

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Representative Kenny Wilk at 3:30 p.m. on January 28, 2003 in Room 522-S of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research  
Renaë Jefferies, Revisor of Statutes  
Debra Hollon, Legislative Research  
Fulva Seufert, Committee Secretary

Conferees appearing before the committee: Lt. Governor John Moore  
Debra Hollon, Legislative Research

Others attending: See attached list

The meeting was called to order at 3:30 p.m. by Chairman Kenny Wilk. The Chairman called the committee members' attention to the distributed minutes of the January 21, 2003 meeting. Representative Novascone made a motion to approve the January 21, 2003 minutes and Representative Hill seconded. Motion carried.

Chairman Wilk introduced a bill concerning multi state bonding authority for KDFFA. Representative O'Malley seconded. Motion carried.

The Chairman welcomed Lt. Governor John Moore to the committee and asked the members to identify themselves.

Lt. Governor John Moore addressed the committee in his dual role as Lt. Governor and Secretary of Commerce & Housing. He stressed the importance of growing the Kansas economy and creating an environment where businesses can succeed. He believes businesses can succeed if they can do business easily and successfully. He said the Kansas economy can grow if current companies and jobs are retained and if cities and counties become more aggressive and do not take for granted the local businesses. He said, "Treat home-grown businesses like strangers." He specifically stressed that rural Kansas cannot be forgotten. He also said that the Commerce & Housing office will followup by informing towns, cities and counties what they did wrong and why their location was not chosen by a sought after company. Lt. Governor Moore stated that the mission and impact of every state agency in the area of economic development must be examined to assure a common vision with dedicated collaboration. He believes that all money spent in economic development has to be measured by the rate of return for the dollars spent. In addition, he touched on the following:

- Existing entities must become part of a focused network
- Must try to assist Boeing
- Must judiciously avoid a bias against sales tax exemption income tax credits
- Must increase the Travel & Tourism budget
- Must give Commissions and Commerce a chance
- Adopt a legislative resolution which encourages normalization of relation with Cuba
- Must have a return on investment desired outcomes for all economic development initiatives
- Must establish a cooperative relationship with the House Economic Development Committee as well as other Committees
- Must emerge from this budget dominated 2003 Legislative Session with a successful environment for existing businesses and for attracting new businesses. (Attachment 1).

The Lt. Governor's presentation was followed by questions from committee members. The Chairman thanked Lt. Gov. Moore for taking time out of his busy schedule to address the Committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT at 3:30 p.m. on January 28, 2003 in Room 522-S of the Capitol.

The Chair introduced Debra Hollon, Fiscal Analyst from the Legislative Research Department, who presented an overview of the Economic Development Initiatives Fund. This included the budgets for Kansas, Inc., Kansas Technology Enterprise Corporation, and Department of Commerce & Housing. (Attachment 2).

The Chair announced that the next meeting would be Thursday, January 30, 2003. The meeting adjourned at 4:35 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

TUESDAY, JANUARY 28, 2003

NAME	REPRESENTING
Tony Taylor	KTEC
WALLY KEARNS	KSBDC
NAGARAJ, S	INTERN (LOGANBILLY)
Susan Paxson	Westar Energy
BEN HOPPER	KS Dairy Assoc.
Rae Anne Davis	KDOCH
John Moore	KDOCH
Matt Goddard	Heartland Community Bankers Assoc.
Marta Lee Smith	Kansas Mfg. Machinery Assn
Paul Johnson	PACK
NED WEBB	KDOCH
Karen Strimpe	Coffeyville Area CoC
Reroy Ahlup	City of Coffeyville
Craig VanWey	KS Small Bus. Dev. Ctr.
Jill Jordan	Workforce Alliance of SE-KS
Mary Ellen Butler	REAP
Lisa Brumbaugh	KSBDC
Kathryn Richard	KSBDC @ PSUWV.
Barb Reavis	Workforce Network of Kansas
Cindy Shaw	Goodyear Tire & Rubber Co.
Mary Blackstone	KTEC
Cheri Streeter	KSBDC
Mark Leonard	Kansas, Inc.
John Fink	The Bin Co.
Jocie Clark	Hallmark Cards Inc
LES STREET	WASHBURN SBDC
CURT CLINKINBEARD	KU - KSBDC

