

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on March 21, 1995 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Eric Milstead, Legislative Research Department
Pat Mah, Legislative Research Department
Tim Colton, Legislative Research Department
Julian Efirt, Legislative Research Department
Lynn Holt, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Senator Moran moved, Senator Vancrum seconded, that bill draft 5 RS 1245 as requested by Senator Salisbury be introduced. The motion carried on a voice vote.

HB 2132 **Appropriations for FY 96, state board of tax appeals, department of revenue, Kansas lottery, Kansas racing commission, department of commerce and housing, Kansas development finance authority, Kansas, Inc., Kansas technology enterprise corporation**

Board of Tax Appeals (Attachment 1) -- Senator Brady presented the FY 95 and FY 96 subcommittee reports.

Department of Revenue (Attachment 2) -- Senator Salisbury reviewed the FY 95 and FY 96 subcommittee reports. Members discussed at length the subcommittee's first recommendation regarding FTE positions and corresponding funding in the Property Valuation Division (Attachment 2-8). Senator Salisbury explained that the subcommittee had concerns that the House recommendation would lead to the immediate elimination of some of the better qualified employees. Therefore, the Senate subcommittee made its recommendation in order to give the agency flexibility in the deletion of positions throughout fiscal year 1996. Members of the subcommittee noted that though they had concerns about the staff reduction, the new Secretary had signed off on the proposal.

Kansas Lottery (Attachment 3) -- The FY 95 and FY 96 subcommittee reports were reviewed by Senator Kerr. In answer to a question, Senator Kerr stated that the transfer of monies to the KBI Gaming Unit is for services, particularly for background checks (Item 3, Attachment 3-9).

Kansas Racing Commission (Attachment 4) -- Senator Kerr presented the FY 95 and FY 96 subcommittee reports. Members expressed concern in regard the agency's "unwillingness" or "inability" to make revised estimates for track handle and cashflows to the State Racing Fund as stated in both reports. The Chairman advised members that he would request that the Post Audit Chairman approve a 100 hour audit as requested (Item 4, Attachment 4-6).

In response to the subcommittee's observations (Item 3, Attachment 3-9 and Item 3 Attachment 4-6), the Chairman requested that the KBI subcommittee review the transfer to the KBI Gaming Unit from lottery and racing revenues for the background checks and report back to the full Committee.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on March 21, 1995.

Senator Vancrum expressed concern regarding the Senate Subcommittee's estimate for transfers from parimutuel betting (Attachment 4-7). Senator Kerr pointed out that the Lottery revenues overwhelm the racing revenues, racing revenues are in a state of flux, and a small change in the Lottery could probably make up the difference.

In answer to Senator Rock, Mr. Greg Zimac, Director of the Lottery, stated that in 1990 the KBI performed the background checks for the Lottery. It took an average of 31 days and the Lottery lost interested retailers and potential employees because of the time delay. Because Security Force personnel are on staff to provide security at buildings, at lottery drawings and at the distribution centers, the agency also uses them to perform background checks --a practice which they have found to be more efficient and economical.

Department of Commerce and Housing (Attachment 5) -- Senator Moran presented the FY 95 and FY 96 subcommittee reports. Members discussed the House subcommittee's recommendation to provide FY 96 funding for the Mid-America World Trade Center (Item 3, Attachment 5-6). In answer to questions, Senator Moran stated that the Secretary is interested in studying and eliminating duplication within the agency. Senator Karr expressed his opinion that the House subcommittee's recommendations emphasize the need to prioritize the needs within the system and may lead to the termination of some programs in order to redirect monies to others.

Senator Salisbury noted that the Secretary had indicated that statutorily designed divisions within the Department do not provide for efficiencies within the agency and inquired whether the subcommittee had discussed block grant funding. Senator Moran indicated that the subcommittee had done so, and noted that the Secretary is interested in block grant funding and will have proposals regarding reorganization of the agency during the next legislative session. Senator Salisbury endorsed Senator Karr's concern about growth in the Department and noted that the Department has been unable to provide data on some of the programs.

Senator Kerr submitted a memorandum regarding concepts that might give direction to the Department in restructuring state supported economic development efforts (Attachment 6).

Kansas, Inc. (Attachment 7) -- Senator Vancrum presented the FY 95 and FY 96 subcommittee reports.

Kansas Technology Enterprise Corporation (Attachment 8) -- The FY 95 and FY 96 subcommittee reports were reviewed by Senator Vancrum. Senator Kerr noted that \$6 million requested by the agency for EPSCoR would be used to match federal dollars if the agency is successful in obtaining funding from federal agencies. He distributed information showing how Kansas compares with peer states on research and federal funds for research (Attachment 9). He expressed his opinion that this is an opportunity for the state to realize growth in research. It was the general consensus that this is another example of the importance of the agency evaluating and prioritizing its programs.

The Chairman noted that there is no subcommittee report for the Kansas Development Finance Authority though it is a part of HB 2132.

The Chairman announced that action would not be taken on HB 2132 until March 22 in order to give members time to review information that had been distributed. He adjourned the meeting at 12:35 P.M. The next meeting is scheduled for March 22, 1995.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: MARCH 21, 1995

NAME	REPRESENTING
Pat Wlemmer	KAPS / Ks. Guard Program
Jan Struble	KAPS / KOP
Pamela Draper	KS World Trade Center
Gregory B. Ziemak	Kansas Lottery
Ken L. Stott	KANSAS Lottery
Gaeth L. Shulle	Kansas Lottery
Sherry Brown	KDOCEH
John Rolfe	KDOCEH
Patrick D. Hurley	KDOCEH
Walt Darling	Ks Division of the Budget
Stan Clark	Senate
Mary Harper	Ks Wheel Commission
Frances Grell	Racing Commission
Ken Hays	RACING Commission
Josh Shriver	BOTA
Orta Mardel	BOTA
Tom Johnson	Ks Racing Comm
ART F. NEUHEDEL	↓

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: MARCH 21, 1995

NAME	REPRESENTING
<i>Jerry D. Hamblen</i>	<i>Kansas Racing Commission</i>

SUBCOMMITTEE REPORT

Agency: Board of Tax Appeals

Bill No. --

Bill Sec. --

Analyst: Mah

Analysis Pg. No. 409

Budget Page No. 501

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,715,403	\$ 1,711,008	\$ 0
Other Funds	17,000	17,000	0
TOTAL	<u><u>\$ 1,732,403</u></u>	<u><u>\$ 1,728,008</u></u>	<u><u>\$ 0</u></u>
FTE Positions	36.0	36.0	--
Special Project Appointments	0.0	0.0	--
TOTAL	<u><u>36.0</u></u>	<u><u>36.0</u></u>	<u><u>--</u></u>

Agency Estimate/Governor's Recommendation

The Board's current year estimate of \$1,732,403 is the amount authorized by the Legislature last year, as adjusted by State Finance Council action for a 1.5 percent cost-of-living adjustment. Salary expenses total \$1,442,989 while other operating expenses total \$289,414.

The Governor recommends \$1,728,008 for current year operating expenditures, a reduction of \$4,395 from the Board's estimate. The only adjustment is in salary and wage expenditures mostly to reflect lower than originally anticipated health insurance rates.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation and notes the Governor's following performance indicators:

<u>Performance Measures</u>	<u>FY 1994 Actual</u>	<u>FY 1995 Estimate</u>	<u>FY 1996 Estimate*</u>
Cases received	13,749	19,000	19,000
Review of local decisions	6,929	8,500	8,500
Hearings held	2,878	3,100	3,100
* Estimated level of performance under Governor's recommendation.			

*SWAM
March 21, 1995
Attachment 1*

House Committee Recommendation

The House Committee concurs with the Subcommittee's recommendation.

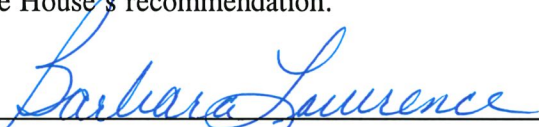
House Committee of the Whole Recommendation

The House concurs with the Committee's recommendation.

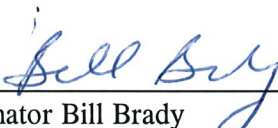
<u>Expenditure Summary</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subc. Adj.</u>
State Operations:			
State General Fund	\$ 0	\$ 1,711,008	\$ 0
Other Funds	0	17,000	0
TOTAL	<u>\$ 0</u>	<u>\$ 1,728,008</u>	<u>\$ 0</u>
FTE Positions	0.0	36.0	0.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>36.0</u>	<u>0.0</u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the House's recommendation.



 Senator Barbara Lawrence, Chair



 Senator Bill Brady

SUBCOMMITTEE REPORT

Agency: Board of Tax Appeals

Bill No. 2132

Bill Sec. 2

Analyst: Mah

Analysis Pg. No. 409

Budget Page No. 501

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,743,454	\$ 1,665,648	\$ (85,064)
Other Funds	20,000	17,000	0
TOTAL	<u>\$ 1,763,454</u>	<u>\$ 1,682,648</u>	<u>\$ (85,064)</u>
FTE Positions	35.0	35.0	(1.0)
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>35.0</u>	<u>35.0</u>	<u>(1.0)</u>

Agency Request/Governor's Recommendation

The Board's FY 1996 request provides for an increase of \$31,051 over the current year estimate. Included in the request is a proposal to delete an existing FTE court reporter position and shift a portion of the moneys so that it can be used to contract for court reporter services during peaks periods of appeal hearings. The FY 1996 request also includes the usual annual step movement for classified employees and an unclassified merit pool of 2.5 percent for unclassified employees, including moneys for the five Board members whose salaries are set by statute. Although the Board proposes reducing travel and communication expenses due to efficiency measures, the reductions are offset by requested increases mostly for contractual and capital outlay purchases. The Board is requesting moneys to hire a computer consultant to determine necessary equipment to update the Board's computer system. The existing computer system limits the Board's capacity to generate needed information and requires additional keystroking for staff. Capital outlay purchases are requested to provide for computer equipment necessary to implement the changes that will be taking place for the state's employee payroll system beginning in the middle of FY 1996; to obtain a new microfilm reader/printer so that staff will no longer need to go to another agency to use its equipment; to replace a FAX machine; and to provide for new and replacement office equipment.

The Governor recommends \$1,682,648 for FY 1996, a reduction of \$80,806 from the Board's request. The recommendation finances the requested 35.0 FTE positions instead of the current 36.0 FTE positions. In addition, the Governor does not recommend, as proposed by the Board, that a portion of the salary moneys for the deleted FTE position be used instead for contracting for court reporter services. All moneys for the currently existing position are deleted in FY 1996. Also, moneys for the hiring of a computer consultant and capital outlay purchases are deleted except for \$5,144 to provide for the state's new employee payroll system. The recommendation for FY 1996 expenditures is made in conjunction with new language that will be included in the appropriation bill so that, if the Board has any unanticipated savings in the current year, the unbudgeted savings can be expended in FY 1996 by the Board. The recommendation is made with the intent of giving the Board flexibility and encouraging savings. Although the Governor's recommendation reflects a net reduction of \$80,806 from the Board's request in FY 1996, moneys are included to provide for an additional 1.0 percent salary adjustment over the requested rate of 2.5 percent.

Included in the FY 1996 recommendation are salary enhancements of 3.5 percent for classified employees and a merit pool of 3.5 percent for unclassified employees.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation, with the following adjustments:

1. Delete \$35,703 from the State General Fund for a 1.0 Attorney position. As reflected in the table below, the number of case filings has dropped for the agency since FY 1990, when the Legislature enhanced positions and financing for the agency because of a law enacted by the 1985 Legislature. The law required implementing statewide reappraisal of property in 1989. With a drop in the agency's caseload since the surge caused by the state mandate, the Subcommittee believes that less staff is necessary. The Governor also recommended deleting an existing position for a court reporter, which the agency indicated had not been filled in the past two years. However, the Governor's recommendation is not reflected in the appropriations bill. With a technical amendment to correctly reflect the Governor's recommendation, the appropriations bill would be amended to reduce the agency's position limitation by a net of 2.0 FTE positions, for a total of 34.0 FTE positions in FY 1996.

State Board of Tax Appeals -- FY 1985 - FY 1994										
	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
Filings:										
Appeals from the County Board of Equalization	49	176	74	55	361	1,769	1,058	2,309	1,524	1,870
Appeals from Director of Taxation	6	15	44	29	32	54	66	69	111	131
Appeals from Director of Property Valuation	16	11	28	--	3	20	26	28	17	35
Tax Exemptions	856	955	1,403	3,691	4,023	3,635	4,263	6,562	8,899	5,267
Tax Grievances	3,492	3,921	6,867	1,056	1,620	1,607	2,093	2,734	3,026	2,661
No-Fund Warrants	36	27	37	27	27	48	43	23	21	36
Appeals to Exceed Budget										
-School Districts	6	2	5	9	44	72	--	--	--	2
IRB Filings and Appeals	249	204	148	28	41	47	22	34	45	38
Economic Development Exemptions	--	--	--	27	46	76	71	71	37	45
Protests	--	--	--	1,053	1,242	15,468	3,831	3,619	6,035	3,652
School Appeals	--	--	--	10	11	13	11	5	6	12
Informal Results Reviews	--	--	--	--	--	51,598	13,186	12,614	8,487	6,886
Reappraisal Reviews	--	--	--	--	4	1	--	--	--	--
Complaints	--	--	--	--	--	--	--	--	7	43
TOTAL	4,710	5,311	8,606	5,985	7,454	74,408	24,670	28,068	28,215	20,678
SGF Expenditures										
Per Filing	\$128.06	\$115.67	\$75.59	\$113.61	\$120.02	\$16.42	\$67.08	\$54.37	\$52.14	\$75.51
Agency Total FTE	14.0	14.0	15.0	15.0	20.0	37.0	37.0	36.0	36.0	35.0*
Filings Per FTE	336.4	379.4	573.7	399.0	372.7	2,011.0	666.8	779.7	783.75	590.8

* Position limitation was actually 36.0 FTE positions, but one position was vacant entirely during FY 1994.

2. The Subcommittee was told that it is not uncommon for the Board to replace the person appointed to fill its General Counsel position when the appointment of certain Board members end. The term for two Board members, one of whom is the Board's Chairperson, will end July 1, 1995. The Subcommittee asks the Board and encourages the Governor to give very strong consideration to hiring someone who has real estate appraisal experience, including perhaps being a certified real estate appraiser. The Board reported that no one on its current staff has real estate appraisal experience. The Subcommittee believes that personnel with appraisal experience are essential in enabling the agency to work toward its mission of ensuring that all property in the State of Kansas is assessed in an equal and uniform manner.

3. Delete \$44,217 from the State General Fund based on the House Appropriations Committee's recommendation to delete funding for a 3.5 percent unclassified merit pool (\$27,438); classified step movement (\$6,538); a one percent base adjustment for classified employees (\$4,749); and the longevity bonus (\$5,492) from individual budgets.

4. Delete \$5,144 from the State General Fund based on the House Appropriations Committee's recommendation to delete funding for computer equipment related to the state's new payroll system.

House Committee Recommendation

The House Committee concurs with the Subcommittee's recommendation.

House Committee of the Whole Recommendation


The House concurs with the Committee's recommendation.

<u>Expenditure Summary</u>	<u>House Adjustments FY 96</u>	<u>House's Recommendation FY 96</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ (85,064)	\$ 1,580,584	\$ 0
Other Funds	0	17,000	0
TOTAL	<u>\$ (85,064)</u>	<u>\$ 1,597,584</u>	<u>\$ 0</u>
 FTE Positions	 (1.0)	 34.0	 1.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>(1.0)</u>	<u>34.0</u>	<u>1.0</u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the House's recommendation, with the following change:

1. Restore without funding a 1.0 existing now vacant FTE Attorney position that was deleted by the House. While the House made its recommendation because of a drop in the agency's caseload, the Board believes its caseload could increase significantly with the jump in property valuations that has occurred in some counties, including Shawnee and Johnson. News reports indicate that property valuations have increased by as much as 30 percent for some taxpayers. The Senate Subcommittee's recommendation provides the agency with the flexibility to hire another FTE position if necessary to deal with the potential rise in caseload. The agency has been very frugal in past years, allowing \$100,000 or more to be carried forward each fiscal year for use in the next fiscal year. The Governor's recommendation, which was not changed by the House, provides the agency with an unlimited reappropriation so that, if the agency has any unanticipated savings in the current year, the unbudgeted savings can be expended in FY 1996. The agency's ability to generate savings may provide enough moneys to cover the cost of the recommended 1.0 FTE Attorney position. If not, the agency may wish to request a supplemental appropriation.



