

Approved February 21, 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:41 ~~XX~~ p.m. on Thursday, February 15, 1990 in room 423-S of the Capitol.

All members were present except: Representatives Barkis, Chronister, Heinemann and Foster. Excused.

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

Conferees appearing before the committee: None

The meeting was called to order at 3:41 p.m. by Chairperson Baker.

The minutes of February 5, 6, 7 and 8, 1990 meeting were approved.

Representative Baker recognized Representative Mead, Chairperson of the subcommittee on Economic Development Initiatives Fund expenditures.

Representative Mead went over the subcommittee's recommendations with the committee. Attachment 1.

Representative Mead responded to questions from the committee.

Kevin Karr of the Kansas Technology Enterprise Corporation asked to address the committee. He requested additional funds for the training equipment grants and also requested that \$73,000 be transferred from the research equipment grants to administration.

The committee discussed the recommendations.

Representative Weimer made a motion that the committee adopt the subcommittee report. Representative Dean second the motion. Motion carried.

Representative Dean made a motion that the \$73,000 be taken from the balance carried forward into 1992 and be placed into grant administration in KTEC's budget for 1991. Representative Samuelson seconded the motion. Motion failed.

Representative Kline made a motion that the adopted subcommittee report be sent to the House Appropriations committee and to the Senate Ways and Means Committee. Representative Reinhardt seconded the motion. Motion carried.

Representative Baker informed the committee that we would discuss HCR 5033 next week.

The meeting adjourned at 4:34 p.m.

Elizabeth Baker

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A8

MEMORANDUM

Kansas Legislative Research Department

Room 545-N - Statehouse
Topeka, Kansas 66612-1586
(913) 296-3181

February 15, 1990

To: House Committee on Economic Development

From: Subcommittee on the Economic Development Initiatives Fund (EDIF)
Representative Bob Mead, Subcommittee Chairman
Representative George Dean
Representative Carol Sader
Representative Ellen Samuelson
Representative Frank Weimer

Re: Subcommittee Recommendations

In the course of these meetings, we reviewed 1988 H.C.R. 5033, which endorsed the recommendations of Kansas, Inc. with respect to EDIF expenditures, received programmatic information from Secretary Bob Meinen (Wildlife and Parks), Charles Warren (Kansas, Inc.) and Kevin Carr (KTEC), and examined agencies' requests and the Governor's recommendation for FY 1990 and FY 1991 EDIF expenditures. Based upon our review and deliberations, we make the following recommendations:

1. The House Committee on Economic Development should introduce a concurrent resolution reconfirming legislative support of the three guidelines set forth in H.C.R. 5033 which are supposed to govern EDIF expenditures. In addition, the six pillars of the state's economic development strategy should be listed and all references to recommendations made by Kansas, Inc. should be deleted and adopted as the Legislature's own recommendations. We further propose a few modifications which would make the proposed resolution more concise. (A copy of H.C.R. 5033 is attached to this report.)
2. We propose EDIF reductions totaling \$12,416,000 from the Governor's recommendation for FY 1990 and FY 1991. Reductions would be taken from the commercial circuit breaker (\$1,611,000 -- FY 1990), the homestead circuit breaker (\$9,555,000 -- FY 1991) and the Recreational Access program (\$1,250,000 -- FY 1991). While each of these programs may have merit, we believe that the EDIF is not a proper funding source for them.
3. With the projected savings of \$12,416,000, we recommend that a portion of those funds (\$5,778,159) be used to restore certain budget reductions or make certain additions to EDIF expenditures recommended by the Governor and that the remaining amount (\$6,637,841) be carried forward into FY 1992. The attached tables illustrate more clearly the recommendations listed below, as well as the resource estimate which would be realized from our recommendations, if they are adopted. As our recommendations will reflect, approximately 82 percent of the

House Eco. Dev. Committee
Attachment 1 2/15/90

proposed addition of funds for all agencies for both FY 1990 and FY 1991, or a total of \$4,742,159, has been applied to KTEC's budget because it is our position that the Governor's recommendation, if left intact, would seriously undermine the operations and programs of that agency.

FY 1990

We recommend that a total of \$1,542,159 from the EDIF be added to the Governor's recommendation for KTEC in the following areas:

1. \$76,159 for grant administration
2. \$1,166,000 for research matching grants
3. \$300,000 for the Industrial Liaison program

Given that \$1,611,000 would be reduced from FY 1990 EDIF expenditures if the commercial circuit breaker were not funded from that funding source, \$68,841 could be carried forward into FY 1991.