# House Economic Development Committee

January 28, 2003

- As Lt.Gov/Secretary of Commerce & Housing
  - Grow the Kansas economy
  - An Environment – Businesses succeed
- Make Certain All Companies can do business easily and successfully
- Toward growing the Kansas economy
  - Retain current companies & jobs
    - BNSF
    - Goodyear –
    - Reasearch & Development funds appropriated last year
      - KU – Great commercialize upside
      - WSU – NIAR – Support a critical industry
  - Grow existing businesses
    - Cities/Counties often take for granted
    - McPherson an exception
  - Recruit new businesses to Kansas  
17 with over 100 Jobs – 2 years
  - Ways the Commerce Department can help
    - Evaluate potential to attract businesses before the fact
    - Advise cities not selected why
  - Cessna 1994  
Emporia, Hays, Manhattan
  - David Dailey – President, Auth-Florence
  - Cities & Counties must be aggressive  
Provide/Performance Based/Return
  - Must be inclusive  
3 of final 5 – State Legislators
- The Mission & Impact of every state agency in the area of Economic Development must be examined to assure a common vision and dedicated collaboration
- Commerce, KTEC, Kansas Inc

House Economic Development  
1-28-03  
Attachment 1

- Governor's Budget Proposes Kansas, Inc be collapsed into Commerce
  - Critical Mass – Research
- Sen. Kerr's concern - evaluation
- KTEC – No change
- I serve on both Boards
- Whatever resolution – We will work cooperatively
- Cabinets must work together and not create uncertainty in company's planning
  - Commerce and Revenue
  - Weekly meetings being held
- I believe too many agencies have responsibility for a critical component of economic development
  - Work Force Development
- I would consolidate all workforce development in one place – Commerce
- Influenced By Georgia
  - 34 Technical Colleges in Technical & Adult Training Division – To Board  
–To Governor
  - Quick Start
  - 750M Damiler/Chrysler plant in Savannah
  - Missouri has consolidated
  - Governors of New Jersey & Virginia have proposed
- In Kansas - unsure of costs
  - 75% of dollars paid by Commerce for training go to vendors
  - Regents & Commerce have not interfaced
  - In parts of the state WIA has increased administrative costs 23%
  - Rarely does one organization administer & deliver
  - Eco Devo Directors – extremely hard to Access
- KTTI example
- Broad support – KCCI/AFL-CIO/Policy makers
- Other cabinet secretaries will assist
- Have met with Regents and KDHR on a way to proceed

- Random thoughts
- We must have existing entities become part of a focused network
  - Chambers of Commerce – KCCI-New Leadership
  - Economic Development Executives
  - Small Business Development Centers
    - Where ideas become businesses
  - Regents Institutions
- Must try to assist Boeing
  - Airbus
- Must judiciously avoid a bias against sales tax exemption income tax credits
- We must realize the potential that Travel & Tourism has but has never achieved
  - Funding – efforts last year w/SIC Codes
  - Infrastructure investments
    - Horse Thief Reservoir
- We must have an on purpose plan for rural Kansas
  - Broad band availability
  - Enterprise facilitation
  - Work with KREDA
    - Western Kansas Regional Economic Delv. Ass.
    - 47 western Kansas counties
- Must Give our commissions and Commerce a chance
- I will ask for a legislative resolution which encourages normalization of relation with Cuba
  - 900M to 1.5B market
- Finally we must have return on investment desired outcomes for all economic development initiatives
- Relationship with this and other committees
- We must emerge from this legislative session which will be dominated by the budget with an environment in which Kansas businesses can succeed and to which we can attract new businesses