Senator Barbara Lawrence, Chair



Senator Bill Brady


SUBCOMMITTEE REPORT

Department of Revenue


FY 1995 and FY 1996

H.B. 2234 & H.B. 2132

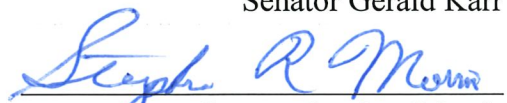
March 15, 1995



Senator Alicia Salisbury, Chairperson



Senator Gerald Karr



Senator Stephen Morris

SWAM
March 21, 1995
Attachment 2

SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2234

Bill Sec. --

Analyst: Julian Efird

Analysis Pg. No. 383

Budget Page No. 435

Expenditure Summary	Agency Estimate FY 95	Governor's Recommendation FY 95	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 57,814,847	\$ 57,637,935	\$ (412,752)
Aid, Assistance, Claims	12,875,400	12,875,400	0
Total -- Operating	<u>\$ 70,690,247</u>	<u>\$ 70,513,335</u>	<u>\$ (412,752)</u>
State Operations:			
General Fund	\$ 28,932,877	\$ 28,863,228	\$ 0
DOV Op. Fund	27,107,896	27,000,633	(412,752)
FTE Positions	1,260.5	1,260.0	0.0
Special Project Appointments	10.0	10.0	0.0
TOTAL	<u>1,270.5</u>	<u>1,270.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

Agency Request. The agency's revised budget for current year state operations expenditures is a net increase of \$2,856,375 more than actual FY 1994 expenses. A significant portion of this net increase is for the Division of Motor Vehicles, where part of this increase is attributed to one-time costs for an optical imaging system budgeted at \$412,752 in FY 1995 and to implementation of a new, digitized photo driver license system. The other primary reason for the increase in all program expenditures, including Motor Vehicles, is the growth in salary expenses as employees are paid higher compensation and corresponding higher benefits costs which result from salary increases. The Kansas Tax 2000 project is anticipated to begin in January of 1995 with the award of a service provider contract to a consultant who will assist the agency in this work. The agency's current year request for staffing is a decrease of 0.5 FTE from the FY 1994 level of staffing. Increased compensation costs, as noted above, for the agency's workforce account for almost \$2.5 million of higher FY 1995 agency expenses compared with actual FY 1994 expenditures. The agency's revised estimate of payments is a decrease of \$130,832 from the actual FY 1994 amounts paid. An increase in payments from the County Drug Tax Fund is offset by even greater reductions in the estimated payments from the Special County Mineral Production Tax Fund.

Governor's Recommendation. The Governor recommends adjustments in the salaries and benefits, eliminating 0.5 FTE position, recalculating the salary base for classified employees, reducing overtime compensation, and reducing health insurance expenditures. No changes are recommended in other operating expenses for the current fiscal year. The Governor's recommendations reflect a reduction of \$796,581 in salaries and benefits from the approved FY 1995 amount and net reductions of \$1,080,122 in

state operations when considering the agency's reduction of \$283,541 in other operating expenditures this fiscal year. A reduction of 0.5 FTE position in the Taxation program is recommended by the Governor in addition to the 1.5 FTE reduction proposed by the agency in its current fiscal year approved staffing level of 1,262.0 FTE positions. The Governor's recommendations include 10.0 Special Projects positions which would be in addition to the recommended 1,260.0 FTE positions. The Governor concurs with the state aid and other assistance estimate for FY 1995.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 1995 and makes the following adjustment:

1. Reduce \$412,752 in expenditures from the DOV Operating Fund in the approved budget for an automation project in the Dealers Licensing Bureau and shift the expenditures to FY 1996 since the agency indicates that it will unable to undertake this project in the current fiscal year.

House Committee Recommendation

The Committee concurs with the recommendation of the Subcommittee.

Senate Subcommittee Recommendation

The Subcommittee concurs with the House recommendations and makes the following adjustments:

1. Increase the expenditure limitation from the DOV Operating Fund by \$117,000 in FY 1995 and reduce the carryover from \$412,752 to \$294,775 for next fiscal year relative to the Dealer Licensing Bureau automation project in order to reflect costs actually paid this fiscal year and a revised estimate for FY 1996 of \$294,775.

SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2132

Bill Sec. 3

Analyst: Julian Efird

Analysis Pg. No. 383

Budget Page No. 435

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 62,428,999	\$ 59,375,643	\$ (2,671,357)
Aid, Assistance, Claims	21,255,400	9,255,400	0
Total -- Operating	<u>\$ 83,684,399</u>	<u>\$ 68,631,043</u>	<u>\$ (2,671,357)</u>
State Operations:			
General Fund	\$ 31,583,174	\$ 29,493,127	\$ (2,450,170)
DOV Op. Fund	29,565,534	28,697,554	(201,628)
FTE Positions	1,293.5	1,266.0	(61.0)
Special Project Appointments	10.0	10.0	0.0
TOTAL	<u>1,303.5</u>	<u>1,276.0</u>	<u>(61.0)</u>

Agency Request/Governor's Recommendation

The Department of Revenue is divided into major divisions which reflect the programs that the agency is charged with administering and the support functions that serve the regular programs. The present structure of the Department was established in 1972 by an Executive Reorganization Order that consolidated a number of then separate programs. Several modifications have been made in the structure since 1972. The present organizational structure includes the following units: Alcoholic Beverage Control regulates the sale and distribution of alcoholic beverages and enforces bingo regulations; Motor Vehicles issues titles, registers vehicles, and licenses drivers; Property Valuation appraises state property and exercises supervision over local appraisers; Taxation administers and enforces the major state taxes; Collections identifies and collects delinquent taxes; Administrative Services provides management and support services to the other programs; and Aid, Assistance and Claims include payments for which the agency is responsible (except Homestead which is budgeted separately and not included in this budget).

Performance Measures. Some examples of the dozens of indicators presented by the Department of Revenue in its budget are attached to this Subcommittee Report.

Agency Request. The agency's FY 1996 request is an increase of \$4,614,152 more than the revised FY 1995 agency request for operating expenses. More than half of the increase is attributed to the Administrative Services Division which is seeking increased expenditures in a variety of areas, including capital outlay, communications and computer-related upgrades. As in FY 1995, increases budgeted for employee compensation account for a large part of the growth in requested expenditures in every division. Additionally, the request for new staff positions also accounts for a substantial increase in the budget. The

most significant programmatic enhancement is a request for \$594,263 and 12.0 FTE positions in order to increase enforcement efforts regarding the motor fuels tax. The request is scattered throughout the agency and is noted in the budget detail section later in this analysis. The Department of Revenue amended its FY 1996 budget request on October 14, 1994, to include this information in response to a Legislative Division of Post Audit 1994 performance audit report, Reviewing the Department of Revenue's Enforcement of Kansas Motor Fuels Tax.

The agency requests an increase of 33.0 FTE staff for FY 1996. Over one-third of these new positions are new positions are requested for the Property Valuation Division which is under a court mandate. Three new positions are intended to provide better customer services at driver license examining centers. Four new positions are to be assigned to the legal staff in the Collections Division to assist in reducing the workload and enhance collection of accounts overdue. Three other positions are to be assigned auditing corporate income taxes in an effort to augment the six current corporate auditors.

For aid and other assistance, the agency's FY 1996 estimate is a net increase of \$8,380,000 more than the FY 1995 revised estimate. The main reason for this increase is an additional \$9.0 million proposed for state aid enhancement to counties for reappraisal assistance. The agency's budget request would increase the FY 1995 amount of \$3.0 million to \$12.0 million in FY 1996. Also noted are an increase in payments from the County Drug Tax Fund and a reduction in the estimated payments from the Special County Mineral Production Tax Fund. The other categories are relatively stable from FY 1995 to FY 1996.

Governor's Recommendation. Recommended funding for state operations expenditures would increase \$1.7 million by the Governor's actions, with \$1.2 million of the increase attributed to the Administrative Services program. Salary turnover savings are increased by the Governor's recommendation from 4.2 percent in FY 1995 to 4.9 percent in FY 1996, yielding a net savings of \$2,156,591 in the agency's salary base. Funding for eight new positions for motor fuels tax enforcement are included in the Governor's recommendations. The Governor recommends step movement, longevity pay, and a 1.0 percent base salary adjustment for classified employees, and a 3.5 percent merit pool for unclassified employees.

The only new positions recommended by the Governor are associated with the motor fuels tax enhancements: 8.0 FTE limited term appointments are recommended by the Governor for expanded motor fuels tax enforcement. Reduction of 2.0 FTE positions in other areas are recommended for a net increase of 6.0 FTE from 1,260.0 in FY 1995 to 1,266.0 FTE positions in FY 1996. The Governor's recommendations also include 10.0 Special Projects appointments which would be in addition to the FTE limitation.

The Governor recommends eliminating state aid of \$3.0 million for county reappraisal funding in FY 1996 which has been financed by the State Gaming Revenues Fund. The Governor concurs with the state aid and other assistance estimate for FY 1996.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 1996 and makes the following adjustments:

1. Reduce \$1,484,874 for salaries and benefits enhancements which were recommended by the Governor for classified and unclassified personnel. This

reduction includes \$850,935 SGF and \$614,380 DOV Operating Fund, with the remaining \$19,559 from other funding sources.

2. Reduce \$36,530 SGF for SHaRP computers and add a like amount to the Department of Administration's budget for the same purpose, subject to determination that the quantity and configuration of equipment needed for the personnel/payroll project is appropriate to this agency.
3. Add \$412,752 in DOV Operating Fund expenditures for FY 1996 which were reduced in FY 1995 for the optical imaging project in the Dealers Licensing Bureau. No additional funding will be transferred since the savings in the current fiscal year will carry over to FY 1996.
4. Make a technical correction in the FTE count which was recorded incorrectly in the bill as drafted.
5. Add a provision providing for transfers from the State General Fund to the Automated Tax Systems Fund which was left out of the Governor's recommended appropriations bill (H.B. 2132). Quarterly reports to the Chairs of House Appropriations and Senate Ways and Means will be made on receipts and expenditures for this project. The Kansas Tax 2000 project is scheduled to begin in early 1995 when a contract is expected to be awarded to a service provider. This is a multiyear, multimillion dollar project. The Governor endorses the Kansas Tax 2000 project as ". . . an innovative approach in using new monies gained through the program to finance its costs."

The 1994 Legislature appropriated the Automated Tax Systems Fund which was intended as the finance mechanism and the same fund is included in the Governor's FY 1996 bill. However, the problem which the 1995 Legislature needs to address is providing for transfers from State General Fund receipts into this dedicated fund in order to pay for the contract. The Department of Revenue has indicated that it will not need funding in FY 1995 for this project, but that transfers will be needed in FY 1996 to pay the service provider once a contract is signed later in calendar 1995. K.S.A. 1994 Supp. 75-5147 is the statutory basis for this finance mechanism which will pay for the project out of "new" revenues attributable to implementation of the automated tax systems.

6. Note that state aid to counties for reappraisal payments in FY 1996 is \$0 under the Governor's recommended budget. The FY 1995 amount is \$3,000,000 from the EDIF. Historically, the state has provided aid since implementing statewide reappraisal in the 1980s and FY 1996 will be the first year that no aid will be provided, if the Governor's recommendation is adopted.
7. Reduce \$2,312,705 for salaries and benefits financed from the State General Fund (SGF) and also eliminate 61.0 FTE positions in order to downsize the Property Valuation Division (PVD) to 45.0 FTE positions. The Subcommittee further recommends that any new staff hired into the Property Appraiser classification be certified and/or licensed by the appropriate organizations.

8. Add \$750,000 to the PVD budget to provide SGF financing for outsourcing: \$250,000 for a sales/ratio study; \$200,000 for a agricultural land-use study; and \$300,000 for other consultant services.

House Committee Recommendation

The Committee concurs with the Subcommittee recommendations and makes the following adjustments to that report:

1. Restore \$2,312,705 SGF for salaries and benefits and restore 39.0 FTE positions that were reduced by the Subcommittee in order to provide for the Governor's recommended level of SGF financing and a reduction of 22.0 FTE positions from the Governor's recommended level of staffing for the agency. The Secretary of Revenue had suggested that a reduction of 22.0 FTE positions could be accommodated in FY 1996 during discussions with the Subcommittee.
2. Reduce \$750,000 SGF for contractual services which was added by the Subcommittee since the restorations in item 1 will negate the need to outsource those duties identified by the Subcommittee.
3. Require that quarterly reports about Kansas Tax 2000 also be sent to the Joint Committee on Computers and Telecommunications in addition to the other recipients named in the Subcommittee recommendation.

House Recommendation

The House concurs with the Committee report and makes the following adjustment:

1. Reduce \$718,414 SGF of salaries and benefits for the 22.0 FTE positions deleted by the Committee.

<u>Expenditure Summary</u>	<u>House Rec. FY 96</u>	<u>Subc. Adj. FY 96</u>	<u>Senate Subc. Rec. FY 96</u>
All Funds:			
State Operations	\$ 57,548,577	\$ 601,414	\$ 58,149,991
Aid, Assistance, Claims	9,255,400	0	9,255,400
Total -- Operating	<u>\$ 66,803,977</u>	<u>\$ 601,414</u>	<u>\$ 67,405,391</u>
State Operations:			
General Fund	\$ 27,887,248	\$ 718,414	\$ 28,605,662
DOV Op. Fund	28,495,926	(117,000)	28,378,926
FTE Positions	1,244.0	22.0	1,266.0
Special Project Appointments	10.0	0.0	10.0
TOTAL	<u>1,254.0</u>	<u>22.0</u>	<u>1,276.0</u>

Senate Subcommittee Recommendation

The Subcommittee concurs with the House recommendations and makes the following adjustments:

1. Restore 22.0 FTE positions and \$359,207 SGF for staff in the Property Valuation Division (PVD). The Subcommittee recommends that in order to reduce these positions during FY 1996, half of the salary and benefit funding needs to be provided for the agency to avoid laying off these staff at the start of the new fiscal year. The salary turnover savings recommended by the Subcommittee equates to 50 percent rather than the 100 percent (\$718,414) taken out by the House. The Subcommittee recommends that all 22.0 FTE positions be vacated by the end of FY 1996.
2. Add \$359,207 SGF (which is the other half of the PVD salary financing reduced by the House) to PVD for other contractual services (such as a capitalization rate study, a building cost index analysis, and an income expense analysis) not funded by the Governor in FY 1996. The Subcommittee believes that the agency needs this flexibility in order to complete studies on a timely basis to comply with the judicial order. Outside contractors may be needed to gain necessary expertise, as the staff size is being reduced next fiscal year.
3. Reduce DOV expenditures for the Dealer Licensing Bureau automation project from \$412,752 to \$294,775 in order to reflect expenditures of \$117,000 already made in FY 1995. The Subcommittee understands that the other phase of the project will be undertaken in FY 1996.
4. Authorize transfer of \$614,380 from the State Highway Fund to the DOV Operating Fund in order to finance the costs of 1995 S.B. 190 which implements the

Governor's recommendations for salary and benefit enhancements in FY 1996. This transfer is not included in S.B. 190 which authorizes expenditures but does not provide the financing to sustain that level of expenditures. S.B. 190 has passed the Senate and is on General Orders in the House.

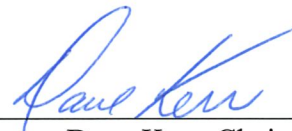
SUBCOMMITTEE REPORT

Kansas Lottery
Kansas Racing Commission

FY 1995 and FY 1996

H.B. 2234 & H.B. 2132

March 20, 1995



Senator Dave Kerr, Chairperson



Senator Marge Petty

SWAM
march 21, 1995
Attachment 3

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2234

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 396

Budget Page No. 411

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 18,617,483	\$ 18,568,070	\$ 0
Prizes and Retailer Commissions ^(a)	84,276,000	84,276,000	0
TOTAL	<u><u>\$ 102,893,483</u></u>	<u><u>\$ 102,844,070</u></u>	<u><u>\$ 0</u></u>
FTE Positions	98.0	98.0	0.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u><u>98.0</u></u>	<u><u>98.0</u></u>	<u><u>0.0</u></u>

a) Category of prizes and retailer commissions includes some transactions which are never recorded in the State Treasury as either receipts or expenditures.

Agency Estimate/Governor's Recommendation

The agency's revised estimate for the current fiscal year projects sales at \$147.0 million. The current approved sales estimate for FY 1995 is \$130.0. An increase in state operations of almost \$1.3 million over actual FY 1994 is requested., including a one-time expenses of \$485,000 for computer equipment and \$245,000 for software modification associated with implementation of an instant ticket scanning system. The 1994 Legislature approved a 1994 Governor's Budget Amendment for this new system based on expenditures of \$471,530 for printing bar codes on tickets and for other costs.

SGRF Transfers. The Lottery's projected transfers of \$45.9 million to the State Gaming Revenues Fund (SGRF) are based on 30.0 percent of sales as provided by statute, plus an additional \$1.8 million approved by the 1994 Legislature.

The Governor concurs with the Lottery estimate of \$147.0 million in FY 1995 sales. The Governor concurs with the Lottery's state operations expenditures, with minor adjustments in salaries and benefits. Funding for additional costs of computer equipment and software modifications is included in the Governor's recommendations as requested by the Lottery.

SGRF Transfers. The estimated transfers are \$46,175,163, based on the Governor's assumptions about monthly cashflow, with \$45,250,755 anticipated for the SGRF and, if racing revenues are realized as estimated by the Governor, then \$924,408 for the State General Fund (SGF) will accrue in FY 1995 for deposit into the SGF on July 15 of FY 1996.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1995 recommendations.

House Committee Recommendation

The Committee concurs with the recommendation of the Subcommittee.

Expenditure	House Rec. FY 95	Senate Sub. Adjustment	Senate Sub. Rec. FY 95
All Funds:			
State Operations	\$ 18,568,070	\$ 754,500	\$ 19,322,570
Prizes and Retailer Commissions ^(a)	84,276,000	7,450,000	91,726,000
TOTAL	<u>\$ 102,844,070</u>	<u>\$ 8,204,500</u>	<u>\$ 111,048,570</u>
FTE Positions	98.0	0.0	98.0
Special Project Appointments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>98.0</u>	<u>0.0</u>	<u>98.0</u>

a) Category of prizes and retailer commissions includes some transactions which are never recorded in the State Treasury as either receipts or expenditures.

