

MINUTES OF THE HOUSE FED & STATE COMMITTEE

The meeting was called to order by Chairperson Doug Mays at 1:35 p.m. on January 23, 2001 in Room 313-S of the Capitol.

All members were present.

Committee staff present: Theresa M. Kiernan, Revisor of Statutes
Russell Mills, Legislative Research Department
Shelia Pearman, Committee Secretary

Conferees appearing before the committee:

Lt. Gov. Gary Sherrer, Department of Commerce & Housing Secretary (KDOCH)
Jim Edwards, Kansas Chamber of Commerce & Industry
Bernie Koch, Wichita Area Chamber of Commerce

Others attending: See attached list

Without objection bill was introduced as requested by Tom Palace, Executive Director of the Petroleum Marketers and Convenience Stores Association regarding Sunday sales of Cereal Malt Beverage. [HB 2195]

Chairman Mays re-opened the hearing on HB 2038 - Lottery extension.

Lt. Governor Sherrer urged re-authorization of the lottery due to the economic impact on state funding including that of the Department of Commerce and Housing. The Economic Development Initiatives Fund (EDIF) was initiated with Lottery revenue to create new programs for innovation above and beyond what we are doing and was not intended to be used for operation purposes. Fifteen years later, the Department of Commerce and Housing is 100 percent dependent upon the Lottery proceeds for all their operating dollars. He acknowledged it was the voters choice to put the Lottery in the constitution. Additionally, we cannot back away from the commitment to change jobs, change training opportunities, and to build on a tourism industry that is beginning to emerge in this state without these kind of dollars. At this point in our fiscal life, we just are not capable to move away from the funding derived from the Lottery.

Questions from the committee were addressed including potential funding applied to a proposed economic fund to reduce airfare costs in Wichita because of this deterrent in attracting and keeping big businesses effects on Wichita and all of south-central and western Kansas. Various funding opportunities including partnerships with the State of cities, counties and commerce are encouraged to develop further planning and to maximize the State's Return on Investment.

The Lt. Governor's office distributed the following documents which are available from the Department of Commerce & Housing: *Kansas 2001 Getaway Guide*, *Putting Kansas Values to Work Resource Directory*, and the KDOCH Fiscal Year 2000 Annual Report.

Mr. Edwards supported the Lottery which has generated more than \$400 million invested in projects which have helped businesses recreate the vision that began in 1985. (Attachment #1) These funds have helped put people to work, retain jobs and helped develop Kansas products which are marketed worldwide. He also referenced the Kansas Industrial Training Program and Kansas Industrial Retraining Programs mentioned in Mr. DeHoff's written testimony (Attachment #2)

Mr. Koch voiced support of the re-authorization of the Lottery on behalf of approximately 1850 members of their organization from the Wichita area. (Attachment #3) They also encourage the use of its revenue for economic development. A recent example of \$4.5 million expansion is a company which would add 30-50 new jobs in a service industry. In the past decade, call centers have had an important economic effect in Kansas with numerous employees having received training from EDIF funds. These companies have benefitted numerous Welfare-to-Work clients and other individuals.

The hearing on HB 2038 was closed.

The committee meeting adjourned at 2:05 p.m. The next schedule meeting is January 24, 2001.

HOUSE FEDERAL & STATE AFFAIRS COMMITTEE

COMMITTEE GUEST LIST

DATE: 1/23/01

NAME	REPRESENTING
Randy Tongior	LEGISLATIVE POST AUDIT
Keith Kocher	KS Lottery
Tracy Diel	SGA/KRBC
Christy Caldwell	Topeka Chamber of Com
George Wenzert	Riffin Company
Andy Shaw	Kearney Law Office
Bernie Koch	Wichita Area Chamber
Whitney Damaron	KC, KS/WYCO
John [unclear]	Rep. Shari Weber
Tricia Beadles	GOVERNOR'S OFFICE
ED VAN PETTEN	KS. Lottery
Rogal Franke	KFC
Paul Javed	BOEING

LEGISLATIVE TESTIMONY

HB 2038

January 22, 2001

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Federal and State Affairs Committee

by

Jim Edwards
Senior Vice President

Chairman Mays and members of the Committee:

I appear before you today representing the Kansas Chamber of Commerce and Industry and the Kansas Industrial Developers Association (KIDA). I am pleased to have this opportunity to reaffirm KCCI's and KIDA's support for the Kansas Lottery and its continuation. We support wholeheartedly HB 2038. KCCI and KIDA were the first groups to endorse a proposal which would create a state owned and operated lottery in Kansas and we have appeared at every sunset review for the Lottery since that time.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

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In 1985, Kansas was being faced with some very big questions dealing with its economic future. At that time, the Kansas Legislature appropriated \$40,000 for a comprehensive study of Kansas. This was subsequently matched by \$40,000 from the private sector and the study began. From this report came a vision. A vision for Kansans and their economic well-being.