FY 1991

Once again, we recommend that KTEC be the chief beneficiary of any additions made from the EDIF to the Governor's recommendation. Such additions would total \$4,236,000 for all state agencies listed below but savings realized from EDIF funding deleted for the homestead circuit breaker and the Recreational Access program would exceed those additions by \$6,569,000 and could be carried forward into FY 1992:

KTEC

We recommend that a total of \$3.2 million from the EDIF be added to the Governor's recommendation in the following areas:

1. \$1,000,000 for the Centers of Excellence
2. \$1,000,000 for research matching grants
3. \$400,000 for research equipment grants
4. \$300,000 for the Industrial Liaison program
5. \$300,000 for special projects
6. \$200,000 for the Value Added Center

Department of Commerce

We recommend that a total of \$575,000 from the EDIF be added to the Governor's recommendation in the following areas:

1. \$75,000 for Small Business Development Centers
2. \$500,000 for the Kansas Industrial Training and Retraining programs

Historical Society

We recommend that \$65,000 from the EDIF be expended for continuation of the Kansas Committee for the Humanities for the Roots and Realities program. The 1989 Legislature provided the same funding level for that purpose in FY 1990.

Kansas Arts Commission

We recommend that a total of \$296,000 from the EDIF be added to the Governor's recommendation in the following areas:

1. \$20,000 for operations
2. \$276,000 for art programming grants

Wichita State University

We recommend that \$100,000 from the EDIF be expended, as requested, for the Rehabilitation Engineering Center. This would be the same funding level authorized for the Center in FY 1990.

Finally, we realize that the appropriations of most state agencies to be affected by our recommendations are included in senate bills. Therefore, some of these recommendations may be less relevant after the Senate has taken action on those bills. Nonetheless, we believe that the House Appropriations Committee might view our recommendations, should the House Committee on Economic Development endorse them, as a reflection of our funding priorities.

CHAPTER 404

House Concurrent Resolution No. 5033

A CONCURRENT RESOLUTION endorsing the recommendations of Kansas, Inc. with respect to expenditures from the state economic development initiatives fund and urging Legislatures convened in sessions subsequent to the 1988 session to give careful consideration to such recommendations.

WHEREAS, The state gaming revenues fund was created in the state treasury by act of the 1986 session of the Legislature; and

WHEREAS, A statutorily prescribed percentage of the receipts to the state gaming revenues fund is to be transferred to the state economic development initiatives fund; and

WHEREAS, In the past, Kansas has lacked the resources to compete equally with other states in encouraging the birth, expansion, retention, and recruitment of industries which enhance economic development; but the state economic development initiatives fund offers a unique opportunity to materially improve the state's competitive position with respect to industrial and economic growth; and

WHEREAS, In May of 1987, the Governor requested Kansas, Inc. to recommend priorities for the use of gaming revenues for economic development initiatives; and

WHEREAS, The Governor's request was consistent with the legislative mandate to Kansas, Inc. to oversee the formulation of economic development policy and short- and long-range strategic planning for the state in order to enhance the state's economic advantage; and

WHEREAS, In compliance with its legislative mandate and in response to the Governor's request, Kansas, Inc. developed and submitted to the Legislature and the Governor recommendations to insure that gaming revenues allocated to the state economic development initiatives fund are expended for economic development investment programs; and

WHEREAS, The recommendations of Kansas, Inc. are that: (1) Expenditures from the state economic development initiatives fund should not be used for salaries of permanent personnel; (2) the state economic development initiatives fund should not replace the state general fund as a source of financing established economic development programs since the purpose of the economic development initiatives fund is to provide financing for economic development "initiatives" and to enhance economic development in the state; and (3) expenditures from the state economic development initiatives fund should be applied only to those programs and policies which clearly identify with a pillar of the economic development strategy of the state: Now, therefore,

Be it resolved by the House of Representatives of the State of Kansas, the Senate concurring therein: That the Legislature, in 1988 session convened, hereby strongly endorses the recommendations made by Kansas, Inc. with respect to expenditures from the state economic development initiatives fund and hereby urges Legislatures convened in all sessions subsequent to the 1988 session to give careful consideration to this resolution and to the recommendations of Kansas, Inc. when deliberating upon matters relating to expenditures from the state economic development initiatives fund; and

Be it further resolved: That the secretary of state is hereby directed to transmit enrolled copies of this resolution to the Speaker of the House of Representatives and the President of the Senate at the commencement of every regular session of the Legislature so long as the state economic development initiatives fund remains extant in the state treasury.