Senate Subcommittee Recommendation

The Subcommittee concurs with the House and makes the following additional FY 1995 adjustments:

1. Revise the Governor's FY 1995 estimate for lottery sales, increasing the projection from \$147.0 million to \$160.0 million. Of the \$13.0 million increase, \$8.0 million is attributed to instant ticket sales and \$5.0 million to on-line (PowerBall) sales. As a result of the increased estimate for sales, the FY 1995 expenditure limitation for agency operations should be increased by \$230,000 for printing additional instant tickets. The projection for additional sales will result in the following increases in the Governor's estimates for FY 1995 (but other than the printing cost for tickets do not require any adjustments in expenditure authority):

Net Sales Increase	\$	13,000,000
Prizes @ 52%		6,760,000
SGRF Transfer		3,900,000
Retailer Commissions		690,000
Lotto Vendor		292,500
ITSS Vendor		232,000
Instant Ticket Printing		230,000
Subtotal	\$	12,104,500
Unallocated Revenue	\$	895,000

Of the unallocated FY 1995 revenue estimated at \$895,000 which would potentially increase the agency's ending balance, the Senate Subcommittee recommends a one-time transfer of \$500,000 to the SGRF on May 31, 1995. For transfers to the SGRF, the Senate Subcommittee estimates that of the \$3.9 million increase due to additional sales this fiscal year, \$3.123 million will be transferred in FY 1995 and the remaining \$777,000 in FY 1996 as a result of June sales.

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2132

Bill Sec. 4

Analyst: Efird

Analysis Pg. No. 396

Budget Page No. 411

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 19,543,722	\$ 19,473,212	\$ (109,201)
Prizes and Retailer Commissions ^(a)	89,516,278	89,516,278	0
TOTAL	<u>\$ 109,060,000</u>	<u>\$ 108,989,490</u>	<u>\$ (109,201)</u>
FTE Positions	98.0	98.0	0.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>98.0</u>	<u>98.0</u>	<u>0.0</u>

- a) Category of prizes and retailer commissions includes some transactions which are never recorded in the State Treasury as either receipts or expenditures.

Article 15, Section 3c of the *Kansas Constitution* authorizes a state-owned and operated lottery. K.S.A. 74-8710(a) allows by rule and regulation the establishment of the types of lottery games to be conducted, including but not limited to instant lottery, online and traditional games, but not including games on video lottery machines. The Lottery conducts several different types of games: instant or scratch ticket games, pull tabs, and online games, including PowerBall, CashLotto, Club Keno and Pick 3. Video lottery is prohibited by statute and the law authorizing instant bingo (which was not conducted by the Kansas Lottery) recently was ruled unconstitutional by the Kansas Supreme Court.

Performance Measures

See Attached examples.

Agency Request/Governor's Recommendation

The agency estimates net lottery sales of \$155.8 million next fiscal year. Expenditures for state operations would increase \$926,239 over the revised FY 1995 estimate. Included is an additional \$671,761 in Marketing, primarily for increased costs of ticket printing and advertising services. Some of the increase for state operations is attributed to paying additional fees for online communications and online service providers due to increased sales of Club Keno and other lotto games.

SGRF Transfers. SGRF transfers in FY 1996 are estimated at \$46.7 million, based on 30.0 percent of retail sales, and no special transfers of additional funds.

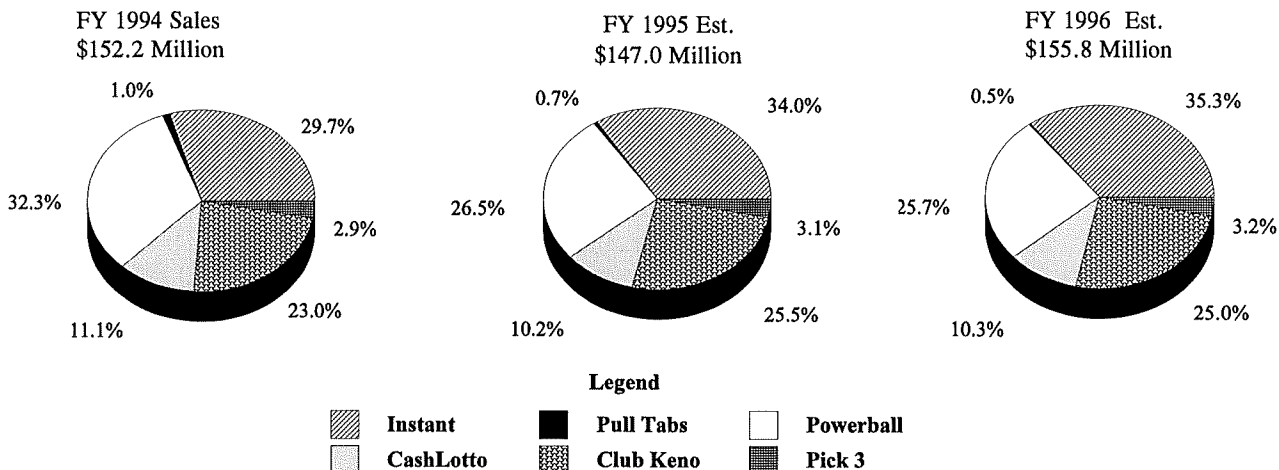
The Governor concurs with the Lottery estimate of \$155.8 million in FY 1996 sales. Expenditures from state operations would increase \$905,142 by the Governor's recommendations. Included in the Governor's budget is an additional \$632,947 for the Marketing Program, primarily for increased ticket costs, advertising services, online communications, and the online service provider.

SGRF Transfers. The Governor recommends transfers of \$49,613,357. Based on the Governor's assumptions, the SGRF would be credited \$44,872,900 in FY 1996 and the SGF would receive \$4,740,457 on July 15 in FY 1997. (Staff Note: Any amount greater than 30.0 percent of sales must be transferred by special appropriations language. The Governor's recommended transfers in excess of 30.0 percent are addressed in the FY 1996 appropriations bill for the Lottery, with \$1,687,894 recommended for transfer on October 31, 1995, and a like amount March 31, 1996.)

Fund Status. The following table summarizes the status of the Lottery Operating Fund as estimated by the Lottery and recommended by the Governor. The agency's figures reflect ending balances of more than \$4.8 million in FY 1995 and \$6.0 million in FY 1996, indicating considerable cash on hand at the close of each fiscal year. In FY 1994, the Legislature authorized an additional transfer of \$2.0 million to the SGRF in order to reduce the unexpended cash balance. For FY 1995, the Legislature authorized additional transfers of \$1.8 million to the SGRF which is reflected in the estimates for this fiscal year shown below.

The Governor's recommendations provide for ending balances of \$4.8 million in FY 1995 and \$3.0 million in FY 1996, including the authorized, special transfers of \$1,808,130 in FY 1995 and the proposed special transfers of \$3,375,788 in the Governor's FY 1996 recommended cashflow.

Resource Estimate	Actual FY 94	Agency Est. FY 95	Gov. Rec. FY 95	Agency Est. FY 96	Gov. Rec. FY 96
Beginning Balance	\$ 3,303,938	\$ 5,994,084	\$ 5,994,084	\$ 4,972,347	\$ 4,846,851
Net Receipts	96,309,819	99,536,000	99,718,124	105,553,346	105,572,222
Total Funds Available	\$ 99,613,757	\$ 105,530,084	\$ 105,712,208	\$ 110,525,693	\$ 110,419,073
Less:					
Expenditures	\$ 17,331,660	\$ 18,617,483	\$ 18,568,070	\$ 19,543,722	\$ 19,473,212
Transfers to Prize Fund	28,400,000	36,000,000	36,000,000	38,200,000	38,200,000
Transfers to SGRF	47,787,329	45,918,130	46,175,163	46,740,000	49,613,357
Transfers to KBI	100,684	122,124	122,124	0	124,008
Nonreportable	0	0	0	0	0
Ending Balance	\$ 5,994,084	\$ 4,872,347	\$ 4,846,851	\$ 6,041,971	\$ 3,008,496



Lottery Sales. The Governor concurs with the Lottery estimates for FY 1995 and FY 1996 sales. After record-breaking sales of over \$152 million last fiscal year, the revised FY 1995 estimate shows a slight decrease to \$147 million in the current period, increasing to almost 156 million next fiscal year.

Transfers to the SGRF. The Lottery contributes a disproportionately larger share of the transfers to the State Gaming Revenues Fund (SGRF) than does parimutuel betting. A statutory provision requires that any funding in excess of \$50.0 million be deposited in the State General Fund in the subsequent fiscal year. The threshold will be exceeded in both FY 1995 and FY 1996, based on the estimates provided in the budgets submitted by the Lottery and Racing Commission, and as recommended by the Governor.

Financial Activity	Approved FY 1995	Agency Est. FY 95 a)	Gov. Rec. FY 95	Agency Est. FY 96 a)	Gov. Rec. FY 96
Transfers by Source:					
Lottery	\$ 40,607,553	\$ 45,918,130	\$ 46,175,163	\$ 46,740,000	\$ 49,613,357
Parimutuel	5,175,267	5,684,865	4,749,245	4,698,948	5127100
Total Estimated ^a	<u>\$ 45,782,820</u>	<u>\$ 51,602,995</u>	<u>\$ 50,924,408</u>	<u>\$ 51,438,948</u>	<u>\$ 54,740,457</u>
SGF Estimate	\$ 0	\$ 1,602,995	\$ 924,408	\$ 1,438,948	\$ 4,740,000

a) Any amount in excess of \$50.0 million will be transferred to the State General Fund in the following fiscal year.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 1996, with the following exceptions:

1. Reduce \$99,707 from agency operations for salaries and benefits enhancements which were recommended by the Governor for classified and unclassified personnel.
2. Reduce \$9,494 or 1.5 percent of the \$632,947 increase recommended by the Governor for the Marketing program. This adjustment would affect expenses subject to an expenditure limitation, such as advertising and ticket printing, to adjustment rather than the online communications and lotto service provider payments which are not subject to an expenditure limitation. The Lottery presented information about a revision in the contract with GTech, the lotto service provider, associated with implementation of the instant ticket scanning system (ITSS). It should be noted that the GTech commission decreased from 6.5 percent to 5.85 percent for online sales effective November 14, 1994, when ITSS was implemented, until the end of FY 1995. At the same time, the Lottery began paying GTech 2.9 percent for instant sales to help offset the costs of the ITSS supplied by the lotto service provider. In FY 1996, the commission for online sales is further reduced to 5.75 percent by the new contract, while instant sales under \$60 million will generate payments based on 2.9 percent to GTech.

3. Revise the special FY 1996 SGRF transfer schedule to quarterly instead of biannually, with transfers to take place on and after July 31 (or as soon as sufficient funds are available) and quarterly thereafter in the amount of \$843,947 (for a grand total of \$3,375,788 as recommended by the Governor). The Subcommittee understands that this schedule and new language would give the Lottery more flexibility to avoid any cashflow problems and that the Lottery will transfer more funds earlier, if possible.

House Committee Recommendation

The Committee concurs with the recommendation of the Subcommittee.

Expenditure	House Rec. FY 96	Senate Sub. Adjustment	Senate Sub. Rec. FY 96
All Funds:			
State Operations	\$ 19,364,011	\$ 0	\$ 19,364,011
Prizes and Retailer Commissions ^(a)	89,516,278	0	89,516,278
TOTAL	<u>\$ 108,880,289</u>	<u>\$ 0</u>	<u>\$ 108,880,289</u>
FTE Positions	98.0	0.0	98.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>98.0</u>	<u>0.0</u>	<u>98.0</u>

- a) Category of prizes and retailer commissions includes some transactions which are never recorded in the State Treasury as either receipts or expenditures.

Senate Subcommittee Recommendation

The Subcommittee concurs with the House and makes the following additional FY 1996 adjustments:

1. Provide for expenditures to pay the cost of printing instant lottery tickets to be reflected as a no limit expense (as are online communications and online vendor payments). The FY 1996 expenditure limitation for agency operations will be reduced by \$1,920,536 which reflects funding budgeted for printing of instant tickets and the new no limit account will be increased by the same amount. In effect, budgeted expenditures will remain constant but funding will be shifted from one account (limited) to another account (no limit). The effect of this change will be to allow the Lottery to increase expenditures for printing instant tickets without regard to the expenditure limitation placed on agency operations, if sales increase and additional tickets are needed as is the case in FY 1995 when an increase of \$230,000 in the approved expenditure limitation is being requested.

2. Note that the annual financial audit (FY 1994) has been released by the Legislative Post Audit Committee and there are no audit exceptions reported. A security audit of the Lottery's online vendor (G-Tech) is scheduled for release by the end of April 1995. The Subcommittee recognizes that the Lottery has achieved a higher degree of financial management efficiency in recent years and would like to commend the staff who have made this possible. The agency's performance indicators will not reflect this accomplishment, but the Subcommittee believes that its confidence level in the Lottery's management of financial matters should be expressed.

3. Point out that the Governor recommends continuing transfers to the Kansas Bureau of Investigation (KBI) Gaming Unit in FY 1996 in order to subsidize that nine person office. Transfers will total \$124,008 next fiscal year and the Subcommittee questions the value of these payments since the Lottery security staff do the majority of the background investigations once handled by the KBI. In addition, when fingerprint checks are run, the KBI bills the Lottery for those costs. The transfer language is in the KBI appropriations bill and that Subcommittee Report is scheduled to be heard in Senate Ways and Means later this week. Serious consideration should be given to whether this funding source ought to continue subsidizing the KBI Gaming Unit since few, if any, services are rendered to the Lottery by the KBI.

NARRATIVE INFORMATION - DA 400

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME
AGENCY NUMBER 450-00
PROGRAM TITLE AND NUMBER
SUBPROGRAM TITLE AND NUMBER

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EXECUTIVE

GOALS:

To insure that Kansas Lottery personnel are aware and knowledgeable of the newest and most effective products, technologies, security operations and marketing and advertising strategies within the gaming and lottery industries.

OBJECTIVE # 1:

To continue the attendance of Kansas Lottery Commission members and selected staff to pertinent gaming and lottery organization and industry conferences, meetings and seminars.

Strategies for Objective # 1

1. Determine which industry organizations the Kansas Lottery should join.
2. Determine industry periodicals and informational newsletters to which the Kansas lottery should subscribe.
3. Determine which meetings and conferences the Commissioners and Lottery staff should attend and schedule attendance at these meetings.

Performance Measures for Objective # 1:

	FY 94	FY 95	FY 96 Level A	FY 96 Level B	FY 96 Level C
OUTCOMES MEASURES:					
-Member Organizations	1	2	1	2	2
-Projected number of Commissioners and staff		12	8	12	14
-Subscriptions to industry periodicals	2	3	2	3	3
OUTPUT MEASURES:					
-Percentage of industry organizations joined	100	100	100	100	100
-Percentage attendees to conferences	100	100	100	100	100
-Percentage of subscriptions	100	100	100	100	100

Attachment - House Subcommittee Report 1995

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NAF TIVE INFORMATION - DA 400

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME
AGENCY NUMBER 00
PROGRAM TITLE AND NUMBER
SUBPROGRAM TITLE AND NUMBER

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SALES

GOAL:

To increase sales by offering both new and exciting products and improved service to Lottery retailers and players.

OBJECTIVE # 1:

Increase placement of instant ticket dispensers.

Strategies for Objective # 1

1. Inventory current dispenser placement at retail locations.
2. Train District Managers for sell-in of multiple game strategy.
3. Place a minimum of 125 additional drop-in dispensers in FY 95 and from 60 to 150 in FY 96.
4. Improve placement and increase number of counter top dispensers with a minimum increase of 1,000 dispensers.

Performance Measures for Objective # 1:

	FY 94	FY 95	FY 96 Level A	FY 96 Level B	FY 96 Level C
OUTCOMES MEASURES:					
--Observe dispenser placement percent at all retail locations	0	100	100	100	100
--Percent of DM's trained for multiple game sell-in	0	100	100	100	100
OUTPUT MEASURES:					
--Retailers with 3 or more counter top dispensers	0	1500	1500	1600	1800
--Number of retailers with in-counter dispensers	0	500	560	600	650
--Retailers selling 4 or more games	0	1200	1300	1400	1500

OBJECTIVE # 2:

Improve game specific awareness through point of sale and its placement at retail locations.

Strategies for Objective # 2

1. Gather input from field regarding the type of point of sale needed.
2. Work with corporate accounts to meet their needs and improve placement.
3. Develop game specific needs:
 - Special \$2.00 instant tickets
 - Pick 3
 - Cash Lotto

Attachment - House Subcommittee Report
1995

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NARRATIVE INFORMATION - DA 400

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME
AGENCY NUMBER 450-00
PROGRAM TITLE AND NUMBER
SUBPROGRAM TITLE AND NUMBER

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MARKETING

GOALS:

To market and promote the Kansas Lottery and its games in an effective and responsible manner.

OBJECTIVE # 1

To produce and place quality and unified advertising messages in electronic and print media for the Kansas Lottery Powerball game that results in an increase in sales over FY 1994 and an increase in each of the following fiscal years.

Strategies for Objective # 1

1. Produce and place television and radio advertisements promoting the benefits of the game and its current jackpot.
2. Produce and place radio advertisements highlighting significant Kansas Powerball winners.
3. Continue television placement of the live Powerball drawings on Wednesday and Saturday evenings in a majority of television markets in the state so that a majority of the population has access to the live drawings.
4. Continue the current program of placing point of sale signs at stores selling Powerball so the public knows where to purchase the game.