**ECONOMIC DEVELOPMENT INITIATIVES FUND**

Agency/Program	Approved FY 2003	Governor's Revised Recommendation FY 2003
<b>Department of Commerce and Housing<sup>(1)</sup></b>		
Operating Grant	\$ 14,554,841	\$ 14,247,455
Kansas Economic Opportunity Initiative Fund	3,325,000	3,325,000
Kansas Existing Industry Expansion Program	475,000	475,000
Subtotal - KDCH	<u>\$ 18,354,841</u>	<u>\$ 18,047,455</u>
<b>Kansas Technology Enterprise Corporation<sup>(1)</sup></b>		
Agency Operations	\$ 1,226,972	\$ 2,368,682
Centers of Excellence	3,728,750	3,374,387
Research Matching Grants	1,197,000	1,649,473
Business Innovative Research Grants	376,200	-
Special Projects	75,338	-
Commercialization Grants	1,282,500	1,593,356
Mid-America Manufact. Tech. Center	860,129	900,000
EPSCoR	2,850,000	3,062,167
Minus unplanned reappropriation	-	(1,715,645)
Subtotal - KTEC	<u>\$ 11,596,889</u>	<u>\$ 11,232,420</u>
Kansas, Inc. <sup>(1)</sup>	\$ 297,627	\$ 291,674
<b>Board of Regents<sup>(3)</sup></b>		
Technology Innovation & Internship Program - AVTS	\$ 190,000	\$ 195,658
Post-secondary Aid - AVTS	6,144,277	6,144,277
Capital Outlay Aid - AVTS	2,565,000	2,565,000
National Guard Educational Assistance	243,342	243,342
Subtotal - Regents	<u>\$ 9,142,619</u>	<u>\$ 9,148,277</u>
Dept. of Administration - Public Broadcasting	\$ 114,099	\$ 114,099
Death and Disability Transfer	\$ 11,370	\$ -
State Water Plan Fund	\$ 1,900,000	\$ 1,900,000
State General Fund	\$ 1,744,757	\$ 2,388,432
<b>TOTAL TRANSFERS AND EXPENDITURES</b>	<b><u>\$ 43,162,202</u></b>	<b><u>\$ 43,122,357</u></b>

**EDIF Resource Estimate**

Beginning Balance	\$ (59,643)	\$ (59,643)
Gaming Revenues	42,432,000	42,432,000
Other Income <sup>(2)</sup>	750,000	750,000
Total Available	<u>\$ 43,122,357</u>	<u>\$ 43,122,357</u>
Less: Expenditures and Transfers	43,162,202	43,122,357
<b>ENDING BALANCE</b>	<b><u>\$ (39,845)</u></b>	<b><u>\$ -</u></b>

- 1) Does not include expenditures from prior year EDIF allocations.
- 2) Other Income includes interest earnings and released encumbrances.
- 3) Final Approved reflects the Governor's veto of \$468,383 added during the Omnibus Session.

**FY 2003 Allotments**

Department of Commerce and Housing	\$ 387,699
Kansas Technology Enterprise Corporation	231,938
Kansas, Inc.	5,953
<b>TOTAL</b>	<u>\$ 625,590</u>

House Economic Development  
1-28-03  
Attachment 2 1/27/2003, 8:15 AM

**ECONOMIC DEVELOPMENT INITIATIVES FUND**

<b>Agency/Program</b>	<b>Governor's Recommendation FY 2004</b>
<b>Department of Commerce and Housing<sup>(1)</sup></b>	
Operating Grant	\$ 14,026,980
Kansas Economic Initiatives Opportunity Fund	2,975,000
Kansas Existing Industry Expansion Program	423,246
Subtotal - Commerce and Housing	\$ 17,425,226
<b>Kansas Technology Enterprise Corporation<sup>(1)</sup></b>	
Agency Operations	\$ 1,233,929
Centers of Excellence	3,363,510
Research Matching Grants	1,354,699
Commercialization Grants	1,317,151
Mid-America Manufact. Tech. Center	670,324
EPSCoR	2,664,575
Subtotal - KTEC	\$ 10,604,188
<b>Board of Regents</b>	
National Guard Educational Assistance	\$ 250,000
Technology Innovation & Internship Prgm - AVTS	180,500
Post-secondary Aid - AVTS	10,331,250
Capital Outlay Aid - AVTS	2,565,000
Comprehensive Grant	750,000
Subtotal - Regents	\$ 14,076,750
State Water Plan Fund	1,900,000