Adopted by the House April 28, 1988.

Adopted by the Senate April 29, 1988.

a-1-4
2/15/90

ECONOMIC DEVELOPMENT INITIATIVES FUND
FY 1990 Demand

0-1-5
2/15/90

Bill No.	Agency/Project	Agency Estimate ^(a)		Governor's Recommendation		House EDIF Subcom.	House EDIF Subcom.		Final Status	
		EDIF	All Funds	EDIF	All Funds	Adjustments EDIF	Recommendation EDIF	All Funds	EDIF	All Funds
NA	Kansas, Inc.: Special Studies	\$ 50,000	\$ 218,343	\$ 50,000	\$ 218,343		\$ 50,000	\$ 218,343		
S.B. 558	KTEC:									
	Grant Administration	\$ 225,930	\$ 646,000	\$ 225,930	\$ 569,841	\$ 76,159	\$ 302,089	\$ 646,000		
	Research Matching Grants	850,000	2,300,000 ^b	601,872	834,000	1,166,000	1,767,872	2,000,000		
	Business Innovation Matching Grants	150,000	448,128	--	50,000		--	50,000		
	Centers of Excellence	2,055,380	2,491,564	2,055,380	2,491,564		2,055,380	2,491,564		
	Value-Added Center	210,000	563,280	210,000	539,033		210,000	539,033		
	Seed Capital	440,000	440,000	440,000	440,000		440,000	440,000		
	Research Equipment Grants	650,000	930,529	650,000	930,529		650,000	930,529		
	Training Equipment Grants	--	179,517	--	179,517		--	179,517		
	Special Projects	150,000	502,264	150,000	502,264		150,000	502,264		
	Industry Liaison	328,000	343,000	--	--	300,000	300,000	300,000		
	Subtotal - KTEC	<u>\$ 5,059,310</u>	<u>\$ 8,844,282</u>	<u>\$ 4,333,182</u>	<u>\$ 6,536,748</u>	<u>\$ 1,542,159</u>	<u>\$ 5,875,341</u>	<u>\$ 8,078,907</u>		
S.B. 558	Department of Commerce:									
	Training Programs	\$ 1,425,000	\$ 2,750,000	\$ 1,425,000	\$ 2,750,000					
	OOE	481,027	1,408,732	391,835	1,331,343					
	Partnership Fund	3,417,703	3,417,703	2,314,000	2,314,000					
	Main Street Grants	51,000	51,000	51,000	51,000					
	CDC Grants	100,000	425,000	100,000	425,000					
	SBDC Grants	100,000	275,000	100,000	275,000					
	Trade Show Assistance	100,000	100,000	100,000	100,000					
	Export Loan Guarantee Program	750,000	750,000	750,000	750,000					
	Eisenhower Centennial Promotion	62,500	125,000	62,500	125,000					
	Subtotal - Commerce	<u>\$ 6,487,230</u>	<u>\$ 9,302,435</u>	<u>\$ 5,294,335</u>	<u>\$ 8,121,343</u>					
NA	Department of Wildlife and Parks: Hillsdale Park Development	\$ 1,000,000	\$ 1,580,566	\$ 1,000,000	\$ 1,580,566					
NA	State Board of Agriculture: Marketing Program OOE	\$ 180,000	\$ 560,641	\$ 180,000	\$ 575,641					
NA	State Conservation Commission: Jetmore Multipurpose Small Lake	\$ 451,250	\$ 1,301,250	\$ 451,250	\$ 1,301,250					
NA	Wichita State University: Rehabilitation Engineering Center	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000					
NA	Kansas Arts Commission: Programming Grants	\$ 450,000	\$ 1,298,626	\$ 450,000	\$ 1,298,626					
NA	Department of Social and Rehabilitation Services: KanWork Entrepreneur Program	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000					