Performance Measures for Objective # 1:

	FY 94	FY 95	FY 96 Level A	FY 96 Level B	FY 96 Level C
OUTCOMES MEASURES:					
--Per capita sales	\$19.87	\$15.76	\$15.15	\$15.76	\$16.16
OUTPUT MEASURES:					
--Number of new TV commercials	3	3	1	2	4
--Number of new radio commercials	4	4	3	4	4
--Live drawings broadcast per week	2	2	0	2	2
--TV gross rating points	200/wk	150/wk	100/wk	100/wk	175/wk
--Radio gross rating points	150/wk	150/wk	100/wk	125/wk	150/wk
--Average quantity of point of sale placed	2/store	2/store	1/store	1/store	2/store

Attachment - House Subcommittee Report
 1995

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NARRATIVE INFORMATION - DA 400

DIVISION THE BUDGET
STATE OF KANSAS

AGENCY NAME
AGENCY NUMBER 450-00
PROGRAM TITLE AND NUMBER
SUBPROGRAM TITLE AND NUMBER

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SECURITY

GOAL:

Enactment and enforcement of proper security procedures to insure the integrity of lottery products, personnel, retailers and operations.

OBJECTIVE # 1:

To make certain that only tickets of the highest quality are printed for the Kansas Lottery, that Security personnel remain current on law enforcement qualifications and that all personnel and vendors are properly processed and screened.

Strategies for Objective # 1

1. Assign personnel to attend each ticket printing.
2. Seek out training sessions that will meet the 40 hour annual training requirement for the Director of Security and the enforcement agents.
3. Conduct thorough background investigations of perspective retailers, vendors and employees.

Performance Measures for Objective #1:	FY 94	FY 95	FY 96 Level A	FY 96 Level B	FY 96 Level C
OUTCOMES MEASURES:					
-Percent of ticket printing observed	100	100	100	100	100
-Number of Security personnel involved	4	4	4	4	4
-Percent of retailers/vendors screened	100	100	100	100	100
OUTPUT MEASURES:					
-Percent of defective tickets accepted	0	0	0	0	0
-Number of enforcement agents certified	4	4	4	4	4
-Percent of unqualified retailer/vendors signed	0	0	0	0	0

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Attachment - House Subcommittee Report
1995

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission

Bill No. 2234

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 404

Budget Page No. 423

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
State Operations	\$ 3,330,063	\$ 3,139,148	\$ 0
Other Assistance	1,336,730	1,336,730	0
TOTAL	<u>\$ 4,666,793</u>	<u>\$ 4,475,878</u>	<u>\$ 0</u>
FTE Positions	49.5	49.5	0.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>49.5</u>	<u>49.5</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The Racing Commission estimates an increase in expenditures for state operations, in part due to the anticipated opening of a new race track in Southeast Kansas. Nine new staff scheduled for the Frontenac facility are included in the agency's request rather than 11.0 FTE approved by the 1994 Legislature. The revised FY 1995 expenditure are less than what was approved by the 1994 Legislature. Expenditures of \$3,623,519 for state operations and 51.5 FTE positions were approved. The agency estimates a reduction in expenditures from the State Racing Fund which is subject to an approved limitation of \$2,207,526, based on its request of \$2,056,251, or \$153,775 less than current authority. Transfers to the State Gaming Revenues Fund (SGRF) are revised, increasing from \$5.2 million approved last year to almost \$5.7 million by the agency's revised estimate.

In FY 1995, the Governor's recommendations would provide a reduction in state operations expenditures of \$484,371 from the approved amount. A reduction in the current expenditure limitation for the State Racing Fund, based on the Governor's recommended spending level of \$1,992,236 is indicated, with the reduction amounting to \$215,290 in expenditure authority. Transfers to the SGRF are estimated at \$4,749,245, or \$945,620 less than the agency estimate in FY 1995 for SGRF transfers, in part due to a delayed opening of the new Southeast Kansas race track and reduced attendance at the Kansas City race track. A reduction of 2.0 FTE from the approved limit of 51.5 is recommended.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and further recommends the following action be taken:

1. Reduce the line item expenditure limitation on the State Racing Fund in the amount recommended by the Governor. The Subcommittee notes that the Governor's recommended reduction in FY 1995 expenditures is not reflected in the supplemental appropriations bill and therefore recommends that an item be added to H.B. 2234

*SWAM
March 21, 1995
Attachment 4*

to reduce the FY 1995 approved expenditure limitation from \$2,207,526 to \$1,992,236.

House Committee Recommendation

The Committee concurs with the recommendation of the Subcommittee.

Senate Subcommittee Recommendation

The Subcommittee concurs with the House and make the following additional FY 1995 adjustments:

1. Express concern that the Racing Commission's Executive Director was either unwilling or unable to make revised estimates for track handle and cashflows to the State Racing Fund, based on the trends to date this fiscal year. The Subcommittee has reviewed reports from its staff (Attachment 1) and reports from the Racing Commission's only auditor who compiles data reflecting some of the financial activity at the Kansas tracks (Attachment 2). Based on these reports, the Subcommittee concludes that parimutuel revenues will be less than estimated by the Governor in FY 1995 at the two major race tracks. However, the Governor's FY 1995 estimates do not include the opening of the Southeast Kansas track which now is scheduled to open on May 3, 1995. Revenue from this facility will augment the estimates noted for the other two major tracks. For FY 1995, the Subcommittee estimates SGRF transfers of \$4,404,000 based on trends through mid-March, 1995, or a reduction in the Governor's recommendation amounting to \$709,245 in the current fiscal year estimate.

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission

Bill No. 2132

Bill Sec. 5

Analyst: Efird

Analysis Pg. No. 404

Budget Page No. 423

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
State Operations	\$ 3,667,711	\$ 3,543,542	\$ (103,536)
Other Assistance	1,536,294	1,536,294	0
TOTAL	\$ 5,204,005	\$ 5,079,836	\$ (103,356)
FTE Positions	49.5	49.5	(1.0)
Special Project Appointments	0.0	0.0	0.0
TOTAL	49.5	49.5	(1.0)

Agency Requested/Governor's Recommendation

The Kansas Racing Commission administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for horse and greyhound racing. The primary charge of the Commission is to regulate the racing industry and the parimutuel wagering associated with the racing industry. The Commission's primary objectives are to (1) regulate the racing industry; (2) issue licenses and conduct hearings involving licensees; (3) supervise race meetings; (4) enforce Commission policies and regulations; (5) protect the safety and welfare of racing animals and the wagering public; (6) maintain public confidence in the parimutuel wagering system; and (7) encourage the growth of the racing industry.

The Kansas Racing Commission is a five-member entity appointed by the Governor and confirmed by the Senate. The Commission appoints an Executive Director who administers the agency. Staff are located in Topeka at the headquarters, in Kansas City at the Woodlands, and in Wichita at the Wichita Greyhound Park. The Commission plans to open an office in Frontenac at the new greyhound race facility in Southeast Kansas. Staff also are sent to the tracks where intermittent racing takes place, such as Eureka Downs and Anthony, when the race meets are in session.

The following information presents the actual and projected figures for betting (handle) at the Kansas race tracks. A decline in handle at the Woodlands has been reported in calendar year 1994 due to the introduction of river boat gambling in the Kansas City area. It would appear that based on these projections from the Racing Commission that parimutuel handle peaked in FY 1994 and is less in both FY 1995 and FY 1996, even with the opening of the new track in Southeast Kansas.

<u>Track Location</u>	<u>Actual FY 1993</u>	<u>Actual FY 1994</u>	<u>Estimated FY 1995</u>	<u>Revised FY 1995</u>	<u>Estimated FY 1996</u>
Kansas City Woodlands	\$ 155,862,512	\$ 171,777,302	\$ 163,982,529	\$ 151,394,700	\$ 146,176,500
Wichita Greyhound Park	66,680,059	65,521,140	54,609,941	74,905,300	72,323,500
Frontenac Track Southeast	0	0	11,588,176	8,700,000	17,500,000
Eureka, Anthony	0	841,794	0	0	0
Total Handle	\$ 222,542,571	\$ 238,140,236	\$ 230,180,646	\$ 235,000,000	\$ 236,000,000

Agency Request

For state operations, the Racing Commission requests a net increase of \$337,648 in FY 1996. No new positions are requested, but the Commission proposed to shift the financing of 20.0 FTE positions from the Racing Reimbursable Expense Fund to the State Racing Fund. The Commission estimates a reduction in SGRF transfers to less than \$4.7 million in FY 1996, a decrease of almost \$1.0 million compared with the estimate for this fiscal year. This shift in financing accounts for \$977,466 of this reduction in transfers next fiscal year.

Governor's Recommendation

In FY 1996, the Governor recommends an increase in expenditures totaling \$404,394 for state operations. The Governor's recommendations maintain staffing at its current level and continue financing of salaries and benefits in the present manner, with the Reimbursement Fund to finance race officials who are employed by the Commission and stationed at the different tracks. An increase in expenditures of \$280,898 from the Reimbursable Fund is attributed to the annualizing costs for the new facility in Southeast Kansas. Transfers to the SGRF are estimated at \$5,127,100 in FY 1996 and include anticipated revenues from the new Southeast Kansas facility on an annual basis.

Performance Measures

See Attached information.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and makes the following additional adjustments in the FY 1996 budget:

1. Reduce \$58,536 from salaries and benefits enhancements which were recommended by the Governor for classified and unclassified personnel.
2. Delete 1.0 FTE positions for the Director of Racing which has never been filled and reduce \$45,000 for salaries and benefits associated with the position.

House Committee Recommendation

The Committee concurs with the recommendation of the Subcommittee.

<u>Expenditure</u>	<u>House Rec. FY 96</u>	<u>Senate Sub. Adjustments</u>	<u>Senate Sub. Rec. FY 96</u>
State Operations	\$ 3,440,006	\$ 80,000	\$ 3,520,006
Other Assistance	1,536,294	0	1,536,294
TOTAL	<u>\$ 4,976,300</u>	<u>\$ 80,000</u>	<u>\$ 5,056,300</u>
FTE Positions	48.5	2.0	50.5
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>48.5</u>	<u>2.0</u>	<u>50.5</u>

Senate Subcommittee Recommendation

The Subcommittee concurs with the House and make the following additional FY 1996 adjustments:

1. Reiterate its concern that the Racing Commission's Executive Director was either unwilling or unable to make revised estimates for track handle and cashflows to the State Racing Fund, based on the trends to date this fiscal year and projected for next fiscal year. The Subcommittee concurs with the Governor's FY 1996 recommendations for lack of better information at this time.
2. Note the House reduction of funding and deletion of an FTE position for the Director of Racing. The Subcommittee does not recommend repeal of the statutory authority for this unclassified staff position. However, the Subcommittee would call attention to 1995 S.B. 124 which would impact the Racing Commissions statutes regarding staff and would recommend that if this bill passes the 1995 Legislature, then Omnibus review of its impact on staffing should be undertaken.

The Subcommittee further notes that it learned of plans to fill the Inspector of Parimutuels position which also has been vacant for some time. The Subcommittee reviewed the statutory requirements for this critically important position since by law this unclassified staff position is charged to "inspect and audit the conduct of parimutuel wagering by organization licenses, including the equipment and facilities and procedures followed..." (K.S.A. 74-8805(b)) The Subcommittee's concern is that auditing by Racing Commission staff of financial activities at the major race tracks is NOT being conducted on a regular basis since the Racing Commission currently has only one auditor position who must divide duties between Wichita and Kansas City. The abolition of one of the auditor positions previously stationed at Kansas City and the extended vacancy of the Inspector of Parimutuels position which oversees and directs the audit staff have lead the Subcommittee to believe that auditing is NOT a priority of the Racing Commission or its current Executive Director, and that the curtailment of an audit presence at Kansas race tracks reflects poorly on the stated mission and goals of the Racing Commission to "regulate the racing industry" and to "maintain public confidence in the parimutuel wagering system." It was the Legislature's intent when the first Racing Commission budget was approved that a full-time, classified auditor positions be stationed at each major race track facility and that the Inspector of Parimutuels would supervise the field audit staff.

The Subcommittee notes with dismay that, according to the Racing Commissions FY 1996 budget, 1.0 FTE auditor position was abolished in FY 1994. The Subcommittee reviewed the previous budget submission for FY 1995 which included revised FY 1994 and found that 2.0 auditor positions were requested for FY 1995 and FY 1996, as well as a third auditor in FY 1995 for the new, Southeast Kansas race track. According to the FY 1995 budget, both the Kansas City and Wichita auditor positions were filled as of August 18, 1993. The Subcommittee concludes that by abolishing 1.0 auditor position in FY 1994 that the Racing Commission does not understand the Legislature's concern about monitoring financial transaction at Kansas race tracks. The Racing Commission has placed itself in the same position that the Lottery found itself several years ago when members of the Legislature lost confidence in the reliability of the Lottery's financial reports. The Lottery has rebuilt the confidence of legislative members as noted in that Senate Subcommittee Report and is to be commended for its professional accounting and auditing staff.

The Senate Subcommittee recommends that a bill be introduced to require the Inspector of Parimutuel to be a Certified Public Accountant (CPA). In addition, the Subcommittee recommends 2.0 FTE and \$80,000 of funding be added in order to fund in FY 1996 auditor positions for the Kansas City and Southeast Kansas race tracks. The Subcommittee strongly recommends that the Racing Commission hire the Kansas City auditor as soon as possible and that the new auditor for the Southeast Kansas race track also be hired as soon as possible. The Subcommittee directs the Racing Commission to report to the 1995 Legislature during the Omnibus period regarding these matters. In addition, the Subcommittee recommends that the Chairperson of the Senate Ways and Means Committee write to the Chairperson of the House Federal and State Affairs Committee regarding these matters as the House reviews 1995 S.B. 124 and that a copy of this Subcommittee Report be transmitted.

3. Express concern that the KBI has not completed the background check of new owners of the Kansas City race track and that the annual subsidy paid to the KBI Gaming Unit appears to provide little incentive for timely work, whereas payment of work completed might be a more logical means to encourage results-oriented investigations. Point out that the Governor recommends continuing transfers to the Kansas Bureau of Investigation (KBI) Gaming Unit in FY 1996 in order to subsidize that nine person office. Transfers will total \$372,073 next fiscal year and the Subcommittee questions the value of continuing these payments. In addition, when fingerprint checks are run, the KBI bills the Racing Commission for those costs. The transfer language is in the KBI appropriations bill and that Subcommittee Report is scheduled to be heard in Senate Ways and Means later this week. Serious consideration should be given to whether this funding source ought to continue subsidizing the KBI Gaming Unit, or if funding should be provided on a billing basis for work completed.
4. Request that the Legislative Post Audit Committee Chairperson approve a 100 hour audit to examine the 1994 annual audits and financial statements received by the Racing Commission from the two major race tracks and report on the findings of that review. This request parallels a 1993 audit of those records in which the Legislative Post Auditor was asked to make a determination if there is a basis for

the financial problems reported by the tracks. This Subcommittee renews that earlier request for an evaluation by the Legislative Post Auditor of the financial records and other documents available at the Racing Commission in order to express an opinion about the condition of the race tracks. The Subcommittee would note that this request, like the one in 1993, is made of Legislative Post Audit because of its lack of confidence in the financial oversight capability of the Racing Commission staff noted earlier in this report.

5. Note that during testimony provided by the Racing Commission and its staff, it was revealed that the Kansas City race track has reduced expenditures for promoting and marketing its operations and has relied on more targeted direct mail to a narrower group instead. The Subcommittee views the decline in betting and attendance as having an adverse effect on revenue to the State Racing Fund. The race tracks legislative strategy uses these declines in promoting passage of its bill for enhanced gambling activities at the tracks, the Subcommittee notes.
6. Revise the cash flow for the transfers to the State Gaming Revenues Fund in FY 1995 and FY 1996 for the Lottery and Racing Commission based on the adjustments in the current fiscal year revenue estimates for both Lottery and Parimutuel activities.

Transfers to the SGRF. The Lottery contributes a disproportionate larger share of the transfers to the State Gaming Revenues Fund (SGRF) than does parimutuel betting. A statutory provision requires that any funding in excess of \$50.0 million be deposited in the State General Fund in the subsequent fiscal year. The threshold will be exceeded in both FY 1995 and FY 1996, based on the estimates assumed by the Senate Subcommittee in FY 1995 and the Governor's estimates in FY 1996 which are assumed by the Senate Subcommittee at this time. Carryover from June 1995 Lottery sales will increase the July 1995 transfer by \$777,000 for an increase next fiscal year, based on an adjustments in current fiscal year estimates.

Financial Activity	Approved FY 1995	Gov. Rec. FY 95	Senate Sub. Rec. FY 95	Gov. Rec. FY 96	Senate Sub. Rec. FY 96
Transfers by Source:					
Lottery	\$ 40,607,553	\$ 46,175,163	\$ 49,798,163	\$ 49,613,357	\$ 50,390,357
Parimutuel	<u>5,175,267</u>	<u>4,749,245</u>	<u>4,040,000</u>	<u>5,127,100</u>	<u>5,127,100</u>
Total Estimated a)	<u>\$ 45,782,820</u>	<u>\$ 50,924,408</u>	<u>\$ 53,838,163</u>	<u>\$ 54,740,457</u>	<u>\$ 55,517,457</u>
SGF Estimate	\$ 0	\$ 924,408	\$ 3,838,163	\$ 4,740,000	\$ 5,517,457

a) Any amount in excess of \$50.0 million will be transferred to the State General Fund in the following fiscal year.