**TOTAL TRANSFERS AND EXPENDITURES** **\$ 44,006,164**

**EDIF Resource Estimate**

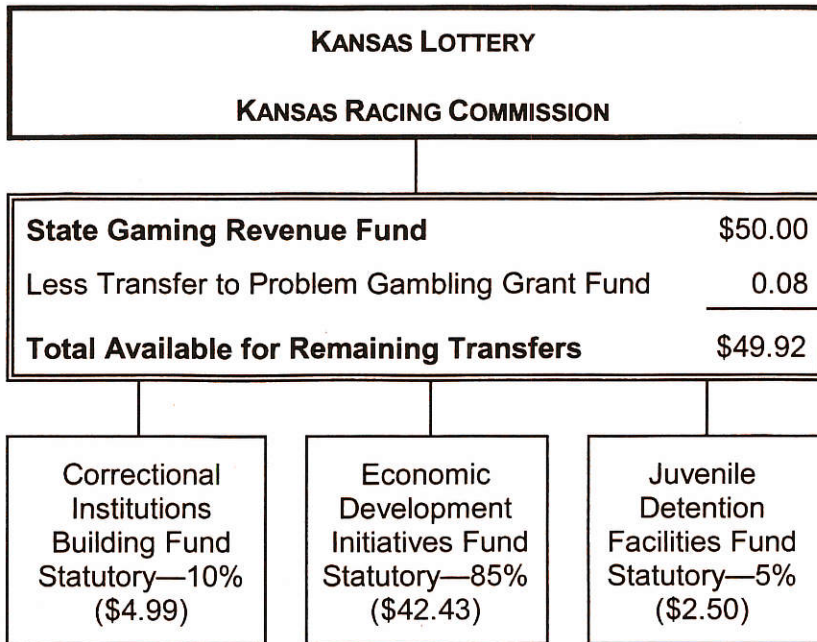
Beginning Balance	\$ -
Gaming Revenues	42,432,000
Other Income <sup>(2,3)</sup>	1,574,164
Total Available	\$ 44,006,164
Less: Expenditures and Transfers	44,006,164
<b>ENDING BALANCE</b>	<b>\$ -</b>

- 1) Does not include expenditures from prior year EDIF allocations.
- 2) Other Income includes interest earnings and released encumbrances.
- 3) Includes transfer of \$824,164 from the Export Loan Guarantee Fund.



# ECONOMIC DEVELOPMENT INITIATIVES FUND

## Revenue Flow (In Millions)



# KANSAS, INC.

Expenditure	Actual FY 02	Agency Est. FY 03	Governor Rec. FY 03	Agency Req. FY 04	Governor Rec. FY 04
All Funds:					
State Operations	\$ 406,678	\$ 441,414	\$ 441,414	\$ 812,587	\$ 0
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
<b>TOTAL</b>	<b>\$ 406,678</b>	<b>\$ 441,414</b>	<b>\$ 441,414</b>	<b>\$ 812,587</b>	<b>\$ 0</b>
Economic Development Initiatives Fund:					
State Operations	\$ 281,377	\$ 291,674	\$ 291,674	\$ 660,832	\$ 0
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
<b>TOTAL</b>	<b>\$ 281,377</b>	<b>\$ 291,674</b>	<b>\$ 291,674</b>	<b>\$ 660,832</b>	<b>\$ 0</b>

## FY 2003

**The agency estimates** FY 2003 operating expenditures of \$441,414 of which \$291,674 is from the Economic Development Initiatives Fund. The EDIF estimate is equal to the amount approved by the 2002 Legislature.

**The Governor concurs** with the agency's estimate.

## FY 2004

**The agency requests** FY 2004 operating expenditures of \$812,587 of which \$660,832 is from the Economic Development Initiatives Fund. The request includes the enhancements outlined in the table below.

**The Governor's recommendation** includes the proposal to transfer the duties and responsibilities of Kansas, Inc. to the Department of Commerce and Housing and abolish the agency. The recommended budget of the Department of Commerce and Housing includes \$169,350 (\$55,328 EDIF) and 1.0 FTE Research Analyst position resulting from this transfer. The proposal requires statutory changes.

FY 2004 ENHANCEMENTS						
Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Cost-Benefit Analysis of Kansas Tax Incentives	\$ 0	\$ 181,002	0.0	\$ 0	\$ 0	0.0
Additional Research Analyst Positions	\$ 0	\$ 163,150	2.0	\$ 0	\$ 0	0.0
Economic Development Summit	\$ 0	\$ 21,850	0.0	\$ 0	\$ 0	0.0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 366,002</b>	<b>2.0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0.0</b>

**Enhancement Detail**

- Cost-Benefit Analysis of Kansas Tax Incentives - \$181,002 EDIF. The agency requests the additional funding to implement 2002 SB 129 which directs the agency to prepare an annual report on the cost effectiveness of income tax credits and sales tax exemptions designed to encourage economic development.
- Additional Research Analyst Positions - \$163,150 EDIF and 2.0 FTE positions. The agency requests funding for an additional 2.0 FTE Research Analyst positions and associated operational expenditures.
- Economic Development Summit - \$21,850 EDIF. The additional funding would allow the agency to host a state-wide economic development summit.

