE RESOURCES													
Carry-forward balance.....	\$687,276	\$538,165	\$1,273,436	\$824,333	\$654,080	\$522,314	\$264,239	\$433,570	\$285,639	\$357,511	\$148,218	\$260,685	\$687,276
Lottery Revenues	0	954,000	954,000	1,044,000	1,044,000	1,260,000	1,260,000	810,000	990,000	1,044,000	1,080,000	2,160,000	12,600,000
Racing Revenues	0	0	0	0	0	0	261,264	510,000	510,000	510,000	510,000	510,000	2,811,264
Interest Income.....	3,632	8,594	5,563	4,414	3,525	1,783	2,926	1,928	2,413	1,000	1,759	4,377	41,914
Subtotal.....	690,908	1,500,759	2,232,999	1,872,747	1,701,605	1,784,097	1,788,429	1,755,498	1,788,052	1,912,511	1,739,977	2,935,062	16,140,454
TRANSFERS													
KTEC.....	0	0	493,343	493,343	493,343	493,343	493,343	493,343	493,343	493,343	493,343	986,687	5,426,778
Kansas Arts Commission	0	0	0	30,000	0	0	35,000	0	0	35,000	0	0	100,000
Agriculture	0	0	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	180,000
Kan Work (SRS)	0	0	0	0	0	0	0	50,000	0	0	0	0	50,000
McMasters (Aging).....	0	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Hillsdale State Park	0	0	100,000	100,000	100,000	0	0	0	0	500,000	100,000	100,000	1,000,000
Recreation Access	102,743	27,323	27,323	27,323	17,948	408,515	258,515	258,515	17,948	17,949	17,949	17,949	1,200,000
Jetmore—Multipurpose... Salt Water	0	0	200,000	0	0	0	0	0	251,250	0	0	0	451,250
Contamination.....	0	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,500,000
Superfund	0	0	0	0	0	50,000	0	0	0	50,000	0	0	100,000
ANTICIPATED TRANSFERS.....													
	102,743	27,323	1,008,666	818,666	779,291	1,119,858	954,858	969,858	930,541	1,264,292	779,292	1,272,636	10,028,028
EXPENDITURES													
Commerce.....	50,000	1,200,000	400,000	400,000	400,000	400,000	400,000	500,000	500,000	500,000	700,000	1,013,863	5,463,863
EDIF Balance.....	\$538,165	\$1,273,436	\$824,333	\$654,080	\$522,314	\$264,239	\$433,570	\$285,639	\$357,511	\$148,218	\$260,685	\$648,563	\$648,563

GAMING REVENUES FUND

The Gaming Revenues Fund was established by the 1986 Legislature in anticipation of receipts from the operations of the Kansas Lottery and the Kansas Racing Commission. KSA 1988 Supp. 79-4801 provides that all moneys credited to this fund shall be allocated and credited monthly to the Juvenile Detention and Correctional Institutions Building Fund, the State Economic Development Initiatives Fund, and the County Reappraisal Fund. The statute further provides that transfers to this fund shall not exceed \$50,000,000 in any one fiscal year. All amounts credited to such fund in any one fiscal year which are in excess of \$50,000,000 shall be transferred and credited to the State General Fund on July 15 following such fiscal year.

KSA 1988 Supp. 79-4802 through 79-4804 dictate the method by which the transfers to the Gaming Revenues Fund are to be distributed. Currently, 60 percent of all moneys credited to the Gaming Revenues Fund are to be transferred and credited to the Economic Development Initiatives Fund, 30 percent are to be transferred and credited to the County Reappraisal Fund (no such transfer shall be made after June 30, 1990), and 10 percent are to be transferred and credited to the Juvenile Detention and Correctional Institutions Building Fund.

It is the purpose of the Lottery and the Racing Commission to provide revenue for transfers to the Gaming Revenues Fund for various state projects as specified by law.

Kansas Lottery

Ticket sales for Kansas' first game began on November 12, 1987. Ticket sales in the Lottery's first month of sales were brisk, totaling close to \$19 million. While sales during the Lottery's first year in operation began five months into FY 1988, the Lottery grossed more than \$66 million in sales. There was no statutory provision that the Lottery make transfers to the Gaming Revenues Fund in FY 1988. However, in accordance with the Governor's FY 1988 budget recommendations, transfers were made totaling \$8.5 million.

KSA 1988 Supp. 74-8711 provides that beginning in FY 1989 and thereafter, 30% of total revenues from the sales of Lottery tickets will be transferred from the Lottery Operating Fund to the Gaming Revenues Fund. Based on current receipt estimates of \$69 million in FY 1989 and \$70 million in FY 1990, the Governor projects transfers from the Lottery to the Gaming Fund of \$20.7 million in FY 1989 and \$21 million in FY 1990. Transfers and expenditures under the Governor's recommendations for FY 1989 and FY 1990 are summarized in the table below.

Kansas Racing Commission

Revenues generated by the Racing Commission have three primary sources. First is a tax on the pool of wagered funds ordinarily consisting of 3/18 of the "takeout" (total wagering pool less purses, taxes and track operating expenses). Second is a ten percent tax on admissions to racetracks. Third are license and application fees.

KSA 1988 Supp. 74-8826 provides that on July 15 of each year and at such other times as provided by law, the director of the Division of Accounts and Reports will transfer any moneys in excess of those appropriated for the Racing Commission to the Gaming Revenues Fund.

It is projected that FY 1990 will be the first year in which significant income will be generated to provide for a transfer to the Gaming Revenues Fund. Based on the Governor's recommendation for this agency's operating expenditures and estimated FY 1990 receipts of \$6,389,530, the Governor projects a FY 1990 transfer to the Gaming Revenues Fund of \$4.7 million.

GAMING REVENUES FUND DISTRIBUTION

	ACTUAL FY 1988	GOV. REC. FY 1989	GOV. REC. FY 1990
Lottery Proceeds	\$8,500,000	\$20,700,000	\$21,000,000
Racing Commission Proceeds	0	0	4,685,440
TOTAL:	\$8,500,000	\$20,700,000	25,685,440
Transfers to:			
Economic Development Initiatives Fund.....	5,100,000	12,420,000	15,411,264
County Reappraisal	2,550,000	6,210,000	7,705,632
Juvenile Detention and Correctional Facilities Building Fund.....	850,000	2,070,000	2,568,544