Attachment 1 - Senate Subcommittee Report 1995

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21-Mar-95

FY 1995 LOTTERY AND RACING SGRF TRANSFERS (IN THOUSANDS)

Month	<u>Actual Lottery</u>	<u>FY 1993 Racing</u>	<u>Actual Lottery a)</u>	<u>FY 1994 Racing</u>	<u>Actual Lottery b)</u>	<u>FY 1995 Racing</u>
July	\$1,647	\$485	\$3,665	\$506	\$3,666	\$412
Aug.	1,836	450	4,225	583	4,059	491
Sept.	1,858	539	2,906	592	3,864	530
Oct.	1,897	427	3,081	570	3,384	327
Nov.	1,566	601	2,849	334	3,943	210
Dec.	2,416	510	3,669	503	4,688	366
Jan.	1,893	669	5,710	312	4,335	293
Feb.	2,061	666	3,834	595	3,865	281
Mar.	1,875	694	3,626	526	4,477	278
Apr.	2,008	831	3,836	535	NA	NA
May	1,932	598	4,663	447	NA	NA
June	1,859	636	3,725	459	NA	NA
12-Month	\$22,847	\$7,104	\$45,787	\$5,963	NA	NA

a) July and December do not include the additional Lottery transfers totaling \$2 million for FY 1994 authorized by the Legislature.

b) October and March do not include the additional Lottery transfers totaling \$1,818,130 for FY 1995 authorized by the Legislature.

Month	<u>Cumulative Lottery</u>	<u>FY 1993 Racing</u>	<u>Cumulative Lottery</u>	<u>FY 1994 Racing</u>	<u>Cumulative Lottery</u>	<u>FY 1995 Racing</u>
July	\$1,647	\$485	\$3,665	\$506	\$3,666	\$412
Aug.	3,484	934	7,890	1,090	7,726	903
Sept.	5,341	1,473	10,795	1,682	11,589	1,433
Oct.	7,238	1,900	13,876	2,252	14,973	1,760
Nov.	8,804	2,501	16,725	2,585	18,916	1,970
Dec.	11,219	3,010	20,394	3,089	23,604	2,336
Jan.	13,112	3,679	26,104	3,400	27,939	2,629
Feb.	15,173	4,345	29,938	3,996	31,804	2,910
Mar.	17,048	5,039	33,564	4,522	36,281	3,188
Apr.	19,056	5,870	37,399	5,057	NA	NA
May	20,988	6,468	42,063	5,505	NA	NA
June	22,847	7,104	45,787	5,963	NA	NA

Kansas Legislative Research Dept.

21-Mar-95

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Attachment 2 - Senate Subcommittee Report 1995

**KANSAS RACING COMMISSION
 HANDLE AND ATTENDANCE COMPARISON
 FEBRUARY 1995 - 1994**

WOODLANDS - GREYHOUNDS

Month	HANDLE			ATTENDANCE		
	FY95	FY94	+/-	FY95	FY94	+/-
July	10,071,258	13,103,288	-23.1%	101,370	112,392	-9.8%
August	7,294,661	10,730,392	-32.0%	61,670	85,210	-27.6%
September	6,284,392	9,608,778	-35.6%	49,378	70,032	-29.5%
October	6,202,693	9,957,765	-37.7%	50,459	70,354	-28.3%
November	5,993,860	9,528,019	-37.1%	46,621	69,156	-32.6%
December	5,181,219	8,117,581	-36.2%	41,731	61,141	-31.2%
January	5,330,176	9,851,884	-45.9%	48,331	72,247	-33.1%
February	4,638,623	10,858,581	-57.3%	51,196	80,114	-36.1%
TOTALS	50,996,890	81,756,288	-37.6%	450,757	620,646	-27.4%

WOODLANDS - HORSES

Month	HANDLE			ATTENDANCE		
	FY95	FY94	+/-	FY95	FY94	+/-
August	2,099,813	1,859,834	+12.9%	28,779	27,180	+5.9%
September	2,329,068	2,670,168	-12.8%	24,981	35,762	-30.1%
October	1,492,039	2,016,426	-26.0%	17,282	25,713	-32.8%
November	352,703	475,397	-25.8%	5,024	6,938	-27.6%
TOTALS	6,273,623	7,021,825	-10.7%	76,066	95,593	-20.4%

WOODLANDS - SIMULCASTING

Month	HANDLE			ATTENDANCE		
	FY95	FY94	+/-	FY95	FY94	+/-
July	3,772,705	3,294,342	+15%	12,354	13,099	-5.7%
August	3,296,531	2,448,584	+35%	29,900*	31,130*	-4.0%
September	2,732,337	2,212,888	+23%	25,195*	35,762*	-29.5%
October	2,548,493	2,182,867	+17%	18,057*	25,713*	-29.8%
November	2,881,246	2,781,162	+3.6%	5,287	6,074	-13.0%
December	2,046,131	2,146,481	-4.7%	5,689	7,921	-28.2%
January	2,064,449	4,057,819	-49%	262	9,125	-97.1%
February	3,698,704	3,949,598	-6.4%	-0-	10,582	-100%
TOTALS	23,040,596	23,073,741	-0.1%	96,744	139,406	-30.1%

*Live horse attendance is also included in simulcast attendance for comparison to 1993.

OTHER WOODLANDS COMPARISONS:

	FEBRUARY 1995	FEBRUARY 1994	+/-
Total Handle (All Wagering)	8,337,327	14,808,179	-43.7%
Horse Simulcasting Only	2,932,009	3,085,009	- 5.0%
Greyhound Simulcasting Only	766,695	864,589	-11.3%
YEAR TO DATE - ALL WAGERING	80,311,109	111,851,854	-28.2%

KANSAS RACING COMMISSION
HANDLE AND ATTENDANCE COMPARISON
FEBRUARY 1995 - 1994

WICHITA GREYHOUND PARK

Month	HANDLE			ATTENDANCE		
	FY95	FY94	+/-	FY95	FY94	+/-
July	5,889,184	6,176,123	- 4.6%	49,240	57,017	-13.6%
August	5,226,447	5,512,068	- 5.2%	42,424	46,177	- 8.1%
September	5,282,116	5,426,353	- 2.7%	41,658	43,921	- 5.2%
October	4,865,680	5,492,131	-11.4%	40,017	41,276	- 3.1%
November	4,867,797	5,222,052	- 6.8%	38,719	39,390	- 1.7%
December	4,663,905	5,176,575	- 9.9%	36,422	40,684	-10.5%
January	4,681,318	5,603,291	-16.5%	35,046	40,916	-14.3%
February	4,511,107	5,377,258	-16.1%	35,950	42,017	-14.4%
TOTALS	39,987,554	43,462,851	- 8.0%	320,476	351,398	- 8.8%

WICHITA - SIMULCASTING

Month	HANDLE		
	FY95	FY94	+/-
July	310,858	23,721	+1210.5%
August	333,871	0	+ 100.0%
September	573,081	0	+ 100.0%
October	624,239	0	+ 100.0%
November	557,272	0	+ 100.0%
December	447,274	0	+ 100.0%
January	410,081	0	+ 100.0%
February	605,438	0	+ 100.0%
Totals	3,862,914	23,721	+16,185%

OTHER WICHITA COMPARISONS:

	FEBRUARY 1995	FEBRUARY 1994	+/-
Total Handle (All Wagering)	5,116,545	5,377,258	- 4.8%
Horse Simulcasting Only	594,922	0	+ 100%
Greyhound Simulcasting Only	10,516	0	+ 100%
YEAR TO DATE - ALL WAGERING	43,850,468	43,486,572	+ 0.8%

**KANSAS RACING COMMISSION
HANDLE AND ATTENDANCE COMPARISON
FEBRUARY 1995 - 1994**

STATEWIDE - GREYHOUNDS

Month	HANDLE			ATTENDANCE		
	FY95	FY94	+/-	FY95	FY94	+/-
July	16,017,056	19,409,079	-17.5%	153,290*	172,431*	-11.1%
August	12,521,108	16,242,460	-22.9%	104,094	131,387	-20.8%
Sept.	11,566,508	15,035,131	-23.1%	91,012	113,953	-20.1%
October	10,938,242	15,449,896	-29.2%	90,476	111,630	-19.0%
November	10,861,665	14,750,071	-26.4%	85,340	108,546	-21.4%
December	9,845,124	13,294,156	-25.9%	78,153	101,825	-23.2%
January	10,011,494	15,455,175	-35.2%	83,337	113,163	-26.3%
February	9,149,730	16,235,839	-43.6%	87,146	122,131	-28.6%
TOTALS	90,910,927	125,871,807	-27.8%	772,892	975,066	-20.7%

STATEWIDE - HORSES

Month	HANDLE			ATTENDANCE		
	FY95	FY94	+/-	FY95	FY94	+/-
July	291,661	125,456	+232%	4,453*	3,274*	+36.0%
August	2,099,813	1,859,834	+ 23%	28,779	27,180	+ 5.9%
September	2,329,068	2,670,168	- 13%	24,961	35,762	-30.1%
October	1,492,039	2,016,426	- 26%	17,282	25,713	-32.8%
November	352,703	475,397	- 26%	5,024	6,938	-27.6%
TOTALS	6,565,284	7,147,281	-8.1%	80,519	98,867	-18.6%

*Anthony Downs attendance divided 50% for greyhounds and 50% for horses.

STATEWIDE - SIMULCASTING

Month	HANDLE			ATTENDANCE		
	FY95	FY94	+/-	FY95	FY94	+/-
July	3,772,705	3,318,063	+13.7%	12,354	13,099	- 5.7%
August	3,630,402	2,448,584	+48.2%	29,900	31,130	- 4.0%
September	3,306,218	2,212,888	+49.4%	24,981	35,762	-30.1%
October	3,172,732	2,182,867	+45.3%	18,057	25,713	-29.8%
November	3,438,518	2,781,162	+23.6%	5,287	6,074	-13.0%
December	2,493,405	2,146,481	+16.2%	5,689	7,921	-28.2%
January	2,474,530	4,057,819	-39.0%	262	9,125	-97.1%
February	4,304,142	3,949,598	+ 9.0%	-0-	10,582	- 100%
TOTALS	26,589,652	23,097,462	+15.1%	96,530	139,406	-30.8%

OTHER STATEWIDE COMPARISONS:

	FEBRUARY 1995	FEBRUARY 1994	+/-
Total Handle (All Wagering)	13,453,872	20,185,437	-33.3%
Horse Simulcasting Only	3,526,931	3,085,009	+14.3%
Greyhound Simulcasting Only	777,211	864,589	-10.1%
YEAR TO DATE - ALL WAGERING	124,161,577	155,338,426	-20.1%

*Attachment - House Subcommittee Report
1995*

Kansas Racing Commission
Performance Indicators
FY 96

	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
<u>All tracks</u>				
Handle	236,000,000	235,000,000	238,000,000	222,000,000
Attendance	1,700,000	1,579,310	1,653,000	1,733,109
Race Days	820	715	620	618
<u>Revenue</u>				
Parimutuel tax	7,760,000	7,285,000	7,616,000	7,188,501
Admissions tax	244,000	229,000	239,000	228,314
Daily license fee	164,000	143,000	123,900	123,600

Frontenac data is included for the entire FY 96 period and for a half-year for FY 95 as follows:

	<u>FY 96</u>	<u>FY 95</u>
Handle	17,500,000	8,700,000
Attendance	154,000	84,000
Race days	207	101
<u>Revenue</u>		
Parimutuel tax	551,000	271,000
Admissions tax	21,600	11,700
Race days	41,400	20,200

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4-14*

Attachment - House Subcommittee Report 1995



Kansas Racing Commission Performance Indicators FY 96

	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
<u>All tracks</u>				
Handle	236,000,000	235,000,000	238,000,000	222,000,000
Attendance	1,700,000	1,579,310	1,653,000	1,733,109
Race Days	820	715	619	618
<u>Revenue</u>				
Parimutuel tax	7,760,000	7,285,000	7,594,000	7,188,501
Admissions tax	244,000	229,000	236,000	228,314
Daily license fee	164,000	143,000	123,600	123,600

Frontenac data is included for the entire FY 96 period and for a half-year for FY 95 as follows:

	<u>FY 96</u>	<u>FY 95</u>
Handle	17,500,000	8,700,000
Attendance	154,000	84,000
Race days	207	101
<u>Revenue</u>		
Parimutuel tax	551,000	271,000
Admissions tax	21,600	11,700
Race days	41,400	20,200

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A-2
4-15

*Attachment - House Subcommittee Report
1995*

Kansas Racing Commission
Performance Indicators
By Track

<u>Handle</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
Kansas City	146,176,500	151,394,700	172,000,000	155,000,000
Wichita	72,823,500	74,905,300	68,000,000	67,000,000
Frontenac	17,500,000	8,700,000	0	0
	<u>236,000,000</u>	<u>235,000,000</u>	<u>238,000,000</u>	<u>222,000,000</u>
<u>Revenue</u>				
Kansas City	4,822,324	4,693,236	5,300,000	4,671,015
Wichita	2,866,676	2,320,764	2,294,000	2,317,486
Frontenac	551,000	271,000	0	0
	<u>7,760,000</u>	<u>7,285,000</u>	<u>7,594,000</u>	<u>7,188,501</u>
<u>Attendance</u>				
Kansas City	1,062,102	1,027,278	1,136,000	1,177,736
Wichita	483,898	468,032	517,000	555,373
Frontenac	154,000	84,000	0	0
	<u>1,700,000</u>	<u>1,579,310</u>	<u>1,653,000</u>	<u>1,733,109</u>
<u>Revenue</u>				
Kansas City	152,783	148,955	162,000	148,958
Wichita	69,617	68,345	74,000	79,358
Frontenac	21,600	11,700	0	0
	<u>244,000</u>	<u>229,000</u>	<u>236,000</u>	<u>228,314</u>
<u>Race Days</u>				
Kansas City	328	332	311	312
Wichita	285	282	308	306
Frontenac	207	101	0	0
	<u>820</u>	<u>715</u>	<u>619</u>	<u>618</u>
<u>Revenue</u>				
Kansas City	65,600	66,400	62,200	62,400
Wichita	57,000	56,400	61,600	61,200
Frontenac	41,400	20,200	0	0
	<u>164,000</u>	<u>143,000</u>	<u>123,800</u>	<u>123,600</u>

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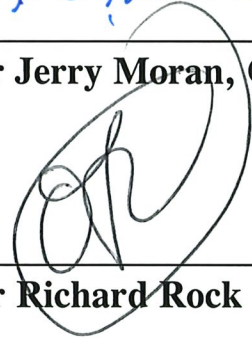
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4-16*

1995 SENATE SUBCOMMITTEE ON:

Department of Commerce and Housing



Senator Jerry Moran, Chair



Senator Richard Rock

SUBCOMMITTEE REPORT

Agency: Department of Commerce
and Housing

Bill No. --

Bill Sec. --

Analyst: Milstead

Analysis Pg. No. 414

Budget Page No. 107

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 12,937,434	\$ 12,924,468	\$ 0
Aid and Other Assistance	68,183,788	68,183,788	0
Capital Improvements	878,025	878,025	0
TOTAL	\$ 81,999,247	\$ 81,986,281	\$ 0
State General Fund:			
State Operations	\$ 2,084,639	\$ 2,071,673	\$ 0
Aid and Other Assistance	794,216	794,216	0
TOTAL	\$ 2,878,855	\$ 2,865,889	\$ 0
Economic Development Initiatives Fund:			
State Operations	\$ 5,274,613	\$ 5,274,613	\$ 0
Aid and Other Assistance	6,794,520	6,794,520	0
Capital Improvements	878,025	878,025	0
TOTAL	\$ 12,947,158	\$ 12,947,158	\$ 0
FTE Positions	116.5	116.5	--
Special Project Appointments	12.0	12.0	--
TOTAL	128.5	128.5	--

Agency Estimate/Governor's Recommendation

The agency's current year estimate is an increase of \$21,464,551 from federal and special revenue funds compared to the approved budget. Most of the increase (\$15,078,683, CDBG-Disaster Relief) reflects KDCH's estimate of the additional dollars it anticipates from the federal government to cope with disaster relief efforts following the 1993 flood. Increased expenditures of HOME federal dollars (\$1,144,695) also contributed to the increase.

The Governor's current year recommendation is a decrease of \$12,966 from the agency's estimate. The entire decrease comes from State General Fund expenditures and is primarily attributable to a decrease in salary and wage expenditures (health insurance adjustments).

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's FY 1995 recommendation.

House Committee Recommendation

The House Committee concurs.

House Committee of the Whole

The House concurs with the Committee's recommendation.

<u>Expenditure Summary</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subc. Adj.</u>
All Funds:			
State Operations	\$ 0	\$ 12,924,468	\$ 0
Aid and Other Assistance	0	68,183,788	0
Capital Improvements	0	878,025	0
TOTAL	\$ 0	\$ 81,986,281	\$ 0
State General Fund:			
State Operations	\$ 0	\$ 2,071,673	\$ 0
Aid and Other Assistance	0	794,216	0
TOTAL	\$ 0	\$ 2,865,889	\$ 0
Economic Development Initiatives Fund:			
State Operations	\$ 0	\$ 5,274,613	\$ 0
Aid and Other Assistance	0	6,794,520	0
Capital Improvements	0	878,025	0
TOTAL	\$ 0	\$ 12,947,158	\$ 0
FTE Positions	--	116.5	--
Special Project Appointments	--	12.0	--
TOTAL	--	128.5	--

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendation of the House.