**The Governor** does not recommend the requested enhancements.

FY 2004 REDUCED RESOURCES PACKAGES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Other Operating Expenditures	\$ 0	\$ (15,039)	0.0	\$ 0	\$ 0	0.0

**FY 2004 Reduced Resources Package**

**The agency's** budget request includes a reduced resources package totaling \$15,039 EDIF. The agency suggests a reduction in Contractual Services and Commodities.

**The Governor** makes no specific reductions due to the recommendation to abolish the agency.



# DEPARTMENT OF COMMERCE AND HOUSING

Expenditure	Actual FY 02	Agency Est. FY 03	Governor Rec. FY 03	Agency Req. FY 04	Governor Rec. FY 04
<b>All Funds:</b>					
State Operations	\$ 17,215,382	\$ 18,615,550	\$ 18,615,550	\$ 16,357,126	\$ 16,346,834
Aid to Local Units	56,322,006	47,642,107	47,642,107	46,220,034	46,045,948
Other Assistance	27,119,658	48,876,360	48,868,685	50,325,405	49,744,523
Subtotal – Operating	\$ 100,657,046	\$ 115,134,017	\$ 115,126,342	\$ 112,902,565	\$ 112,137,305
Capital Improvements	41,672	0	0	0	0
<b>TOTAL</b>	<b>\$ 100,698,718</b>	<b>\$ 115,134,017</b>	<b>\$ 115,126,342</b>	<b>\$ 112,902,565</b>	<b>\$ 112,137,305</b>
<b>State General Fund:</b>					
State Operations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0	0	0
Other Assistance	199,380	196,000	188,325	0	0
Subtotal – Operating	\$ 199,380	\$ 196,000	\$ 188,325	\$ 0	\$ 0
Capital Improvements	0	0	0	0	0
<b>TOTAL</b>	<b>\$ 199,380</b>	<b>\$ 196,000</b>	<b>\$ 188,325</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Economic Development Initiatives Fund*:</b>					
Operating Expenditures	\$ 15,234,233	\$ 16,142,107	\$ 16,142,107	\$ 14,782,465	\$ 14,026,980
Capital Improvements	41,672	0	0	0	0
<b>TOTAL</b>	<b>\$ 15,275,905</b>	<b>\$ 16,142,107</b>	<b>\$ 16,142,107</b>	<b>\$ 14,782,465</b>	<b>\$ 14,026,980</b>

\* Does not include expenditures from the Kansas Economic Opportunity Initiatives Fund or the Kansas Existing Industry Expansion Fund. Funding for these two programs is transferred from the EDIF to the respective funds from which expenditures are made. The expenditures are accounted for under all other funds.

## FY 2003

**The agency** estimates FY 2003 operating expenditures of \$115,134,017 of which \$16,142,107 is from the Economic Development Initiatives Fund. The EDIF estimate is equal to the amount approved by the 2002 Legislature.

**The Governor** concurs with the agency's estimate with the exception of a reduction of \$7,675 SGF which is due to the November allotment (taken after the budget submission deadline).

## FY 2004

**The agency** requests FY 2004 operating expenditures of \$112,902,565 of which \$14,782,465 is from the Economic Development Initiatives Fund. The agency requested no enhancements.

**The Governor** recommends FY 2004 operating expenditures of \$112,137,305 of which \$14,026,980 is from the Economic Development Initiatives Fund. In addition to the reduction package outlined below, the recommendation includes:

- Transfer of the duties and responsibilities of Kansas, Inc. to the Department of Commerce and Housing. This transfer includes \$169,350 (\$55,328 EDIF) and 1.0 FTE Research Analyst position. This proposal requires statutory changes.
- Transfer of the ending balance of \$824,164 from the Export Loan Guarantee Fund to the Economic Development Initiatives Fund.