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No.	Agency/Project	Agency Estimate ^(a)		Governor's Recommendation		House EDIF Subcom.	House EDIF Subcom.		Final Status	
		EDIF	All Funds	EDIF	All Funds	Adjustments EDIF	Recommendation EDIF	All Funds	EDIF	All Funds
NA	Department of Health and Environment: Contamination Remediation Superfund Match	\$ 1,500,000	\$ 3,750,000	\$ 1,500,000	\$ 3,469,583					
	Subtotal -- H and E	<u>\$ 1,600,000</u>	<u>\$ 3,850,000</u>	<u>\$ 1,600,000</u>	<u>\$ 3,569,583</u>					
H.B. 2729	Development Finance Authority: Enterprise Loan Program	\$ 1,000,000	\$ 1,000,000	\$ --	\$ --					
NA	Public Broadcasting Commission KOD Grant	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000					
S.B. 558	State Fair: State Operations	\$ --	\$ 1,739,108	\$ 100,000	\$ 1,734,618					
H.B. 2729	Department of Revenue: Commercial Circuit Breaker	\$ --	\$ --	\$ 1,611,000	\$ 1,611,000	\$ (1,611,000)	\$ --	\$ --	\$ --	\$ --
	GRAND TOTAL	<u>\$ 14,457,790</u>	<u>\$ 22,955,701</u>	<u>\$ 15,249,767</u>	<u>\$ 26,727,718</u>	<u>\$ (68,841)</u>	<u>\$ 15,180,926</u>	<u>\$ 26,658,877</u>		

Resource Estimate -- EDIF

	<u>Approved</u>	<u>Governor</u>	<u>Senate</u>	<u>EDIF Subcommittee</u>
Beginning Balance	\$ 1,198,503	\$ 921,097	\$ 921,097	\$ 921,097
Lottery Transfers	12,600,000	12,600,000		12,600,000
Racing Transfers	2,811,264	2,209,348		2,209,348
Interest Earnings	15,043	212,869		212,869
Total Available	<u>\$ 16,624,810</u>	<u>\$ 15,943,314</u>	<u>\$</u>	<u>\$ 15,943,314</u>
Less: Expenditures and Transfers	<u>(16,457,790)</u>	<u>(15,249,767)</u>	<u></u>	<u>(15,180,926)</u>
Ending Balance	<u>\$ 167,020</u>	<u>\$ 693,547</u>	<u>\$</u>	<u>\$ 762,388</u>

a) The All Funds column includes funding reappropriated from prior fiscal years.

b) The agency anticipates that \$834,000 of this amount will be expended in the current year, with the balance (\$1,466,000) being reappropriated to FY 1991 while awaiting the required private sector match.