SUBCOMMITTEE REPORT

Agency: Department of Commerce
and Housing

Bill No. 2132

Bill Sec. 6

Analyst: Milstead

Analysis Pg. No. 414

Budget Page No. 107

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 14,755,987	\$ 13,120,538	\$ (160,294)
Aid and Other Assistance	80,060,786	66,920,446	(900,000)
Capital Improvements	35,000	35,000	0
TOTAL	<u><u>\$ 94,851,773</u></u>	<u><u>\$ 80,075,984</u></u>	<u><u>\$ (1,060,294)</u></u>
State General Fund:			
State Operations	\$ 2,173,152	\$ 1,499,407	\$ (57,936)
Aid and Other Assistance	695,928	280,732	0
TOTAL	<u><u>\$ 2,869,080</u></u>	<u><u>\$ 1,780,139</u></u>	<u><u>\$ (57,936)</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 6,960,596	\$ 6,150,914	\$ 15,000
Aid and Other Assistance	18,330,000	11,589,600	(900,000)
Capital Improvements	35,000	35,000	0
TOTAL	<u><u>\$ 25,325,596</u></u>	<u><u>\$ 17,775,514</u></u>	<u><u>\$ (885,000)</u></u>
FTE Positions	120.5	116.5	--
Special Project Appointments	7.0	10.0	--
TOTAL	<u><u>127.5</u></u>	<u><u>126.5</u></u>	<u><u>--</u></u>

Agency Request/Governor's Recommendation

1. New Positions. The Kansas Department of Commerce and Housing for FY 1996 requests the conversion of three current special projects positions to F.T.E. status. The agency states that each of the special project positions (High Performance Incentive Program Senior Financial Analyst, Community Development Block Grant Business Finance Specialist, and Kansas Rural Development Council Office Assistant) concern permanent functions of KDCH. The agency also requests the creation of one new FTE position (Economic Development Rep. III, \$46,133) in the Division of Community Development.

The Governor does not recommend the requested new FTE positions.

2. Other Operating Expenditures. KDCH requests \$9,497,626 for other operating expenses in FY 1996, an increase of \$1,669,383 from the current year. Of the requested increase, \$1,420,892 is

associated with expenditures in the Travel and Tourism Division. Specifically, \$1,000,000 is requested for out-of-state television and print advertising, \$430,000 for marketing strategies regarding the 175th anniversary of the Santa Fe Trail, \$100,000 for a public relations campaign and \$80,000 for community tourism development.

The Governor's FY 1996 recommendation for other operating expenses totals \$7,872,119, a reduction of \$1,625,507 from the agency's request. A lower level of activity in the State of Kansas Investments in Lifelong Learning (SKILL) program accounts for \$288,752 of the reduction, while a reduction of \$1,372,755 in Economic Development Initiative Fund (EDIF) expenditures account for the majority of the reduction.

3. Local Aid/Other Assistance. The agency requests \$80,060,786 for local aid and other assistance payments, financed by \$695,928 from the State General Fund, \$18,330,000 from the EDIF, and \$61,034,858 from federal and special revenue funds. The request represents a decrease of \$98,288 from the State General Fund and increases of \$11,535,480 from the EDIF and \$439,806 from other funding sources compared to the current year. Major increases from the EDIF are requested for new State Community Development Block Grant (\$10,000,000), and Microloan (\$2,400,000) programs and expansions of the Kansas Economic Initiative Opportunity Fund (from \$1,700,000 to \$5,000,000), Kansas Industrial Training and Retraining (from \$2,727,500 to \$3,000,000), and Tourism Grants (from \$379,600 to \$1,120,000) programs.

The Governor's FY 1996 recommendation for local aid and other assistance funding is a reduction of \$13,140,340 from the agency's request. No funding is recommended for the new EDIF funded State Economic Block Grant program while the Governor recommends \$4,000,000 for the Kansas Economic Initiative Opportunity Fund (\$1,000,000 less than the agency's request). The Governor also recommends lower than requested expenditures for SKILL program services (\$1,399,940 less than requested) and for tourism grants (\$740,400 less than requested).

4. Capital Improvements. The agency requests \$35,000 from the EDIF in FY 1996 for rehabilitation and repairs to the state's traveler information centers (TIC).

The Governor concurs with the agency's request for capital improvements.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's FY 1996 recommendations, with the following adjustments:

1. Delete \$165,294, including \$47,936 from the State General Fund based on the recommendation to delete funding for a 3.5 percent unclassified merit pool (\$29,514); classified step movement (\$74,095); a one percent base adjustment for classified employees (\$38,206); and the longevity bonus (\$23,479) from individual agency budgets.
2. Reduce by \$65,000 -- to zero -- funding for the Kansas Quality Information Network (KQIN). This program has been financed by EDIF funds. The Subcommittee recommends eliminating this program. Currently, KQIN is administered through the agency's Business Development Division.

3. Add \$65,000 (EDIF) funding for the Mid-America World Trade Center, located in Wichita. State funding for the program for FY 1996 would total \$65,000.
4. Reduce by \$900,000 (EDIF) funding for the Micro-Loan Program within the Business Development Division. The reduction leaves funding for the Program of \$1,500,000 (EDIF). The Subcommittee believes that because this is a new program, the reduction in funding is warranted for the initial year of operation in order to determine the program's efficacy.
5. Delete \$10,000 of State General Fund financing from the agency's state operations, leaving State General Fund financing for state operations of \$1,489,407.
6. Add \$15,000 as a carryover from funds originally appropriated for FY 1994. \$100,000 was originally appropriated in FY 1994 for database development. The agency projected spending the last of the \$100,000 in FY 1995 but because of a personnel change, the agency now estimates that \$15,000 will remain to be carried over for FY 1996.
7. The Subcommittee recommends proviso language be included in H.B. 2132 clarifying that the Low Income Tax Credit Fee Fund be allowed to be used for financing needy (particularly rural) housing projects.
8. The Subcommittee recommends that an appropriation line item be included in H.B. 2132 to establish a General Fees Fund for financing expenditures of the new Olathe Travel Information Center and the new South Haven Travel Information Center. The Fund is expected to be financed by revenues generated at the Information Centers from advertising, travel agents, gift shop sales, etc.
9. The Subcommittee recommends the addition to the appropriations bill of proviso language establishing a fund regarding the Microloan program. The fund will allow the program to receive microloan repayments and use those revenues for new loans.
10. The following tables reflect the agency's performance indicators for a number of its programs.

According to the agency, the following performance indicators reflect the technical and support assistance to businesses for workforce training provided by the KIT, KIR, SKILL, and KQIN programs:

<u>Outcome Measures</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
Number of new jobs created as a result of training assistance	3,799	3,000	3,750	3,000	3,000
Number of existing jobs retained as a result of retraining assistance	3,689	3,000	3,250	3,000	3,000
Percent of businesses rating training assistance as satisfactory or better	--	90%	90%	90%	90%
Percent of businesses and other clients rating quality-based services as satisfactory better	--	90%	90%	90%	90%
<u>Output Measures</u>					
Number of workforce training contracts	77	75	85	75	75
No. of contracts related to quality improvement	--	100	100	100	100

Business Finance Program. According to the agency, the following table reflects business assistance provided by Certified Development Companies and Small Business Development Centers. The Tables also reflect the assistance to business regarding tax incentives and financial assistance for job creation through the following program: KEOIF, Venture Capital, KBEL, Investment Tax Credit, and the High Performance Incentive Program (HPIP):

<u>Outcome Measures --</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
Financing dollars leveraged from nonprogram sources	-- \$	120,000,000	\$ 130,000,000	\$ 130,000,000	\$ 130,000,000
Jobs created/retained	--	3,000	3,400	3,600	3,600
Percent inquiries satisfied by assistance provided	--	90%	90%	90%	90%
<u>Output Measures</u>					
Number of clients/inquiries	8,000	8,600	8,600	9,000	9,000
Number of businesses receiving funding/incentives	340	380	410	450	450
Training/seminars conducted	110	130	130	140	150

Community Development Division. The following table reflects the Division's efforts to facilitate the growth of downtown commercial districts. The Division provides training and advice and technical assistance regarding design, economic restructuring, promotion, and organization.

Outcome Measures	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Designated cities:	20	22	24	24	24
Year 1	1	2	2	2	2
Years 2-5	9	8	8	8	8
Post Year 5	10	2	14	14	14
Partnership cities	15	20	25	25	25
Number of new businesses	33	40	44	44	44
Number of new jobs	188	200	225	225	225
Output Measures					
On-site assistance	57	62	65	65	65
Conference and workshops	6	7	10	65	65
Design assistance	33	40	44	44	44
Facade renovations	18	20	22	22	22
Other rehabilitation	55	60	65	65	65
Investment-public and private	\$11.3 M	\$12.4 M	\$15.0 M	\$15.0 M	\$15.0 M

The following table illustrates the Division's efforts to encourage metropolitan and nonmetropolitan counties to develop and implement economic development strategic plans:

<u>Outcome Measures</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
Planning grants	37,530	260,000	90,000	75,000	--
Action grants	374,430	340,000	520,000	125,000	200,000
Conferences	20	25	25	15	15
Workshops	3	3	3	3	1
<u>Output Measures</u>					
Conferences	20	25	25	15	15
Workshops	3	3	3	3	3

House Committee Recommendation

The House Committee concurs.

House Committee of the Whole Recommendation

The House concurs with the recommendation of the Committee.

<u>Expenditure Summary</u>	<u>House Adj. FY 96</u>	<u>House Rec. FY 96</u>	<u>Senate Subc. Adj.</u>
All Funds:			
State Operations	\$ (160,294)	\$ 12,960,244	\$ 10,000
Aid and Other Assistance	(900,000)	66,020,446	500,000
Capital Improvements	0	35,000	0
TOTAL	\$ (1,060,294)	\$ 79,015,690	\$ 510,000
State General Fund:			
State Operations	\$ (57,936)	\$ 1,441,471	\$ 10,000
Aid and Other Assistance	0	280,732	0
TOTAL	\$ (57,936)	\$ 1,722,203	\$ 10,000
Economic Development Initiatives Fund:			
State Operations	\$ 15,000	\$ 6,165,914	\$ 0
Aid and Other Assistance	(900,000)	10,689,600	500,000
Capital Improvements	0	35,000	0
TOTAL	\$ (885,000)	\$ 16,890,514	\$ 500,000
FTE Positions	--	116.5	--
Special Project Appointments	--	10.0	--
TOTAL	--	126.5	--

Senate Subcommittee Recommendation

The Subcommittee concurs with the House with the following modifications:

1. Add \$500,000 (EDIF) and shift \$200,000 from the Strategic Planning Program to establish a new approach to revitalizing communities: Incubator Without Walls (IWW). The Subcommittee shares the concerns expressed by the Secretary of Commerce and Housing regarding the specificity of the Department's appropriations and the problems this can pose when the dollars available do not "fit" the economic development needs of a particular community. The IWW program would be designed to create, retain, and provide the expansion of downtown businesses by serving as a resource to "fill in the gaps" in the economic development strategies of selected Main Street cities. Funds may be used for loans or, in some cases, grants to cities or businesses for a multitude of purposes, such as acquisition of inventory or buildings, renovation of building facades, or provision of working capital.

The Main Street program has been identified as the appropriate vehicle for the initial stages of the program since these communities already have in place a plan, a structure, and a mechanism for monitoring outcomes. In future years, consideration should be given to expanding the program to other non-Main Street

communities demonstrating a commitment to community revitalization. The Secretary believes the IWW approach can also serve the goal of better coordinating other programs available within the Department to make a critical and lasting difference in the targeted communities.

2. Add \$10,000 (State General Fund) for State Operations.

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

**300 S.W. 10th Avenue
Room 545-N -- Statehouse**

Phone 296-3181

March 21, 1995

TO: Senator Dave Kerr

Office No. 120-S

RE: Key Concepts for Economic Development Strategy

Per our discussion, below are some key concepts for the Legislature and state agencies to consider in restructuring state supported economic development efforts. Since 1987 when I began staffing the economic development committees, I have been struck by the lack of sustained effort directed toward various policy objectives. While many of the economic development programs are well intended, they are not provided to end users in an orchestrated manner and, therefore, cannot affect critical mass and make long term and meaningful changes. For example, when a community development strategic implementation grant is awarded to a county, there does not appear to be any ongoing effort to ensure that the county's strategy will be implemented and that possible spin offs will be realized. The same could be said of technical assistance provided to Main Street communities, export assistance, CDBG moneys to communities, finance assistance to small businesses, or a host of other otherwise well intended state economic development programs.

Given current fiscal constraints, the state needs to ensure that: coordination among all economic development service providers is occurring; local strategies are appropriate for outcomes identified by states but are tailored to actual community needs (not "one size fits all"); and that there is community and business commitment to the locally determined strategy. Even though it is difficult to attribute job creation or retention unilaterally to a set of state-assisted programs, there needs to be some monitoring mechanism with measurable indicators and some means of determining whether end users can easily access the state services; are satisfied with them, and find them useful.

Therefore, the following concepts might be considered as we move toward the next stage of economic development in Kansas.

Components of a New Economic Development Strategy

1. The state should direct resources to build and particularly to sustain capacity in communities and on a regional basis.

*SWAM
March 21, 1995
Attachment 6*

2. Strategies should be determined at the local, and preferably regional, level. The state should: provide technical assistance; strongly encourage chambers of commerce, in cooperation with other affected parties, such as neighborhood organizations, to conduct needs assessments for state technical assistance; develop outcomes and measurable indicators for assistance programs; and provide oversight and suggestions to communities and regional organizations for strengthening strategies.
3. Existing economic development programs should be provided synergistically to increase capacity in communities and regions. This should be a condition of all legislative appropriations. Evaluation of agency performance should include coordination of economic development service providers (within and external to the Kansas Department of Commerce) as a major factor.
4. Tracking systems with meaningful indicators should be required for all programs as a precondition for continued funding.
5. All programs should require business plans or community plans (depending on program) as the basis for funding so that one has a means of evaluating whether local/regional strategy is appropriate for realizing state-defined outcomes. The affected state agency would have to identify outcomes prior to the development of local/regional strategies and prior to providing assistance to the business or community.
6. All state programs should be aimed at making communities and businesses self-sufficient. Funding for any community or business should be limited to a set period of years. The funding recipient should be required to provide matching funds or in-kind support. While grants might be advisable under certain limited circumstances (recruiting hot prospects), loans should be the preferred financing tool.
7. Consistent with No. 6, all programs should be reviewed after a fixed number of years and measures to determine degree of self-sufficiency of business/community should be part of evaluation process. In addition, retention and expansion of businesses and high-paying jobs should be important indicators in the evaluation of business assistance programs.
8. State agencies should be given flexibility in designing technical assistance packages. After all, the strategy should come from end users and the outcomes from the state. Sometimes local strategies might have to change to accommodate the relocation or closure of a major employer and state assistance might have to change accordingly. State agencies should be given flexibility to alter approaches if something is not working to advance progress toward state-determined outcomes.
9. State incentives should not counteract each other. For example, any incentives directed at relocating businesses from the downtown area to a new part of a community, which at a later date requires additional state incentives to revitalize the downtown is *not* good public policy.
10. Each economic development agency should be required to review annually each program under its auspices and recommend discontinuation of a program if it is no longer needed or cannot be implemented effectively. Agencies should be encouraged

to reapply funding to locally-derived strategies with proper controls and other attributes addressed above to maximize investments.

Lynne Holt
Principal Analyst


LH/mc

cc: Senator Jerry Moran

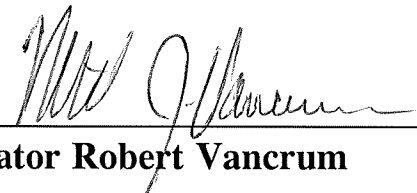
1995 SENATE SUBCOMMITTEE ON:

Kansas Inc.

Kansas Technology Enterprise Corporation



Senator August Bogina, Jr., Chair



Senator Robert Vancrum

SWAM
March 21, 1995
Attachment 7

SUBCOMMITTEE REPORT

Agency: Kansas Inc.

Bill No. --

Bill Sec. --

Analyst: Milstead

Analysis Pg. No. 431

Budget Page No. 355

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 440,725	\$ 436,764	\$ 0
State General Fund	178,385	177,677	0
Eco. Dev. Initiatives Fund	116,889	113,636	0
Special Studies:*			
Eco. Dev. Initiatives Fund	\$ 400,000	\$ 400,000	0
EPSCoR:			
Eco. Dev. Initiatives Fund	\$ 0	\$ 0	\$ 0
FTE Positions**	0.0	0.0	0.0
Special Projects Appointments	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

* Special Studies: \$400,000 was added from the EDIF as an Omnibus appropriation for FY 1995 only.

** Kansas Inc. is not subject to a position limitation. For FY 1995, the agency's estimate assumes funding for 5.0 positions. For FY 1996, the agency requests funding to support 5.0 positions.

Agency Estimate/Governor's Recommendation

For FY 1995 the agency's current year estimate is \$1,199 (0.1 percent) above the approved appropriations though the agency's estimated expenditures are within the approved funding for both the State General Fund and the Economic Development Initiatives Fund (EDIF). The increase is attributable to higher private sector matching funds.

The Governor's recommendation is a slight reduction (\$3,961) from the agency's request. The bulk of the reduction stems from minor adjustments to salaries and wages in the current year.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation for FY 1995.

House Committee Recommendation

The House Committee concurs.

House Committee of the Whole Recommendation

The House concurs with the recommendation of the Committee.

<u>Expenditure Summary</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 0	\$ 436,764	\$ 0
State General Fund	0	177,677	0
Eco. Dev. Initiatives Fund	0	113,636	0
Special Studies:*			
Eco. Dev. Initiatives Fund	\$ 0	\$ 400,000	\$ 0
EPSCoR:			
Eco. Dev. Initiatives Fund	\$ 0	\$ 0	\$ 0
FTE Positions**	0.0	0.0	0.0
Special Projects Appointments	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

* Special Studies: \$400,000 was added from the EDIF as an Omnibus appropriation for FY 1995 only.

** Kansas Inc. is not subject to a position limitation. For FY 1995, the agency's estimate assumes funding for 5.0 positions. For FY 1996, the agency requests funding to support 5.0 positions.

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendation of the House.

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SUBCOMMITTEE REPORT

Agency: Kansas Inc.