**FY 2004 REDUCED RESOURCES PACKAGES**

Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
<b>Administration</b>						
Elimination of Information Technology Positions	\$ 0	\$ (73,438)	(1.5)	\$ 0	\$ (73,438)	(1.5)
Reduction in Other Operating Expenditures	0	(11,204)	0.0	0	(11,204)	0.0
<b>Agriculture Products Development</b>						
Reduction in Grant for KSU Pilot Plant Operations	0	(55,749)	0.0	0	(55,749)	0.0
<b>Business Development</b>						
Reduction in Advertising	0	(80,000)	0.0	0	(80,000)	0.0
Reduction in KIT/KIR Funding	0	(194,394)	0.0	0	(194,394)	0.0
Reduction in Small Business Development Centers Grants	0	(46,175)	0.0	0	(46,175)	0.0
Reduction in Certified Development Companies Funding	0	(37,500)	0.0	0	(37,500)	0.0
Reduction in KEOIF Transfer	0	(106,788)	0.0	0	(106,788)	0.0
Reduction in KEIEP Transfer	0	(17,009)	0.0	0	(17,009)	0.0
Reduction in Contractual Services	0	(15,000)	0.0	0	(15,000)	0.0
<b>Trade Development</b>						
Reduction in Kansas International Trade Show Assistance Program	0	(71,148)	0.0	0	(71,148)	0.0
<b>Travel and Tourism</b>						
Reduction in Attraction Development Grants	0	(154,043)	0.0	0	(154,043)	0.0
<b>Community Development</b>						
Reduction in Community Capacity Building Program Grants	0	(46,867)	0.0	0	(46,867)	0.0
<b>Housing Development</b>						
Funding Shift of Match for HOME Investment Partnership Program	0	(25,295)	0.0	0	(25,295)	0.0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ (934,610)</b>	<b>(1.5)</b>	<b>\$ 0</b>	<b>\$ (934,610)</b>	<b>(1.5)</b>

**FY 2004 Reduced Resources Packages**

The agency's budget request includes a reduced resources package totaling \$934,610 from the Economic Development Initiatives Fund.

**The Governor concurs** with the agency's suggestions.

**Administration**

The agency suggests:

- Elimination of Information Technology Positions - Reduction of \$73,438 EDIF and 1.5 FTE positions.
- Reduction in Other Operating Expenditures - Reduction of \$11,204 EDIF.



## **Agriculture Products Development**

The agency suggests:

- Reduction in Grant for the Kansas State University Pilot Plant Operations - Reduction of \$55,749 EDIF.

## **Business Development**

The agency suggests:

- Reduction in Advertising - Reduction of \$80,000 EDIF.
- Reduction in Funding for the Kansas Industrial Training/Kansas Industrial Retraining Program - Reduction of \$194,394 EDIF.
- Reduction in Small Business Development Centers Grants - Reduction of \$46,175 EDIF.
- Reduction in Certified Development Companies Funding - Reduction of \$37,500 EDIF.
- Reduction in Transfer to the Kansas Economic Opportunities Initiatives Fund - Reduction of \$106,788 in the transfer from the Economic Development Initiatives Fund to the Kansas Economic Opportunities Initiatives Fund.
- Reduction in Transfer to Kansas Existing Industry Expansion Fund - Reduction of \$17,009 in the transfer from the Economic Development Initiatives Fund to the Kansas Existing Industry Expansion Fund.
- Reduction in Contractual Services - Reduction of \$15,000 EDIF.

## **Trade Development**

The agency suggests:

- Reduction in the Kansas International Trade Show Assistance Program - Reduction of \$71,148 EDIF.

## **Travel and Tourism**

The agency suggests:

- Reduction in Attraction Development Grants - Reduction of \$154,043 EDIF.

## **Community Development**

The agency suggests:

- Reduction in Community Capacity Building Program Grants - Reduction of \$48,867 EDIF.

## **Housing Development**

The agency suggests:

- Funding Shift of Match for HOME Investment Partnership Program - Reduction of \$25,295 EDIF.

# KANSAS TECHNOLOGY ENTERPRISE CORPORATION

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Expenditure	Actual FY 02	Agency Est. FY 03	Governor Rec. FY 03	Agency Req. FY 04	Governor Rec. FY 04
<b>All Funds:</b>					
State Operations	\$ 2,601,191	\$ 2,757,587	\$ 2,625,057	\$ 2,880,077	\$ 2,384,643
Aid to Local Units	0	0	0	0	0
Other Assistance	11,887,194	13,361,457	13,361,457	14,235,003	11,569,177
<b>TOTAL</b>	<b>\$ 14,488,385</b>	<b>\$ 16,119,044</b>	<b>\$ 15,986,514</b>	<b>\$ 17,115,080</b>	<b>\$ 13,953,820</b>
<b>Economic Development Initiatives Fund:</b>					
State Operations	\$ 2,162,880	\$ 2,588,380	\$ 2,455,850	\$ 2,470,926	\$ 1,904,253
Aid to Local Units	0	0	0	0	0
Other Assistance	9,017,952	10,493,215	10,492,215	11,365,761	8,699,935
<b>TOTAL</b>	<b>\$ 11,180,832</b>	<b>\$ 13,080,595</b>	<b>\$ 12,948,065</b>	<b>\$ 13,836,687</b>	<b>\$ 10,604,188</b>

## FY 2003

**The agency estimates** FY 2003 operating expenditures of \$16,119,044 of which \$13,080,595 is from the Economic Development Initiatives Fund.