ECONOMIC DEVELOPMENT INITIATIVES FUND

FY 1991 Demand

9-1-7
2/15/90

Bill No.	Agency/Project	Agency Request		Governor's Recommendation		House EDIF	House EDIF		Final Status	
		EDIF	All Funds	EDIF	All Funds	EDIF	Subcommittee Rec.	All Funds	EDIF	All Funds
S.B. 450	KTEC:									
	Grant Administration	\$ 50,000	\$ 681,000	\$ 227,879	\$ 608,050		\$ 227,879	\$ 608,050		
	Centers of Excellence	3,643,000	4,262,000	2,450,000	2,450,000	1,000,000	3,450,000	3,450,000		
	Value Added Center	623,000	873,000	331,155	331,793	200,000	531,155	531,793		
	Value Added Special Project	1,000,000	1,000,000	--	--	--	--	--		
	Research Matching Grants	1,250,000	2,716,000	--	1,466,000	1,000,000	1,000,000	1,300,000 ^b		
	Seed Capital	500,000	500,000	--	--	--	--	--		
	Research Equipment Grants	400,000	400,000	--	--	400,000	400,000	400,000		
	Training Equipment Grants	250,000	250,000	--	--	--	--	--		
	Industrial Liaison Program	300,000	300,000	--	--	300,000	300,000	300,000		
	SBIR Grants	--	--	50,000	50,000	--	50,000	50,000		
	Special Projects	300,000	300,000	--	--	300,000	300,000	300,000		
	Subtotal -- KTEC	\$ 8,316,000	\$ 11,282,000	\$ 3,059,034	\$ 4,905,843	\$ 3,200,000	\$ 6,259,034	\$ 6,939,843		
S.B. 450	Commerce:									
	State Operations	\$ 605,196	\$ 1,424,524	\$ 1,452,630	\$ 1,875,134		\$ 1,452,630	\$ 1,875,134		
	Training Programs	849,471	3,250,000	2,750,000	2,750,000	\$ 500,000	3,250,000	3,250,000		
	Partnership Loans	3,500,000	3,500,000	500,000	500,000	--	500,000	500,000		
	Main Street Assistance Grants	75,000	75,000	a	--	--	--	--		
	CDC Grants	300,000	750,000	425,000	425,000	--	425,000	425,000		
	SBDC Grants	100,000	350,000	275,000	275,000	75,000	350,000	350,000		
	Trade Show Assistance	200,000	200,000	150,000	150,000	--	150,000	150,000		
	Subtotal -- Commerce	\$ 5,629,667	\$ 9,549,524	\$ 5,552,630	\$ 5,975,134	\$ 575,000	\$ 6,127,630	\$ 6,550,134		
S.B. 452	Wildlife and Parks:									
	Education Center Design	\$ 105,000	\$ 210,000	\$ --	\$ --		\$ --	\$ --		
	Western Kansas Water Analysis	250,000	250,000	--	--		--	--		
	Recreational Access Program	1,250,000	1,250,000	1,250,000	1,250,000	\$ (1,250,000)	--	--		
	Recreational Access Operations	399,611	399,611	--	317,782	--	--	(c)		
	Subtotal -- Wildlife and Parks	\$ 2,004,611	\$ 2,109,611	\$ 1,250,000	\$ 1,567,782	\$ (1,250,000)	\$ --	\$ --		
S.B. 452	Board of Agriculture:									
	Market Promotion and Development	\$ 205,500	\$ 906,967	\$ 180,000	\$ 588,554		\$ 180,000	\$ 588,554		
S.B. 453	Historical Society:									
	Committee for the Humanities Grant	\$ 65,000	\$ 65,000	\$ --	\$ --	\$ 65,000	\$ 65,000	\$ 65,000		
	Historical Resources Grants	20,000	20,000	20,000	20,000	--	20,000	20,000		
	Subtotal -- Historical Society	\$ 85,000	\$ 85,000	\$ 20,000	\$ 20,000	\$ 65,000	\$ 85,000	\$ 85,000		
S.B. 453	Kansas Arts Commission:									
	State Operations	\$ 20,000	\$ 614,730	\$ --	\$ 424,666	\$ 20,000	\$ 20,000	\$ 444,666		
	Arts Programming Grants	724,695	1,464,150	450,000	1,241,436	276,000	726,000	1,517,436		
	Subtotal -- Kansas Arts Commission	\$ 744,695	\$ 2,078,880	\$ 450,000	\$ 1,666,102	\$ 296,000	\$ 746,000	\$ 1,962,102		

0-1-8
2/15/90

Bill No.	Agency/Project	Agency Request		Governor's Recommendation		House EDIF	House EDIF		Final Status	
		EDIF	All Funds	EDIF	All Funds	Subcommittee Adjustment EDIF	Subcommittee Rec. EDIF	All Funds	EDIF	All Funds
NA	Wichita State University: Rehabilitation Engineering Center	\$ 105,000	\$ 105,000	\$ --	\$ --	\$ 100,000	\$ 100,000	\$ 100,000		
S.B. 453	School for the Visually Handicapped: Handicapped Arts Program	\$ --	\$ 75,000	\$ 75,000	\$ 75,000		75,000	75,000		
S.B. 452	State Fair: State Operations	\$ --	\$ 2,077,029	\$ 100,000	\$ 1,919,477		100,000	1,919,477		
H.B. 2625	Revenue: Homestead Circuit Breaker	\$ --	\$ --	\$ 9,555,000	\$ 9,555,000	(9,555,000)	--	--		
NA	State Water Plan Fund: Demand Transfers	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000		2,000,000	2,000,000		
GRAND TOTAL		\$ 19,090,473	\$ 30,269,011	\$ 22,241,664	\$ 28,272,892	\$ (6,569,000)	\$ 15,672,664	\$ 20,220,110		

- a) The Governor recommends \$51,000 for this item as a state operations expense.
- b) The House Subcommittee recommends that only \$300,000 be carried forward into FY 1991. The amount of \$1,166,000 is to be used in FY 1990.
- c) If the Recreational Access program is not recommended, it appears that the associated operations also could be deleted.

Resource Estimate - EDIF

	Governor	Senate	House
Beginning Balance	\$ 693,547	\$	\$ 762,388
Lottery Transfers	18,900,000		18,900,000
Racing Transfers	2,602,601		2,602,601
Interest Earnings	177,051		177,051
Total Available	\$ 22,373,199	\$ 0	\$ 22,442,040
Less: Expenditures and Transfers	22,241,664		15,672,664
Ending Balance	\$ 131,535	\$ 0	\$ 6,769,376