Bill No. 2132

Bill Sec. 8

Analyst: Milstead

Analysis Pg. No. 431

Budget Page No. 355

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 496,000	\$ 451,649	\$ (451,549)
State General Fund	199,392	170,195	(170,195)
Eco. Dev. Initiatives Fund	132,928	132,410	(132,410)
FTE Positions*	0.0	0.0	0.0
Special Projects Appointments	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

* Kansas Inc. is not subject to a position limitation. For FY 1996, the agency requests funding to support 5.0 positions. The agency's FY 1995 estimate was for 5.0 positions.

Agency Request/Governor's Recommendation

1. State Operations. The agency's request for FY 1996 operating expenses is a net increase of \$55,275 or 12.5 percent from the current year. Included in the FY 1996 request is \$132,901 in fees for contractual research, an increase of \$34,004 from the FY 1995 estimate. This includes expenses associated with various research and education related programs. In FY 1996 Kansas Inc. proposes to refine and implement the strategic goals articulated in the 1993 economic development strategy, *A Kansas Vision*. The agency will implement those goals through four action planning committees composed of public and private leaders. Other topics cited by the agency include an extensive examination of education and workforce training and an evaluation of business taxes including the completion of a cost/benefit model regarding property tax abatements.

The Governor recommends funding of \$451,649, a decrease of \$44,351 from the agency's request. Reductions in recommended funding from the State General Fund account for \$29,197 of the decrease. The Governor's FY 1996 recommendation includes \$247,155 for salaries and wages (a reduction of \$4,180 below the agency request), \$199,194 for contractual services (a reduction of \$35,441), \$3,800 for commodities (a reduction of \$700), and \$1,500 for capital outlay (a reduction of \$4,030).

2. Private Sector Partnership. During FY 1996, Kansas Inc. expects to raise \$163,680 from the private sector, necessary for meeting the mandated private sector match of 33.0 percent.

The Governor recommends reductions of \$14,636 in funding from the Kansas Inc. Matching Fund.

**State Operations Budget Summary
FY 1995-FY 1996**

Item	Agency Req. FY 96	Change From FY 95	Gov. Rec. FY 96	Change From FY 95
Salaries and Wages	\$ 251,335	\$ 5,584	\$ 247,155	\$ 5,365
Other Operating Expenditures	244,665	49,691	204,494	9,520
TOTAL	\$ 496,000	\$ 55,275	\$ 451,649	\$ 14,885
Financing:				
State General Fund	\$ 199,392	\$ 21,007	\$ 170,195	\$ (7,482)
EDIF	132,928	16,039	132,410	18,774
Private Sector	163,680	18,229	149,044	3,593
TOTAL	\$ 496,000	\$ 55,275	\$ 451,649	\$ 14,885

House Subcommittee Recommendation

The House Subcommittee recommends the elimination of all state funding for Kansas Inc. for FY 1996. The Subcommittee believes the agency has been unable to adequately justify further state expenditures for Kansas Inc. The Subcommittee believes that the private sector can and will provide the service now provided by Kansas Inc. The Subcommittee recommends that the full Committee consider the possibility of shifting Kansas Inc.'s mission and role to the Department of Commerce and Housing, especially in the areas of research and the contracting out of studies. Such shift might appropriately occur at a future time.

The Subcommittee notes that Kansas, Inc.'s budget includes no performance indicators. It is partially because of that omission that the Subcommittee finds it difficult to determine the agency's effectiveness through the use of performance indicators, because there are none. Considering the current mood of the full House Appropriations Committee regarding the importance of performance indicators, the Subcommittee believes that Kansas Inc. should be held to the same standards of other agencies. However, it should be noted that the lack of performance indicators was only one factor in the Subcommittee's decision to delete funding for Kansas Inc.

House Committee Recommendation

The House Committee concurs with the Governor's recommendation with the following adjustment:

1. Delete \$7,908, including \$5,449 from the State General Fund based on the recommendation to delete funding for a 3.5 percent unclassified merit pool.

House Committee of the Whole Recommendation

The House concurs with the recommendation of the Committee.

<u>Expenditure Summary</u>	<u>House Adj. FY 96</u>	<u>House Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ (7,908)	\$ 443,741	\$ 0
State General Fund	(5,449)	164,746	0
Eco. Dev. Initiatives Fund	(2,459)	129,951	0
FTE Positions*	0.0	0.0	0.0
Special Projects Appointments	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

* Kansas Inc. is not subject to a position limitation. For FY 1996, the agency requests funding to support 5.0 positions. The agency's FY 1995 estimate was for 5.0 positions.

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendation of the House with the following observations:

1. If a positive balance exists in the economic development initiatives fund (EDIF) at the time of the omnibus session, the Subcommittee recommends that all recommended funding from the State General Fund (\$164,746) be shifted to EDIF funding.
2. In light of the House Subcommittee's concerns regarding the absence of performance indicators in the agency's budget document, the Subcommittee expects the agency to include performance indicators in its FY 1997 budget document.
3. The Subcommittee notes that the agency will undergo an external peer review during FY 1996. The Subcommittee requests that it be apprised of the results of that review.
4. The Subcommittee recommends certain technical adjustments be made to H.B. 2132.

SUBCOMMITTEE REPORT

Agency: Kansas Technology Enterprise Corp. **Bill No.** 2234

Bill Sec. 2

Analyst: Milstead

Analysis Pg. No. 435

Budget Page No. 375

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 3,050,972	\$ 3,046,844	\$ 0
Other Assistance	14,398,714	14,427,507	0
TOTAL	\$ 17,449,686	\$ 17,474,351	\$ 0
EDIF:			
State Operations	\$ 2,360,414	\$ 2,356,286	\$ 0
Other Assistance	11,172,191	11,200,984	0
TOTAL	\$ 13,532,605	\$ 13,557,270	\$ 0
FTE Positions	11.0	11.0	--
Special Project Appointments	20.8	20.8	--
TOTAL	31.8	31.8	--

Agency Estimate/Governor's Recommendation

KTEC's revised current year estimate of expenditures exceeds the amount anticipated by the 1994 Legislature by \$895,801. The estimated increase is reflected in increased federal funds expended in the Mid-America Manufacturing Technology Center (MAMTC) program. These federal funds were carried over from FY 1994. Also, there was an increase in expenditures from the KTEC Special Revenue Fund (\$71,788). There is no change in approved EDIF expenditures of \$13,532,604. The Governor recommends funding of \$17,474,351 for FY 1995, a slight increase of \$24,665.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation for FY 1995, with the following modifications:

1. The Subcommittee recommends that the agency be given authority to increase the expenditure limitation for the Experimental Program to Stimulate Competitive Research (EPSCoR) by \$28,793 to cover an anticipated shortfall in that program. This request involves no additional appropriation request -- the request will be met by a shift in funding from a lapsed grant in the Applied Research Matching Grant Program.

*SWAM
March 21, 1995
Attachment 8*

House Committee Recommendation

The House Committee concurs.

House Committee of the Whole Recommendation

The House concurs with the recommendation of the House Committee.

<u>Expenditure Summary</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 0	\$ 3,046,844	\$ 0
Other Assistance	0	14,427,507	0
TOTAL	<u>\$ 0</u>	<u>\$ 17,474,351</u>	<u>\$ 0</u>
EDIF:			
State Operations	\$ 0	\$ 2,356,286	\$ 0
Other Assistance	0	11,200,984	0
TOTAL	<u>\$ 0</u>	<u>\$ 13,557,270</u>	<u>\$ 0</u>

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendation of the House.

SUBCOMMITTEE REPORT

Agency: Kansas Technology Enterprise Corp. Bill No. 2132

Bill Sec. 9

Analyst: Milstead

Analysis Pg. No. 435

Budget Page No. 375

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 3,589,001	\$ 3,320,106	\$ (57,340)
Other Assistance	22,682,046	17,992,960	450,000
TOTAL	\$ 26,271,047	\$ 21,313,066	\$ 392,660
EDIF:			
State Operations	\$ 2,739,001	\$ 2,470,106	\$ (57,340)
Other Assistance	20,294,348	15,605,262	450,000
TOTAL	\$ 23,033,349	\$ 18,075,368	\$ 392,660
FTE Positions	35.8	13.0	(2.0)
Special Project Appointments	0.0	20.8	--
TOTAL	35.8	33.8	(2.0)

Agency Request/Governor's Recommendation

KTEC's FY 1996 budget request totals \$26,271,047, of which \$20,633,349 is for KTEC's administrative operations, special projects, and grants; \$1,400,000 is for the Kansas Value-Added Center (KVAC) program; and \$4,237,698 is for the Mid-America Manufacturing Technology Center (MAMTC).

The Governor's FY 1996 recommendation totals \$21,313,066 of which \$16,194,631 is for KTEC's administrative operations and grants; \$880,737 is for the KVAC program; and \$4,237,698 for MAMTC, as requested. The Governor's FY 1996 recommendation includes \$1,851,411 in salaries and wages (\$132,218 less than the agency's request), \$1,358,542 for contractual services (\$126,780 below the agency's request), \$57,353 for commodities (\$4,897 less than the agency's request), and \$52,800 for capital outlay (\$3,000 below the agency's request). According to the Governor, the recommended budget for KTEC from the EDIF (\$18,075,368) continues all programs at least at the level of service and performance expected in the current year. Programs continued at the current level include applied research matching grants, innovation research grants, and support for Centers of Excellence, the agriculture value added center, and the Mid-America Manufacturing Technology Center.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendations for FY 1996, with the following modifications:

1. Delete \$57,340 (all from EDIF) based on the recommendation to delete funding for a 3.5 percent unclassified merit pool (\$57,340); classified step movement (\$0); a one percent base adjustment for classified employees (\$0); and the longevity bonus (\$0) from individual agency budgets.
2. Add \$250,000 in funding for the Commercialization\Innovation Centers. Funding for the Centers will consequently increase from \$1,400,000 to \$1,650,000. All funding is from the EDIF.
3. Add \$100,000 in funding for the Centers of Excellence. Funding for the Centers will consequently increase from \$4,250,000 to \$4,350,000. All funding is from EDIF.
4. Add \$100,000 in funding for the Training Equipment Grants program. Funding for the program will total \$350,000. All funding is from the EDIF.
5. The Subcommittee recommends keeping the number of FTEs and special project positions at 31.8--the same number for FY 1995.
6. The Subcommittee notes the following performance indicators provided by the agency.

a. Applied Research Matching Fund -- the program's objective is to generate new products and processes:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Technologies/Products Introduced	25	25	25
Product Sales Revenues	\$28,462,323	\$32,000,000	\$35,000,000
New Jobs Created	304	250	300
Output Measures			
Project \$ Leverage	\$2,202,499	\$2,200,000	\$3,200,000
Follow-on Risk Capital Investment	\$10,826,000	\$8,000,000	\$8,000,000

b. Centers of Excellence -- the following two tables reflect the Centers' efforts in generating new products/processes and providing technical assistance to Kansas manufacturers:

New Products/Processes	FY 1994	FY 1995	FY 1996
Outcome Measures			
Increased sales of client companies	n/a	\$9,000,000	\$9,000,000
Reduced costs of client companies	n/a	\$500,000	\$500,000
Jobs created or saved at client companies	n/a	100	100
Output Measures			
Numbers of companies assisted	110	125	150
Federal/industrial funding leveraged	\$10,500,000	\$11,000,000	\$12,000,000
Number of technologies commercialized	10	12	12
License and royalty fees generated	\$33,000	\$50,000	\$50,000

Provision of Technical Assistance	FY 1994	FY 1995	FY 1996
Outcome Measures			
Increased sales of client companies	\$7,365,000	\$7,500,000	\$7,500,000
Reduced costs of client companies	\$1,487,000	\$1,500,000	\$1,500,000
Jobs created or saved at client companies	438	450	450
Output Measures			
Number of companies assisted	366	370	420
Number of informal assistance contracts	180	185	210
Number of fee-for-service contracts	186	185	210

c. Commercialization/Innovation -- the following tables reflect the programs' efforts stemming from the three commercialization centers (Kansas Innovation Corporation; Mid-America Commercialization Corporation; Wichita Technology Center):

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Number of companies formed	n/a	6	12
Number of jobs created	n/a	12	24
Number of technologies transferred	n/a	6	12
Amount of new sales generated	n/a	0	0
License or royalty fees generated	n/a	0	\$100,000
Number of joint ventures formed	n/a	3	6
Output Measures			
Number of technologies reviewed	n/a	30	60

The following reflects the program's efforts in commercializing through entrepreneurship program:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Number of interns recruited	n/a	18	18
Number of entrepreneurs services	n/a	6	12
Private \$ leveraged for entrepreneurial programs	n/a	0	.5:1
Output Measures			
Number of interns interviewed	54	54	54

d. Experimental Program to Stimulate Competitive Research (EPSCoR) -- the following table reflects the program's efforts to increase the award of federal research and development grants to Kansas universities:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
No. of proposals accepted/continued by federal agencies	1	2	6
Federal \$ awarded in accepted proposals	\$1,500,000	\$2,000,000	\$4,000,000
Per capita amount of federal R&D grants awarded in Kansas	\$20	\$20	\$24
Output Measures			
No. of proposals submitted to federal agencies	5	6	6
No. of junior faculty participating in accepted proposals	30	30	60
No. of senior faculty in mentor role	35	35	70

e. Industrial Liaison Offices -- this program encourages greater use of technologies by Kansas enterprises:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Companies submitting proposals	29	30	30
Companies funded for R&D	18	18	20
Jobs created	56	90	105
Output Measures			
Companies interacted with	418	300	300
Companies assisted	230	220	220
Proposal evaluations conducted	142	150	150
Hours of technical consulting	n/a	300	300
SBIR workshops assisted with	n/a	2	3

f. Innovation Research -- the following table reflects the program's efforts in providing information to Kansas' small businesses on the benefits of participation in federally-funded programs:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Number of proposals submitted	10	56	80
Number of proposals awarded	3	13	19
\$ obtained by Kansas' small businesses	\$500,000	\$4,100,000	\$6,400,000
Output Measures			
Number of seminars given	1	10	15
Number of small businesses attending seminars	4	60	150
Number of individuals attending seminars	30	460	640

The following reflects the program's efforts to provide information and assistance on the invention development process to assist the inventor with commercialization:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Number of inventions licensed	3	5	6
Number of start-up companies formed	3	8	10
Number of technologies licensed	2	3	4
Output Measures			
Number of companies benefitting from KTEC assistance	165	170	180
Number of inventors assisted	520	580	620
Number attending seminars	60	65	75
Number requesting financial assistance	10	15	50
Number receiving financial assistance	4	6	25
Number receiving patent search assistance	14	18	21

g. Research Equipment Grants -- the program encourages development of the state's research and development infrastructure:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Companies involved in lab R&D	n/a	n/a	20
New technologies developed	n/a	n/a	15
Output Measures			
Industry sectors supported	n/a	n/a	4
Federal, industry \$ leverage	n/a	n/a	\$2,000,000

h. Seed Fund -- the following tables reflect the agency's performance indicators regarding Ad Astra I and Ad Astra II:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Total revenue of portfolios			
Fund I	\$9,600,000	\$10,750,000	\$19,300,000
Fund II	\$192,800*	\$700,000*	\$3,000,000*
Number of employees			
Fund I	183	233	283
Fund II	11*	21*	31*
Number of investments made			
Fund I = 10 (fund closed)	0	0	0
Fund II (cumulative)	8	14	24
Dollars leveraged			
Fund I (cumulative)	\$15,450,000	\$20,000,000	\$30,000,000
Fund II	\$1,515,000	\$3,515,000	\$6,000,000
No. of Co. receiving follow-on funding			
Fund I	8	8	8
Fund II	3	7	20
*Does not include companies invested in by both funds			
Output Measures			
Number of business plans reviewed (does not include other forms of serious contact)	55	70	100
Percent of plans outside of NE Kansas (excluding K.C., MO metro area)	40%	30%	30%

i. Training Equipment Grants -- this program seeks to aid in the creation of new and/or improved technical, skilled, and scientific job opportunities:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures			
Companies supported by training	66	75	125
Industry employees trained	1,639	1,700	2,450
Vocational students trained	755	775	1,000
Output Measures			
New equipment investments	3	2	4
Federal/industry/local \$ leveraged	\$1,815,665	\$900,000	\$1,800,000

j. Kansas Value Added Center -- this program promotes economic development of agriculture as a vehicle for improving the state's economy as a whole. The following tables reflect some of the Center's efforts:

	<u>Actual</u> <u>FY 1993</u>	<u>Actual</u> <u>FY 1994</u>	<u>Goal</u> <u>FY 1995</u>	<u>Goal</u> <u>FY 1996</u>
Clients served				
New	100	120	130	150
Ongoing	202	150	150	200
Counties Served	59	46	59	59
New products commercialized	25	15	20	25
Projects authorized	26	17	20	25
Cost/project	\$7,650	\$16,000	\$15,000	\$20,000
Training programs	6	5	6	12

KVAC -- technical services:

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
Outcome Measures				
Satisfactory client services	75%	100%	100%	100%
Efficiencies in assessing technical, marketing, and financial information	Good	Excellent	Excellent	Excellent
Business developed based upon new ideas from tech. service program	1	8	8	8
Output Measures				
Number of workshops conducted	1	6	6	6
Number of attendees per workshop	12	35	50	50
Number of accessions to database by entrepreneurs	15	200	200	400
Number of referral of entrepreneurs to other resources in the state	6	75	100	100

j. Mid-America Manufacturing Technology Center (MAMTC) -- the program strives to enhance the competitive position of small and medium sized manufacturers. The following tables reflect the program's efforts to increase interaction with the client manufacturing base while increasing the size of individual client projects:

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
Outcome Measures				
\$ Increase in sales (clients)	\$2,140,000	\$22,330,000	\$28,257,505	\$38,094,980
\$ Decreases in Costs (clients)	\$410,000	\$2,850,477	\$3,607,137	\$4,862,914
\$ Increase in Capital Investments (clients)	n/a	\$1,683,300	\$2,130,132	\$2,871,710
Jobs Created and Retained (clients)	83	617	781	1,053
Customer satisfaction index	3.75	3.94	3.95	3.95
Output Measures				
Informal Engagement Projects	201	322	445	646
Technical Assistance Contracts	135	275	417	588
Industry Funds Booked in Projects	\$383,155	\$1,142,102	n/a	n/a
Industry Funds Invoiced in Projects	\$150,016	\$1,125,054	\$1,423,700	\$1,919,227
Number of Consultants Used for Projects	82	156	394	394
% of Proposals Accepted as Contracts	53	55	55	55
Number of Manufacturers Visited	990	1,000	1,250	1,250
Number of Seminars and Workshops Held	40	29	53	60
Attendance at Seminars and Workshops	834	950	1,010	1,450

House Committee Recommendation

The House Committee concurs.