There was one small problem though. Every time any of the issues were discussed in this vision statement, most everyone agreed on what needed to be done, they just could not find the money in a tight state budget for it. Also in 1985, state Senator Bill Morris (Wichita) and others started talking about a state-owned and operated lottery in Kansas and had introduced, towards the end of the session, a measure which would provide for such an operation. This issue was not formally addressed in the 1985 session.

The 1986 session started and so once again did the discussion on the vision statement for Kansas as well as that big looming question... "How do we fund it?" That is where the Kansas Chamber of Commerce and Industry, the Kansas Industrial Developers Association, local chambers of commerce, labor and the others got into the act. For many years, these groups saw very little of State General Fund monies going towards projects that they thought were deserving. There was some hope though because the issue of a state-owned and operated lottery was still on the table. In Topeka, these groups, legislative leaders and Governor John Carlin shepherded the issue through the Statehouse where it received approval for submission to the state's voters. These groups then mounted the grassroots efforts to sell the issue to Kansans who ultimately passed it in the 1986 General Election. A vision for Kansas had not only been created but had finally been financed.

Since that time, over \$400 million has been invested in projects that have helped and continue to help address the vision created by this body in 1985. The monies have helped create jobs for Kansans, developed market opportunities for Kansas products, trained and retrained Kansas workers, provided seed capital for high tech operations and assisted many rural communities with tourism and small business opportunities. Lottery has created indirect revenues for the state and local units of government because it has helped create, as well as retain, taxpayers. If the Kansas Lottery is eliminated, you probably are not talking about only a \$60 million dollar loss in revenue. Just as the lottery has helped create and retain taxpayers, elimination of the lottery will most likely mean the exact opposite.

Thank you for the opportunity to visit with you about lottery and I would urge you to pass HB 2038 out favorably. I would be pleased to any questions you might have for me.

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January 23, 2001

House Federal & State Affairs Committee
Representative Doug Mays, Chairman
Room 313S - 1:30 PM - January 23, 2001

Chairman Mays & Members,

I am Jim DeHoff, Executive Secretary of the Kansas AFL CIO. I am appearing before you today on behalf of 119,000 Kansas workers who are members of the Kansas AFL CIO.

Organized labor in Kansas has always been a strong supporter of economic development incentives. In many areas of the State we work closely with economic development committees that are set up to attract business to a local area.

We were very active with the 1986 initiative or constitutional amendment that allows a state lottery. As each of you know, economic development is an ongoing process. In order to keep existing business and attract new business in Kansas we have to continue offering incentives to maintain a viable economy and with these incentives attract and maintain a steady job and business base.

Lottery training funds that have been available through the Kansas Industrial Training Program and Kansas Industrial Retraining Program have had a major impact with helping workers train for new technology, thereby keeping Kansas business competitive in the global marketplace, as well as being competitive with other states.

We urge support for passage of HB 2038 to continue this very successful economic development program.

Thank you.

Jim DeHoff



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THE CHAMBER



Testimony of Bernie Koch
Wichita Area Chamber of Commerce
January 23, 2001

House Federal and State Affairs Committee H.B. 2038

Mr. Chairman, members of the committee, thank you for the opportunity to appear before you today in support of House Bill 2038. I'm Bernie Koch, Vice-President for Government Relations with the Wichita Area Chamber of Commerce.

The Wichita Area Chamber was founded in 1917, making it one of the oldest chambers in Kansas. We have approximately 1,850 members. Many people have a misconception about the Wichita Area Chamber: that we are made up mainly of big businesses. That's not accurate.

About 76 percent of our members have 50 or fewer workers.

About 40 percent of our member businesses have less than ten employees.

About 34 percent of our members are in a service industry, 15 percent in manufacturing and 14 percent in retail with 12 percent in the category of financial/insurance/real estate. Those are our largest categories of members.

Our members determine our policies. This year, they have identified reauthorization of the Lottery and use of its revenue for economic development purposes as a top priority.