**The Governor recommends** FY 2003 operating expenditures of \$15,986,514 of which \$12,948,065 is from the Economic Development Initiatives Fund. The Governor's recommendation includes a reduction of \$132,530 from the approved budget to adjust Salaries and Wages for positions which have been vacant.

## FY 2004

**The agency requests** FY 2004 operating expenditures of \$17,115,080 of which \$13,836,687 is from the Economic Development Initiatives Fund. The request includes the enhancements outlined in the table below.

**The Governor recommends** FY 2004 operating expenditures of \$13,953,820 of which \$10,604,188 is from the Economic Development Initiatives Fund. The recommendation includes the reduction package outlined in the table below.

### FY 2004 ENHANCEMENTS

Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Agency Operations	\$ 0	\$ 212,000	0.0	\$ 0	\$ 0	0.0
Product Development Financing	0	450,000	0.0	\$ 0	\$ 0	0.0
Commercialization	0	600,000	0.0	\$ 0	\$ 0	0.0
Centers of Excellence	0	615,959	0.0	\$ 0	\$ 0	0.0
EPSCoR	0	284,041	0.0	\$ 0	\$ 0	0.0
MAMTC	0	292,477	0.0	\$ 0	\$ 0	0.0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 2,454,477</b>	<b>0.0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0.0</b>

#### Enhancement Detail

- Agency Operations - \$212,000 (\$140,761 EDIF). The additional funding is requested to shift partial funding of the agency's operations from the KTEC Holdings Fund to state funds.
- Product Development Financing - \$450,000 EDIF. The agency requests the additional funding to allow four to six additional companies to be funded through the Small Business Innovation Research (SBIR) program.
- Commercialization - \$600,000 EDIF. The additional funding is requested to increase seed capital investment funds to the regional network of technology incubators.
- Centers of Excellence - \$615,959 EDIF. The request is made to return the Centers of Excellence to the FY2001 level of funding.
- Experimental Program to Stimulate Competitive Research (EPSCoR) - \$284,041 EDIF. The agency requests the additional funding for the EPSCoR program to help improve basic research at the university level.
- Mid-America Manufacturing Technology Center (MAMTC) - \$292,477 EDIF. The additional funds are requested to restore field engineering positions used to provide direct, shop floor assistance to small manufacturers.

**The Governor** does not recommend the requested enhancements.



FY 2004 REDUCED RESOURCES PACKAGES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
MAMTC	\$ 0	\$ (88,219)	0.0	\$ 0	\$ (88,219)	0.0
Centers of Excellence	0	(146,813)	0.0	0	(146,813)	0.0
EPSCoR	0	(133,229)	0.0	0	(133,229)	0.0
Commercialization	0	(69,323)	0.0	0	(69,323)	0.0
Product Development Financing	0	(73,984)	0.0	0	(73,984)	0.0
Agency Operations	0	0	0.0	0	0	0.0
TOTAL	\$ 0	\$ (511,568)	0.0	\$ 0	\$ (511,568)	0.0

**FY 2004 Reduced Resources Package**

The agency's budget request includes a reduced resources package totaling \$511,568 with a reduction in funding from the Economic Development Initiatives Fund of \$582,807.

The agency suggests:

- Mid-America Manufacturing Technology Center (MAMTC) - Reduction of \$88,219 EDIF.  
**Staff Note:** The agency states that the funding reduction in this program could result in a 2:1 loss of federal dollars.
- Centers of Excellence - Reduction of \$146,813 EDIF.
- Experimental Program to Stimulate Competitive Research (EPSCoR) - Reduction of \$133,229 EDIF.  
**Staff Note:** The agency states that the funding reduction in this program will result in the loss of two federal grants totaling approximately \$1,500,000.
- Commercialization - Reduction of \$69,323 EDIF.
- Product Development Financing - Reduction of \$73,984 EDIF.
- Agency Operations - Shift of \$71,239 in funding from the Economic Development Initiatives Fund to the KTEC Holdings Fund.

The Governor concurs with the agency's suggestions.