House Committee of the Whole

The House concurs with the recommendation of the House Committee with the following modifications:

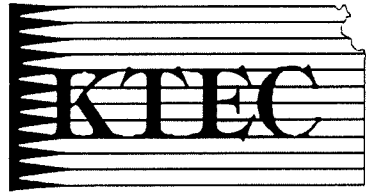
1. Reduce, by \$450,000, the economic development research and development fund. Of that amount, \$250,000 is deleted from funding for the Commercialization/Innovation centers; \$100,000 is deleted from funding for the Centers of Excellence; and, \$100,000 is deleted from funding for the Training Equipment Grants program
2. Make technical adjustments to pages 10 and 11 of H.B. 2132.

<u>Expenditure Summary</u>	<u>House Adj. FY 96</u>	<u>House Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ (57,340)	\$ 3,262,766	\$ 0
Other Assistance	0	17,992,960	0
TOTAL	<u>\$ (57,340)</u>	<u>\$ 21,255,726</u>	<u>\$ 0</u>
EDIF:			
State Operations	\$ (57,340)	\$ 2,412,766	\$ 0
Other Assistance	0	15,605,262	0
TOTAL	<u>\$ (57,340)</u>	<u>\$ 18,018,028</u>	<u>\$ 0</u>

Senate Subcommittee Recommendation

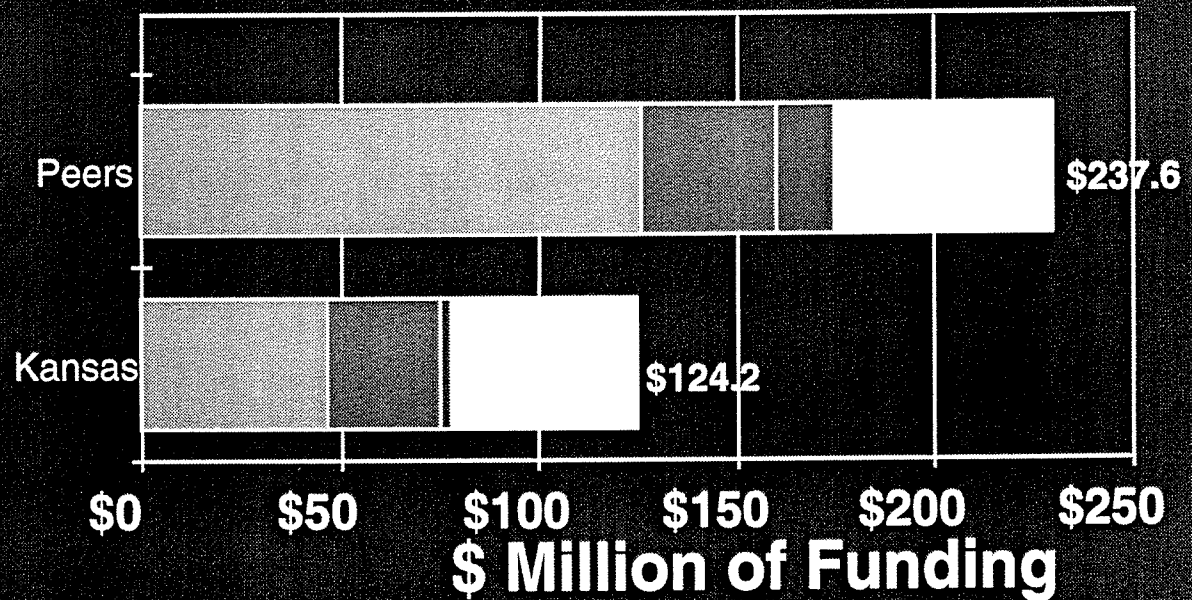
The Subcommittee concurs with the recommendation of the House with the following adjustment:

1. Shift \$100,000 (EDIF) from the Experimental Program to Stimulate Competitive Research (EPSCoR) to the Centers of Excellence. This shift will result in \$3,900,000 in funding for EPSCoR (all EDIF) and \$4,350,000 in funding for the Centers of Excellence.



Financing Sources for Basic Research Kansas & Peer Research Universities, 1991

- Other
- Industry
- ▨ State/Local Gov't
- Fed. Gov't



Source: Kansas Board of Regents Memo, "Expenditures for Research", January 7, 1993 ©KTEC 1995

SUMM
March 21, 1995
Attachment 9



**Financing of Basic Research
at Kansas Universities and Peer Institutions, 1991
Expenditures on Science and Engineering Research**

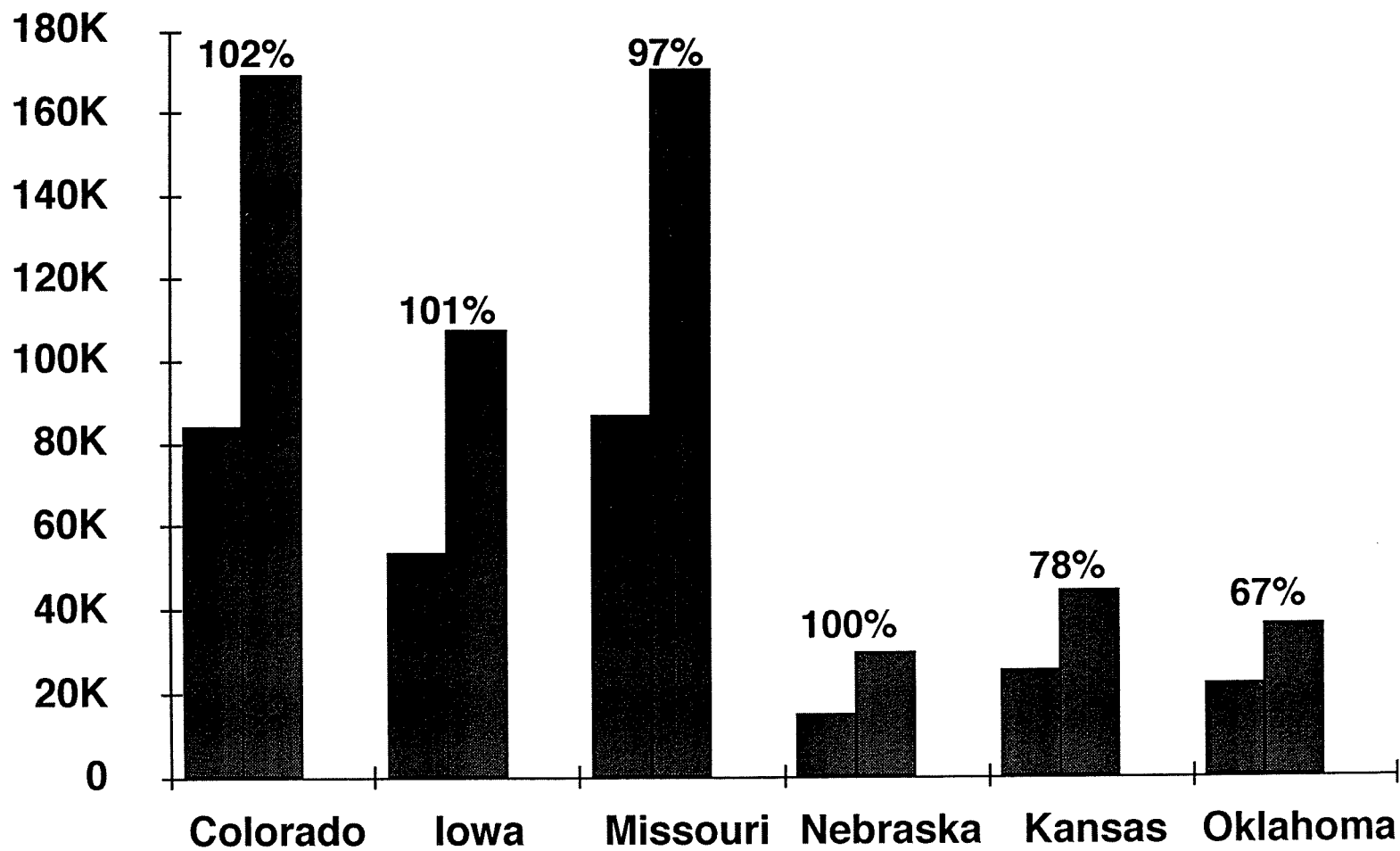
	<u>Total (\$M)</u>	<u>Federal Share of Total</u>	<u>Industry Share of Total</u>
University of Kansas	\$66.0	40%	6.4%
Peer Average	115.3	66%	4.3%
Kansas State University	53.0	30%	4.5%
Peer Average	104.3	41%	7.1%
Wichita State University	5.2	34%	13.0%
Peer Average	18.0	56%	10.7%
Kansas Research Universities - Total	\$124.2	35%	5.9%
Peer Average	\$237.6	54%	6.0%

Source: Kansas Board of Regents Memo, "Expenditures for Research", January 7, 1993.

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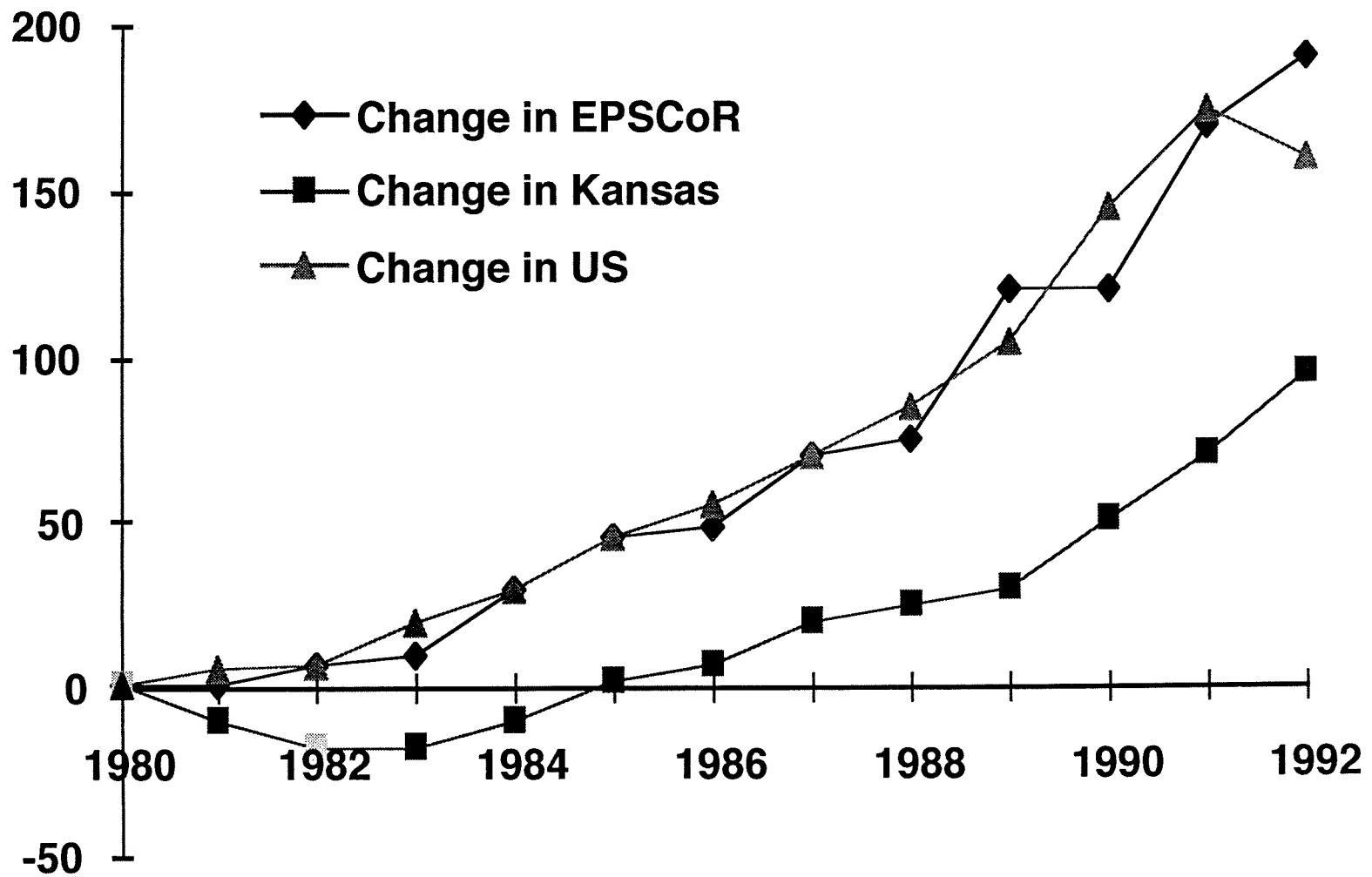
2-6

Growth in Federal R&D Dollars FY 1983 - FY 1990

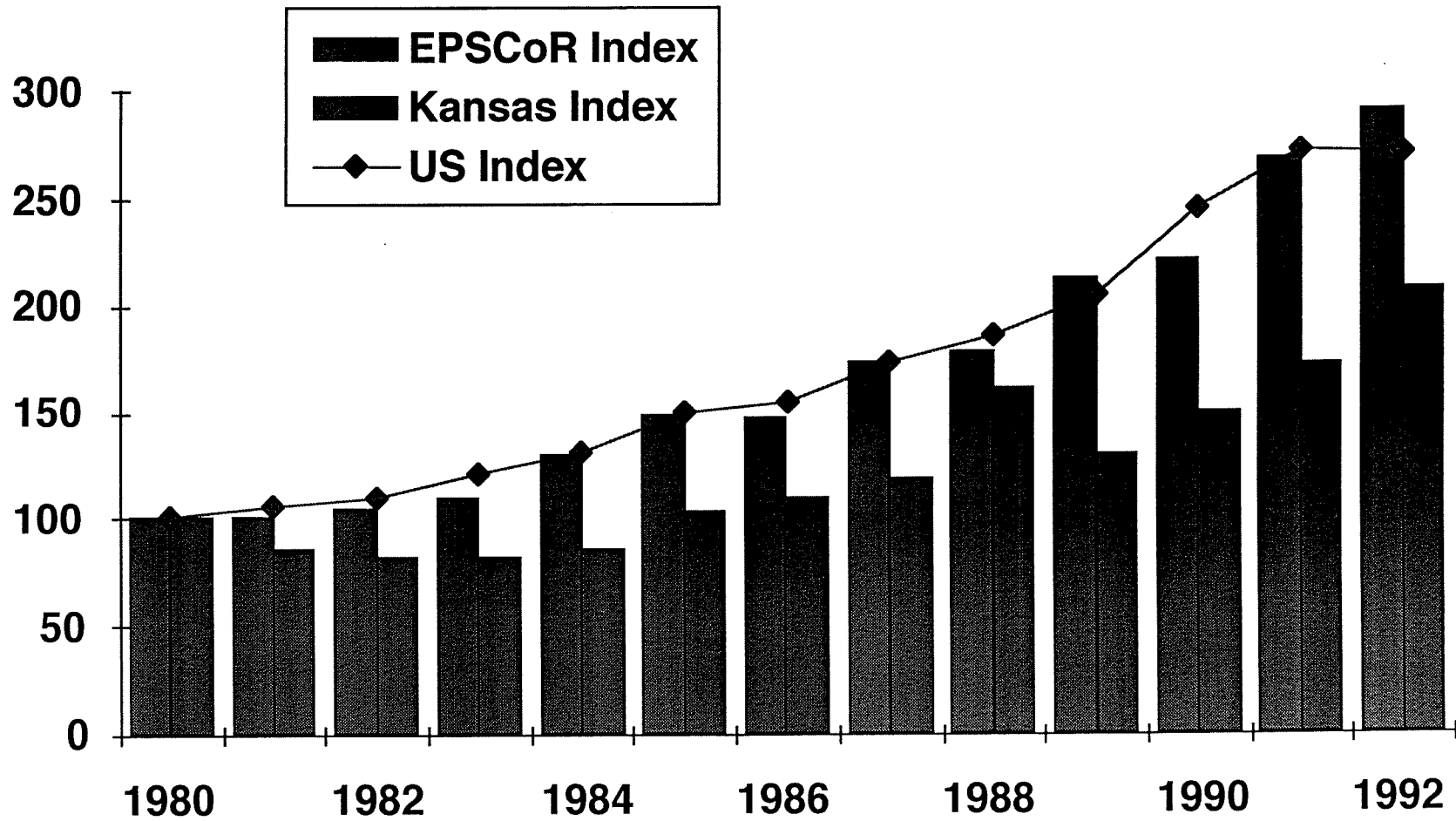


Percent Increase in Federal R&D Academic Obligations FY 1980 - FY 1992

% Increase from 1980



Indexed Federal R&D Academic Obligations FY 1980-FY 1992



1990 Federal R&D per capita