As I was preparing this testimony on Friday, I asked the Chamber's Economic Development Director, Lori Usher, for a recent example of how the Economic Development Initiatives Fund has been helpful. Without hesitation, she told me it had sealed the deal on a \$4.5 million expansion just the day before.

This is a national company in the service industry that wanted to add 30 new high-paying jobs, which will eventually grow to 50 new jobs. The last piece of the deal was the purchase of a piece of land where the seller and the company were \$20,000 apart on price. The seller would not budge, and the local company official in Wichita told Lori his headquarters would not authorize that additional \$20,000.

He asked if there was anything available to make up that \$20,000. Lori thought it might be something that could be funded through KEOIF, the Kansas Economic Opportunity Initiatives Fund. That comes from the Lottery. She called the Commerce Department and they approved it.

That \$20,000 insured those 30 new jobs. Those employees will likely make the state the \$20,000 back in tax revenue within a year.

That's good economics, but this isn't just about the money, it's also about people.

Many EDIF projects in Wichita in the past few years have involved call centers. We are a desired location because we're in the Central Time zone, have neutral Midwestern accents, and are hard workers. The call center industry likes us.

The Royal Caribbean Cruises call center employs 700 people, VoiceStream employs 800, Dean and Deluca, 255. Lottery money helped all of those companies locate in Wichita.

I know of some of these employees were once on public assistance. The EDIF has been helpful in giving them a good career.

Also on the list of KEOIF recipients is a company in Haysville, Norland Plastics.

Norland Plastics, the second largest Haysville employer with 300 people, was totally destroyed by the killer tornado of May 3, 1999. It became the symbol of the storm's destruction.

Norland Plastics didn't have to rebuild in Haysville. It did in part because of the \$300,000 KEOIF grant. That's a case where the investment of Lottery dollars helped keep jobs in Kansas, and helped rebuild the spirit of a community.

The Lottery has done not only economic good, but social good as well. I urge you to vote favorably on its reauthorization.

Thank you.

Economic Development Initiatives Fund

(KDOC&H) KEIEP/KEOIF)

Thayer	Wichita	YR 2000	\$ 40,000
Royal Caribbean Cruises, Ltd.	Wichita		\$ 75,000
ZTM	Wichita	YR 2000	\$ 22,500
Learjet/Bombardier	Wichita		\$350,000
VoiceStream	Wichita	YR 2000	\$400,000
Dean & Deluca	Wichita	YR 2000	\$125,000
Norland Plastics	Haysville	YR 1999	\$300,000
Mid Continent Resource Recovery	Wichita	YR 1996	\$100,000
WI/SE Partnership (Workforce Cncl)	Wichita	YR 1994	\$ 50,000
WI/SE Partnership (Fly in Format.)	Wichita	YR 1996	\$150,000
Royal Caribbean	Wichita	YR 1999	\$ 50,000
AmeriServe	Wichita	YR 1999	\$100,000
NMF America	Wichita	YR 1999	\$100,000
Kansas Manuf. Assoc.	Wichita	YR 1994	\$250,000
SCKEDD	Wichita	YR 1994	\$ 72,000
Southwestern Bell	Wichita	YR 1997	\$150,000

Pending Projects:

PWC (Back office)(Pending)	Wichita	YR 2000	\$250,000
Equis Corp. (Pending)	Wichita	YR 2000	\$500,000
Project CN	Wichita	YR 2000	\$100-300,000
Project YI	Wichita	YR 2000	\$750,000

The above projects only include KEIEP/KEOIF monies (EDIF). This does not include any training monies....Kansas Industrial Training (KIT)/ Kansas Industrial Retraining (KIR). There are significant dollars provided for training to companies all over Sedgwick County. This also does not include in dollars that Kansas Technology Enterprise Corporation (KTEC) may have spent in the Wichita/Sedgwick County area.

The Small Business Development Centers (SBDC's) will receive \$485,000 this fiscal year and the Kansas Certified Development Companies (CDC's) will receive \$400,000.

As you can tell there are a number of dollars received from EDIF (Lottery funds). The number of jobs retained and/or created by the above is not included. But as an example, Project YI will retain about 700 jobs and create 500 new jobs. Project CN will create about 200 new jobs. Project PWC, 1000 jobs. VoiceStream, 800 jobs, Royal Caribbean, 700 jobs, ZTM, 35 jobs, Thayer, 60 jobs, Dean & Deluca, 255 jobs.

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